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EDITORIAL

As We See It

THE YEAR AHEAD

There is at least one forecast about the coming 12-month period that can be made without hesitation. It will be an interesting, tense, and possibly a pivotal year in our history. The Russian sputniks may well have alarmed us unduly and hurt our standing with many other peoples far more than there is just ground for, but there is not much room for doubt that we have lagged seriously in some phases of the arms race. This year should reveal whether we can and will now apply ourselves with the vigor necessary to overcome the handicap we now suffer. A great deal will depend upon the answer, possibly our very lives, certainly real progress toward a peaceful world. For our part, we have no doubt of the outcome provided we — the politicians especially included—go at the tasks with a full measure of assiduity and freedom from petty politics in this an election year.

In the past it has usually taken an actual war and very real and present danger to arouse us to such tasks as those we must now undertake in peacetime. There are, however, aspects of the current situation, psychological and other, which should serve to induce a potent drive in us even as did Pearl Harbor. At the same time it must be admitted that some very real problems confront us, problems about which in some instances at least there are real differences of competent opinion and problems which cut across prejudices and vested interests. Time will tell how effectively the Administration and Congress can cope with the situation. Much will depend upon

Continued on page 121

Significant Aspects of Law Concerning Mergers

By ARTHUR H. DEAN*

Senior Partner, Sullivan & Cromwell, N. Y. City

Noted lawyer explores for the businessman actual complaints used in cases under Section 7 of Clayton Act. Mr. Dean notes: (1) customary business goals—market position, diversification, consumer acceptance—may be used against a corporation when expansion is by external acquisition rather than internal growth; (2) paradox may result from attempting to reverse supposed industrial concentration trend while charging business with responsibility in national defense, full employment and research, and (3) reliance upon good intentions is insufficient antitrust defense. Counsels companies to respond objectively to their lawyers' questions for sound analysis.

The philosophy underlying our antitrust laws is that competition in a free market provides the best assurance of the continued development and growth of our nation. I think it fair to say that this philosophy is, as a general matter, generally accepted in this country.

I say "in this country," because in my own recent experience in dealing with the question of the extra-territorial application of the United States antitrust laws, I have become vividly aware of the strongly held opinions of many other nations—not all other nations—that nationalized industry, or even cartels if you will, provides the best framework for their own economic progress.¹

And I say that the policy of competition is accepted "as a general matter" in this country, because there are instances in which competition is only

Continued on page 45

*An address by Mr. Dean before the American Management Association's National Conference on Mergers and Acquisitions, New York City.

¹See Dean, *Extraterritorial Effects of the Antitrust Laws: Advancing the Client*, speech delivered July 25, 1957 at American Bar Association Convention in London.



Arthur H. Dean

Business and Finance Speaks After Turn of the Year

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

HON. ROBERT B. ANDERSON

Secretary of the Treasury

This period in history is a major opportunity that we as individuals have to contribute to the improvement of man's well-being. In our time we may well help to determine for many generations to come the form in which people can best be governed.

One key to the success of our nation, in its government and in its economic life, has been the willingness and ability of the American people to accept self-discipline and responsibility.

With our freedom goes heavy responsibility, resting on each one of us individually and on every group participating in our national life. It rests upon businessmen, workers, farmers, investors, housewives—and government. All of us must rise above the transient and trivial to follow a course of action designed to provide necessary security as well as to better the lot of all our people.

Such a course is not easy. It demands living with facts as they are. We must make hard choices based on a multitude of complexities, none of which can be pushed aside or considered apart from the others.

The course of our Government in meeting its many responsibilities and financing them must, I believe, be

Continued on page 30



Robert B. Anderson

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The Security I Like Best

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

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

GERALD S. COLBY

General Partner, du Pont, Homsey & Co., Boston, Mass.
Members New York, Boston and American Stock Exchanges

American Petrofina Co.

The Security I Like Best from a strictly capital gain viewpoint is American Petrofina, currently available on the American Stock Exchange at a price (11) approximating that at which stockholders received subscription rights in 1956. Since that date, the shares have sold as high as 18% and, on the reaction side of the market, 9 3/4%. Why a lesser known oil stock when the current petroleum supply situation is dimming the attraction of leading petroleum shares? "API" is one oil situation that I believe can double in market value in the coming 12 to 18 months.



Gerald S. Colby

American Petrofina is the one petroleum enterprise that can be said to have had a planned future from date of incubation to ultimate realization of its goal as a completely integrated oil company from seismograph crew to gas pump. The company was set up to start operations Oct. 1, 1956, by Belgium's Compagnie Financiere des Petroles, the newest of 60 affiliates of this huge and highly successful operation. First it had to have management, skilled not only in the operation of an integrated petroleum enterprise, but also with the know-how and acquaintance to put such an operation together from the ground up. Harry Jackson, a Vice-President of Tidewater, was chosen to head up the new company with orders, according to "Fortune Magazine," "to build an oil empire in the United States."

The first step in the program was the acquisition of Panhandle Oil Corp. which brought to "API" some 15,000,000 bbls. of oil and condensate reserves, 100,000,000 MCF of natural gas reserves, an 8,000 bbl. per day refinery, 250 marketing outlets, 250,000 acres of undeveloped leaseholds, \$4,000,000 of net current assets, and other assets which were approximated by a like amount of debt.

The second step was an active analysis of available companies which would geographically and economically further the growth pattern set up by the management, a process that led to the purchase of the American Liberty Oil Co. of Dallas, Texas, for \$26.5 million in cash and notes, plus the assumption of about \$6 million of American Liberty debt. Holdings accruing to "API" through this purchase included 13,000,000 bbls. of oil and condensate reserves, 30,000,000 MCF of natural gas reserves, a 16,000 bbl. per day refinery, 165 miles of pipelines, 400 marketing outlets, 800,000 acres of undeveloped leaseholds, and \$2.5 million of other assets.

Combined, the assets of the two acquisitions increased the assets of Petrofina to approximately \$88,000,000, the combined physical properties including two Texas refineries with capacities approximating 24,000 bbls. daily, some 650 retail outlets in Texas, Oklahoma, Louisiana and New Mexico, 7,000 bbls. of daily crude production, oil and gas reserves estimated at 28,-

000,000 of crude oil and condensate, 130,000,000 MCF of natural gas, and over 1,000,000 acres of undeveloped leaseholds.

Pretty good for a company in its second year of existence, considering that reported net this year should more than double the 11c reported for 1956, and cash flow is estimated at something in the neighborhood of \$1 on the outstanding 5.3 million common shares, but—there is undoubtedly more to come. Present cash and equivalent position is believed to be about \$20 million, and there hasn't been a more ideal time in the fifties than right now for the active propagation of a plan such as Petrofina's for acquisitions of petroleum properties. Viewed from the protective standpoint in possibly weak general markets, "API" looks all right too. Reported book is now about \$8.50; a conservative appraisal of reserves plus cash and physical assets minus liabilities places value in the 10 to 11 range. Cash dividends are unlikely over the near term, small stock dividends (3% to 5%) appear a reasonable expectancy.

HARRY P. SCHAUB

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

American Hospital Supply Corporation

One of the securities which I like best is one which I first presented in this column on June 16, 1955. The fact that I am willing to repeat it is an indication of how much I still like this company. At that time American Hospital Supply Corporation was selling at 28 and paying a dividend of \$1.20. Today the stock, traded in the Over-the-Counter Market, is selling at 41 and the dividend was just increased to an annual rate of \$1.60.



Harry P. Schaub

Any security analyst reviewing the operation and progress of this company must have difficulty restraining his enthusiasm. Here is a company with an excellent management team (average age: 39 years) and an impressive record of growth in an essential business. There has been a steady increase in sales going back as far as 1932. Since 1947, when sales were \$11.9 million, there has been an increase of 357% to Net Sales of \$54.4 million recorded for 1956. Figures for the first nine months of 1957 show sales up 14.5%. Earnings per share for the same nine months were \$2.77 on a larger number of shares outstanding compared with \$2.14 for the same 1956 period—an increase of 29%. The quarterly dividend has been increased twice within the past year to an annual rate of \$1.60 which provides a very satisfactory return for a growth company of this type.

American Hospital Supply, including its 10 subsidiaries, is the largest distributor of supplies and equipment used by hospitals and similar institutions. Products include about 14,000 items and their sales are about twice the size of their nearest competitor. The Company, is able to furnish practically everything a hospital might use with the exception of food, most drugs, and X-ray equipment. About 85% of its sales are in expendable type goods that have to be continually re-ordered.

This Week's Forum Participants and Their Selections

American Petrofina Co.—Gerald S. Colby, General Partner, du Pont, Homsey & Co., Boston, Mass. (Page 2)

American Hospital Supply Corp.—Harry P. Schaub, President, Harry P. Schaub, Inc., Newark, N. J. (Page 2)

Constantly on the alert to develop new products and services, the Company organized in 1955 a wholly-owned subsidiary AHESCO (American Hospital Supply Export Corporation) for the purpose of developing hospital supply, equipment, furnishing and specialty sales in Central and South America. 1957 saw the completion of a \$3.1 million contract with the government of Peru to fully furnish, equip and supply a new 845-bed military hospital in Lima. This one contract alone has proved the results which are obtainable from an aggressive exploration of sales expansion opportunities in Latin America.

Research and development activities resulted in the introduction of 300 exclusive new products during the past year. American's latest acquisitions include Dade Reagents, Inc. a leader in the research and development of blood typing serums and synthetic laboratory control materials acquired in mid-1956. In October 1956 the American Wheel Chair Company was purchased. This company is the nation's third largest manufacturer of wheel chairs, walkers, get-about chairs, folding commodes and accessories. These latest acquisitions have contributed and should continue to contribute to the Company's upturn in sales and earnings. Unfortunately, space does not permit a discussion of other important acquisitions in recent years whose potential has not yet been fully developed and whose product lines will strengthen American's already strong sales position in the hospital supply field.

Today about 110,000,000 Americans have some form of hospital insurance. Facilities of hospitals are taxed to capacity and construction of additional facilities is badly needed. Since 1953 the number of general hospital admissions has more than doubled. In the same period the total budgets of America's general hospitals have increased by more than 50%. Under the Hill-Burton Law, Congress has extended the program of providing Federal funds for assistance in the construction and remodeling of hospitals and related health institutions. The Federal appropriation for this year alone is \$123.8 million. Expenditures under the \$200 million Ford Foundation grants to some 3,500 non-profit hospitals is another contributing factor. The long-term outlook for hospital construction is for a sustained high level of activity due to rising suburban population, increasing membership in hospital insurance plans, the need for replacement due to obsolescence and the continuing advance of medical science.

Hospitals now rank as the nation's sixth largest industry. Approximately 95% of these institutions are regular customers of American Hospital Supply. Under peace or war, there can be no decline in hospital service. With American being the largest supplier, the uncertainty about future business prevalent in many industries does not exist in this most attractive situation. From the investor's viewpoint, all of these factors indicate that this Company faces a most promising future. At current price levels the stock is selling at only nine times per share earnings (estimated at \$4.20-\$4.40 for the year) to yield 4% on the current annual dividend.

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Security Prices in the 1960's

By S. D. SLATER

Shields & Co., Members New York Stock Exchange

Market analyst, stressing the long-term approach to the market, cites as the crucial factors the technological revolution a prospective large population increase, impossibility of a war of annihilation, and the permanence of democratic capitalism. Maintains effects of technological and population factors, resulting in enormous expansion of American economy, will be felt early in the next decade. Concludes in 1960's investors should witness one of most spectacular bull markets in history, with Dow Jones Average eventually reaching 1200. Lists investment opportunities in specific issues to benefit from advanced technology.

It is occasionally essential for investors to take the long view, to set in broad perspective their day to day and month to month security activities in order to maximize profits over an extended period of years. To do this we must stand back for a moment, away from sputniks and missiles, cold war charges and counter-charges, the President's health and the trend of carloadings and inventories.



S. D. Slater

We must, if we can, comprehend the broad movement of recent world history, the incredible technological and international transformation that has taken place since the end of World War II, and the destiny of America's political and economic institutions within the framework of these historical changes.

After the war, the entire world suddenly split in two, with Russia and the communist nations at one pole and the United States and the capitalist democracies at the other. This happened in the midst of a technological revolution which, though still in its infancy, has already produced the H-bomb, fantastic electronic achievements, and the practical forerunners of space travel. The intelligent investor, looking ahead, must determine what the impact of this combination of circumstances will be on his own position.

Peering into the future, as far ahead as reason and common sense will take us, a number of things now seem clear. First, just as the nineteenth century witnessed a mighty industrial revolution, the twentieth century is now experiencing the very early stages of a technological revolution. The former was the application of the machine process to production. The latter is the application of swiftly advancing technology to the machine process (automation, for example) and to all aspects of life.

The Technological Revolution

The present technological revolution is proceeding at an accelerating rate, and will be greatly intensified by the American-Soviet rivalry in military technology. Its impact on our civilization will be

even more profound than was the impact of the industrial revolution on a nineteenth century agrarian society. The nuclear, electronic and interplanetary (satellite-missile) innovations we have already seen in the past 12 years—*incredible though they are*—will be dwarfed by the technological innovations yet to come in the next few decades.

A second fundamental consideration for the far-sighted investor is the projected population growth of the United States. Most of the authoritative estimates by governmental and private research organizations place the nation's population by 1970 at 210-215 million, up from about 171 million persons in 1957. This is an increase of some 40 million people—an amount larger than the total present population of many of the important nations of the world. The materialization of 40 million new customers for American industry would itself have an enormous impact on the economy of the 1960's.

But when this is accompanied by, and combined with, a swiftly-moving revaluation in technology, the demands on our industrial ingenuity and productive capacity will be unprecedented, except perhaps for the war years of 1942-45. Gross national output by the end of the 'sixties (stated in 1957 dollars) could rise perhaps 60% above the \$435 billion of this year, or to approximately \$700 billion.

The third long-term factor of investment significance is the most obvious one, but today it is somehow not clearly understood: World War III, involving the Western capitalist and Eastern communist nations, will not happen. History demonstrates that there must be a preponderance of strength—actual, calculated or imagined—for one side to initiate a war against another, or for two sides to become engaged in a conflict as an outgrowth of a gradual process of mutual provocations.

In the years ahead, though temporary advantages will be achieved from time to time by one side or the other, it is hardly likely that any really decisive technological and military superiority for either camp will emerge in the rivalry between the democratic and communist power blocks. Two equally-matched titans have nothing whatsoever to gain by destroying each other.

Further, though not necessarily the ultimate weapon, at least an absolute weapon is now virtually

Continued on page 16

INDEX

Articles and News

Significant Aspects of Law Concerning Mergers—Arthur H. Dean	Cover
Security Prices in the 1960's—S. D. Slater	3
The Tired Rails—Ira U. Cobleigh	4
Business and Employment Do Not Live by Credit Alone—William McChesney Martin, Jr.	6
Foreign Investment and Economic Development—Hon. Douglas Dillon	10
The Outlook for 1958—Henry J. Simonson, Jr.	12
Real Estate Securities Market Offers Investors Good Yields—Harry R. Amott	13
Will the Economy Turn Upward?—Charles A. Schmutz	17
Is Inflation the Underlying Problem?—Richard Nicodemus	19
Explosive Effects of Population Changes in America—Philip M. Hauser	21
Recovery of Sterling and World Trade—Hon. G. F. Thorold	24
Our Present Tax Structure Is Eroding Faster Each Day—Sen. Thomas B. Curtis	24
The Peanut and the Sputnik—Hon. Clare Boothe Luce	26
1958 Graduates Should Start Seeking Jobs Now—Roger W. Babson	27
Pressures for Expansion—Charles Leese	28
What We Cannot Ignore in Public vs. Private Power—S. C. Hollister	29
Pursuit of Two Objectives in Supervising Securities Market—Andrew Downey Orrick	39

BUSINESS AND FINANCE SPEAKS AFTER THE TURN OF THE YEAR

Starting on the cover page of today's ANNUAL REVIEW AND OUTLOOK ISSUE, we present the opinions of leaders in Government, Industry and Finance regarding the outlook for business in 1958. [Commentaries which could not be accommodated in today's issue will be given in the issue of Jan. 23.—Editor.]

In the SECOND SECTION of today's issue will be found our usual tabular record of the high and low prices, by months, of every stock and bond issue in which dealings occurred on the New York Stock Exchange during 1957.

President Eisenhower Submits Record Peace Time Budget to Congress	22
President's State of the Union Message	43
First National City Bank's "Letter" Hails Tight Money as Recession Curb	115
Regular Features	
As We See It (Editorial)	Cover
Bank and Insurance Stocks	121
Coming Events in the Investment Field	9
Dealer-Broker Investment Recommendations	8
Einzig: "Effect of Mr. Thorneycroff's Resignation as British Treasurer"	20
From Washington Ahead of the News—Carlisle Barger	20
Indications of Current Business Activity	130
Mutual Funds	118
News About Banks and Bankers	14
NSTA Notes	131
Observations—A. Wilfred May	4
Our Reporter on Governments	59
Our Reporter's Report	9
Public Utility Securities	17
Railroad Securities	21
Securities Now in Registration	124
Prospective Security Offerings	128
Securities Salesman's Corner	120
The Market . . . and You—By Wallace Streete	18
The Security I Like Best	2
The State of Trade and Industry	5
Washington and You	132

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The Tired Rails

By DR. IRA U. COBLEIGH
Enterprise Economist

A swift review of the historic statistics of railway securities, together with some comments about their attractiveness in the markets of today.

At the turn of the century leading railway shares were regarded as among the choicest of equities, and first class collateral for bank loans. Railways in those days were virtual monopolies in transport. They were and have been increasingly regulated; by the Interstate Commerce Commission beginning in the 80's; by legislation in the ensuing decades, and by the Esch-Cummins Law in 1920, which allowed a fair but not unreasonable return on capitalization. This was interpreted to mean 6% on such valuations as were established for rate making purposes.



Ira U. Cobleigh

But this long series of regulatory measures, however much it may have been justified by early abuses such as rebates and reckless policies of financial management, creates an unrealistic restriction on railway activities today. Now, far from being mo-

opolies, railways are challenged at every level: by pipelines; by airplanes which yearly advance their percentages of the total passenger travel; by trucks, buses and motor cars which ceaselessly take away business from the railroads by use of publicly built, owned and maintained rights of way; and by barge and boat traffic on publicly maintained waterways. The railways all the while have to run their trains on private rights of way paying taxes every inch of the way.

The 1930's saw one-third of our railway mileage in bankruptcy and although many notable restorations to solvency and high profitability have been achieved since, their shares have been quite unable to regain the exalted investment repute they once enjoyed. True, during World War II, their operating record in providing the major transportation service in the country was magnificent and, for a period directly after, railway equities attracted a considerable market following, accompanied by a substantial resurgence in earning power.

More recently, however, new problems have loomed on the horizon: dwindling traffic accompanied by rising costs. Railway labor was boosted 12 cents an hour last November and another

7% boost is due 11-1-58; passenger, especially commuter, traffic losses are mounting; the financial burden of running light traffic density lines continues; accelerated depreciation has run out; and the senseless 3% freight excise tax is still on the books. All of which has vouchsafed to the rails some dreary earnings statements, and weak stock market performance. Just look at the record for 1957 in the accompanying table.

A unique performer was Central of Georgia whose common stock opened and closed the year at exactly 44, although a 5% decline in net for the first eleven months was recorded.

When, on balance, the picture and performance of the rails has been so discouraging, how shall we view this class of security for 1958? Before we sing the blues too despairingly, let's consider what made the rails good in the first place: (1) an all cash business with no inventory problem, (2) capacity to handle a big increase in business without adding importantly to existing equipment or operating costs, (3) historic steady rise in economy and efficiency of operation (dieselization, automatic train control, freight classification yards, etc.), and (4) substantial reduction in debt (and increase in equity), especially in the past 15 years.

The Interstate Commerce Committee of the Senate has taken note of the present plight of the railroads and as a result sub-committee hearings are now underway. Some help may be forthcoming, possibly in facilitating the abandonment of uneconomic lines, and providing greater latitude in railway rate making, and reduction or elimination of the 3% freight tax, and 10% passenger tax.

So even considering the somewhat dreary present panorama of the rails, there are occasions for a modicum of optimism based on the following: (1) the sustained good performance of a few, (2) the benefits to be obtained by a number of mergers now under discussion, (3) the rise in non-rail earnings of many lines from real estate or mineral holdings, (4) the possible subsidy of commuter traffic, (5) savings from service abandonments, (6) possible reductions in local taxes, and (7) possible correction of certain costly union "feather-bedding" operational practices.

Now all this does not add up to blythe bullishness on the rail list. But it does suggest that the gloom may have been overdone. Certainly there are a number of rail shares yielding between 6% and 10% whose current dividend rates appear tenable for 1958. Among these, some judicious selections at the present time may not be amiss. Which ones? In general, those that have performed best in 1957 would be our candidates for 1958.

On the basis of height of yield, performance in 1957, and capacity to approach its 1956 closing price of 28 1/4, we would cite Nickel Plate. Selling at 19 3/4 with an indicated yield of over 10% based on the \$2 dividend, this well managed line should not be ignored.

Chesapeake and Ohio and Norfolk and Western both pay a \$4 dividend which the current trends of earnings can support. At 50, CO offers an 8% yield while NFK shows a 6.8% return at 58 1/2. NFK has paid continuous dividends since 1901. It does not appear that the unusually generous returns now obtainable from these Pocahontas carriers should frighten one away from equities of such traditional quality.

The earnings of Northern Pacific should hold up particularly because of rising revenues from the Williston Basin petroleum lands. NP at 33 with a \$2 dividend, yields 6%.

Baltimore and Ohio common was a volatile performer in 1957

Observations . . .

By A. WILFRED MAY

1958 — THE PROS AND CONS



A. Wilfred May

At this fast-and-furious forecasting season, this column devotes its contribution, for the convenience of its readers, to listing both the ten most important constructive and destructive economic factors facing us in 1958.

We hasten to inject the reservation that our observations are not to be considered as carrying any implications as to the future of the stock market. We take this position because there is no assured correlation between the eventualities in the economic and business spheres on the one hand and the market's performance on the other (cf. 1926-'28, 1939-'42, 1946-'48, and 1950-'51); and because of the investment community's proclivity to devote its attention to those particular factors which accord with its mood of the moment, subsequently "explaining" the market's performance by fitting thereto its interpretation of "the economics."

Thus, in reviewing our similar citations of last January, we note that several of the factors in the bullish category which turned out as expected—as the intensification of international tension with its stimulus to spending, and "Eisenhowerism"—were (along with the Sputniks) after the market's turn-about, contradictorily construed as bearish; while others of the bullish arguments—as the fourth quarter's credit easing, and further "inflation"—were ignored in the market's subsequent fall.

The long-term market aspects are another matter—eliciting our prescience in a subsequent article.

On the Stimulating Side

(1) Expanding outlays by Federal, State and local governments. ranging between 58% and 22%. At 24 it seems pretty well discounted, and with any turnabout in traffic, the high leverage of this common should swiftly operate to improve earnings and animate price quotations. B & O earned \$10.85 a share in 1956. It could do so again.

There is no particular reason why Union Pacific and Southern Pacific should not be given favorable current consideration. SX at 35 1/4 paying \$3 yields over 8 1/2%.

Western Pacific and Denver and Rio Grande have carried on well enough to preserve stockholder equanimity, and should turn in satisfactory results again this year.

The position of some of the Eastern roads is less assured. Hard hit were Erie, Lehigh Valley, New Haven, New York Central and Pennsylvania. Of these, the swiftest in recovery might be New York Central, but all must look to some rise in traffic and, in some instances, better cost controls, if 1957 results are to be bettered in 1958.

The rails as a group are indeed tired. But they've been tired before, and sick too; and recovered dramatically. Somewhere among the shares referred to above, there's a real bargain and a market leader for 1958. We sincerely hope you can single it out!

(2) The Sputnik developments, with their manifestation of a stepped-up Soviet threat re-accelerating our Defense Program.

(3) In any event, as indicated in the President's Budget message, deficit financing in this and probably the next fiscal year—with a rise in the debt ceiling.

(4) An increase in consumer purchases, by about \$11 billion.

(5) A rise in home buying, by about \$1 billion.

(6) Despite any soft spots, a gross national product (GNP) at record levels between \$440-\$450 billion.

(7) The Government's functioning as pump-primer in case of necessity, with road-building and public works programs that are ready.

(8) The price and production readjustments already accomplished, as in textiles, with the consequent healthy inventory situation.

(9) Further easing of money.

(10) The economy's continuing expansion stimulated by population growth and vast research activities.

On the Retarding Side

(1) The current decline in business capital expenditures for new plant and equipment, and in other business spending.

(2) Pressure on profit margins and corporate earnings.

(3) A re-directing of defense outlays, with resulting dislocations.

(4) Possible intensification of punitive taxation.

(5) General economy's dislocation, from past inflation-and-production.

(6) A possible decline in farm cash receipts.

(7) Labor-management strife.

(8) Unsatisfactory automobile sales and production, with the reaction on production by other basic industries.

(9) Increasing unemployment.

(10) And!—the unanimity of the expectation that business will pick up after a first six-months' "slide."

Toronto Bond Traders Annual Dinner in April

TORONTO, Ont., Canada—The Toronto Bond Traders Association will hold its Annual Dinner on Friday, April 11, at the King Edward Hotel.

Houston Stock and Bond Club Field Day

HOUSTON, Tex. — The Stock and Bond Club of Houston will hold its annual Field Day at the Lakeside Country Club on Friday Feb. 21.

Conducts Investment Class

John V. Torrisi, registered representative with Harris, Upham & Co., will conduct a 10-week course on Security Investments and Income Management, beginning Thursday, Jan. 23, at 7:30 p.m. in the Washington Junior High School, Mount Vernon, N. Y.

Market and Earnings Slippages of Certain Rails in 1957

Railroad	Share Prices		% Decline	Decline in Net Inc. (11 mos.)
	12/31/56	12/31/57		
Atchison	26 1/4	17	35.2	16.3%
Chic. North Western	23 3/8	12	49.2	*
Dela. Lack. & Western	24 7/8	6 1/2	73.8	84.7
Erie	19%	6 1/2	66.9	48.2
Louisville & Nashville	87	56 1/2	35.1	31.9
Missouri Pac. "A"	40 3/4	20 7/8	48.8	20.6
New York Central	33 3/8	13 3/8	58.4	74.5
Pennsylvania	21 1/4	11 3/8	46.5	47.0
Northern Pacific	39 3/8	32 3/4	16.8	0.8
Seaboard Air Line	35	21 5/8	38.2	9.3
Southern Pacific	44 7/8	34	24.2	2.2
Union Pacific	30 1/4	24 1/2	19.0	0.7

This was the bad news. There were a few bright spots.

Superior Performers Among the Rails in 1957

Railroad	Share Prices		% Increase	Increase in Net Inc. (11 mos.)
	12/31/56	12/31/57		
Denver & R. G. Western	41%	34 1/2	16.6	10.1%
Virginian †	29 3/8	26 7/8	10.0	25.8
Western Maryland	55 3/8	49 1/2	10.6	10.1
Western Pacific	60 1/8	42 1/2	29.3	17.7
Norfolk & Western	70	55	21.4	12.0

* Deficit. † Adjusted for 2 1/2 for 1 stock split.

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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 steel industry this week the nation's steel mills may have seen the worst of steel inventory cutbacks by their customers. "The Iron Age," national metalworking weekly, states in its current review of the steel market.

This ray of hope in an otherwise dark picture came to light this week. Steel analysts figure that inventory cutting hit its peak in the fourth quarter of 1957 and that from now on less of the steel chewed up by metalworking plants will be taken from inventory.

This trade weekly adds, it is estimated that finished steel stocks held by industry dropped from a high of 22,500,000 net tons in first quarter of 1957 to about 16,500,000 tons at the end of last year. The heaviest cuts 3,200,000 tons came in the fourth quarter.

Steel sources figure that industry will drop another 3,000,000 tons from inventory during the next three months. But only about 1,000,000 tons will be taken from users' stocks in the second quarter.

This means, says "The Iron Age," that user inventories of steel will be down to 12,500,000 tons by mid-year or equal to the low point reached in the recession year of 1954. "This is considered rock bottom for the current level of economic activity," adds the metalworking weekly.

"All this," says "The Iron Age," "points to a pickup in steel shipments in the second quarter and a steady improvement in the sec-

ond half. If steel use holds up this will almost certainly be the pattern. Steel men are hopeful that industrial activity will not sag seriously enough to upset this analysis." Steel inventories in the hands of some companies have just about touched bottom.

The biggest drag on the steel market continues to be automotive demand. Automakers are economy-minded. This mood, in turn, has affected the production and outlook of auto parts makers. The auto companies are still cutting back on production and laying off workers. It is estimated that by the end of January automotive employment will be off 35,000 from what it was at the beginning of the month.

"The auto companies aren't ordering steel, and it doesn't look as if they are going to—at least not in any quantity," says "The Iron Age." "Steel salesmen say the auto industry isn't giving any indication of what it expects to order in March and February orders are made up mostly of tonnages shoved back from January."

Steel men are encouraged by the slow but steady improvement in housing starts. This could mean a pickup in appliance sales and even auto purchases in the coming months. Other good signs from a steel standpoint include the substantial backlog of manufacturers' orders, a volume considerably greater than in the same period of the 1954 recession, and the rate

of incoming manufacturers' orders on the basis of latest figures.

The employment situation discloses the fact that more workers were drawing on unemployment insurance in the week ended Dec. 28 than at any time since February, 1950, a report from the United States Department of Labor showed.

The Department's Bureau of Employment Security said the latest figure was 2,360,400, up 406,200 from the week before. The figure for the corresponding week of 1957 was 1,467,540, or a rise of 266,000 from the previous week.

The bureau said the increase reflected both seasonal changes and further reductions in manufacturing and trade.

A spokesman said the last previous week that topped the current figure was Feb. 21, 1950, when 2,391,000 were drawing unemployment compensation through the Federal-state program.

Since then, the official reported 10,000,000 more workers have become eligible for the benefits. The current number of insured unemployed is only 5.7% of the number eligible, compared with 6% in early 1954 and 7% in early 1950, he added.

New claims for unemployment payments declined in the week ended Jan. 4, the Bureau noted. The drop was 22,900, to a total of 531,000. In the corresponding week of 1957, new claims totaled 343,900.

In the automotive industry the first full week of production by United States automotive manufacturers found 1958 opening at a pace 16% below 1957, "Ward's Automotive Reports," stated on Friday of last week.

Planned the past week were 140,040 vehicles, including 121,292

passenger cars and 18,748 trucks. A year ago the total of 167,451 was composed of 147,129 cars and 20,322 trucks.

Although strikes at Chrysler Corp. and Lincoln Division of Ford Motor Co. contributed to the decline, "Ward's" observed that a softening in production compared to last year is much in evidence.

It also reported that Saturday work has virtually been eliminated by manufacturers who only a month ago were making constant use of overtime.

Only Chevrolet's Baltimore, Md., assembly plant and St. Louis Corvette unit were scheduled to operate on Saturday, last "Ward's" said. However, the division's Tarrytown, N. Y. plant worked only half days Monday through Friday because of a strike of a local shipping firm.

Ford Division had four of 15 assembly sites idle as of Friday, last, while Lincoln's factory at Wixom, Mich., was closed by a strike Monday afternoon of the past week and has not yet resumed production.

"Ward's" pointed out that in the first complete work week of 1958, General Motors accounted for 53% of industry car production compared to 48.5% in 1957's initial week. Ford Motor Co.'s total last week was 26.5% compared to 30.5% a year ago. Chrysler Corp. fell to 16.5% from 18.5% and American Motors climbed to 3% from 1.5%. Studebaker remained at 1%.

Business inventories dipped for the second straight month in November, The United States Department of Commerce stated.

It reported the book value of manufacturing and trade inventories at the end of November was down \$200,000,000 below the end of October, on a seasonally-adjusted basis, to a total of \$90,900,-

000,000. The October drop which preceded it was the first in nearly three years and came after a succession of moderate increases for the first 10 months of 1957.

The November, 1957, total value of inventories was still ahead of the \$88,500,000,000, seasonally adjusted, for the like month a year earlier. Manufacturing inventories fell by \$300,000,000 to a seasonally adjusted total of \$53,800,000,000. All the decline was in the durable goods group. Retailers' stocks were \$100,000,000 higher, at a seasonally-adjusted total of \$24,300,000,000, and wholesale stocks showed little change at \$12,800,000,000.

An official of the Commerce Department pointed out that "basically, the drop means businessmen find sales are down and they've got too much inventory."

Manufacturing and trade sales at the end of November were \$800,000,000 lower than the month before on a seasonally adjusted basis, the department noted. The \$54,900,000,000 total was also some \$1,400,000,000 below the end of November, 1956 with most of the decline in manufacturing.

At the same time, the department declared retail store sales for December totaled \$19,700,000,000, bringing sales for the full year 1957 to a record of more than \$199,800,000,000. This was 5% above sales for 1956. December sales, after adjustment for seasonal factors and trading day differences, were 1% above November and 2% above December of 1956.

New construction outlays in 1957 showed the first slowdown in twelve years, a joint report by the United States Department of Commerce and Labor disclosed.

While the year's total of new construction put in place was estimated by the above source at

Continued on page 122



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Business and Employment Do Not Live by Credit Alone

By WILLIAM McCHESNEY MARTIN, JR.*

Chairman, Board of Governors of the Federal Reserve System

Dependability of the Federal Reserve to create credit conditions needed to foster high business and employment levels, maintain purchasing power of the dollar, and promote growth, is affirmed by the country's central banking chairman who warns this is not a Federal Reserve task inclusively in as much as "business and employment do not live by credit alone." Mr. Martin predicts 1958 will be a year of opportunity for anyone smart and resourceful enough to offer goods people demand at a price they will pay. Decries Employment Act's failure to refer to money as a standard of value, and discursively reviews our economic and political way of life and harmful consequences of inflation.

In the main entrance to the Federal Reserve Building in Washington, portraits in bronze commemorate two men who contributed, more than any others, to the founding of the Federal Reserve System.



W. McC. Martin, Jr.

They were, as it happens, two of Virginia's outstanding 20th century leaders, Woodrow Wilson and Carter Glass. It is a source of some pride to those of us in the System that the Federal Reserve reflects not only their creative genius, but also their philosophy of public service.

Below the portrait of Senator Glass is an inscription, taken from the book he wrote about the founding of the Federal Reserve System, that we regard somewhat as a testament.

"... In the Federal Reserve Act," wrote Senator Glass, "we instituted a great and vital banking system, not merely to correct and cure periodical financial debauches, not simply indeed to aid the banking community alone, but to give vision and scope and security to commerce and amplify the opportunities as well as to increase the capabilities of our industrial life at home, and among foreign nations..."

Below the portrait of President Wilson is a passage, taken from his first inaugural address, that also furnishes guidance to us even today. These are the words of Mr. Wilson: "... We shall deal with our economic system as it is and as it may be modified, not as it might be if we had a clean sheet of paper to write upon. And step by step we shall make it what it should be, in the spirit of those who question their own wisdom and seek counsel and knowledge, not shallow self-satisfaction or the excitement of excursions whither they can not tell..."

This country has in fact worked its way up to first rank among nations of the world by a process of evolution rather than revolu-

*An address by Mr. Martin before the 91st Annual Meeting of the Richmond Chamber of Commerce, Richmond, Va., Jan. 9, 1958.

tion, by a step-by-step movement — which is still in progress — toward amplifying the opportunities and increasing the capabilities of the individual and therefore of the group.

Other countries have staked their destiny upon systems whereby an all-powerful few decide what's best for the many, and then use the whip of governing authority to drive their people to sacrifice their labor and lives in service to a government whose welfare is considered to stand separate from that of the people themselves.

Our country has placed its faith in a completely different way of life. Here we do not believe that the government should control the people, but that the people should control the government. That applies in economic as well as political and personal affairs.

Reliance on Individual Enterprise

In consequence, the role we have assigned the government in our economic life has been a supplementary rather than a dominant role. For the efficient use of economic resources to bring about a higher standard of life, we have relied mainly upon the enterprise and energy of free people working for better things for themselves, their families, and their communities.

It is obvious that this country has far surpassed all others in material progress while preserving an atmosphere of freedom that—along with the American standard of living—is the envy of the world. Yet, for all that, our choice of the way of life to follow is still a matter of faith.

Of course there are degrees of faith. Some people, stunned by the appearance of a strange moon in our skies, and forgetful that the way we have overcome great military perils in the past has been to regard momentary defeat as a spur to victorious effort, have been troubled by fear that liberty—desirable as it is—carries the price of inefficiency.

Woodrow Wilson had a stronger faith in democracy than that. He expressed it in these words: "The highest and best form of efficiency is the spontaneous cooperation of a free people." For my part, I am convinced that once aroused, as they are now, the American people will meet any threat that any foe can pose.

Our Direct Challenge

However, one of the great challenges we face, perhaps the greatest, is a good deal closer home than outer space. It is the challenge to prove that free societies can be wise enough and disciplined enough to master their economic and financial destinies: to prove ourselves capable of maintaining sustained economic growth, a high level of employment, and reasonable price stability.

This is the most difficult kind of challenge, for it is a continuing challenge. Meeting it requires constant effort—and forbearance as well. The business process is a rational process, not a mystical or magical one, and it can be mastered and improved only by the exercise of reason, backed by a sense of perspective and the discipline of self-control.

We all have a tendency to say that these are the most difficult times the country has ever seen. It seems to me we are always in difficult times. Indeed, I can't remember a time in the last quarter of a century when you couldn't have gotten up and said, amid widespread agreement, that "these are the most difficult times we have ever had."

Chances are it has always been like that. When I was looking forward to visiting Richmond, Va., I became curious about the course of business in this district around the time when the Federal Reserve Bank of Richmond commenced its operations toward the end of 1914.

In the early records of the Federal Reserve in Washington, I found the first annual report for this district by William Ingle, the Richmond Reserve Bank's first Chairman and Federal Reserve Agent. As you may perhaps share my interest, I should like to read briefly from that report.

"During the last four months in 1914," the report said, "business of every nature in the district was in a most demoralized and in many cases a distressed condition. A great crop of cotton could not be sold at cost prices or properly financed until, with the establishment of the Reserve Banks in November, confidence was so measurably restored..."

"It was not until foreign commerce had been reestablished"—I am still quoting the report—"and until general business had been radically readjusted to meet changed conditions that recoveries could be noted. At first haltingly, but gradually with more certainty, the situation improved, until now it is possible to report that business in practically all lines in the fifth district is nearly, and in some instances better than, normal."

"The cotton crop of 1915 is being sold at excellent prices. Grains have yielded gratifying returns. Manufacturers in almost every line are now busy. Labor is fully employed. Jobbers report generous sales and orders for the future to replenish diminished stocks. Coal operators are busy. Railroads

report greatly increased tonnage and correspondingly heavy earnings."

That is the finish of the report. Let me say right here that, after seeing the way it began, I was considerably relieved to find it had a happy ending. I suspect that back in 1915 the happy ending came as a jolt to some people who, at that time, as in all other times, had set their expectations firmly on the worst.

The fact of the matter is that, over the last century, the American economy has experienced some 24 or more full turns of the business cycle, making an average of one complete rise-and-fall about every four years. Of course, some of these movements have been shorter, and others much longer than the average.

Post World War II Cycle

In the 16 years since the attack on Pearl Harbor in December, 1941, the movement has been, with few exceptions, distinctly on the upside. All along, there have been some people who have thought it couldn't continue, and some who have thought it could never end. There was even a time, back in the war days, when many people thought it would never get started at all.

In 1945 there was great apprehension that the problem we were going to face, when the war was over and when millions of men took off their uniforms, would be unemployment on a huge scale, and on all sides, because private business would be unequal to providing jobs for these men.

The same apprehension pervaded Congressional debate on the Employment Act in 1946. The Act was adopted almost unanimously amidst a virtual unity of opinion that it would be necessary for the government to act to create jobs and to see that the transition from military to civilian employment would not be attended by unemployment on the scale suffered in the depression.

Actually, subsequent developments showed that the problem was not one of creating jobs. The ingredients for growth, the technological advances, the opportunities for development in the entire Western world, in the period since the war, have been limitless—and in my judgment still are. The real problem has been sustaining jobs, and holding open the door of opportunity.

Raises Important Questions

Nearly everyone subscribes to the objectives of the Employment Act, but it does seem that we need to give more attention to certain related questions: What is the means of attaining high levels of employment? What is the means of sustaining jobs and leading us to a permanently higher standard of living?

In public discussion in connection with the Employment Act, you find many references to money as a medium of exchange, but almost none with respect to

money as a standard of value. The reason is that almost all attention was focussed on the problem of deflation, and almost none on inflation.

In my judgment, the objectives of the Employment Act of 1946 can be attained only by whole-hearted recognition on the part of all of us that the fight against deflation begins with the fight against inflation, because it is the excesses of inflation that bring about deflation. That becomes clear when we examine the workings of the inflationary spiral.

Inflation is a process in which rising costs and prices mutually interact upon each other over time, with a spiral effect. The problem is one of broad general pressure on limited resources. In other words, aggregate demand becomes in excess of aggregate resources available at existing prices.

Spiraling Inflation

Taking the situation as a whole, as individuals, corporations, and governments proceed with their expenditure plans, buttressed by borrowed funds, they are in the position of attempting to bid the basic factors of production—land, labor, and capital—away from each other. In the process, the general level of costs and prices is inevitably pushed upward.

Once such a spiral is set in motion it has a strong tendency to feed upon itself. If prices generally are expected to rise, incentives to save and to lend are diminished and incentives to borrow and to spend are increased. Consumers who would normally be savers are encouraged to postpone saving and, instead, purchase goods of which they are not in immediate need. Businessmen, likewise, are encouraged to anticipate growth requirements for new plant and equipment that may also go well beyond immediate need.

Thus, spending is increased on both counts. But, with the economy already operating at high levels, further increases in spending are not matched by corre-

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spending increases in production. Instead, the increased spending for goods and services tends to develop a spiral of mounting prices, wages, and costs.

Developments of this kind naturally cause serious dislocations and inequities. Furthermore, they produce even more serious effects when each increase brings with it an expectation of still other increases. If further inflation is expected, speculative commitments are encouraged and the pattern of investment and other spending—the decisions on what kinds of things to buy, as well as how much of them—undergo change in a way that threatens balanced growth.

Any inflation, even if it involves prices rising no faster than 2% a year, inflicts losses upon millions of people, particularly pensioners and others having fixed incomes. Inflation does not simply take something away from one group of our population and give it to another group. It impairs the efficiency of productive enterprise on which our economic progress has been based. Universally, the standard of living is hurt, and countless people injured.

The injury does not stop with those who are dependent on annuities or pensions, or whose savings are in the form of bonds or life insurance contracts. The great majority of people who operate their own businesses or farms, or own common stocks or real estate, or even those who have cost-of-living agreements whereby their wages will be raised, cannot escape the effects of speculative influences that accompany inflation and impair reliance upon business judgments and competitive efficiency.

The effect of inflation on employment can be stated in short and simple summary. As inflation sends costs up, it becomes increasingly hard to pass those costs along to the consumer in the form of price increases, and it becomes increasingly easy to misjudge or miscalculate the market. The first time that sales volume dips, a price-profit squeeze ensues. Many firms, simultaneously, move to dispose of high-cost inventories. A cutback in investment, income, and production results. In turn, the cutback in production leads to a cutback in employment.

Continuous Fight

That's the inexorable process that we have to fight against, at all times. That is, in fact, what the Federal Reserve has been fighting against in all its phases, combating the cycle at every turn, and seeking to prevent it insofar as our modest part and powers give us the slightest chance to do so.

But make no mistake about this. There will never be any substitute for alert management by businessmen and workers of their own affairs.

Let me illustrate with a short and sad story I saw in a magazine recently about the failure of one of our millions of small business concerns.

"A small New York restaurant, after 10 years of tidy profits, went bankrupt two weeks before Christmas," the magazine reported. "The proprietors wondered what hit them. This year (1957) costs kept leaping upward, while customers grumbled at every boost in price. Waitresses and countermen came and went in a steady stream. Service deteriorated. Volume began to shrink. Suddenly, the bills became overwhelming, and the restaurant was inextricably mired in debt."

Well, I don't know anything the Federal Reserve can do to save a situation like that. It looks to me like a situation in which more credit would have meant only a bigger failure. Just the same, I'm sorry for the proprietors of that business. Indeed, I hope they've gotten a good new start in something and that this time, wiser

from experience, they make a lasting success of it.

I suppose that, in a country with more than four million business firms, a good many ventures come and go without leaving much impression on the public at large, but occasionally one comes along to leave a mark and perhaps a lesson as well.

In this class I would put the swift and sweeping success of a multi-million dollar business in headgear, firearms, and assorted articles inspired only a few years ago by David Crockett, more than a century after he perished in defense of the Alamo.

The Davy Crockett industry, if I may call it that, was tremendously active while it lasted. Few who lived through it at its height will ever need it recalled in detail.

In its heyday, it served as a testimonial not only to a dead

hero but also to the business enterprise of living and alert Americans, and I want to make only a couple of observations about it now.

First, it flourished when—and because—it captured the public's fancy and provided the public with something people were willing and able to buy at the price for which it was offered. No special assistance from the government, or the Federal Reserve, entered into its success.

Second, it faded away when—and because—it could no longer hold the public's favor in our free markets, and the public preferred to use its money for other things. Neither the government nor the Federal Reserve caused its fall, and neither could have stayed it.

I do not know, of course, what 1958 will bring on the whole. But of one thing I am completely sure:

it will be a year of opportunity for anyone smart enough and resourceful enough to offer the American public goods and services they want at the price the public will pay.

The Federal Reserve, today and every day, accepts a share of the responsibility we believe the government has in this country to keep open and amplify opportunities for the individual to better his lot and the lot of those he holds dear.

You can count on our continued efforts to foster credit conditions that will contribute to high levels of business and employment, maintain the purchasing power of our currency, and promote sustainable growth in the economy. But you cannot count on us to do

the whole job by ourselves: business and employment do not live by credit alone.

I have faith in the American people, and in the self-governing capacity of free men. Neither the pursuit of shallow self-satisfaction nor the excitement of aimless excursions will divert us from our course. "In the spirit of those who question their own wisdom," as Mr. Wilson has counseled us, we will continue our advance.

New Westheimer Offices

CINCINNATI, Ohio — Westheimer and Company, members of the New York Stock Exchange, announce the opening of a new sales office in Marion, Ohio, with Robert C. Dowd as representative, and also in Chillicothe, Ohio, with David MacAusland as representative.



THE DETROIT BANK & TRUST COMPANY

Statement of Condition

December 31, 1957



RESOURCES

CASH AND DUE FROM BANKS	\$176,586,226.41
UNITED STATES GOVERNMENT OBLIGATIONS	316,236,145.47
STATE AND MUNICIPAL SECURITIES	94,349,035.00
CORPORATE AND OTHER SECURITIES	2,241,188.48
LOANS AND DISCOUNTS \$247,699,473.92	
REAL ESTATE LOANS 139,547,552.39	387,247,026.31
FEDERAL RESERVE BANK STOCK	1,511,400.00
BANK PROPERTIES AND EQUIPMENT	8,315,305.44
ACCRUED INTEREST AND PREPAID EXPENSES	3,859,448.78
CUSTOMERS LIABILITY ON LETTERS OF CREDIT	58,146.05
OTHER ASSETS	169,184.72
TOTAL	\$990,573,106.66



LIABILITIES

DEMAND DEPOSITS:	
INDIVIDUALS, CORPORATIONS AND OTHERS	\$483,523,514.26
U. S. GOVERNMENT	13,708,252.44
OTHER PUBLIC FUNDS	31,852,154.34
	\$529,083,921.04
SAVINGS AND TIME DEPOSITS	382,545,465.24
TOTAL DEPOSITS	\$911,629,386.28
UNEARNED INTEREST	5,228,639.57
ACCRUED EXPENSES AND TAXES	5,478,037.42
LIABILITY ON LETTERS OF CREDIT	58,146.05
OTHER LIABILITIES	146,287.57
CAPITAL STOCK (\$10.00 par value)	\$18,378,500.00
SURPLUS	36,000,000.00
UNDIVIDED PROFITS	9,784,201.73
GENERAL RESERVES	3,869,908.04
TOTAL	\$990,573,106.66

United States Government Securities in the foregoing statement with a par value of \$78,835,000.00 are pledged to secure public and other deposits where required by law, including deposits of the State of Michigan amounting to \$4,371,993.41.

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Mitchell-Bentley Corp.
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- JOSEPH M. DODGE**
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Dealer - Broker Investment Recommendations & Literature

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

- Atomic Letter (No. 33)**—Discussing seven additional companies in missiles and rocket field whose shares are held by the Fund and citing a study of world supply and demand for uranium for power and propulsion purposes—Atomic Development Securities Co., Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.
- Burnham View**—Monthly investment letter—Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current **Foreign Letter**.
- Business Without Boundary**—James Gray—The Story of General Mills—University of Minnesota Press, Minneapolis 14, Minn.—\$4.75.
- Canadian Bond Market**—Bulletin—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg and Royal Bank Building, Toronto, Canada.
- Canadian Common Stocks**—Comparison of representative issues by industry—A. E. Ames & Co., Incorporated, 2 Wall Street, New York 5, N. Y.
- Catholic Church Bonds**—Review—Keenan & Clarey, Inc., Pillsbury Building, Minneapolis 2, Minn.
- Chemical & Pharmaceutical Industry**—Price indexes—Smith Barney & Co., 20 Broad Street, New York 5, N. Y.
- Earnings Prospects**—List of companies that appear to have favorable earnings prospects for 1953—Abraham & Co., 120 Broadway, New York 5, N. Y.
- Electric Utilities**—Analysis with particular reference to Duquesne Light Company, Illinois Power Company, Southern California Edison Company, Tampa Electric Company and Virginia Electric & Power Company—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.
- Electrical Machinery Manufacturing Industry in Japan**—Review in current issue of Nomura's Investors Beacon—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue are discussions of the Japanese Bond issue market and the Shipping Trade.
- Equipment Trust Certificates**—Semi-annual appraisal—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9, Pa. Also available is a new appraisal of City of Philadelphia and Philadelphia School District Bonds.
- Federal and State Stock Original Issue and Transfer Tax Rates**—Booklet—Registrar and Transfer Company, 50 Church Street, New York 7, N. Y.
- Fire, Casualty & Life Insurance Companies**—List of bid prices adjusted to present capitalization—Robert H. Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif.
- Florida**—Information on industrial resources—Industrial Development Service, Florida Power & Light Company, P. O. Box 3100, Miami 32, Fla.
- Foreign External & Internal Securities**—Year-end prices—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y. Also available is a study of the **Bond Market**.
- Graphic Stocks**—Over 1,001 charts showing monthly highs, lows, earnings, dividends, capitalizations, volume on virtually every active stock listed on New York and American Stock Exchanges covering 12 full years—complete with dividend records for full year of 1952—\$10 per copy; yearly (6 revised issues) \$50—F. W. Stephens, 87 Nassau Street, New York 38, N. Y.
- Insurance Stocks**—Circular—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.
- Investing in the Drug Industry**—Analytical brochure—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is a report on **Standard Brands, Inc.**
- Japanese Stocks**—Current information—Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.
- Lithium**—Compass to the future—Brochure—Montgary Explorations Limited, 80 Richmond Street, West, Toronto, Ont., Canada.
- Missile Program**—Review—Stieglitz & Co., 67 Wall Street, New York 5, N. Y.
- New York City Banks**—Review of 1952 Year-End Reports—A. M. Kidder & Co., Inc., 1 Wall Street, New York 5, N. Y.
- New York City Bank Stocks**—Comparison and analysis of 1952

- earnings of 13 New York City bank stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.
- 1958 and Your Investments**—Appraisal of probable market pattern and a list of stocks which appear suited to the times—Josephthal & Co., Department C-16, 120 Broadway, New York 5, N. Y.
- Opportunities on the Great Plains**—Information regarding industrial advantages of the Plains—S. D. Whiteman, President, Kansas-Nebraska Natural Gas Co., Inc., Hastings, Neb.
- 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 14-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.
- Petroleum Situation**—Review—Chase Manhattan Bank, Petroleum Department, 18 Pine Street, New York 15, N. Y.
- Portfolios for the New Year**—Three selected portfolios—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are bulletins on **Philip Morris**, and **Pittston Co.**, and a circular on the Canadian market.
- Products and Processes**—Booklet describing how research at Union Carbide helps improve many products used today—Ask for booklet G—Union Carbide Corporation, 30 East 42nd Street, New York 17, N. Y.
- Public Utility Common Stocks**—Comparative figures—G. A. Saxton & Co., Inc., 52 Wall Street, New York 5, N. Y.
- Review and Forecast for 1953**—Circular—H. Hentz & Co., 72 Wall Street, New York 5, N. Y.
- Review and Preview**—Analysis of market outlook—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.
- Securities Outlook**—Survey assessing business prospects for the new year, with a selected list of securities—Booklet C—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.
- Southeast**—Information regarding industrial advantages of area served—Atlantic Coast Line Railroad, R. P. Jobb, Assistant Vice-President, Wilmington, N. C.
- Steel**—Discussion of outlook—In current issue of "The Exchange"—Exchange Magazine, 11 Wall Street, New York 5, N. Y.—10c per copy, \$1 per year. Also in the same issue is a comparison of stock yields, common vs. preferred, a discussion of the 1952 market, cosmetic industry, etc.

- American Express Company**—Report—Loewi & Co., Incorporated, 225 East Mason Street, Milwaukee 2, Wis.
- Ampex Corporation**—Analysis—Doolittle & Co., Liberty Bank Building, Buffalo 2, N. Y.
- Beneficial Standard Life Insurance Co.**—Memorandum—Kay & Co., 2316 South Main Street, Houston 2, Tex.
- Bestwall Gypsum Co.**—Analysis—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.
- Canadian Superior Oil of California Ltd.**—Analysis—J. A. Hogle & Co., 507 West Sixth Street, Los Angeles 14, Calif.
- Combustion Engineering**—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also available are brief analyses of **Sperry Rand** and **Tobin Packing**.
- Citizens Utilities Company**—Analysis—Underwood, Neuhaus & Co., 724 Travis Street at Rusk Avenue, Houston 2, Tex.
- L. A. Darling Company**—Late information—Moreland & Co., Penobscot Building, Detroit 26, Mich.
- R. R. Donnelley & Sons**—Circular—Cook Investment Co., 208 South La Salle Street, Chicago 4, Ill.
- Electronic Research Associates**—Analysis—Singer, Bean & Mackie, Inc., 40 Exchange Place, New York 5, N. Y.
- Flintkote Company**—Analysis—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.
- General Dynamics Corp.**—Analysis—Alfred L. Vanden Broeck & Co., 55 Liberty Street, New York 5, N. Y. Also in the same circular is an analysis of **Raymond Concrete Pile Company**.
- Grinnell Corporation**—Analysis—Boenning & Co., 1529 Walnut Street, Philadelphia 2, Pa.
- New York Capital Fund of Canada Ltd.**—Report—Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y.
- Ohio Oil Company**—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.
- Peabody Coal Co.**—Memorandum—Cruttenden, Podesta & Co., 209 South La Salle Street, Chicago 4, Ill.
- Trans World Airlines Inc.**—Review—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

McDonald-Moore & Co. 25th Anniversary

DETROIT, Mich.—On Jan. 13, McDonald-Moore & Co. observed their 25th year in the investment banking business in the City of Detroit.



H. A. McDonald, Jr.

The original members of the firm, Harry A. McDonald, Sr., William Moore and J. Moylan Hayes, incorporated under the name of McDonald, Moore & Hayes, Inc. and opened for business on Jan. 13, 1933.

In 1935 upon the death of J. Moylan Hayes, the name of the



Harold R. Chapel



Joseph F. Gatz

company was changed to McDonald-Moore & Co.

In 1945, Harold R. Chapel, formerly of Crouse, Bennett, Smith & Co., was admitted as a partner and placed in charge of the Municipal Bond Department.

In 1947, Joseph F. Gatz was admitted as a partner.

Upon the retirement of Harry A. McDonald, Sr. to accept the Chairmanship of the Securities & Exchange Commission in Washington in 1947, Harry A. McDonald, Jr. was made a partner of the firm.

McDonald-Moore & Co. is one of the leading distributors of Municipal Bonds in the State of Michigan. They also act as Financial Consultants to Municipalities and School Districts. They are members of the Detroit Stock Exchange and the Midwest Stock Exchange. Branch offices are in Flint, East Lansing, Grand Rapids and Muskegon. A general investment business is conducted by the partners and their nine salesmen.

SECURITIES OUTLOOK

The January issue of our timely survey assesses business prospects for the new year, together with a selected list of securities with attractive investment possibilities for 1953. Each month our Research Department discusses in this publication topics of special interest to serious-minded investors.

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Our Reporter's Report

The investors' appetite for new offerings does not appear to be showing any signs of early satiation, considering the celerity with which this week's offerings, both corporate and tax exempt, were absorbed.

For a brief spell it appeared that the Commonwealth Edison Co.'s \$50 million debentures might provide something of a test for the staying powers of people with funds to invest. But the hesitation was only momentary and soon buyers appeared in substantial numbers.

Market observers were moved to comment that "no matter how high you price them, new issues seem to be going readily." But, at the same time they were disposed to point out that somewhere along the line there must be a "levelling-out" even if it is only temporary.

For the present, however, underwriters appear content, it seems, to swim with the tide, that is to bid vigorously for new issues and count on the strength in the market to "bale them out."

It is possible, of course, that the two behemoth offerings now pending, may have a tendency to slow things down a bit since these will take enormous chunks of money out of the capital market.

American Telephone & Telegraph Co. has some \$718.3 million of convertible debentures shaping up for offering early next month while Royal Dutch Petroleum Co., has 7.6 million shares in registration for offering to holders of record Jan. 17. At current market prices the latter deal could take up a potential \$289 million, making approximately \$1 billion for both companies.

Soaking Them Up

For a short time it appeared that perhaps the 50-year maturity fixed by the company might react against Commonwealth Edison Co.'s \$50 million debenture offering on a 3.83% yield basis.

Investors were a bit slow in stepping up, once the price and other terms became known. But the rebellion was short-lived and soon the "pot was cleaned." Pension funds, savings banks and insurance companies took down the bulk of the issue.

In the case of West Virginia Pulp & Paper Co.'s \$40 million offering of 20-year sinking fund debentures, carrying a 4% coupon and offered to yield 4.05% yield, the rush was on from the start.

It was indicated that there was considerable "scaling-down" of allotments of this so-called "museum piece." Investors don't often get a chance at paper company obligations, but it develops that another issue, \$30 million of Kimberly-Clark Corp. debentures, is nearing the end of its SEC hibernation period.

It All Depends

There was an air of expectancy in the street this week that we might be near the point at which commercial banks would move to reduce their "prime loan" rates, that is the charge made to their choice customers for loan accommodation.

That rate has held fast at 4½% since late last Summer, even though the Reserve Banks have cut their discount rates and other costs of credit have been eased.

Naturally borrowers of this type of credit were hoping for a

markdown. But some bankers do not believe that a cut in the rate is justified at the moment, pointing out that loan demand still is high even though off from the crest.

Next Week's List

In point of numbers things will slow down a trifle next week, but with the Royal Dutch offering on schedule, the dollar turnover could be the largest for a week this year.

Royal Dutch shares being offered on a 1-for-8 held basis, if fully subscribed, could take close to \$288 million out of the market at current prices.

And Pacific Gas & Electric will be in the market for \$75 million of new money through the sale of that amount of new 20-year first and refunding mortgage bonds.

COMING EVENTS

In Investment Field

Jan. 17, 1958 (Baltimore, Md.)
Baltimore Security Traders Association 23rd annual mid-winter dinner at the Southern Hotel.

Jan. 20, 1958 (Syracuse, N. Y.)
Bond Club of Syracuse annual dinner meeting and election of officers at the Hotel Syracuse.

Jan. 27, 1958 (Chicago, Ill.)
Bond Traders Club of Chicago annual Midwinter Dinner at the Sheraton Hotel.

Jan. 30, 1958 (Minneapolis, Minn.)
Twin City Security Traders As-

sociation Annual Winter Dinner at the Calhoun Beach Hotel.

Feb. 14, 1958 (Boston, Mass.)
Boston Securities Traders Association 34th annual dinner at the Sheraton Plaza Hotel.

Feb. 21, 1958 (Houston, Tex.)
Stock & Bond Club of Houston annual Field Day at Lakeside Country Club.

Feb. 28, 1958 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual Mid-Winter Dinner at Bellevue-Stratford Hotel.

April 11, 1958 (Toronto, Canada)
Toronto Bond Traders Association annual dinner at the King Edward Hotel.

April 23-25, 1958 (Houston, Tex.)
Texas Group Investment Bank-

ers Association annual meeting at the Shamrock Hotel.

June 9-12, 1958 (Canada)
Investment Dealers' Association of Canada annual convention at Manoir Richelieu, Murray Bay, Quebec.

Sept. 29-Oct. 3, 1958 (Colorado Springs, Colo.)

National Security Traders Association Annual Convention at the Broadmoor.

Nov. 30-Dec. 5, 1958 (Miami Beach, Fla.)

Investment Bankers Association of America annual convention at the Americana Hotel.

Nov. 2-5, 1959 (Boca Raton, Fla.)
National Security Traders Association Annual Convention at the Boca Raton Club.

NATIONAL BANK OF DETROIT

STATEMENT OF CONDITION, DECEMBER 31, 1957

RESOURCES

Cash on Hand and Due from Other Banks	\$ 441,935,419.35
United States Government Securities	654,595,166.27
Other Securities	140,728,123.11
Loans:	
Loans and Discounts	\$ 574,523,089.47
Real Estate Mortgages	132,126,808.57
Accrued Income and Other Resources	7,017,265.66
Bank Premises	15,671,988.82
Customers' Liability—Acceptances and Credits	2,211,923.68
	\$1,968,809,784.93

LIABILITIES

Deposits:	
Commercial, Bank, and Savings	\$1,667,085,257.77
United States Government	88,390,160.17
Other Public Funds	47,722,646.18
Accrued Expenses and Other Liabilities	22,578,508.98
Acceptances and Letters of Credit	2,211,923.68
Capital Funds:	
Common Stock (\$10.00 par value)	\$ 28,974,000.00
Surplus	90,000,000.00
Undivided Profits	21,847,288.15
	\$1,968,809,784.93

United States Government Securities carried at \$218,792,132.47 in the foregoing statement are pledged to secure public deposits, including deposits of \$10,213,468.59 of the Treasurer—State of Michigan, and for other purposes required by law.

BOARD OF DIRECTORS

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Prentiss M. Brown	Charles T. Fisher, Jr.	John N. McLucas	Donald F. Valley
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Foreign Investment and Economic Development

By HONORABLE DOUGLAS DILLON*

Deputy Under Secretary of State for Economic Affairs
Former Board Chairman, Dillon, Read & Co., New York City
Former Ambassador to France

Former investment banker now in charge of our world economic affairs warns of the "serious and menacing" Soviet economic challenge threatening our free enterprise system and the fate of free government in the world which, he admonishes, cannot be dismissed but must be met head-on. Mr. Dillon specifies a program to aid underdeveloped countries and their determination to rise above illiteracy, poverty and disease; and proposed how we can encourage greater private investment flow to supplant reasonably required governmental loans.

It is a characteristic of our times that public attention is largely monopolized by the dramatic events which seem continually to occur on the world stage. Yet these dramatic events are almost always the results of a chain of un-spectacular happenings which are either overlooked or overshadowed by the headlines of the day. For example, not until the Sputniks flashed across our sky did the American people become aware of the strides made by Soviet scientists and engineers—although these strides had taken place over a long period of time and had been manifested from time to time in less spectacular ways.



Douglas Dillon

Forecasting conferences reflect the desire to look ahead and plan activities in the light of the best judgment one can get as to future trends and developments. Likewise, those of us who are charged with the conduct of our foreign policy must endeavor to identify as early as possible basic trends in world affairs so as to forestall

the development of explosive situations which can only be dealt with on the basis of their visible effects and not of their fundamental causes. Clearly, this is a difficult and complex task, since differences of opinion are much more likely in the period before a potentially explosive force becomes clearly visible.

Explosive Situation

There is no doubt in my mind about one such potentially explosive situation, a situation that could be of the greatest import in determining our future way of life, and yet a situation of which the American people as a whole are only dimly aware. On our awakening to the importance of this issue may well depend the fate of free government in the world, and with it the future of the free enterprise system which has given us our strength and which we all take for granted as an essential attribute of freedom. I refer to the determination of vast sections of the world to rise above their traditional illiteracy, poverty and disease. As a member of the Indian Parliament said recently in an address in San Francisco:

"The drive for economic development is on in the under-industrialized regions. The question is not whether this transformation will occur but at what rate, and how, and whether or not these peoples will do the job in association with the rest of the free world."

The United States, in its own

interest, must recognize and try to understand this great movement. More than that, we must search for practical ways of identifying ourselves with the aspirations of these free peoples. This should not be difficult, for the forces which motivate them are very much the same as those which inspired the growth of our own country. This, as I see it, is one of the most urgent tasks facing us today, if we are to preserve political freedom in the world, and strengthen the system of free enterprise which has nourished it.

U. S. S. R. Awareness

The Soviet leaders have shown that they are fully aware of this situation. Today the Soviet challenge to our way of life in this economic area is perhaps even more real and active than it is in the sphere of military and scientific technology. It was only two months ago that Khrushchev in an interview with a prominent American editor said: "We will make war on you through peaceful trade to see which system is the best." The Soviets today are pouring great efforts in money and manpower into their drive to take the uncommitted nations by economic assault. To carry on this offensive they have already sent forth over 2,000 technicians and granted over \$1,500,000,000 of credit in the past three years. And last week in Cairo they seemingly opened wide the door of economic assistance to all the countries of Asia and Africa.

What should be our answer to this great challenge? One answer, of course, is grant assistance through governmental channels, such as we contributed to the European Recovery Program. But, although some grant assistance will be necessary, our experience with the Marshall Plan is not a good guide for our relations with the underdeveloped regions. In Western Europe the objective was quite specific — to rebuild shattered economies where the principal problem was a temporary shortage of equipment and goods. In the underdeveloped world, however, a great many things are lacking — basic facilities, skilled labor, experienced management, both basic and technical education, strong traditions of individual initiative—all of these as

well as capital are lacking. This is a far different situation than faced us in Western Europe in 1948—and requires quite different policies and approaches. Financial assistance is not the only need, and if offered alone or in too large amounts may even supplant the very initiative and resourcefulness which must be stimulated if progress is to be maintained.

We must, instead, help provide the framework in which economic progress can take place at a steady and acceptable rate. If we expect immediate and spectacular results the chances are that we will be disillusioned. For this is a long-range risk. We must therefore pursue sound and consistent policies which will demonstrate to the less developed areas of the free world that our way of life, our free enterprise system, can meet the challenge of their problems and their aspirations. And we must make it clear to all that we are prepared to stay the course.

Proposes Aid Program

What are some of the elements in this framework? They include:

(1) A forward looking and consistent trade policy. This means that we should continue our efforts to remove artificial restraints upon world trade — our own and those imposed by others. Markets must be assured for the surplus production of all countries of the free world. Developing countries need to sell their products in order to obtain industrial equipment needed for their development. All countries must expand their trade with each other, so that each can secure the advantages of the special talents and resources of the other. Moreover, as strong commercial ties are developed, a greater identity of political and social interests is likely to emerge. This interdependence is a source of strength, not of weakness, but it requires a continuity of leadership and action. Specifically, it requires that the trade agreement authority of the President be extended for an adequate period and with sufficient power to make meaningful tariff reductions. It also requires that we continue working with other countries to expand trade through the General Agreement on Tariffs and Trade and that we join in the proposed Organization for Trade Cooperation to make the General Agreement operate more effectively.

The movement of goods is, of course, closely related to the

movement of capital. Not only are today's traders frequently tomorrow's investors, but those of us who invest abroad must market our products too. Our foreign investments exceed those of any other nation, and our ability to get returns on these investments depends on trade. Not only must we import in order to export; we must import to keep investment flowing overseas—for without the prospect of returns an expanding flow of private investment is impossible.

(2) Secondly, we must share our technical knowledge with the less developed countries. This means more than "know-how" in the sense of industrial technology. In many foreign countries it also means technical assistance in such fields as basic education, public health, agriculture and governmental administration. In productive enterprise private investment is obviously the most effective purveyor of technical assistance, as well as capital, for economic development overseas. The two go hand in hand. But in countries where the flow of foreign private investment is limited or lacking, or in areas of endeavor in which foreign investment does not usually enter, the government can and should help. The technical assistance programs in which the United States participates, either directly with foreign governments or through the United Nations, must continue to be a vital element in our efforts to promote economic progress in the less developed areas of the free world. We have recently agreed in the United Nations that an expanded program of technical assistance would be desirable, and we hope that Congress will appropriate the relatively modest additional sums that will be necessary if the United States is to contribute its share of this new and enlarged program.

(3) The third element in the framework for economic development is the provision of financial assistance to help the underdeveloped countries gain momentum in their efforts to develop themselves.

Development capital for the less developed countries of the free world can be promoted either by the government or by private enterprise. All of us are aware of the great advantages of private foreign investment. However, the fact must be faced that private capital has not yet proved willing or able to do the job in the areas

CONDENSED STATEMENT

CITIZENS FIDELITY BANK AND TRUST COMPANY

Louisville, Kentucky

December 31, 1957

RESOURCES		LIABILITIES	
Cash and Due from Banks	\$ 86,610,701.71	Deposits	\$245,782,978.77
U. S. Government Securities	54,413,740.43	Dividend Payment January 2, 1958	200,000.00
Federal Reserve Bank Stock	450,000.00	Reserves—Taxes, Interest and Expenses	1,874,996.66
Other Bonds and Securities	8,054,995.50	Interest Collected but not Earned	1,384,146.89
Loans and Discounts	116,038,844.27	Letters of Credit Issued	1,222,480.23
Interest Earned but not Collected	561,599.78	Capital Funds:	
Furniture and Fixtures (All Offices)	1.00	Capital Stock	\$ 5,000,000.00
Real Estate	1.00	Surplus	10,000,000.00
Customers Liability—Letters of Credit	1,222,480.23	Undivided Profits	1,899,827.58
Other Resources	12,066.21		
	\$267,364,430.13		16,899,827.58
			\$267,364,430.13

Our Trust Department holds in excess of \$175,000,000.00 in Personal Trust Properties which are not included in this statement.

CITIZENS FIDELITY

BANK & TRUST CO.
LOUISVILLE

Since 1858 — Kentucky's Leading Bank

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION
FEDERAL RESERVE SYSTEM

The Second National Bank

Ashland, Kentucky

STATEMENT OF CONDITION AS OF DECEMBER 31, 1957

ASSETS	
Cash on Hand and Due from Banks	\$7,708,089.66
United States Government Securities	7,991,080.53
Public Housing Authority Securities	\$ 777,316.00
Federal Agency Securities	1,914,812.50
Municipal Securities	1,497,652.37
Corporate Securities	59,639.75
Total Cash and Securities	\$19,948,590.81
Stock in Federal Reserve Bank	51,000.00
Loans and Discounts	11,514,306.16
Bank Building	\$ 400,265.07
Real Estate Acquired for Future Expansion	65,000.00
Furniture, Fixtures, and Equipment	1.00
Total Fixed Assets	\$ 465,266.07
Other Assets	133,832.52
Overdrafts	2,877.03
TOTAL ASSETS	\$32,115,872.59
LIABILITIES	
Deposits	\$29,397,811.46
Reserved for Taxes, Interest, Etc.	95,155.90
Other Liabilities	26,650.48
Capital Stock	\$ 700,000.00
Surplus	1,000,000.00
Undivided Profits	307,894.30
Capital Funds	\$2,007,894.60
Loan Valuation Reserve	588,360.15
Total Capital Funds and Reserves	2,596,254.75
TOTAL LIABILITIES	\$32,115,872.59

OFFICERS

JOHN C. C. MAYO, Chairman of the Board
L. M. CAMPBELL, President

E. PAUL WILLIAMS, Executive Vice-President & Trust Officer
BOONE LOGAN, Vice-Pres. and Cash.
S. G. CLICK, Vice-President
PAUL GRUMBLES, Asst. Cash. and Tr. Off.
E. W. SEATON, Vice-President
C. E. PICKLESIMER, Asst. Vice-Pres.
JOSEPH C. KING, Assistant Cashier
FORD DIXON, Auditor

Member Federal Reserve System and Federal Deposit Insurance Corporation

of greatest need where the combat for men's minds and souls, the combat between freedom and tyranny, is today at its fiercest. These are the heavily populated areas of Asia and Africa where living standards are the lowest and the challenge of Communism is the greatest.

Let us look at the record. American private foreign investment (long term) has reached the impressive total of around \$33 billion. However, of total new investment in 1956 of about \$2 3/4 billion, the less developed countries of Asia and Africa received only \$342 million — about one dollar out of eight. Furthermore, the great bulk of this \$342 million was concentrated in the oil producing countries of the Middle East, leaving very little for the rest of Asia and Africa.

These statistics mean that we must do two things — search out every way to promote a greater flow of private investment and, until we are successful in this endeavor, provide a reasonable amount of capital through governmental loans.

World Bank's Work

The World Bank is today doing a wonderful and important work. But because of its very nature the World Bank alone cannot provide enough capital to maintain a satisfactory rate of progress throughout the less developed areas. Its loans must be repaid within a reasonable period of time in dollars or in other hard currencies.

It is the very essence of economic development under our system of free enterprise that developing countries or areas must during the period of their development receive more than they can give. Until private capital investment from the more fortunate areas of the world is able to fill the gap, the wealthier governments of the free world must help to do the job. For the less developed lands, the alternative to the receipts of foreign capital is the adoption of tyrannical methods that would enable their leaders to sweat the required results out of the labor of their enslaved peoples.

This they are only too likely to do if no other course is open to them. And if we Americans permit this to happen, permit the countries of Asia and Africa to be picked off one by one by the Soviet economic offensive, we can say goodbye forever to our own liberties. We can lose the war for the preservation of freedom just as surely in this fashion as through a nuclear blitz. This is a basic truth of the world today, one which we as a people must learn in time if the way of life we all hold so dear is to survive.

U. S. A. Programs

Now what are we as a government doing to provide this needed capital?

Through the Export - Import Bank we are making substantial funds available which are helpful to foreign development projects utilizing American exports. But again, as in the case of the World Bank, these loans must be repaid in dollars over a relatively short period of time. Therefore, the Export - Import Bank has been most active in those areas, such as Latin America, where development is further advanced, where there is considerable attraction for private investment, and where repayment prospects warrant substantial dollar loans.

To meet the problem of those countries just entering on their programs of development, other mechanics are required. For this purpose the Development Loan Fund has been established as part of the Mutual Security Program. It is authorized to provide loans repayable in local currencies as well as dollars, and to lend over longer periods of time than would be possible through conventional

financing. We hope the Congress will give the Fund additional resources so that it may operate on a continuing basis without the uncertainties of yearly appropriations.

The Development Loan Fund is prepared to finance projects which contribute to development and cannot be financed otherwise. Many of the basic projects in the less developed countries lie in the fields of transportation, power and irrigation and are government operated. But in addition to these basic projects we expect the Fund to assist private projects too, and thereby promote the growth of healthy private enterprise in co-operating countries. The Fund will collaborate with local investment institutions so as to reach the small private enterprise whose growth is so important to sustained economic progress. The Development Loan Fund is to stimulate, not replace, other investment; under no circumstances is it to be a substitute for other

sources of capital—public or private, local or foreign.

More Trade and Investment

Here, then is the starting point for our own foreign economic drive: more trade and more investment. It is not dramatic in an eye-catching way, but if pursued steadily and consistently its cumulative impact can be tremendous. The basic strength is that it depends upon individual initiative and enterprise. There is nothing inconsistent between these policies and the interests of American business. Your constant search for new products and larger markets will be facilitated by measures to expand trade and encourage economic development. Consider, for example, the markets that would be created by greater employment among the teeming millions of Asia and Africa and by a modest increase in their purchasing power.

American business can participate in these expanding markets providing it supports the princi-

ple of the "open door" for trade and investment—and demonstrates a willingness to enter and grow with the markets. In so doing, the strength and vitality of the free enterprise system will be clearly demonstrated, as well as its ability to meet the drive for economic betterment that is today the dominant force throughout the non-industrialized regions of the world.

This must be our answer to the Communist challenge. We, in government, hope that trade will be accompanied by private investment, and that you will establish industrial and manufacturing plants, joining when you can with local businessmen or extending them credit to purchase needed plants and equipment. The funds you invest will only be part of the picture; the skills you introduce, the training you provide, the organizations you help establish and, above all, the example of your initiative will make the greatest impact.

Against this background, let me sketch very briefly some of the steps we are taking to encourage more private investment overseas:

Encouraging Private Investment

(1) The government maintains very extensive information and counselling services, designed to provide up-to-date data and advice to traders and investors—actual or potential. We have endeavored to improve the situation which gave rise to complaints that our diplomatic and consular establishments were not interested in assisting American businessmen. We are strengthening the economic staffs of our overseas establishments, establishing more commercial officer positions, and making sure that all our personnel understand the important contribution of American foreign trade and investment to the

Continued on page 131

New Issue

\$37,500,000

State of New York

2.30% Mental Health Construction (Serial) Bonds

Dated January 15, 1958 Due \$2,500,000 each January 15, 1959-73, incl.

Principal and semi-annual interest (July 15 and January 15) payable at the principal office of The Chase Manhattan Bank in New York City. Coupon bonds in denomination of \$1,000, exchangeable for bonds registered as to principal and interest in denominations of \$1,000, \$5,000, \$10,000 and \$50,000. Registered bonds may be converted into coupon form at the expense of the holder.

Interest Exempt from present Federal and New York State Income Taxes

Legal Investment for Savings Banks and Trust Funds in New York and certain other States and for Savings Banks in Connecticut and Massachusetts

Acceptable to the State of New York as security for State deposits, to the Superintendent of Insurance to secure policy holders, and to the Superintendent of Banks in trust for Banks and Trust Companies

MATURITIES AND YIELDS OR PRICES

(Accrued interest to be added)

Due	Yield	Due	Yield	Due	Yield or Price
1959	1.60%	1962	2.00%	1968-69	2.20%
1960	1.75	1963	2.05	1970-71	2.25
1961	1.90	1964-65	2.10	1972-73	@ 100
		1966-67	2.15		

The above Bonds are offered when, as and if issued and received by us, and subject to prior sale and approval of legality by the Attorney General of the State of New York.

The Chase Manhattan Bank

Kuhn, Loeb & Co. Chemical Corn Exchange Bank Blyth & Co., Inc. C. J. Devine & Co. Manufacturers Trust Company

The Marine Trust Company of Western New York Harris Trust and Savings Bank The Northern Trust Company Hallgarten & Co. Kidder, Peabody & Co.

Ladenburg, Thalmann & Co. R. W. Pressprich & Co. Salomon Bros. & Hutzler Barr Brothers & Co. Blair & Co. White, Weld & Co. Incorporated

The Philadelphia National Bank Equitable Securities Corporation Estabrook & Co. Hemphill, Noyes & Co. Hornblower & Weeks

Kean, Taylor & Co. Carl M. Loeb, Rhoades & Co. Mercantile Trust Company F. S. Moseley & Co. Shields & Company

The National Commercial Bank and Trust Company of Albany L. F. Rothschild & Co. State Bank of Albany B. J. Van Ingen & Co. Inc.

Adams, McEntee & Co., Inc. Bache & Co. Geo. B. Gibbons & Company Incorporated Gregory & Sons

Schoellkopf, Hutton & Pomeroy, Inc. Francis I. duPont & Co. First of Michigan Corporation W. E. Hutton & Co.

Laurence M. Marks & Co. Spencer Trask & Co. Weeden & Co. Incorporated Baxter & Company Fidelity Union Trust Company

Green, Ellis & Anderson Swiss American Corporation Wood, Gundy & Co., Inc. Hannahs, Ballin & Lee Schwabacher & Co. Newark

William Blair & Company C. F. Childs and Company Incorporated Federation Bank and Trust Company King, Quirk & Co. Incorporated

New York Hanseatic Corporation Rauscher, Pierce & Co., Inc. Sterling National Bank & Trust Company of New York Goodbody & Co.

Hayden, Miller & Co. Schmidt, Poole, Roberts & Parke Wachovia Bank and Trust Company of Winston-Salem J. G. White & Company Incorporated

New York, January 15, 1958.

The Outlook for 1958

By HENRY J. SIMONSON, JR.

President, National Securities & Research Corporation

Leader in Funds industry predicts that 1958 although a year of well-deserved pause, will be satisfactory with some gains. Expects retail trade and other consumer spending, along with new private construction, to register good increases. Maintains Gross National Product will reach new all-time peak. In security market, looks for higher prices for bonds and preferred stocks, along with opportunities for long-term commitments in equities.

In 1958 we believe that business will experience a well-deserved pause on the long upward road to even greater business prosperity in the years that lie ahead. It is, in fact, a pause that should reassure everyone, because we cannot permit strains and stresses to develop year after year in our economic system without sudden and damaging collapses.



H. J. Simonson, Jr.

The year 1958 in our opinion will eventually prove to have been a good business year—even though the anticipated gains in some major economic indices may not show the huge increases recorded on a broad scale in the last two years. But, the main point to bear in mind is that some gains can be anticipated—an opinion which is in decided contrast to some of the deep gloom surrounding many other forecasts by business and market commentators.

Factors of Increase

We believe, for example, that individual consumers in 1958 will spend about \$2 billion more than they did in 1957 and establish the highest level of expenditure that we have ever known in a single calendar year. The total of their outlays in 1958 will be approximately \$283.5 billion.

We expect retail trade in 1958 to show further gains—and we place the 1958 dollar volume at about \$202 billion or \$2 billion more than the volume in 1957.

We think that total construction outlays (public and private) in 1958 will attain another new peak at about \$49 billion—again almost \$2 billion above the 1957 total. This would mean the 13th consecutive year of new high records in this sector of the economy.

Housing starts in 1958, stimulated by easier conditions in the money market and the low vacancy ratio should run about 10% above the 1957 level of approximately 1,000,000 new units to about 1,100,000.

New private construction for Gross National Product account is expected to gain by about \$500 million in 1958 from the 1957 total of about \$33 billion.

State and local governments will, in our opinion, increase their outlays in 1958 by almost \$3 billion more than they spent in the past year. The steady increase in population, running at an annual rate of about three million a year, is the major factor behind the increasing demand for new hospitals, schools, highway and water systems and other public facilities.

One important change in the level of spending appears probable in the Federal Government area—particularly in the defense component. Soviet "sputniks" have not only pierced the upper atmosphere—they will also force adjustments in our Federal budget and the statutory debt ceiling of \$275 billion.

Although the immediate in-

crease in defense outlays may not be very great (we anticipate a gain of about \$1.2 billion or 2.3% in 1958 for Federal Government purchases of goods and services as compared with 1957) a reversal of the initially expected downward trend—accompanied by announcements of massive, long-range programs spread over a period of years—is bound to have a salutary effect on near and long term business planning.

From the standpoint of Gross National Product, these increases in personal and government spending plus increases in private new construction outlays would point to an increase of about \$6.5 billion in this index of economic activity.

Factors of Decrease

There are, however, some of the components of Gross National Product which will be at a lower level in 1958 than they were in 1957.

Expenditures for producers' durable equipment (another component of Gross National Product) are expected to decline in 1958 by about \$3 billion. This is the principal component of total business expenditures for new plant and equipment which in 1958 are expected to decline to \$33.5 billion from the record peak established in 1957. A \$33.5 billion level of spending for these purposes in 1958, however, would be the third highest ever recorded—exceeded only by the tremendous outlays of 1956 and 1957. The rate of change in business inventories (including changes in farm inventories) in 1958 is expected to be about \$1 billion under the 1957 figure and net foreign investment, reflecting a lower level of international trade, is probably in line for a decrease of about \$1.5 billion in 1958 as compared with 1957.

Net Gain in Gross National Product

These three factors of decline in Gross National Product total about \$5.5 billion. The change upward in Gross National Product figure is thus restricted to a net gain of \$1 billion—from about \$437 billion in 1957, but this will be a new all-time record.

Price Trends

Price trends in 1958 will be mixed as compared with 1957. The Bureau of Labor Statistics wholesale price index is expected to decline from an average of about 117.5 in 1957 to about 117.0 in 1958, but the index of consumers' prices is expected to rise from an average of about 120 in 1957 to an average of approximately 121 in 1958—or just about in line with the most recently published figure.

Industrial Production

Prices affecting Gross National Product in many cases are expected to rise to some degree, so in physical terms we expect a moderate decline from the 1957 peak. This accounts for our 1958 estimate of 138 (1947-49 equals 100) for the average of industrial production as measured by the Federal Reserve Board Index of such production from the approximate average of 144 prevailing in 1957.

Autos and Steel

Domestic passenger car production in 1957 is expected to total about 6.2 million units, with a decrease to approximately 5.8 million units anticipated for 1958. We expect dealers' sales of domestically produced cars in 1957 to amount to about 5.9 million units, and to decline to approximately 5.7 million units in 1958.

Truck production in 1957 and 1958 will in our opinion amount to about 1 million units.

Steel production in 1957, we think, approximated 113 million tons. For 1958, we estimate production of about 107 million tons.

Incomes and Employment

We believe that national income in 1958 will hold at about the \$360 billion level established in 1957 but personal income and disposable personal income (which is personal incomes minus taxes) will each increase by about \$1 billion in 1958 as compared with the year just ended.

Farm income (including Government cash payments) in 1958 should be just about the same as the \$31.5 billion total accrued in 1957.

The average number of people at work will decline about 500,000 in 1958 as compared with 1957 (a decrease of less than 1%) but unemployment will on the average increase about one million.

Wages and salaries in the aggregate will hold up well despite this increase in employment because of union contract provisions in many industries which require in 1958 further advances in hourly rates of pay and certain fringe benefits.

Our opinion is that the number of strikes and man-hours lost because of such disturbances will increase in 1958 as compared with 1957.

No Tax Relief

The President's announcement in his Budget Message that there will be a deficit in fiscal 1958 confirms the conclusion that there will be no reduction in personal or corporate taxes.

Banking Data, Consumer Credit, Security Offerings

Weekly reporting member banks should encounter a smaller demand for loans in 1958 as compared with 1957. Consumer credit outstanding will rise by about \$2 billion—substantially less than the increase in the last three years. New corporate security offerings, because of the anticipated decrease in new plants and equipment expenditures, will be about 14% under the 1957 total.

Savings by Individuals

Liquid savings of individuals (including only currency, demand deposits, time and savings deposits, savings and loan shares and U. S. Government securities) are believed to have reached a total of about \$277 billion at the end

of 1957. We expect them to rise to a new high of about \$285 billion by the close of 1958.

Margins

Margin requirements for the purchase of securities are expected to be reduced in 1958.

Corporate Financial Data

Net working capital of U. S. corporations should continue to rise in 1958, in our opinion, and we place the gain at \$3 billion.

Total corporate profits after taxes in 1958 will drop to a moderate degree from 1957 totals reflecting smaller sales by manufacturers, a reduction in physical output and some further squeeze on profits. But the decline in profits is expected to amount to only about 6%.

Dividend payments in 1958 will hold up to an even better degree than earnings and we place the decline from 1957 at about 4%.

Rail Earnings

Lower prices of railroad stocks and bonds reflect an expectation that Class I net income, which totaled about \$750 million in 1957, will in our opinion decline in 1958 to around \$685 million. Such a decline in our opinion will entail some reductions in dividends.

The high yields available from many railroads stocks and bonds currently afford long-term investment opportunities based on careful selection.

Utility Earnings

All major public utility classifications will be a strong support to the economy; not only are they expected to increase capital expenditures in 1958 as compared with the year 1957, but the earnings of the electric, gas and telephone divisions of this industry will all increase and many companies are expected to increase dividends with no reductions in dividends forecast.

The Outlook for Security Prices

The Federal Reserve Banks have already lowered their discount rate and expanded their purchases of U. S. Treasury 91-day bills. Before the end of 1958, we think that these moves will be further extended and, that there will be one or more reductions in reserve requirements for member banks.

Also, entirely apart from any further intervention by the Federal Reserve, some relaxation of monetary stringency should develop as business borrowing tapers off. This should make more funds available for mortgage loans, thus stimulating home building as another offset to the decline in business spending.

An easier tone in the money market in 1958 should result in higher prices for U. S. Government bonds, municipal issues and better grade corporate bonds and preferred stocks. Rates on Treasury bills and prime commercial loans are also expected to average lower. Lower grade corporate bonds and similar classes of preferred issues will tend to benefit from this situation.

Now we come to the \$64 question. How will common stock prices act in 1958?

We expect a minor decline of only 2.6% in the earnings for the Dow-Jones Industrial Average and practically no change in dividends in 1958 as compared with 1957. Our estimate of the range of this Dow-Jones Average in 1958 lies between 390 on the low side and 485 on the high side. We do not expect, of course, that it will actually hit these limits—but the movement in 1958 in our opinion will not stray far from these points—with the high in the last half of the year.

For the Dow-Jones Rail Average, we think 1958 earnings will decrease about 14.5% from the 1957 level but the decline in dividends on this Average will not

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

50,000 Shares

Iowa Power and Light Company

4.80% Cumulative Preferred Stock

(Par Value \$100 per Share)

Price \$100 per Share

plus dividend accrued from January 1, 1958

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

Smith, Barney & Co.

Blyth & Co., Inc.

The First Boston Corporation

Glore, Forgan & Co.

Merrill Lynch, Pierce, Fenner & Beane

Stone & Webster Securities Corporation

White, Weld & Co.

January 14, 1958

exceed 10%. The 1958 range of this Average we estimate at 90 to 130.

Earnings on the Dow-Jones Utility Average will be up about 10% and cash dividends will be about 2.4% greater than they were in 1957. Our estimate of the 1958 range for the Utility Average provides for fluctuations within the limits of 63 on the low side and 75 on the high side.

Conclusion

Easier money conditions and record levels of personal income, construction outlays and consumer expenditures, as estimated, should form the basis for a relatively high level of business activity in 1958.

Higher wage rates will in our opinion tend to be offset by operating efficiencies obtained by new equipment and by selective adjustments in selling prices. Total corporate profits are expected to decline in 1958 and considerable variation in the earnings of individual companies should be anticipated. Dividend payments will in our opinion hold at a relatively high level.

We believe that higher average prices and lower yields are likely in the high grade bond and preferred stock markets in 1958. The opportunity to participate in the long-term growth of successful American corporations through commitments in selected common stocks will in our opinion continue to receive full recognition by investors.

F. G. Pearson With Elkins, Morris, Stokes

PHILADELPHIA, Pa. — Elkins, Morris, Stokes & Co., Land Title Building, members of the New York Stock Exchange and other leading exchanges, announce that Forrest G. Pearson has become associated with them as a registered representative.

Mr. Pearson, before joining Elkins, Morris, Stokes & Co., had been associated with C. C. Collings and Company, Inc. for the past ten years. Mr. Pearson, active in civic organizations in Chestnut Hill, is a member of the Springside School Board and a trustee of the Chestnut Hill Hospital which is currently concluding a successful campaign for the raising of funds to build a large wing to the hospital.

With Luce, Thompson

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Edward O. Prothman is now with Luce, Thompson & Crowe, Inc. 105 West 11th Street. He was formerly for many years with George K. Baum & Co., Inc.

Real Estate Securities Market Offers Investors Good Yields

By H. R. AMOTT

President, Amott, Baker & Co., Inc., New York City

In hailing the overall performance of real estate securities as outstanding, well known real estate specialist asserts real estate securities market now offers investors a broad selection of buying opportunities at good yields and prospects for large capital gains.

Of the many categories of securities actively traded in the securities markets, among the least publicized and perhaps least known, are the bonds and stocks of real estate companies. In spite of this, those prudent investors who have had the good fortune to discover the hidden values in these investments have reaped sizable profits for themselves over the past ten to fifteen years. One simple answer to the profits that have been realized in real estate securities during this period may be found in the solid growth of our economy since the end of World War II. Of course, it would be incorrect to infer that the market prices of such bonds and stocks have consistently held steady or increased throughout this entire period, but the fact of the matter is that the variations on the downside have been infrequent, relatively small and short-lived by comparison with the market swings in other classes of securities.

Within recent months, as investor sentiment became progressively more pessimistic about future business trends, the effect was felt in a general lowering of prices of real estate securities. But, once again the degree of the decline was relatively moderate as compared with other segments of the securities markets.

Stability of Prices

The relative stability of real estate security prices is readily noted by the market performance last year of such bonds and stocks as revealed by the Amott-Baker Real Estate Bond and Stock Averages. For the 12 months ended Dec. 31, 1957, our real estate stock index declined a modest 4.3%. For the same period our real estate

bond index recorded a drop of 6.1%. Last year, incidentally, was the first year since 1948, that the average of real estate security prices was lower than the preceding year. Thus, during only two of the past ten years has there been any pause in the upward price trend of real estate investments. I am sure it would be difficult to find another class of investments that has performed so consistently and well.

Among the many plus factors that account for the profitable performance record of real estate investments, two that stand out significantly are safety and the rate of return. Real estate bonds and equity stocks afford a measure of stability and value not readily duplicated in many other fields of investment. The rentals derived from income producing real estate seldom fluctuate widely or rapidly and generally are not affected by the frequent intermediate shocks to which most businesses are subject. The income from many of our business buildings today is well secured by long-term leases that assure a good return from these properties for years to come. Corporations owning real estate are, as a consequence, usually better able to

ride out the business dips which frequently occur. This steady flow of income quite naturally places property owning corporations in an advantageous investment position.

Low Depreciated Book Values

The inflationary surge which had its beginnings in World War II has, of course, had a salutary effect upon the sharp rise in the dollar value of real estate. Today, the replacement value of buildings erected during the late twenties and early thirties—in fact as recently as ten years ago—is substantially higher than their original cost. Since 1940, building labor and material costs have gone up two or three times and more. As a result, well maintained properties have lost none of their value usually attributable to physical depreciation. On the contrary, the higher rentals and earnings which these properties presently command have raised their sales value. Because of this, the financial statements of many of the older real estate companies show rather low depreciated book values for their real estate when compared with the current sales value of such properties. Investors who have the foresight to compare present day market prices of real estate equity stocks against the true market value of the underlying real estate should have no difficulty in finding many fine investment bargains. This has been proven many times over in the profits that have been realized so frequently in recent years by numerous publicly owned real estate and hotel companies from property sales.

The present decrease in market demand for real estate securities does not reflect, in my opinion, any semblance of instability in the real estate market or of the possibilities of a decline in the

income producing potentialities of well located and well maintained properties. There is no conclusive evidence that the inflationary surge has ended. Increased Federal spending coupled with labor's continued demands for higher wages and broader fringe benefits must have their impact upon the future purchasing power of the dollar. In real estate, these and such other factors as the almost total absence of distress sales, a high occupancy level and continued demand for good space are encouraging signs for those holding investments in corporations owning good grade real estate.

Buying Opportunities

Today, to an even greater degree than a year ago, the real estate securities market offers investors a broad selection of buying opportunities at good yields. Moreover, the market's present average price level provides a strong base from which large capital gains could be realized in the future. Prudent investors should begin now—while the psychological attitudes of investors, in general, remain depressed—to accumulate real estate equity stocks and bonds of the better grade, well managed realty companies.

A. W. Breyer With F. I. du Pont & Co.

CHICAGO, Ill.—Arthur William Breyer, Jr. has become associated with Francis I. du Pont & Co., 208 South La Salle Street. Mr. Breyer was formerly a partner in Winslow, Cohe & Stetson, in New York City.

L. M. Greany Adds

(Special to THE FINANCIAL CHRONICLE)
CLEVELAND, Ohio — William R. Douglas has become connected with L. M. Greany & Co., Fidelity Building.



Harry R. Amott



Member Federal Reserve System

Member Federal Deposit Insurance Corporation

DETROIT, MICHIGAN

Statement of Condition December 31, 1957

RESOURCES

CASH AND DUE FROM BANKS.....	\$ 56,675,049.71
U. S. GOVERNMENT OBLIGATIONS.....	151,312,851.01
STATE AND MUNICIPAL BONDS.....	16,030,718.24
OTHER BONDS AND SECURITIES.....	2,460,052.44
STOCK OF FEDERAL RESERVE BANK.....	450,000.00
LOANS AND DISCOUNTS.....	108,027,687.80
BANKING HOUSES.....	2,198,387.87
FURNITURE AND FIXTURES.....	1,030,066.73
OTHER ASSETS.....	1,148,386.16
	<u>\$339,333,199.96</u>

LIABILITIES

DEPOSITS.....	\$312,403,419.80
OTHER LIABILITIES.....	6,689,093.74
CAPITAL (COMMON STOCK).....	7,500,000.00
SURPLUS.....	7,500,000.00
UNDIVIDED PROFITS.....	5,240,686.42
	<u>\$339,333,199.96</u>

BANK of the COMMONWEALTH

SERVING GREATER DETROIT THROUGH 26 OFFICES, OPEN UNTIL 5 P.M. MONDAY THROUGH FRIDAY

1891 Our Sixty-Seventh Year 1958

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NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

City Bank Farmers Trust Company, New York announced on Jan. 8 the appointment of Myron M. Zizzamia as a Vice-President. Mr. Zizzamia is with the Tax Administration Department.



Myron M. Zizzamia

At the same time it was announced that Norman J. Larkin has been appointed a Trust Officer. Mr. Larkin is with Estate Planning at the Fifth Avenue Office, corner of 51st Street.

The Chase Manhattan Bank in New York has announced the following changes affecting the official staff of its national territorial organization.

John W. Gates, Jr., Vice-President, has been appointed officer in charge of the Bank's business relationships in District 6, the area division that includes Minnesota, Wisconsin, North Dakota, South Dakota and northern Illinois.

Mr. Gates replaces J. Stewart Baker, Jr., Vice President, who has received a new assignment in Chase Manhattan's metropolitan department where he will assist in the supervision of the bank's New York City business.

Assisting Mr. Gates in the supervision of District 6 will be Foster R. Clement, Jr., recently promoted from Assistant Vice-President to Vice-President.

The appointment of Thomas W. Hare as Vice-President of Manu-

facturers Trust Company, New York is announced by Horace C. Flanigan, Chairman of the Board.

Mr. Hare joined Manufacturers Trust Company in 1952 and was appointed an Assistant Vice-President the same year. Prior to joining the Bank Mr. Hare had been an Assistant Vice-President of the Passaic National Bank & Trust Company, Passaic, New Jersey.

At present Mr. Hare is in charge of the Bank's business in the Southwestern States, including Texas, Oklahoma, Missouri, Kansas and Arkansas.

Robert Lyon Hamill was elected on Jan. 13 to the Board of Directors of the Empire Trust Company, New York it was announced by Henry C. Brunie, President.

The appointments of John F. Clausen, Edward J. Herma and Robert F. Tardio as Assistant Vice-Presidents of Manufacturers Trust Company, New York are announced by Horace C. Flanigan, Chairman of the Board.

Mr. Clausen joined the Bank in 1937. He was made an Assistant Treasurer in 1949 and was assigned to the Bank's Out-of-Town Business department in 1953. Mr. Clausen will handle the Bank's business in central Pennsylvania.

Mr. Herma joined Manufacturers Trust Company in 1953 with the merger of Peoples Industrial Bank where he had been Secretary-Treasurer and member of the Board of Directors. At present Mr. Herma is assigned to handle the bank's business in New Jersey.

Mr. Tardio joined the Bank in 1953. He was appointed an Assistant Treasurer in 1956. At present, Mr. Tardio manages the Bank's Central Credit Department and is officer-in-charge of the Executive training program.

John D. Butt, President of The Seamen's Bank for Savings, New York has also been elected Chairman of the Board, it was an-



John D. Butt



C. G. Michalis

nounced on Jan. 14. Clarence G. Michalis, who has retired as Chairman, continues as a member of the Board and of the Executive Committee and also as a member of the Real Estate Committee.

Mr. Butt came to the Bank as Comptroller in 1938. He was elected Executive Vice-President in January, 1941, Trustee in February, 1941 and President in 1954. The Bank, which was chartered in 1829, has resources of over \$456,000,000.

Mr. Butt is a member of the Real Estate and Mortgage Department Advisory Board of the Manufacturers Trust Company.

The Grace National Bank of New York on Jan. 14 named five new Directors at its annual meeting of stockholders.

The new Directors are:

Perce C. Rowe, President of Flintkote Company, A. Lightfoot Walker, President of Rheem Manufacturing Company.

Henry W. Balgooyen, Executive Vice-President and Secretary of American & Foreign Power Company Inc.

William B. Rand, Vice President of United States Lines.

Benjamin H. Oehlert, Jr., Vice-President of The Coca-Cola Company.

This action brings the membership of the Board of Directors to 25, the full statutory limit.

UNDERWRITERS TRUST COMPANY, NEW YORK			
	Dec. 31, '57	Oct. 11, '57	
Total resources	\$43,653,203	\$41,383,929	
Deposits	39,088,048	37,580,550	
Cash and due from banks	7,176,340	7,357,729	
U. S. Govt. security holdings	16,764,520	17,430,323	
Loans and discounts	15,437,402	13,499,000	
Undivided profits	1,538,410	1,523,677	

THE CORPORATION TRUST COMPANY, NEW YORK			
	Dec. 31, '57	Oct. 11, '57	
Total resources	\$3,633,637	\$3,442,163	
Deposits	497,786	291,523	
Cash and due from banks	1,638,602	1,454,725	
U. S. Govt. security holdings	435,644	435,641	
Undivided profits	417,277	559,793	

The Bushwick Savings Bank, Brooklyn, N. Y. elected Assemblyman Anthony P. Savarese Jr. as a Trustee. It was announced by Gerald R. Dorman, President.

The directors and officers of the Valley Stream National Bank and Trust Company, Valley Stream, N. Y. announced the opening of their fourth banking office on Jan. 11, at 360 W. Sunrise Highway, Valley Stream, Long Island, New York, directly within the Green Acres Shopping Center.

SECURITY NATIONAL BANK, LONG ISLAND, N. Y.			
	Dec. 31, '57	Dec. 31, '56	
Total resources	122,491,285	106,855,913	
Deposits	110,711,575	96,267,255	
Cash and due from banks	17,445,142	16,441,946	
U. S. Govt. security holdings	25,873,988	24,520,478	
Loans & discounts	57,390,245	49,819,063	
Undivided profits	369,738	433,491	

Stockholders of both the First Portland National Bank, Portland, Me., and National Bank of Commerce, Portland, Me., approved the merger. The combined Bank will have resources in excess of \$60,000,000. Chester G. Abbott, President of First Portland, will head the new Bank and H. Nelson McDougall, Chairman of Bank of Commerce will retain that position. The Bank will be known as the First Portland National Bank.

Reese H. Harris Jr., Vice-President in charge of the trust department of the Connecticut Bank and Trust Company, Hartford, Conn., was nominated as a Director. His election will take place at the annual meeting on Jan. 21. Mr. Harris is a trustee of the Society for Savings.

Stockholders at a special meeting on Feb. 21 will vote on plans for the merger of the Greenwich Trust Company, Greenwich, Conn. and the First Stamford National Bank and Trust Company, Stamford, Conn. Directors of both Banks approved the plans Jan. 9. If approved, the Bank will be known as the National Bank and Trust Co., Stamford, Conn. and have assets of \$114,000,000.

THE CONNECTICUT BANK AND TRUST COMPANY, HARTFORD, CONN.			
	Dec. 31, '57	Oct. 11, '57	
Total resources	397,101,399	367,055,913	
Deposits	360,165,214	330,355,213	
Cash and due from banks	94,214,988	75,042,875	
U. S. Govt. security holdings	86,492,434	69,318,788	
Loans & discounts	162,852,565	161,205,983	
Undivided profits	5,128,664	5,073,999	

The common capital stock of The National Bank of Ocean City, New Jersey, was increased from \$250,000 to \$350,000 by a stock dividend effective Dec. 31 (Number of shares outstanding—35,000 shares, par value \$10).

Howard J. Breeman was elected Vice-President of the First Na-

tional Bank & Trust Co. of Paterson, Paterson, N. J.

A Charter was issued by the office of the Comptroller of the Currency to the Fairfax County National Bank, Seven Corners, Va. to open a new Bank. Dale H. Smith will be President, and H. W. Ireland will be Cashier. The Bank will have a capital of \$600,000 and a surplus of \$300,000.

By the sale of new stock, the common capital stock of The First National Bank of Martinsville and Henry County, Martinsville, Va. was increased from \$500,000 to \$600,000 effective Jan. 2 (Number of shares outstanding—60,000 shares, par value \$10).

THE FIFTH-THIRD UNION TRUST COMPANY, CINCINNATI, OHIO			
	Dec. 31, '57	June 30, '57	
Total resources	372,927,964	350,924,034	
Deposits	338,928,235	317,321,883	
Cash and due from banks	87,831,680	84,095,486	
U. S. Govt. security holdings	97,386,371	84,254,105	
Loans and discounts	168,444,882	163,283,396	
Undivided profits	5,368,500	4,705,307	

President Francis H. Beam of The National City Bank of Cleveland, Ohio announced on Jan. 14 a number of promotions and transfers and the retirement of two officers.

In the Bank's Trust Department the following have been promoted: Russel E. Vunderink, from Assistant Vice-President to Vice-President - Administration, and Thomas E. Clarke and Louis H. Ewald from Trust Officers to Assistant Vice-Presidents. Mr. Vunderink joined National City in 1949; Clarke and Ewald have been with the Bank for many years.

Hallett R. Gates, Jr., Banking Department, and Fred A. Hogg, Operating Department, were moved up from Assistant Cashier to Assistant Vice-President. Mr. Gates joined National City in 1951 and Mr. Hogg in 1953.

Transferred from Manager of the National City Southgate Office to the same position at the Bank's Shaker Square Office is Philip G. Dawson, Jr. He replaces Tod F. Buzard who has been Manager of the Shaker Office since March, 1954. Mr. Buzard is retiring this week under provisions of National City's Retirement Plan.

Replacing Mr. Dawson as Manager at the Southgate Office is Ronald C. Rue, promoted from Assistant Manager at National City's Chester-40th Office. Rue has been with the Bank since 1949.

Moving up from Administrative Assistant to Assistant Manager at the Babbitt-Lake Shore Office in Euclid is Byron J. Albrecht who has been at this office since its opening in 1955.

Promoted to Assistant Manager at the Chester-40th Office is Thomas E. Burris, previously Administrative Assistant at the National City University Circle Office.

Beam announced that Ralph E. Bauman, Vice-President in the Banking Department, is also retiring this week under National City's Retirement Plan. Bauman has been with the Bank for 23 years.

THE CENTRAL BANK COMPANY, LORAIN, OHIO			
	Dec. 31, '57	Dec. 31, '56	
Total resources	\$19,858,994	\$18,500,308	
Deposits	18,206,085	17,278,999	
Cash and due from banks	2,641,922	2,716,293	
U. S. Govt. security holdings	6,404,831	6,424,910	
Loans & discounts	9,235,937	8,425,547	
Undivided profits	105,137	125,117	

Stockholders of Harris Trust and Savings Bank, Chicago, Ill. at their annual meeting on Jan. 8 authorized an increase in the Bank's board from 21 to 22, elected three new directors, and reclassified the par value of the Bank's capital stock on a five for one basis.

The new Harris Bank directors

\$3,435,000

(Second and final installment of an issue aggregating \$6,870,000)

Baltimore and Ohio Railroad Equipment Trust, Series JJ

3 3/4% Equipment Trust Certificates (Philadelphia Plan)

To mature \$229,000 annually December 1, 1958 to 1972, inclusive

To be guaranteed unconditionally as to payment of principal and dividend warrants by endorsement by The Baltimore and Ohio Railroad Company

MATURITIES AND YIELDS

(accrued dividends to be added)

1958	3.35%	1960	3.60%
1959	3.50	1961	3.70
		1962-72	3.75%

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

HALSEY, STUART & CO. Inc.

DICK & MERLE-SMITH

R. W. PRESSPRICH & CO.

BAXTER & COMPANY

FREEMAN & COMPANY

IRA HAUPT & CO.

McMASTER HUTCHINSON & CO.

SHEARSON, HAMMILL & CO.

January 15, 1958.

are Ernest S. Marsh, President, Atchison, Topeka and Santa Fe Railway Company, and Burton A. Brannen and Donald P. Welles, Senior Vice-Presidents of the Bank.

Mr. Brannen, who joined Harris Trust in 1922, was appointed Assistant Auditor in 1935, Auditor in 1939 and Vice-President and Auditor in 1947. In 1950 he was made a general Vice-President and appointed Secretary of the Board of Directors, an assignment he continues to hold. He was elected Senior Vice President in 1956.

Mr. Welles joined the Harris in 1923 and was elected Assistant Cashier in 1925. He was made Assistant Vice-President in 1930, Vice-President in 1939 and served as a loan division Chairman until 1955 when he was transferred to general administration. He was elected Senior Vice-President in 1956.

All other present directors of the bank were re-elected.

The Harris stockholders also voted to change the 150,000 outstanding shares of the bank's capital stock of \$100 par value into 750,000 shares with a par value of \$20 per share. Permanent certificates will be available on Feb. 17, covering five times as many shares at \$20 par value as the number of \$100 par shares now held. If an immediate exchange is necessary, temporary certificates representing the new \$20 par value be available.

Kenneth V. Zwiener, President, who presided at the meeting, announced "It is the present intention of the Board to declare and pay regular quarterly dividends of 65 cents per share on the new stock which is equivalent to \$3.25

per share quarterly on the shares presently outstanding." The previous rate was \$3 quarterly. At the director's meeting, held following the stockholder meeting, all present Harris Bank officers were re-elected.

Huron County State Bank, Harbor Beach, Michigan and State Bank of Harbor Beach, Harbor Beach, Mich., consolidated under charter of Huron County State Bank and new title **Huron County Bank**.

THE DETROIT BANK & TRUST COMPANY, DETROIT, MICH.

	Dec. 31, '57	Sept. 30, '57
Total resources	990,573,107	1,005,968,646
Deposits	911,629,386	926,486,382
Cash and due from banks	176,586,226	183,808,695
U. S. Govt. security holdings	316,236,145	329,513,379
Loans and discts.	387,247,026	379,251,163
Undivided profits	9,784,202	12,474,953

BANK OF THE COMMONWEALTH, DETROIT, MICH.

	Dec. 31, '57	Dec. 31, '56
Total resources	339,333,200	351,599,638
Deposits	312,403,420	326,754,201
Cash and due from banks	56,675,050	57,154,294
U. S. Govt. security holdings	151,312,851	170,217,434
Loans and discounts	108,027,688	103,254,137
Undivided profits	5,240,686	4,754,588

THE NATIONAL BANK OF DETROIT, MICHIGAN

	Dec. 31, '57	Sept. 30, '57
Total resources	1,968,809,785	1,960,579,981
Deposits	1,803,198,064	1,756,089,201
Cash and due from banks	441,935,419	406,411,318
U. S. Govt. security holds.	654,595,166	655,566,669
Loans & discts.	706,649,898	721,072,991
Undivid. profits	21,847,288	20,627,154

By a stock dividend, the common capital stock of **The Com-**

mercial National Bank of Kansas City, Kansas was increased from \$1,000,000 to \$1,500,000 and from \$1,500,000 to \$2,000,000 by the sale of new stock effective Dec. 31 (Number of shares outstanding—200,000 shares, par value \$10).

The Liberty National Bank and Trust Company of Oklahoma City, Oklahoma City, Okla. increased its common capital stock from \$5,000,000 to \$5,500,000 by the sale of new stock effective Dec. 31 (Number of shares outstanding—550,000 shares, par value \$10).

W. J. Nichols, formerly an Assistant Vice-President, **Bank of St. Louis, St. Louis, Mo.** was elected Vice-President at a recent meeting of the Bank's Board of Directors.

Mr. Nichols, who has been associated with the Bank of St. Louis since August, 1945, has occupied successively the positions of manager of the Automobile Division and manager of the Installment Credit Department. In his new capacity he will remain in charge of all the Bank's installment credit operations.

CITIZENS FIDELITY BANK AND TRUST COMPANY, LOUISVILLE, KY.

	Dec. 31, '57	June 30, '57
Total resources	267,364,430	225,167,427
Deposits	245,782,979	204,571,550
Cash and due from banks	86,610,702	63,448,836
U. S. Govt. security holdings	54,412,748	46,069,036
Loans and discounts	116,038,844	105,403,361
Undivided profits	1,859,828	1,419,477

American National Bank of Jacksonville, Fla. increased its common capital stock from \$400,000 to \$500,000 by the sale of new stock effective Jan. 2 (Number of shares outstanding—5,000 shares, par value \$100).

The Selma National Bank, Selma, Ala., with common stock of \$200,000, and **Selma Trust & Savings Bank, Selma, Ala.**, with common stock of \$100,000 merged, effective Dec. 31. The consolidation was effected under the charter and title of "The Selma National Bank."

The common capital stock of the **National Bank of Commerce of San Antonio, Texas**, was increased from \$4,500,000 to \$5,000,000 by the sale of new stock effective Jan. 2, (Number of shares outstanding—250,000 shares, par value \$20).

The Board of Directors of the **First National Bank of Salt Lake City** on Dec. 27 elected officers for the new **Zions First National Bank**; and announced that the effective date of the merger of two Salt Lake banks into First National was Dec. 31.

The merger of **Utah Savings and Trust Company** and **Zions Savings Bank and Trust Company** into the new **Zions First National Bank** has been awaiting final approval of the U. S. Comptroller of Currency. Assurance of that approval was contained in a letter from the Comptroller read at the board session.

The Board of Directors elected LDS Church President, David O. McKay as Chairman of the Board, with Stephen L. Richards and J. Reuben Clark, Jr. as Vice-Chairmen. In further action they elected Orval W. Adams, executive Vice-President of First National, as President of Zions First National, with W. LaMar Webb and Wendell M. Smoot as Senior Vice-Presidents.

Vice Presidents of the new Bank will be Lane W. Adams, Grant G. Bryan, R. S. Hayes, D. E. Judd, Ernest A. Nelson and Grant N. Weiler. Claron O. Spencer will serve as Vice-President and Trust Officer, Alvin J. Schoenhals as Vice-President and Cashier, with David Cooke as Vice-President and Controller.

Previous items on the merger were given in the issue of the

Dec. 5 "Chronicle" on page 2442 and the Dec. 19 issue on page 2741.

ZIONS FIRST NATIONAL BANK, SALT LAKE CITY, UTAH

	Dec. 31, '57	June 30, '57
Total resources	124,723,456	89,551,299
Deposits	109,532,357	83,519,753
Cash and due from banks	22,413,335	19,553,525
U. S. Govt security holdings	42,246,547	36,506,086
Loans & discounts	42,389,021	23,796,021
Undivided profits and reserves	3,002,550	3,531,546

*June 30 figures for the First National Bank of Salt Lake City, only.

By the sale of new stock, the common capital stock of **The Conrad National Bank of Kalispell, Montana** was increased from \$400,000 to \$450,000 effective Dec. 30 (Number of shares outstanding—45,000 shares, par value \$10).

The Union Bank, Los Angeles, elected Donald W. Douglas, Jr., President of Douglas Aircraft Co., Inc., and John Jewett Garland, President of W. M. Garland & Co., Directors. Warner Heineman, Edwin P. Ziegler, Leonard Weil and James E. Tweedt were elected Vice-Presidents.

Sometime before April 1, Portland, Ore., will have its first new downtown independent commercial bank in 34 years. Plans have been approved for establishment of the **Security Bank of Oregon, Portland, Oregon** at 304 S. W. 6th Avenue, at the corner of Oak St. Organized by a group of Port-

land business and professional men, the new Bank will have capitalization of \$1,000,000. In addition to the head office, a branch will be established in the St. Johns area of Portland. The application for Bank charter was filed by George F. Brice, Jr., Jess J. Gard and Milton A. Foland.

Security Bank has been granted a charter by Marshall A. Case, State Superintendent of Banks, and deposits will be insured by the Federal Deposit Insurance Corporation.

Officers of Security Bank of Oregon will be Mr. Brice, President; Mr. Gard, Executive Vice-President and Cashier; Carl C. Danaugh, Vice-President, and Mr. Twining, Secretary and General Counsel.

At the annual meeting of the **Royal Bank of Canada, Montreal**, D. W. Ambridge, President and General Manager of Abitibi Power and Paper Company, Ltd., was elected a Director.

Bernard Henry Forms Co.

KILGORE, Texas—Bernard Henry has formed Bernard Henry Investment Company with offices in the Kelly Dickson Building to engage in a securities business.

Edwards & Hanly Partner

HEMPSTEAD, N. Y.—Edwards & Hanly, 100 North Franklin Street, members of the New York Stock Exchange, on Feb. 1 will admit John R. Solan to partnership.

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

NEW ISSUE

January 15, 1958

\$50,000,000

Commonwealth Edison Company

3 3/8% Sinking Fund Debentures

Dated January 1, 1958

Due January 1, 2008

Price 101% and accrued interest

Copies of the Prospectus may be obtained from any of the several underwriters, including the undersigned, only in States in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

The First Boston Corporation

Drexel & Co.

Eastman Dillon, Union Securities & Co.

Merrill Lynch, Pierce, Fenner & Beane

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Equitable Securities Corporation

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Carl M. Loeb, Rhoades & Co.

F. S. Moseley & Co.

Paine, Webber, Jackson & Curtis

Tucker, Anthony & R. L. Day

CHICAGO TITLE AND TRUST COMPANY

BALANCE SHEET As of December 31, 1957

ASSETS

Cash	\$ 4,152,264
Marketable Securities	
Bonds (at amortized cost)	
U. S. Government Obligations	6,482,633
State and Municipal Bonds	16,750,133
Corporate Bonds	413,406
Stocks (at market)	
Preferred Stocks	2,038,420
Common Stocks	5,627,601
	31,312,193
Bonds (at amortized cost) Pledged to Secure Trust and Escrow Cash Balances	
U. S. Government Obligations	16,036,647
State and Municipal Bonds	5,427,503
	21,464,150
Total Marketable Securities	52,776,343
Other Assets	
Accounts Receivable (less reserve)	1,768,326
Sundry Loans and Investments	1,222,169
	2,990,495
Real Estate (at cost)	
Chicago Title and Trust Building Corporation	5,500,000
Other Real Estate (less depreciation)	1,065,045
	6,565,045
Stocks of Associated Title Companies (at cost)	2,847,866
Title Records and Indexes	1,940,250
Total Assets	\$71,272,563

LIABILITIES, RESERVES and CAPITAL

Liabilities	
Accounts Payable	\$ 227,303
Accrued Taxes Payable	1,581,592
	1,808,895
Cash Deposits and Indemnity Against Specific Title Guarantee Risks	2,903,383
Trust and Escrow Cash Balances, Secured by Pledged Securities	21,205,107
Reserves	
For Losses and Contingencies	4,909,667
For Market Fluctuations of Securities	7,029,244
Unrealized Appreciation of Stocks	2,034,541
	13,973,452
Capital	
Capital Stock—Authorized 650,000 Shares at \$20 Par. Issued 1957—626,925 Shares	12,538,500
Surplus	13,176,394
Undivided Profits	5,666,832
	31,381,726
Total Liabilities, Reserves and Capital	\$71,272,563

Assets in the amounts provided by statutes of Illinois have been pledged to qualify the Company to do business and to secure trust and escrow cash balances.

Continued from page 3

Security Prices in the 1960's

a reality . . . a ballistic missile of intercontinental range and lethal accuracy, that carries a hydrogen warhead capable of destroying entire populations.

It will never be used. Genocidal (population-destroying) weapons as a military category—including chemical (gas) and bacteriological—are inherently useless because of the certainty of prompt or even simultaneous retaliation. Man's individual and collective instinct for self preservation is vastly more powerful than his other motivations. Use of any genocidal weapon on an enemy would be a senseless act of national suicide.

Wars will be fought in the decades to come. But they will be local conflicts, in pursuit of relatively limited national objectives, despite possible democratic vs. communistic ideological undertones present in individual disputes. And they will be fought with conventional weapons.

Capitalism Indestructible

The fourth basic long-term consideration for investors is the indestructible quality of capitalism, and its permanence as a way of life in a world in which peace will be maintained by institutional means. Democratic capitalism is the one completely natural way for man to organize and conduct his economic activities. It evolved gradually over the centuries slowly perfecting itself through trial and error, from the rudimentary bartering and exchange of primitive man to the clockwork precision of today's complex market economy. In this long evolutionary process, those economic activities and institutions survived which best satisfied the basic and unchanging needs of the population; the others lost out. Capitalism thus emerged by a gradual—and continuing—process of natural selection as the most completely satisfactory method of fulfilling man's material requirements while maintaining his personal liberties.

It was not suddenly planned out on paper in Das Kapital fashion by pseudo-intellectuals with a badly distorted conception of human nature and an almost complete ignorance of economic realities. Communism is a very new and highly artificial phenomenon, still in the experimental stage and therefore still in rigid and ex-

trema form. To meet adequately the needs of the vast populations under its control, who will inevitably become articulate and insistent about those needs, communism must gradually make fundamental concessions to capitalism's history-evolved ways of satisfying economic requirements.

As to the capitalist and communist political systems in their entirety, peaceful coexistence may prove to be the most important words distant historians will use in describing the second half of the twentieth century. Two diametrically opposed systems, arming themselves frantically with weapons of total destructiveness, would coexist "peacefully" because there is no alternative.

In this connection, however, there is considerable historical evidence in support of a final long-range forecast. Basic technological changes in society have always had a profound effect on the course of society. Technological innovations (such as the wheel, the animal-drawn plow, gunpowder, the compass, airplane, ICBM) produce corresponding institutional changes that enable society better to cope with and use the new technology. Institutional here refers to governmental, military, social, corporate and all other ways men organize their various activities. The importance of the innovation usually determines the magnitude of the subsequent institutional adjustment.

The point of all this is that the emergence of an absolute weapon, the nuclear missile—coming at the very moment when the world has been split into two equal and basically hostile camps—is a technological event of profound importance in the movement of human history. At stake may be the very existence of human life. The institutional response, therefore, will probably be equally profound.

Apparently, the most logical of several possible forecasts points to an interesting development. The present technological revolution may eventuate, perhaps late in the twentieth century, in a loose form of world government functioning under world law. National identities would be completely preserved. The rights and privileges, and the way of life, of each member nation would be jealously safeguarded by ironclad checks

and balances incorporated in a world constitution. Probably, all countries would simply agree to delegate to the United Nations organization the customary functions, legislative, administrative and judicial, of a workable government.

The nations would form a constitutional union out of an urgent common interest (survival), just as did 13 American colonies for sufficient but less compelling reasons. Freedom under law could be substituted for international anarchy, and individual freedom preserved in the same way that American personal freedoms were preserved and enhanced under the Constitution. No one state would dominate the world government any more than a single American state could dominate the others. This is not a brief for world government, but merely an assessment of the probability that an institutional development of this kind may take place.

Several countries have already gone on record, through parliamentary decisions and national plebiscites, in favor of the establishment of a federal type of world government. What was once the impractical dream of lunatic-fringe visionaries may become increasingly regarded, in a world separated from annihilation by the push of a few buttons, as an urgent practical necessity.

Conclusion for Investors

The technological revolution, spectacular population growth, the absence of a war of annihilation, and the permanence of democratic capitalism under world law, confront the American investor with a fascinating prospect. He stands at the dawn of the technological revolution, which will transform his world more completely than the industrial revolution transformed the world of agrarian pre-Civil War America.

In a few years, probably very early in the decade of the 1960's, the technological and population factors should begin to be felt in earnest. The American economy is likely to expand enormously. It is probably reasonable to say that, in the 1960's investors should witness one of the most spectacular bull market performances in the history of American finance. From a floor of perhaps 375-400 for the D. J. Industrials occurring some time in 1958-59, this average during the 'sixties could readily duplicate its 225% advance of 1949-56. That is, the Industrials may very likely rise to a high for that decade in the vicinity of 1,200, based on conservative calculations of the probable impact of technology and population (plus inflationary forces) on gross national product and corporate earning power.

Thus, as a corollary, if the 1958-59 stock market should be a dull and moderately depressed affair, it could subsequently prove to be one of the most profitable buying opportunities for common stocks ever presented to investors.

Investment Opportunities in Advanced Technology

For dynamic long-term growth, one area of real promise embraces companies that are in the vanguard of the technological revolution. These are firms whose activities, especially pure and applied research activities, are predominantly in the most advanced technological fields.

A company of this type must be recognized early, before its stock becomes over-priced on a long-term basis. And the stock must be switched promptly if competition from other companies in the same technological area, or developments in competitive technological areas, work against the earnings potential of the company.

By way of illustration, the following are a few companies with outstanding possibilities in their own particular technological areas. The stocks in the first group are growth speculations.

Litton Industries makes missile-testing equipment, components and inertial guidance systems. Its large scientific and engineering research staff has made this rapidly expanding company an important factor in advanced electronics. Earnings are still small (\$1.51 a share in 1956), but the growth potential is impressive.

Texas Instruments is a leader in the transistor field, and in aircraft, missile and industrial electronic devices. Sales more than tripled in the past five years. Earnings could rise to \$1.35 a share in 1958, from about \$1.10 this year and \$0.72 in 1956.

Thiokol Chemical manufactures rubber-based solid propellants for rockets, and engine power plants for experimental and operational missiles. The company, which earned \$2.08 a share in the nine months through September, should benefit materially from the growing emphasis on long range missiles using solid fuels.

Footo Mineral produces lithium chemicals and compounds which have nuclear energy applications. It also produces zirconium, strontium, hafnium and other strategic metallurgical products. The 1956-57 price range of the common was 61.33. Earnings in 1957 should exceed the \$1.90 a share of last year.

Brooks & Perkins fabricates specialty metals such as magnesium, zirconium and titanium into structural end-products having missile, atomic energy and industrial applications. The stock is selling at the lower end of its 1956-57 range of 13-8, and earned \$0.52 in fiscal 1957 (July 31). This small company has a substantial growth potential.

Fanstel Metallurgical is the largest producer of refractory metals such as tantalum and columbium. Great strength and resistance to high temperatures and corrosion make these materials increasingly important in electronics, aerodynamics and atomic

energy. With 1957 earnings estimated at \$4.25 a share, and in view of its excellent growth potential, the stock, at 47, seems considerably under-priced.

Cross Company is a rapidly growing manufacturer of automation machinery and tools sold under the Transfer-matic name. A new 300,000 square foot plant provides about three times the former capacity. The stock, down from its 1956 high, of 48, has exceptional longer term promise at 8.5 times fiscal 1957 earnings of \$2.41 a share.

Electronic Associates is the largest factor in the general purpose analog computer (mechanical brain) field. This and its other complex electronic data-processing equipment have growing automation and rocket applications. Still a small company (\$8.3 million sales in 1956), it has an outstanding growth potential.

Following is a small sample of firmly established companies that enjoy an important and growing stake in the technological revolution. These good quality issues have excellent growth possibilities at current levels.

Westinghouse Electric is a leader in the development and manufacture of atomic reactors used for generating electric power and propelling naval vessels. Preliminary estimates place 1958 earnings from all sources at \$5.00 a share, up from about \$4.00 this year.

International Business Machines is a major factor in electronic computers, in addition to its dominant position in punched card accounting systems and office equipment. Its outstanding growth should continue, and 1958 earnings may exceed \$8.00 a share, compared with an estimated \$7.25 this year.

Also in this category: **General Dynamics, RCA, Bendix Aviation, Minneapolis-Honeywell, Douglas Aircraft, and Eastman Kodak.**

Gordon Graves & Co. 25th Anniversary

Gordon Graves & Co., 30 Broad Street, New York City, celebrated its 25th anniversary Jan. 10 with a cocktail party and buffet supper for the staff at the Bankers Club in New York.

Gordon R. Graves, a former national bank examiner, organized the firm on Jan. 10, 1933, to deal in municipal and corporate bonds. Mr. Graves and Fairfield S. Perry are partners in the firm.

Cook Inv. Installs Wire to Revel Miller

CHICAGO, Ill. — Cook Investment Co., 208 South La Salle St., members of the Midwest Stock Exchange, have installed a direct wire to Revel Miller & Co., Los Angeles.

The FAIRFIELD COUNTY TRUST Company

Main Office, 300 Main Street, Stamford, Conn.
formerly THE STAMFORD TRUST COMPANY
HAROLD E. RIDER, President

STATEMENT OF CONDITION AS OF DECEMBER 31, 1957

RESOURCES

Cash and due from Banks	\$ 14,527,393.02
U. S. Government Securities	31,220,541.69
Other Bonds and Securities	8,904,950.68
Loans and Discounts	53,557,860.69
Banking House, Furniture and Equipment	2,553,524.42
Other Real Estate	114,136.02
Other Assets	335,424.48
TOTAL RESOURCES	\$111,213,834.00

LIABILITIES

Capital	\$3,005,000.00
Surplus	3,806,000.00
Undivided Profits	908,470.99
Reserves	495,626.25
Other Liabilities	554,096.41
Unearned Discount	660,849.01
Deposits	101,783,791.34
TOTAL LIABILITIES	\$111,213,834.00

TRUST DEPARTMENT FUNDS

which are kept separate and apart from the Assets of the Company. . . . \$ 72,078,074.67

COMPLETE BANKING AND TRUST SERVICES
14 OFFICES IN 9 COMMUNITIES
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

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in Southern Connecticut
14 offices to serve you!



The Connecticut National Bank

Open Saturday mornings and YOUR shopping night.

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Will the Economy Turn Upward?

By CHARLES A. SCHMUTZ
President, Standard & Poor's Corporation

Mr. Schmutz believes the coming year will reveal a striking recovery following a poor first-half, with overall annual profits moderately lower, though not so for dividends which may stay the same and even increase by a few percentage points over 1957 aggregate.

Another year in which investment discrimination will be at a premium is in store for shareholders of American corporations. Profits, squeezed somewhat in 1957, will be subjected to greater pressure in 1958.



Charles A. Schmutz

The squeeze will be unevenly applied, however. Some industries will be able to better their 1957 showings. Others, with volume down and costs up, will report declines. The net result, in the opinion of Standard & Poor's analysts, will be a moderate drop in aggregate profits.

Dividends, nevertheless, will probably be little changed. For several years past, the "payout ratio" has been extremely conservative. It could well rise by a few percentage points to permit the total of dividend payments to equal that of 1957.

With less pressure on cash positions from the requirements of inventory accumulation and plant expenditures, corporations may well stretch a point in their treatment of stockholders.

Later Improvement Seen

The earnings forecast is based upon a projection of industrial activity that envisages a poor first half but a progressively improving second six months. Reasons for the first part of this forecast are abundantly apparent. Employment is declining. Corporate spending for plant and equipment has turned downward, and trends in that area, once established, usually persist for some time.

What will turn the economy upward? At least two major forces deserve mention:

(1) Government contract awards may be expected to increase considerably as a result of Sputnik. They may not cause an actual immediate rise in Federal spending and may have little early effect on employment, but their results in terms of national morale will be good and their influence on industrial production should be apparent by mid-year.

(2) The money market reversal from tightness to ease is important. There is usually a considerable time lag between the initiation of such a change and its reflection in business activity. It will, however, progressively re-

duce the cost of borrowing and increase the availability of funds for carrying of inventories and for expansion and improvement projects. Its most notable manifestation may well be in stimulating residential construction.

Largely on the basis of these two factors, we see the probability of a general and rather striking recovery in our economy in the second half of 1958. Corporate profits, which will be severely depressed in the early months (particularly in comparison with the excellent showing of early 1957), should rebound smartly and make favorable year-to-year comparisons in the late months.

Companies represented in the Standard & Poor's daily index of 425 industrial stocks were able to score a moderate earnings increase last year, but still fell shy of their 1955 peak showing. A reversion this year to approximately the 1956 level would not be surprising. The record of recent years follows:

	Net Income	Dividends
1958 Est.-----	\$3.55	\$1.95
1957 Est.-----	3.67	1.94
1956-----	3.53	1.95
1955-----	3.78	1.87
1954-----	2.89	1.57
1953-----	2.60	1.47
1929-----	1.30	0.82

To achieve this projection, corporate directors will have to pay out an average of 55% of net income, as compared with only 53% indicated for last year. While payments may well be relatively conservative in the next few months, with a fair number of cuts in prospect, the 1958 year-end will probably see a more generous crop of extras than were declared late in 1957.

R. S. Rosenberg Joins Clement A. Evans & Co.

ATLANTA, Ga.—Clement A. Evans & Company, Inc., 11 Pryor Street, S. W. announces that Ralph S. Rosenberg has become associated with them as a Registered Representative in their Atlanta office.

Mr. Rosenberg was previously associated with Courts & Company and Rich's Inc.

Joins Lee Higginson

(Special to THE FINANCIAL CHRONICLE)
BOSTON, Mass.—William K. von Rosenvinge is now connected with Lee Higginson Corporation, 50 Federal Street.

Public Utility Securities

By OWEN ELY

Consolidated Edison Co. of New York

Consolidated Edison of New York, whose annual revenues of \$550 million make it the largest investor-owned electric and gas utility, has enjoyed a steady growth averaging about 5% in revenues per annum. So far as electric demands are concerned, they increase both vertically and horizontally—new skyscrapers furnish the vertical component, and increased use of appliances and growth in outlying areas such as Westchester and Staten Island supply the horizontal component. The company's continued growth is attested by its estimated 1958 construction expenditures of \$200 million, compared with \$146 million in 1957. In the five-year period 1958-62 inclusive the total construction budget is projected at \$800 million of which 90% will be in the electric system. The total amount is equal to over half of the 1957 net plant account.

The company expects to continue expanding at the rate of about 5% per year, and while this is at a somewhat slower pace than for the industry as a whole over the past decade, the rate of gain is steadier. New York City has very little heavy industry, and hence fluctuations in industrial activity are smaller than in most other areas. The company plans to install 1,000,000 kw generating capacity over the five years ending 1962, plus 275,000 kw at the nuclear power plant at Indian Point, N. Y. The company has adopted the "flow through" method of handling tax savings resulting from liberalized depreciation under Section 167 of the Internal Revenue Code. Tax savings included in share earnings amounted to 20¢ in 1956, 29¢ in 1957 and will approximate 40¢ in 1958, it is estimated. So long as the company continues to grow, the amount should increase over a period of years, unless present accounting methods are changed.

President Eble in a recent talk before the New York Society of Security Analysts stated: "The positioning of rapid depreciation tax benefits on the balance sheet through normalization as either a Reserve or Earmarked Surplus in the light of Commission decisions,

does not appear to further safeguard the interest or desire of the Utility to eliminate such amounts from rate determinations. Several Commissions after having prescribed normalization of the tax benefit for accounting concluded for rate purposes, either that the amount be deducted from the book value of plant or that the actual Federal income tax determined (including rapid depreciation) be reflected as an operating expense. The action taken by the Maine State Commission subsequently reviewed and upheld by the Supreme Court of the State of Maine is a case in point."

The company has had pending three applications for rate increases, the first of which has now been approved:

Minimum gas rates-----	\$4,800,000
Conjunctional billing, etc-----	9,000,000
Steam rates-----	2,000,000
Total-----	\$15,800,000

After allowance for taxes the increase already obtained approximates 16¢ a share, and if the two additional increases are obtained they will raise the total to 52¢ a share. However, even if all three increases are obtained it appears doubtful whether the company will realize a fair over-all return on investment. In 1956 only about 5% was earned on an estimated rate base, and according to Standard & Poor's calculation, the company earned only 4.7% on "invested capital" in the 12 months ended July 31, 1957. Because of higher money rates, 6½% is now generally regarded as closer to fair return than the traditional 6%. It is not clear as yet whether Con Ed might seek some further rate increase after the two remaining cases have been disposed of—this will probably depend on trends and circumstances. President Eble in his recent talk stated that "recent Commission decisions point up that they have begun to recognize the need for more adequate rates in order for the Utility to maintain its competitive financial status in the present economic pattern."

Apart from regulation there are two favorable factors that might improve earnings moderately. In the first place, gas expenses in

1958 will be reduced about \$1.4 million due to the ending of amortization on a portion of gas conversion costs. The company is also hopeful of obtaining a reduction in its local property tax bill of about \$1 million. Another favorable factor is the use of high-speed electronic equipment in the accounting department. Results to date have been very encouraging and with the introduction of a second large machine larger cost savings should be effected.

In discussing the trend of earnings the importance of weather must be taken into account—affecting not merely gas and steam revenues, but also electric.

The management has made no definite forecast of share earnings for 1958, although some increase over 1957 seems to be anticipated. The following share earnings figures are based on Carter Henderson's estimates in the "Wall Street Journal" a few weeks ago, and company estimates of per-share amounts of tax savings:

	Pre-Tax Savings	Est. Tax Savings	Net Incl. Tax Savings
1956-----	\$3.00	\$0.20	\$3.20
1957 Est.---	3.11	0.29	3.40
1958 Est.---	3.40	0.40	3.80

With the stock quoted recently around 47, holders of the two convertible bond issues should now be encouraged to convert their holdings into common stock (the debenture 3s are convertible at \$25 and the 4½s at \$45.45). The stock is paying \$2.40, making the yield 5.1%. It has been conjectured that with the upward trend of earnings, an increase in the dividend rate might be forthcoming at some later date.

Quinn Adds to Staff

(Special to THE FINANCIAL CHRONICLE)
BOSTON, Mass.—Robert J. Quinn has been added to the staff of Quinn & Co., 50 Congress St.

With A. G. Edwards Sons

(Special to THE FINANCIAL CHRONICLE)
CLAYTON, Mo.—Paul Ullman, Jr., has become associated with A. G. Edwards & Sons, 30 North Brentwood Boulevard.

With Geo. Eustis Co.

(Special to THE FINANCIAL CHRONICLE)
CINCINNATI, Ohio—Albert W. Miller is now affiliated with Geo. Eustis & Co., Traction Building, members of the Cincinnati S. E.

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

NATIONAL FINANCE COMPANY

(A Michigan Corporation)

New Issue

65,000 Shares

January 16, 1958

6½% Cumulative Preferred Stock

(\$10.00 Par Value)

(With Warrants to Purchase 97,500 shares of Common Stock)

Price \$10.00 Per Share

Not A New Issue

40,000 Shares

Common Stock

(\$1.00 Par Value)

Price \$5.00 Per Share

Copies of the Prospectus may be obtained from any of the several underwriters, only in states in which such underwriters may legally offer these shares in compliance with the securities laws of the respective states.

Baker, Simonds & Co.

McCormick & Co.

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Parsons & Co., Inc.

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I. M. Simon & Co.

Goodbody & Co.

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A. G. Edwards & Sons

The First Cleveland Corporation

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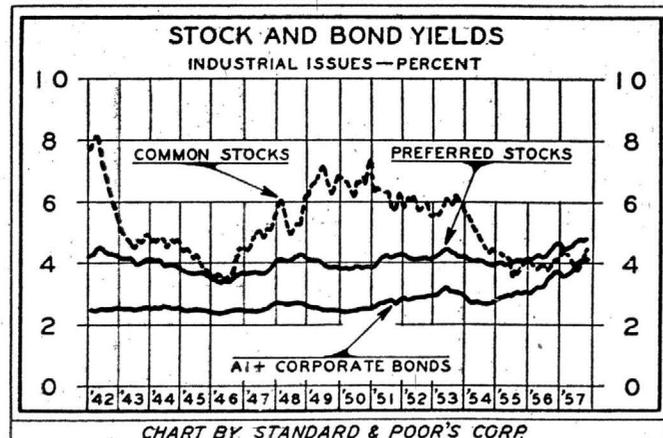


CHART BY STANDARD & POOR'S CORP.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks went through what was mostly a consolidating phase this week, finding little in the State of the Union or the President's budget messages to change the thinking. The prime rally target—the recovery peak in the industrial average posted in the November rebound—was still elusive, although the index was hovering within easy reach on any general strength.

The fact that a couple of other messages are still to be sent to Congress, notably the economic message early next week, undoubtedly kept sentiment restrained until the full scope of the legislative program is unveiled.

Two Defensive Stars

There was a bit of caution around, too, and the evidence was good demand for the defensive issues, notably American Telephone which worked toward its 1957 high on some good daily gains for this normally pedestrian issue, and Consolidated Edison which was no stranger to the lists of new highs.

Some of the foods, and selected tobaccos, in the soft goods category which stand to fare well even if the hard goods lines find the going rough this year, were also in demand and they, too, had candidates on the new highs lists more times than not.

The Ragged Area

Aircrafts found the missile-aircraft items in the nation's budget about in line with ex-

pectations and they settled for an undistinguished showing after having been a bulwark during the year-end selling. Oils, steels and rails were a bit on the ragged side most of the time, although refusal of the courts to ban the Bethlehem-Youngstown Sheet steel merger summarily without a full-fledged trial did give the two companies involved some brighter moments.

The auto picture was unchanged, sales still lagging. The stocks reflected it with indecisive action for the most, although Chrysler, which was toying with its year's low, was able to show the better rebound action when the market tone was good.

Various candidates for better action this year were mostly firms where the prospects of improved earnings were still good and, by no coincidence, the two chief makers of bowling alley pin-spotters were prominent in most such listings. They are American Machine & Foundry and Brunswick-Balke. American Machine, more diversified, is credited with the ability to show a modest improvement in last year's earnings while a good increase—from below \$5 to as much as \$6 possibly—is being projected for Brunswick. Lorillard in the tobaccos was given a prospect of around \$5 per share against just a bit over \$3 last year.

Nuclear Favorites

Westinghouse Electric, heavily committed to nuclear work and still rebounding from a rough strike setback, is among the outfits with a brighter profit picture for this year, as much as a dollar a share over the estimated 1957 result, which was about double the dividend requirement. In nuclear reactors, the company has more work in this field than all the other companies combined, according to some estimates, which promises a growth pattern even better than that normal to the electrical equipment business.

Babcock & Wilcox, also heavily committed to major projects involving atomic energy, was also in some favor and well under its recent peak. It is usually included in lists of issues where "growth" is the big item and has been selling lately despite this attraction at only a shade over a 10-times-earnings ratio.

Slow Growth Issue

National Distillers & Chemical, which has been forging prominently into the chemical business from its once-heavy reliance on the liquor business, has also assumed a growth status that, while on the slow side, nevertheless has been coming true. Its 1957 results are expected to be thoroughly comforting and despite plans to issue 1,500,000 shares of additional common stock to buy out the minority interest held by Panhandle Eastern Pipe Line in National Petro-Chemical Corp. the addition to earnings from this acquisition should balance out the dilution of the shares. The important part is that it expands its chemical interest and paves the way for important expansion in the petrochemical field.

Columbia Broadcasting is almost certain to show a good increase in earnings for 1957, and even in the face of a business letdown, is projected to better results this year and on into next year with advertising stimulated by lagging sales. The rebound this year is from earnings that were clipped a bit last year by losses in ending its television and radio manufacturing activities. The arguments over toll-TV, a threat to the Columbia type of operation, have held the stock in check and it has held in a ratio of only a little over eight-times earnings. Despite the fact that three major networks dominate the field, Columbia has increased its share of the total network business from the nominal one-third to around 45% at the expense of the other two.

Promising Issues in Unpopular Industries

Oils had few friends, high inventories and sporadic pro-

duction cutbacks chilling the enthusiasm for this group. Phillips Petroleum was carried downhill with the rest despite the fact that its reported figures are as good as any others around, gross holding an edge of nearly \$100 million over the previous year for the nine months. The romance involved in Phillips, naturally intangible at this stage, is that it is pushing rocket research and is trying to get into delivery of uranium concentrates. These activities have been disregarded for the most as the oils dragged this issue down with them. Consequently in most of the lists of issues that had reacted fully to reach an "undervalued" position, Phillips was the prominent, quality oil listed.

Paper stocks, likewise, haven't been mentioned with any regularity for more than a year as issues in the group backed down to and through support levels. Lily Tulip Cup, however, has been appearing among buy suggestions although it is not strictly a paper producer and is more of a fabricator of paper items. The technical action of the issue has been encouraging, including a breakthrough of a trading range on the up side in which it had lolled for a couple of years. The issue is strictly a high-quality, long-range item since its yield has fallen below the 3% line on its recent show of strength. Other papers occasionally had a day of good market action, including International Paper, but the consensus opinion was still wary of paper issues generally.

Bucyrus Erie is favored in the higher-yielding issues involved in the highway building program, its return approaching 7% at recent levels. A profit-pinch has been apparent here but the dividend has been well covered and a new, more efficient plant is

about to go into operation to ease the pinch.

[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.]

Lehman Brothers Admit Four New Partners

Lehman Brothers, 1 William Street, New York City, members of the New York Stock Exchange, announced that Paul F. Clarke,



Allan B. Hunter Richard P. Oakley



Paul F. Clarke

Allan B. Hunter, Richard P. Oakley and Marcel A. Palmaro will be admitted as general partners in the firm subject to the approval of the Board of Governors of the New York Stock Exchange.

Mr. Clarke joined Lehman Brothers in 1954. Previously, he had been associated with The Chase Manhattan Bank in their Public Utilities Department. He is a director of Quebec Natural Gas Company.

Mr. Hunter has been with Lehman Brothers for 25 years.

Mr. Oakley has been associated with Lehman Brothers for 14 years, prior to which he had been with the Bank of New York. Mr. Oakley has been the research director for the Investment Advisory Service.

Mr. Palmaro has been with Lehman Brothers since 1945 and heads the Foreign Department of the firm. Previously, he had been associated with European banking interests here and abroad.

CONDENSED STATEMENT

The Central Bank Company

LORAIN, OHIO

AT THE CLOSE OF BUSINESS DECEMBER 31, 1957

RESOURCES	LIABILITIES
Cash in Vaults and with Banks \$ 2,641,922.07	Deposits:
U. S. Government Obligations, Direct and fully guaranteed 6,404,830.73	Demand \$ 7,656,693.72
State, Municipal and Other Bonds and Investments 1,246,221.42	Time 10,549,390.92
Loans and Discounts 9,235,936.74	Reserves for:
Banking House, Furniture and Fixtures 289,805.93	Unearned Discount,
Other Assets 40,277.23	Unearned Discount,
	Federal Income
	Taxes, etc. 172,772.58
	Capital \$750,000.00
	Surplus 625,000.00
	Undivided Profits 105,136.90
	Undivided
	Profits 105,136.90
	1,480,136.90
	\$19,858,994.12
	\$19,858,994.12

H. G. PYLE, President

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Is Inflation the Underlying Problem?

By RICHARD NICODEMUS

Research Analyst, H. N. Whitney, Goadby & Co., N. Y. City

Wall Street analyst probes fundamental economic problem confronting us and opines our ability to cope with an economy of abundance is the "nub of the crisis faced by our free enterprise system." Finds our success in averting money panics and margin speculation in stocks allows more time for basic, underlying dislocation to develop more extensively. Praises recent Ford Foundation-Committee for Economic Development broad research proposals as step in the right direction for badly needed economic studies.

Prior to its decision in November to reduce the rediscount rate from 3½% to 3% the Federal Reserve Board had been conducting a determined battle against inflation with all of the monetary weapons at its disposal. The justification for this sustained and somewhat painful action was, of course, to avert the ultimate debacle which certainly would have resulted from any runaway move in prices. Even today the great productive capacity of the United States is not sufficient to offset the demands of an accelerating inflationary spiral of the type which would have developed had the Federal Reserve failed to lean rather heavily against the wind.



R. T. Nicodemus

It is the belief in some quarters that by waiting until November the "Fed" actually over-stayed its market, and that consequently the recession in 1958 will be more severe than anything we have experienced since the war. This pessimistic view is now challenged by a group which is convinced that the cost-push (wage) inflation has not stopped and that new expenditures for defense will restore the lagging consumer demands for houses and cars. The majority of honest experts, however, would probably admit in private, that the trend of business and stock prices during the next year is still to be determined by such imponderables as government spending and our reaction to the various crises which may develop.

Usually when an analyst is confronted with two clearly diver-

gent points of view he is able, to seek out some comfortable middle ground, to chide the extremists and to come up with a compromise. However, in this instance it is not possible. Since we are in the advanced stage of what closely resembles a classical business cycle it must be remembered that deflation and inflation are separated by less than the hair line on a slide rule. In fact in certain respects they overlap: some indexes rise while others fall; there is unemployment in one industry and a shortage in the next.

With such a delicately balanced economy obviously external events and unpredictable changes in mass psychology can enter the equation at any moment to accentuate or reverse a previous trend; and there is always the fear that some such development will set in motion a self-sustaining inflation or deflation which will get entirely out of hand. The theory is that in the end a breakthrough in either direction would have the same devastating result: mass unemployment, and, probably, the abandonment of the free enterprise system for some form of state socialism.

Unfortunately at this point in history there is no margin for any error of this magnitude if we are to win the cold war and survive as a free Nation. It is therefore essential that we continue the systematic effort to refine the enterprise system, an effort which began in this century with the creation of the Federal Reserve System in 1913.

The Federal Reserve Act, of course, grew out of the money panic of 1907 as the Securities Exchange Act of 1934 was a product of the excesses of 1929. We thus entered the 1950's (following the years of war and readjustment) with a system that had been inoculated against the diseases which previously had afflicted the banking and investment communities.

With the election of the businessman's administration of 1952 the country entered into the full flower of a boom of unprecedented proportions accompanied by all the faith and confidence that the President so easily inspired. In the summer of 1953 the stock market admittedly underwent a readjustment heralding the "healthy" inventory recession of 1954, but the fact that this recession was of minor proportions only served to bolster the confidence of the financial and business leaders. It was assumed that under sound management with enlightened fiscal and monetary policies the inevitable dislocations could be ironed out and that future readjustments would be "rolling" i. e., limited to one or two industries at a time.

By 1955 the sales of the automobiles and houses made dramatic gains and talk of a ten million car year in the near future was considered entirely realistic. Plans for expansion were drawn up accordingly, and in the two following years a high level of business activity was sustained by expenditures for new plant and equipment. But there was also another development: the cost of living began a steady rise.

Naturally, the Administration and the Federal Reserve Board became actively concerned; exhortations to business and labor to exercise leadership were most frequent and the Federal Reserve permitted interest rates to rise sharply. Attention was universally focused on the evils of inflation. By the word inflation the working population of course meant the higher cost of groceries while businessmen thought mostly of the inflated increments to annual wages which were usually far in excess of the annual gains in productivity.

Under these circumstances attention was diverted from the more basic and dangerous problem which, incidentally was being aggravated by the inflationary psychology: the problem of excess capacity.

During previous booms this problem had also developed, but it had been secondary to financial dislocations which had in part prevented it. Moreover, this time it was sorely aggravated by the high level of defense spending and the program of fast write-offs for tax purposes under certificates of necessity.

Whether general over-capacity does in fact exist is, of course, still a moot point because capacity can only be excessive in relation to demand and who is to say whether demand is not temporarily below normal? But from that point of view even a depression would not prove that capacity had been excessive.

This brings us to the nub of the crisis faced by our free enterprise system. We simply have not yet devised any fundamental technique for living in an economy of abundance. Obviously a moderate amount of excess capacity is desirable: it is important for national defense; it gives the economy flexibility and the capacity to undertake new ventures made possible by technology; and it allows for the retirement of obsolete facilities.

Unfortunately this desirable state of affairs carries with it two painful consequences, unemployment, resulting from the inevitable slow-down of expansion, and price competition which, though in many ways beneficial, often injures the strong companies as well as the inefficient.

At the present time there is plenty of evidence that we are suffering these consequences to an increasing extent, but the over-confidence in the long term is so great that no effort is being made to meet the challenge. Instead the present signs of weakness are regarded, like the Russian superiority in missiles as temporary. At

most, they may be considered indicative of another "healthy" recession which would be limited in scope as well as duration.

However, even if the economy rallies during the coming year it is clear that we are living very dangerously indeed. It seems that our money managers, particularly the Chairman of the Federal Reserve Board, have an almost super-human task to perform: they must maintain a balance which becomes progressively both less stable and less responsive to the various monetary and fiscal weapons at their disposal. Ironically, the fact that they are now able to avert money panics and margin speculation in stocks gives time for the basic, underlying dislocation to develop more extensively. What comes to mind here is both over-capacity and the higher break-even points for individuals as well as corporations.

One approach to these problems comes with the recent announcement of a \$500,000 grant by the Ford Foundation to the Committee for Economic Development to carry out a broad inquiry into the public and private monetary policies of the United States. It is to be hoped that this grant marks the beginning of a sustained economic research program and that additional support for this vital task will be forthcoming.

H. Darlington V.-P. Of B. J. Van Ingen

The election of Henry Darlington Jr. as a Vice-President of B. J. Van Ingen & Co. Inc., 40 Wall Street, New York City underwriters and distributors of municipal bonds, has been announced.

Mr. Darlington is a general partner in the investment firm of Hill, Darlington & Co., members of the New York Stock Exchange.

Wall St. Cashiers Elect.

The Cashiers Association of Wall Street, Inc. has elected Edward H. Devlin President for 1958. Mr. Devlin is associated with Green, Ellis & Anderson.

Other officers elected at the group's annual meeting held in Whyte's Restaurant, 145 Fulton Street, are:

First Vice-President, William R. Muller, New York Hanseatic Corp.; Second Vice-President, Mathew P. Deane, L. F. Rothschild & Co.; Treasurer, Peter Krysko, Allen & Co. and Secretary, Anthony J. Kahwaty, P. F. Fox & Co.

Commercial State Bank and Trust Company of New York formerly Modern Industrial Bank

STATEMENT OF CONDITION December 31, 1957

RESOURCES

Cash on Hand and Due from Banks	\$ 21,341,564.57
U. S. Government Obligations	35,974,088.92
Other Bonds and Securities	2,756,642.69
Loans and Discounts	57,204,788.21
Customers' Liability for Letters of Credit and Acceptances	1,073,013.91
Furniture, Fixtures and Improvements	796,927.55
Accrued Interest Receivable	221,015.72
Other Resources	104,777.14
	<hr/>
	\$119,472,818.71

LIABILITIES

Deposits	\$108,247,070.72
Unearned Discount	978,020.88
Liability for Letters of Credit and Acceptances	\$1,322,924.31
Less: Own Acceptances in Portfolio	249,910.40
	<hr/>
	1,073,013.91
Dividend Payable January 2, 1958	65,646.00
Reserved for Taxes and Interest	630,124.48
Other Liabilities	335,047.82
Capital Funds:	
Capital Stock	\$2,188,300.00
Stock Dividend Payable January 2, 1958	43,775.00
Income Debentures	3,750,000.00
Surplus and Undivided Profits	1,799,819.90
Reserves	362,000.00
	<hr/>
	\$119,472,818.71

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**Total Resources
as of
December 31, 1957
in excess of
\$45,000,000**

HEMPSTEAD BANK

Ten Offices in Nassau County

Member Federal Deposit Insurance Corporation

Member Federal Reserve System

Effect of Mr. Thorneycroft's Resignation as British Treasurer

By PAUL EINZIG

The net result of the recent resignation of the British Chancellor of the Exchequer, Mr. Thorneycroft may well cause the Government, according to Dr. Einzig, "to implement" its declared disinflationary policy—the defense of which was the cause of Mr. Thorneycroft's resignation. That the Government has been found weakening—if not in expenditure's size—in principle in keeping its spending to 1957 level may, the writer declares, serve as a precedent for future spending increases and labor union wage demands. Therefore, he warns that if the reconstructed disinflationary policy should fail then the Conservative Party cannot hope to win the next election.

LONDON, Eng.—The resignation of the Chancellor of the Exchequer, Mr. Thorneycroft and of the two junior Ministers of the Treasury has caused grave concern throughout the country, and the Prime Minister's efforts to minimize the importance of the event has failed to reassure public opinion. Government spokesmen were at pains to emphasize



Paul Einzig

that the three Treasury Ministers resigned over a "mere" £50 million which they insisted on cutting off the Estimates for 1958-59, in order to carry out the Government's pledge not to increase expenditure above the total for 1957-58. Even if this interpretation were correct, the importance of the principle involved was far in excess of the extent indicated by the figure of £50 million. What really matters is that evidently the Government is weakening in its determination to keep spending down at its level of 1957.

Actually the amount involved is uncertain, because there are bound to be Supplementary Estimates, and their total may well exceed that of the Supplementary Estimates introduced during 1957-1958. More important than the actual amount of the difference between Mr. Thorneycroft and the rest of the Cabinet is that the Treasury seems to have received scant support from the spending departments in its economy drive, and that the Cabinet refused to back up its demand for more drastic cuts.

Serves as Precedent

In itself, an additional expenditure of £50 million would not have produced unduly pronounced

inflationary effects. But there is good reason to fear that departure from the principle laid down in September, last, will encourage pressure for further departures. All trade unions are likely to argue that if, on the Prime Minister's own admission, an addition of £50 million is such a trifling matter, then their respective claims, each one of which is well within that figure, could and should be conceded without disastrous effect. It seems probable that the trade unions, which have been marking time since September, will now press forward with their claim with the utmost vigor.

Even though the Government to declare that it is determined to pursue Mr. Thorneycroft's disinflationary policy, that policy is now likely to encounter much stronger opposition, because the departure from its rigid principle has given much encouragement to its opponents. There is indeed a widespread feeling that the Government, while paying lip service to its disinflationary policy, is in fact much less firm than it was four months ago when the imminence of a grave crisis induced it to adopt strong measures.

It is far from certain whether even Mr. Thorneycroft's policy, applied in full, would have been sufficient to arrest the wage spiral. And it is now felt that, since a collapse of sterling is no longer imminent and since the average politician is incapable of seeing ahead till the next crisis in the Autumn, the Government is having second thoughts about carrying out in full the disinflationary policy decided upon under the influence of the acute run on the pound in September.

Praises Successor

These views do less than justice to Mr. Macmillan and his Government. Most Ministers are probably as keen as ever on disinflation, but they would like others to swallow the bitter medicine that has to be taken as a cure against inflation. They combined in an

effort to frustrate Mr. Thorneycroft's economy drive, but they are likely to back up his successor, Mr. Heathcoat-Amory in his effort to keep down the volume of credit. Moreover, those who imagine that the change at the Exchequer would be followed by an all-round softening of monetary policy are reckoning without Mr. Amory. The new Chancellor of the Exchequer is a man of character and a strong man. He has no political ambitions and is not afraid of applying the Gladstonian principle that the Chancellor of the Exchequer must be willing to sacrifice his popularity to the requirements of his guardianship of the public purse. He may feel tempted to go out of his way to prove that he is at least as firm against inflation as his predecessor had been.

Mr. Amory is in a very strong position in relation to the Cabinet. Should he fail to get the support which he demands, he would be in a position to force the Cabinet to back him up. For the resignation of another Chancellor of the Exchequer would be more than Mr. Macmillan's Government could survive. Moreover, his disinflationary policy is bound to receive full support from Mr. Thorneycroft from outside the Government, and from a large section of the rank and file of the Conservative Party both in Parliament and in the country.

Finds Hopeful Prospect

The Government's attitude towards inflation will be followed with the utmost attention from now on, and any marked departure from its declared disinflationary policy will encounter strong opposition on the part of Conservatives. So it is considered possible that the Government may feel impelled to implement the policy in defense of which Mr. Thorneycroft has resigned.

It is a great pity that Mr. Thorneycroft did not take a strong line six months earlier when the Cabinet decided to do absolutely nothing in face of the gathering storm. And it is a great pity that the maximum of his demand was to prevent an increase of the expenditure. He ought to have insisted on substantial reductions below the 1957 level, in which case he could have resigned on a clear-cut issue. As it is, it is arguable that the difference between his policy and that of the Cabinet was merely one of degree. It was not certain that the Government's policy would have achieved the end of checking inflation, and the change at the Exchequer has made it even less certain.

One thing is certain. If the reconstructed Government's disinflationary policy should fail, the last hope of the Conservative Party to win the next general election would disappear. Mr. Macmillan does not appear to have realized the extent to which his supporters are in favor of economy in public expenditure. Unless he comes to realize it before it is too late the return of a Labor Government not later than 1960 must be considered a certainty.

Joins L. A. Caunter Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Amelia Baldwin has joined the staff of L. A. Caunter & Co., Park Bldg.

With Central States Inv.

(Special to THE FINANCIAL CHRONICLE)

MANSFIELD, Ohio—Richard J. Casad has become connected with Central States Investment Co., Walpark Building.

Richard Buck Partner

Richard J. Buck & Co., 39 Broadway, New York City, members of the New York Stock Exchange, on Feb 1 will admit Frank L. Walin to partnership.

From Washington Ahead of the News

By CARLISLE BARGERON

Your correspondent supposes that NBC, CBS, ABC and the likes would resent being put in the same class as the gas lobby which came to such an untimely end a year or so ago and the fact is that they are doing things on a much higher plane. The gas lobby came to grief when an overly sensitive Senator arose in his seat and indignantly said he had been offered \$2,000 for his campaign fund.



Carlisle Bargeron

The radio and TV chains, on the other hand, have been regaling our statesmen with wine, women and song and, a terrible thing to impose upon the gentlemen, their pundits. It so happens that there is perhaps no other group in our country more interested in the doings of Congress at this session, and not just for the purpose of reporting the news, than the radio-TV industry. For one thing, there is the so-called Barrows report whose recommendations if carried out would split up the broadcasting chains all over the place. The Barrows report, like the Gaither report and the Rockefeller report, is one of those studies that spring up in our midst at times and upsets the even tenor of our ways. Briefly, it is a critical study of our present radio-TV set-up.

On top of this is subscription-TV whose ugly head has been reared for many years but which now has come to the point of the FCC authorizing a limited trial run—that is a run in a limited number of markets so selected that free TV can't possibly be hurt.

Well sir, we have never seen so many little and big radio-TV wigs in our midst. The radio-TV chains are vigorously opposing any trial run or anything else for subscription-TV. Hearings by the House Interstate and Foreign Commerce Committee began on Tuesday and are to continue for several days on the question of whether the Federal Communications Commission had the authority to give the go-ahead to the trial run. The committee also has before it a couple of bills to prohibit paid subscription-TV.

There is little thought anywhere

that any of these bills could get through Congress. Admittedly that would be pretty far for Congress to go to prohibit a new and legitimate enterprise. But the opponents of subscription-TV do hope to raise so much commotion on the House committee that the FCC will back track and postpone the trial run for which licenses are to be accepted after March 1. I doubt they will be able to get any pronounced action such as this out of the committee.

But be that as it may, the radio-TV lobby hasn't been the slightest abashed in the matter of giving parties. They marked the social highlight over the week-end. On Friday night CBS entertained at what is described as a gorgeous cocktail party. The Congressmen and Senators flocked to it.

Topping this party was the dinner Monday night, on the eve of the House committee hearings, by NBC at which the Congressional and Senatorial wives were invited. It would be an understatement to say that everybody had a good time. NBC's prima donnas put on the entertainment, the dinner was out of this world.

Neither NBC nor CBS had the slightest trouble in filling up their parties. Unlike many hostesses they never had to worry for a moment that they wouldn't have a full attendance. At the last minute neglected Senators and Congressmen were asking for invitations and CBS and NBC were anxious to oblige them.

As a matter of fact, there is nothing unusual about parties on such a large scale in Washington. The NAM gives a cocktail party early every year, the U. S. Chamber of Commerce does and so do the railroads. But these organizations are looking for general good will. The interesting thing about the radio-TV spree is that their parties were timed for the opening of the hearings on subscription-TV. There is nothing yet on the calendar about the Barrows report.

I'll say this, too. This lavish entertainment left the pro subscription-TV people on the sidelines sucking their thumbs. Had they dared tried to put on any such entertainment it would have been a scandal to the jay-birds, a bold attempt to influence Congress. The radio-TV people being just jolly good fellows, of course, had nothing like this in mind.

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Explosive Effects of Population Changes in America

By PHILIP M. HAUSER*

Professor and Chairman, Department of Sociology, University of Chicago

Well known sociologist succinctly reviews realistic population projections and probable "explosive effects" arising from predicted population growth. Dr. Hauser opines: (1) two-thirds of population will, by 1975, be living in about 200 standard Metropolitan areas; (2) slums will appear in suburbs as in cities; (3) in-migrant Negroes, like European immigrants in the past, will provide new labor source and undergo similar "Americanization" process, and (4) a constant per capita income growth will allow sputniks and ICBM's without economic sacrifice.

The unprecedented postwar marriage and baby boom have completely altered the future population growth of the United States. Projections of future growth during the 1930's indicated a maximum population for the United States of about 165 million. The Bureau of the Census projections now show that by 1975 the population of the United States will total from 207 to 228 million.



Prof. P. M. Hauser

The tremendous implications of the postwar baby boom is perhaps realized by pointing out that the continuation of the present birth rate of the United States, an unlikely event, would produce a population of over a billion persons in this country by the year 2050. Turning to the more realistic projections of the Bureau of the Census for 1975, the population increase indicated means that the United States will increase by from 55 to 75 million persons in the 25 years between 1950 and 1975. The economic implications of such an increase may be briefly stated as follows: The United States must, within 25 years, expand its facilities so as to increase its production of goods and services for an addition to the population of the country as great as all of Western Germany, as a minimum; and as great as all of Pakistan at the upper limit.

The Standard Metropolitan Areas of the United States absorbed 97% of the total population increase of the nation between 1950 and 1955. Should this trend continue, it is possible that by 1975 about two-thirds of the population of the country, or about 150 million persons, will be living in about 200 Standard Metropolitan Areas, with only a third of the population in the remaining areas in the country. Of the population within the Standard Metropolitan Areas only half will be resident in the central cities and the other half—and possibly more than half—will live in suburban areas. The rapidity of metropolitan area growth, and especially suburban growth, is likely to make suburban populations more closely resemble central city populations in the future, than they do now, or have in the past. That is, large parts of suburban areas will contain working class and lower middle class populations of the type previously located in inner zones of central cities when metropolitan areas on the whole were smaller.

Urban renewal programs, already under way on a substantial scale in a number of metropolitan areas, are likely to be accelerated during the coming years. In consequence, aspects of the physical structure of metropolitan United States are in a sense being turned inside out. That is, while the decayed inner zones of the city are being renovated and blight in our middle-aged areas retarded, it is the rapidly growing suburban areas which threaten to become the slums of the future (some in fact are slums as rapidly as the concrete dries). It is highly probable that the metropolitan area of the future will be much more heterogeneous in the sense that there will be both good and bad neighborhoods in the suburbs as well as in the central city.

Streams of in-migrant Negroes from the South have replaced waves of European immigrants to meet the demand for labor in the expanding industrial plant of metropolitan areas of the United States. The patterns of accommodation and assimilation which characterized the settlement of European immigrants, are now in process for the American Negro.

The Negro migrant to the city will, without question, as the evidence already indicates, follow the same paths of spatial and social mobility blazed by the successive waves of immigrants who settled in our metropolitan areas. Just as the immigrant underwent a process of "Americanization" the immigrant Negro is undergoing a process of "urbanization." The Negro is already rising and will continue to rise on the socio-economic scale as measured by education, occupation, income and the amenities of urban existence; and the Negro will continue to spread throughout the entire metropolitan area occupying outlying suburban as well as inner central city locations.

Population Composition

The cyclical changes in our marriage and birth rates and continued decline in our death rates are producing large changes in the age structure of our population. It is clear that between 1950 and 1975, while our total population increases by from 37 to 50%, our senior citizens—those 65 years of age and over—will increase by 66%. At the other end of the age scale, youngsters 5 to 14 years old are likely to increase by from 24 to 71%, and young persons 15 to 19 years of age by from 62 to 90%, depending on the course of the birth rate. This means, among other things, that high schools must increase their capacity up to 90%; and that even if the juvenile delinquency rates remain the same, juvenile delinquency may increase by up to 90% by reason of the increase in the size of the age group alone.

The State of Virginia in the coming decades will experience a rate of growth about the same as that of the United States as a whole. In the two decades between 1950 and 1970 Virginia, according to projections of the United States Bureau of the Census, will increase from 28 to 35% to achieve a population of from 4.3 to 4.5 million. Thus, Virginia growing at about the average rate of the United States, would increase more slowly than the South Atlantic States with which it is classified by the Census. The South Atlantic States, including Delaware, Maryland, District of Columbia, West Virginia, North Carolina, South Carolina, Georgia and Florida may increase from between 34 to 42% between 1950 and 1970 to achieve a population of from 28.4 to 30.1 million by 1970.

Sputniks and ICBM

All other things being equal, the population increase in prospect for the United States points to the maintenance of a high level of economic activity. Minor adjustments in the economy are, of course, possible, but the basic outlook for the next two decades is one of continued expansion to meet the needs of the large population increment which may be anticipated. It is an astounding fact that, even if it is assumed that our national income per head will remain constant until 1975, when it has always increased in the past, the increment to our aggregate national income is likely to exceed the total national income of any nation on the face of the earth today, other than the United States itself. This would suggest that we can afford the costs and frictions of expansion. Moreover, it would suggest that we could even afford to produce sputniks and ICBM's, if we were of a mind to do so, with relatively minor sacrifices and adjustment of our present fabulously high levels of living.

Railroad Securities

First Quarter Forecast

The nation's railroads in the first quarter of this year are expected to have considerably less revenues and carloadings than in the comparable period of the two preceding years. As a matter of fact, some rail traffic men see traffic down to the levels of the like 1954 period. However, gross revenues are not expected to show as large a drop as loadings, due to past and prospective rate increases.

Currently, the carriers are petitioning the Interstate Commerce Commission for a selective increase of 3%. Hearings are now underway and as usual the roads in their briefs have made estimates of earnings for coming months which are distinctly on the pessimistic side. It is thought in some rail circles that even with the volume of business down that the roads should be able to show a greater degree of operating efficiency, reflecting the large sums which have been expended in the past few years for property improvements and for new equipment.

Expenditures for additions and betterments have been reflected in the cash position and debt of a number of railroads. There has been a sharp drop in the current asset position of a number of the roads and in most cases while not serious, it still has been distinct. The sale of equipment trust certificates to finance the purchase of new equipment, particularly of diesel locomotives has added to the debt structure of a number of carriers. With interest rates at high levels during most of 1957, the cost of this new equipment added to fixed charges. Some of the roads, notably the Pennsylv-

vania RR., have sought recourse to leasing new diesels rather than purchasing them. This keeps debt and fixed charges from climbing.

According to estimates by the 13 regional Shippers Advisory Boards, carloadings in the first quarter of this year should run 3.8% under those of a year ago. This estimate is placed on the conservative side, with the probability that loadings will run under the 6,266,087 cars forecast as compared with 6,515,997 loaded in the like 1957 period.

Of the various groups loadings of automobiles and trucks are set at 46,139 cars, off 21.7% from a year ago. Iron and steel shipments are placed at 447,654 cars, off 15.4% from a year ago. The only increase of any importance is estimated for cotton which is placed at 72,994 cars, up 4.7% from the 1957 level.

With Yates, Heitner

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—George W. Cooper has joined Yates, Heitner & Woods, Paul Brown Building, members of the New York and Midwest Stock Exchanges. Mr. Cooper was previously with Dempsey-Tegeler & Co.

Rejoins Fahey, Clark

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Carter J. McCloy is now associated with Fahey, Clark & Co., members of the Midwest Stock Exchange. He has been recently been with Eastman Dillon, Union Securities & Co. and prior thereto was Cincinnati Manager for Fahey, Clark & Co.

ZIONS FIRST NATIONAL BANK

SALT LAKE CITY, UTAH

DECEMBER 31, 1957

RESOURCES

Cash and Due from Banks.....	\$ 22,413,335.00
U. S. Government Securities.....	42,246,546.62
Municipal and Other Securities.....	17,188,644.32
Stock in Federal Reserve Bank.....	300,000.00
Loans and Discounts.....	42,389,020.52
Bank Premises.....	66,011.00
Other Assets.....	119,898.29
TOTAL.....	\$124,723,455.75

LIABILITIES

DEPOSITS:	
Demand.....	\$ 59,653,621.10
Savings and Time Deposits.....	49,878,735.99
TOTAL DEPOSITS.....	\$109,532,357.09
Reserve for Taxes, Interest, etc.....	2,188,548.44
CAPITAL:	
Common.....	2,550,000.00
Surplus.....	7,450,000.00
Undivided Profits and Reserves.....	3,002,550.22
TOTAL CAPITAL FUNDS.....	13,002,550.22
TOTAL.....	\$124,723,455.75

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The FIFTH THIRD UNION TRUST CO.

CINCINNATI, OHIO

Statement as of December 31, 1957

RESOURCES

Cash and Due from Banks.....	\$ 87,831,679.86
United States Bonds.....	97,386,371.01
State and Municipal Bonds.....	9,728,224.60
Other Bonds and Securities.....	2,948,946.37
Loans and Discounts.....	168,444,881.54
Banking Premises Owned.....	4,470,688.92
Customer's Liability Under Acceptances.....	61,560.88
Income Accrued Receivable and Prepaid Expense.....	1,335,521.07
Other Resources.....	722,090.19
TOTAL.....	\$372,927,964.44

LIABILITIES

Capital Stock (\$25.00 Par Value).....	\$11,875,000.00
Surplus.....	11,875,000.00
Undivided Profits.....	5,368,589.85
Total Capital Funds.....	\$ 29,118,589.85
Reserve for Dividends, Interest, Taxes, etc.....	4,749,165.17
Liability Under Acceptances.....	61,560.88
DEPOSITS:	
Commercial, Bank and Savings.....	331,646,792.70
U. S. Government.....	7,281,441.95
Other Liabilities.....	70,413.89
TOTAL.....	\$372,927,964.44

*Includes \$6,800,590.53 of trust money on deposits in the Banking Department, which under the provisions of the Banking Law of the State of Ohio, Section 1107.12 is a preferred claim against the assets of the Bank.

Eisenhower Submits Record Peace Time Budget to Congress

Record peace time spending program and estimated tax receipts for the fiscal year commencing July 1, 1958, are twin projections presented to Congress in President Eisenhower's fifth budget. Geared to cold war defense needs and emphasizing a shift in type of military expenditure, the budget contains no significant non-military spending reductions and calls for no tax increase. Estimated budgetary surplus is based on anticipated revenue increase postulated, in turn, upon assumption that current recession will end in the early months of 1958.

The country's largest peace time budget was presented to Congress by President Dwight D. Eisenhower, January 13, 1958.

The President cited five factors supporting his view that the economy's upward expansion "will soon be resumed; offered neither tax cuts nor raises; urged increased foreign aid; and stressed, among many important tasks charted for action, the importance of improved defense to take advantage of latest scientific advances and to make our security an integral part of the security of the entire free world."



Pres. Eisenhower

The following is the text of the President's budget in part:

The budget for the fiscal year 1959 which I am transmitting with this message reflects the swiftly moving character of the time in which we live. It is clearly a time of growing opportunity as technology and science almost daily open wholly new vistas to all mankind. Yet it is also a

time of growing danger. The progress of the Soviets in long-range missiles and other offensive weapons, together with their continuing rejection of a workable disarmament compels us to increase certain of our defense activities which we have only recently expanded many fold.

We know that we are sturdy today in the many strengths that keep the peace. This budget reflects our determination to remain so in the future.

This budget reflects another determination—that of adhering to those principles of governmental and fiscal soundness that have always guided this Administration—economy in expenditures, efficiency in operations, promotion of growth and stability in a free-enterprise economy, a vigorous Federal-state system, concern for human well-being, priority of national security over lesser needs, revenues adequate to cover expenditures and permit debt reduction during periods of high business activity, and revision and reduction of taxes when possible.

To meet the responsibilities imposed on us by world conditions and by the fiscal principles to which we adhere, the budget for 1959 contains recommendations to provide:

(1) An immediate increase for 1958 of \$1,300,000,000 in spending

authority for the Department of Defense, and a further increase of \$2,500,000,000 in 1959 over 1958, to be applied principally to accelerate missile procurement, to strengthen our nuclear retaliatory power, and to spur military research and development programs;

(2) A resulting increase of \$2,800,000,000 in estimated 1959 expenditures over 1957 for missiles, nuclear armed or powered ships, atomic energy, research and development, science and education, plus a further provision of \$500,000,000 for defense purposes, if needed; in addition, authority to transfer up to \$2,000,000,000 between military appropriations, in order to take prompt advantage of new developments;

(3) A decrease of \$1,500,000,000 in 1959 expenditures below 1957 for other military arms and equip-

ment and aircraft of declining importance, in favor of the newer weapons;

(4) Curtailments, revisions or elimination of certain present civil programs, and deferments of previously recommended new programs, in order to maintain non-military spending in 1959 and to provide the basis for budgetary savings of several billion dollars annually within a few years;

(5) Continuation of present tax rates to help achieve a balanced budget in 1959.

I believe that this budget adequately provides for our Federal responsibilities in the year ahead.

The estimated budget totals for the current fiscal year and for the fiscal year 1959 are compared with actual results of earlier years in the following table:

BUDGET TOTALS

(Fiscal years. In billions)

	Actual 1956	Actual 1957	Estimate 1958	Estimate 1959
Budget receipts	\$68.1	\$71.0	\$72.4	\$74.4
Budget expenditures	66.5	69.4	72.8	73.9
Budget surplus (+) or deficit (-)	+1.6	+1.6	-0.4	+0.5
New obligatory authority	63.2	70.2	\$74.4	72.5

\$Includes \$6,600,000,000 of anticipated supplemental requests.

Defense, Science and the Budget

Americans are determined to maintain our ability to deter war and to repel and decisively counter any possible attack. Today we possess military superiority over any potential aggressor or aggressors. Every American should clearly understand that the vast defense programs undertaken during the past several years have greatly advanced our military preparedness and developed and harnessed impressive new scientific achievements. We have sharply increased the numbers of scientists and engineers assigned to top priority defense programs. We have expanded many fold the expenditures for the development of missiles, both defensive and counteroffensive. We have accelerated development of advanced guidance systems, new fuels, and heat-resistant materials. We have greatly enlarged our network of warning devices and communications.

Our longer-range ballistic missile development, in particular, has long had the highest national priority. The result is striking. Whereas in 1953 we spent only \$1,000,000 on these programs, we spent \$1,000,000,000 in 1957 and will spend more in 1958 and still more in 1959.

Our defenses are strong today, both as a deterrent to war and for use as a crushing response to any attack. Now our concern is for the future. Certain elements of our defense program have reached the point where they can be further accelerated. I will transmit to the Congress, immediately, a supplemental appropriation request of \$1,300,000,000 for the Department of Defense for the fiscal year 1958. Further increases in new obligatory authority are requested for the fiscal year 1959. The recommended authority for the military functions of the Department of Defense is \$39,100,000,000, which is \$600,000,000 more than was requested in last year's budget for 1958 and \$3,800,000,000 more than the amount the Congress has thus far enacted for 1958. Spending for military functions of the Department of Defense in 1959 is estimated to total \$39,800,000,000.

The development of longer-range ballistic missiles, construction of missile sites and detection systems, and other missile programs including guided missile ships will be substantially augmented. The total expenditures for missile research, development and procurement, for guided missile ships, and for missile-related construction will be \$4,300,000,000 in 1958 and \$5,300,000,000 in 1959, compared with \$3,000,000,000 spent in 1957, \$1,700,000,000 in 1956, and

\$1,200,000,000 in 1955. Commencing in 1958, we will procure a number of new missiles which have been recently developed and have now become operational.

As an indispensable part of our efforts to maintain an adequate defense, the budget recommendations for 1959 call for continued contributions to the efforts of free world nations to promote the collective defense and economic growth. The Soviet threat to freedom is far more than military power alone. Poverty and ignorance, and the despair, fear, and unrest that flow from them, have always been enemies to liberty. The Communists well know this and unceasingly exploit these factors to extend their influence and control. This Soviet economic assault on freedom is rapidly growing. Conquest by this route is no less menacing to us and other free nations than conquest by military force. We must, accordingly, vigorously advance our programs to assist other peoples in their efforts to remove poverty and ignorance.

Scientific Research Must Be Expanded

Scientific and research efforts throughout the Nation must be expanded. This is a task not only for the government but also for private industry, foundations, and educational institutions. The government, on its part, will increase its efforts in this area. Supplemental appropriations for 1958 will be requested for the National Advisory Committee for Aeronautics and the National Science Foundation, as well as the Department of Defense. For 1959, new programs to promote education in science are being recommended and basic research activities are being generally expanded.

Changes in Emphasis

Total Government expenditures (1) for all procurement to equip our forces and those of our allies with weapons, ships, planes, and missiles, (2) for atomic energy, and (3) for all scientific research and education will be approximately \$21,100,000,000 in 1958 and \$21,600,000,000 in 1959, compared with \$20,500,000,000 in 1957.

Within these totals for procurement and science, we have gradually but substantially changed our emphasis. This administration's continuing attention in recent years to new concepts of defense is shown by the fact that more than 75% of the total funds for procurement in the 1959 budget and 1958 supplemental requests is programmed for new types of equipment which had not been developed in the fiscal year 1955 or were not being bought in production quantities in that year—

the first full year following the Korean conflict. In 1953, missiles alone took less than 2 cents of each dollar spent for major procurement; in 1957, missiles took about 15 cents of every procurement dollar; and in 1959 will take about 24 cents.

The greatly increased firepower of modern weapons and the continuing increase in efficiency permit a further reduction in the number of military personnel. Procurement of older types of weapons and equipment is also being reduced. Other defense expenditures will be reduced by closing installations that are outmoded or are of limited use, and by tightening maintenance standards, procurement practices, and supply management.

Budget Authorizations and Expenditures

As a result of the increases in our key protection programs recommended in this budget for the current fiscal year and the coming fiscal year, total new obligatory authority and budget expenditures for each of these years will be larger than in 1957—even though it is recommended that certain other programs, both defense and civil, be retarded or reduced.

Total appropriations and other forms of new obligatory authority recommended for the fiscal year 1959 amount to \$72,500,000,000. This is \$4,700,000,000 more than has been enacted for 1958 and \$2,300,000,000 more than for 1957. In addition, \$6,600,000,000 of supplemental authorizations are estimated for the current year, 1958, for the Department of Defense, Commodity Credit Corporation, Export-Import Bank, and other agencies.

Budget expenditures in the fiscal year 1959 are estimated to be \$73,900,000,000. This is \$1,100,000,000 more than now estimated for 1958 and \$4,500,000,000 more than in 1957.

Budget Receipts

Although higher than in previous years, the current estimate of receipts for the fiscal year 1958 is somewhat smaller than earlier expectations, reflecting readjustments currently taking place in our economy following the rapid growth of the past several years. It now appears that 1958 budget receipts will not exceed \$72,400,000,000 although they will be well above 1957 receipts of \$71,000,000,000. A combination of increased defense expenditures and decreased receipts in the revised estimates for the current fiscal year results in an estimated budget deficit of \$400,000,000.

There are strong grounds to support my confidence that the expansion of our economy will soon be resumed, bringing higher levels of receipts with present tax rates. . . . There are many uncertainties in forecasting results 18 months in advance. Our best estimate at this time of budget receipts for 1959 is \$74,400,000,000. This would produce a balanced budget with a surplus of \$500,000,000 in 1959. . . . If the Congress follows my recommendations, I believe that we shall be able to do what is required for our defense efforts and meet the basic needs of our domestic programs without an increase in tax rates. To maintain present rates, I recommend that tax rates on corporation income and certain excises, which under existing law are scheduled for reduction next July 1, be extended for another year.

Debt Limit

A debt limitation serves as a proper reminder of the importance of operating economically in discharging the responsibilities placed by the Constitution and the statutes on the executive branch. However, the present limit of \$275,000,000,000 is too re-

AMERICAN & FOREIGN POWER COMPANY INC.

TWO RECTOR STREET
NEW YORK 6, NEW YORK

IMPORTANT FINAL NOTICE

Of Expiration on March 1, 1958 of Securityholders' Rights

Notice to All Holders of Un surrendered Stock Certificates for Preferred Stock (\$7), \$6 Preferred Stock,

Second Preferred Stock, Series A (\$7), and Common Stock (old) of AMERICAN & FOREIGN POWER COMPANY INC.:

On February 29, 1952 the Plan of Reorganization (Plan) of American & Foreign Power Company Inc. (the Company), pursuant to Section 11(c) of the Public Utility Holding Company Act of 1935, became effective.

Pursuant to the Plan, all rights of all holders of the Common Stock (old) and of the Preferred Stock (\$7), \$6 Preferred Stock and Second Preferred Stock, Series A (\$7), including the right to all accumulated and unpaid dividends on such Preferred Stocks, have been revoked, abrogated and cancelled except such holders' rights to receive, subject to the terms of the Plan and within the time limit therein provided, the new securities of the Company allotted to them by the Plan.

Holders of certificates for such Preferred Stocks and for such Common Stock (old) who surrender same prior to the expiration of six (6) years from February 29, 1952, to the Exchange Agent appointed under the Plan, will receive in exchange the new securities of the Company and the cash (if any) to which they are entitled under the Plan.

Notice is hereby given that the Plan provides that no stockholder of the Company who shall fail to claim the securities or the cash to which he is entitled pursuant to the terms of the Plan prior to the expiration of six (6) years following February 29, 1952 shall be entitled to receive any part of said securities or the proceeds thereof or any other cash to which such stockholder may have been entitled under the Plan. Such 6-year period will expire on March 1, 1958.

Holders of unsurrendered stock certificates for the above-mentioned cancelled securities, all of which were issued prior to February 29, 1952, are urged to communicate at once with Bankers Trust Company, Exchange Agent, Corporate Agency Division, 16 Wall Street, New York 15, N. Y., or with the Company (Secretarial Department), 2 Rector Street, New York 6, N. Y.

Dated: New York, New York, January 14, 1958

AMERICAN & FOREIGN POWER COMPANY INC.

By HENRY B. SARGENT, President

strictive in view of rising defense expenditures and of the need for more flexibility to permit efficient and economical debt management.

Therefore, I will recommend that the present limit be revised upward temporarily through the fiscal year 1959.

Protection

Our security is an integral part of the security of the entire free world. In addition to strengthening our own defenses, we must improve the effectiveness of our partnership with our allies.

Major National Security

New obligational authority recommended for major national security programs for 1959 is \$44,300,000,000, compared to \$41,000,000,000 estimated for 1958 and \$41,300,000,000 enacted for 1957.

Expenditures for these programs are estimated to be \$45,800,000,000 in the fiscal year 1959, \$1,000,000,000 more than in 1958 and \$1,400,000,000 more than in 1957.

Department of Defense, Military Functions

To accelerate the adaptation of our defenses to changing conditions, a request for supplemental appropriations of \$1,300,000,000 for the Department of Defense in the fiscal year 1958 is being transmitted to the Congress. The result will be to increase total new obligational authority for 1958 for the military functions of the Department of Defense to \$36,600,000,000. A further increase of \$2,500,000,000 is recommended for the fiscal year 1959, bringing the total for that year to \$39,100,000,000. It is essential that we be able promptly to modify and accelerate programs when and as important discoveries or technological developments in weapons indicate such action to be desirable. To accomplish this end, the budget includes a contingency reserve of \$500,000,000 for defense purposes only. It also proposed that the Congress authorize the President to transfer up to \$2,000,000,000 between appropriations available for military functions of the Department of Defense. This transfer authority is important, and I will not hesitate to use it. . . . Expenditures in 1958 are now estimated to be \$38,900,000,000 compared with the original 1958 budget estimate of \$38,000,000,000. Estimated expenditures for 1959 are \$39,800,000,000. . . . The rapidly changing character of the military program is strikingly evident when the weapons and equipment we propose to buy in 1959 are compared with those bought as recently as 1955—the first full fiscal year after the Korean conflict. . . . All the fighters and bombers proposed for procurement with 1959 appropriations will be capable of supersonic speeds and of using guided missiles and nuclear weapons. . . . For the total missile program, about 90% of the dollars planned for procurement in 1959 are for weapons which were not in production in operational quantities in 1955.

Most of the ships in the proposed 1959 construction program are entirely new types not to be found in the 1955 shipbuilding list. These include guided missile destroyers and the first nuclear-powered frigate. The first three ballistic missile submarines for the fleet are included in the 1958 supplemental request.

Fully half of the proposed 1959 program of military construction is for facilities for the Strategic Air Command and for weapons systems and equipment which

have been brought into operational use since 1955.

Programs Requiring Greater Emphasis

The budget provides funds for a still greater expansion of the swiftly progressing intercontinental and intermediate range ballistic missile programs. Expansion and further improvement of the continental defense early warning network will be undertaken and construction of a new ballistic missile detection system started. . . . This budget includes funds for accelerating the dispersal of Strategic Air Command aircraft to additional bases and for the construction of "alert" facilities. . . . Funds are provided for an expanded research and de-

velopment effort on military satellites and other outer space vehicles, and on anti-missile missile systems, to be carried out directly under the Secretary of Defense. An increase is also included for basic and applied research in other areas.

Anti-submarine warfare capabilities will be increased to counter potential enemy submarine threats.

While greater attention is given in this budget to the foregoing areas, conventional warfare capabilities of all the military services are also being improved. . . .

Military and Civilian Pay

Personnel trained at great expense in the operation and maintenance of modern weapons must have greater incentives to remain

in service. For present and long-range efficiency and for greater equity the military pay system must be recast. . . .

Actions for Economies

The programs and pay adjustments will be costly. Beyond the reduction of \$1,500,000,000 for procurement of aircraft and conventional weapons from 1957 to 1959, it is necessary that every possible economy be effected in other defense activities to help offset the increased costs of the high priority programs.

Development and Control of Atomic Energy

Expenditures by the Atomic Energy Commission in the fiscal year 1959 will increase to \$2,550,-

000,000, or \$250,000,000 more than estimated for 1958, which in turn was \$310,000,000 over 1957.

Mutual Security Program

Soviet ambition poses a threat to the free countries that takes several forms: open armed attack, internal subversion, and economic domination. Mutual security helps to meet all forms of this threat. For the fiscal year 1959, I am recommending new obligational authority of \$3,940,000,000 for the mutual security program. Expenditures are estimated to be \$3,-868,000,000.

Reciprocal Trade

The Reciprocal Trade Agreements Act should be extended for

Continued on page 122



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Recovery of Sterling And World Trade

By HONORABLE G. F. THOROLD, C. M. G.*

Economic Minister, British Embassy
U. K. Executive Director, International Monetary Fund and
International Bank for Reconstruction & Development
Washington, D. C.

The role sterling has played and is still playing in the field of world trade is briefly surveyed by British Economic Minister who points out that today's sterling, though not formally convertible has now recovered a large part of its prewar usefulness as a means of making international payments. Mr. Thorold traces steps taken to re-establish sterling's position; states the greatest change in sterling, since 1939, is its use as a reserve currency; and stresses determination to maintain existing par value and to increase reserves in order to provide adequate backing for the growing sterling transactions volume. Recounts efforts taken to improve U. K.'s external position and internal stability, and importance of sterling to world trade

Sterling has been the domestic currency of England since the eleventh century; but it did not become generally used as an international

currency until the early part of the nineteenth century, when the industrial Revolution was fully under way, and vast new areas overseas were being opened up for trade. At that time London was virtually the centre of

London in the fields of commodity marketing, insurance, shipping, etc. There was, thus, a natural tendency for this trade to be financed in sterling and the "Sterling Bill on London" which was the instrument used for its financing, became virtually an international bank note.

In addition to providing a currency of trade, London also provided the bulk of the capital for the development of these new countries throughout the whole of the nineteenth century and the early part of the twentieth. The United Kingdom was a very heavy investor overseas, as well as providing, through its free trade policy, an ever-expanding market for other countries' produce. Sterling was thus always available either through trade or through the London capital and money markets, to credit-worthy countries and individuals, and went far in the nineteenth century in providing the international liquidity so important for the development of trade.

After the first World War, conditions had changed. New York had by then become a major financial centre and was playing an important part in financing trade and investment, particularly with Latin America; in the United Kingdom from 1921 to 1925 and from 1931 onwards, there was

no fixed relationship between sterling and gold. It was at this time that people began to refer to those countries who chose to peg their currencies either de jure or de facto to sterling, as being in the sterling bloc or sterling area. This linking of currencies to sterling was no new phenomenon, but only became apparent when the value of sterling was no longer tied to gold. The countries comprised in the so-called "sterling area" varied time to time and were not confined to members of the British Commonwealth. They included such countries as Egypt, Portugal, Siam, the Scandinavian countries and at one time or another Greece, Japan and Argentina. This association was entirely voluntary. It arose because the countries concerned considered that their financial and trading connections were such that their interests would be better served by linking their currencies to sterling rather than to gold. It was, moreover, a characteristic of members of the sterling area that they not only traded in sterling, and pegged their currencies to sterling, but also held a substantial part of the reserves in sterling. This willingness to hold reserves in sterling was again nothing new. It had arisen in the first case, quite early in the nineteenth century when countries and overseas traders who treated London as their banker, found it convenient to keep their balances there.

With the outbreak of war in 1939, Britain had to concentrate all her efforts on winning the war and was forced to take steps to ensure the most efficient use of her resources to that end. In such circumstances the future position of sterling had necessarily to be subordinated to the need of financing and winning the war. An exchange control covering the whole of the British Commonwealth (except Canada) was set up on the outbreak of war and restrictions were placed on the convertibility of sterling. In any event the scope for the international use of sterling on pre war lines would have been smaller during war time since world trade was largely directed by Governments through their controls over the allocation of shipping and centralised purchasing. Within the limits set by war time policy the United Kingdom authorities did, however, endeavour to ensure that no fundamental damage was done to the long-term position of sterling, and they were in fact able to maintain its useability in certain important respects throughout the war. Thus there was always full freedom of movement of sterling within the Sterling Area and full convertibility of sterling held by American residents. In addition, we did not at any time, even at the height of our difficulties, place exchange control restrictions upon the fulfillment of contractual obligations such as payment of dividends due to non-residents.

The cessation of hostilities found the world a very different place from that existing in 1939. In addition to the problems involved in converting its economy back to peacetime uses, the United Kingdom was faced with the need not only to repair the extensive war-time damage to its cities, but also to make good the depreciation of plant and equipment worn out in the war. It had used the bulk of its holdings of foreign securities and a substantial amount of its gold reserves to buy materials of war, and countries both inside and

Our Present Tax Structure Is Eroding Faster Each Day

By HONORABLE THOMAS B. CURTIS*

House of Representatives (Second Missouri District)
U. S. Congress

Congressional tax expert asserts we are beyond the point of diminishing returns in our tax rate; criticizes Treasury Department's and Ways and Means Committee's approach to taxation; and suggests January Congressional committee tax hearings concentrate—not on tax reduction which decreases the tax take but — on tax rate reductions and toward re-evaluating tax differentials which will increase the tax base and the ratio of tax collectibility. Representative Curtis favors a tax averaging bill for individuals, oppugns use of taxation for governmental regulation, blames tax structure for discouraging equity capital; and believes we can collect more revenue by lowering the corporate rate below the psychological barrier to 49%.

The Ways and Means Committee will start holding hearings shortly on the subject of general revisions of the Federal income and estate taxes. I am hopeful that through these hearings will come a rather basic revision in the underlying philosophy of our Federal tax structure. The 1954 Tax Code was essentially a recodification which had long needed doing. It was only incidentally a tax reduction. Indeed, there was little revenue lost overall after the liberalizations had been balanced off against the tightenings. It is true that in the recodification some changes were made which had some important economic effects and results, but essentially the tax structure remained as before.



Hon. T. B. Curtis

If the approach to the hearings to be held this coming January is going to be along the line of various economic groups competing with each other to get what tax reduction might be meted out, I do not believe the hearings will serve any real value as far as immediate results are concerned, or indeed, advance our knowledge greatly so that the kind of basic tax revision that, in my judgment, is necessary will be done. If competition for what revenue loss may be made is the criterion in these hearings, the "little man" of the

*An address by Rep. Curtis before the Third Annual Institute on Federal Taxation.

demagogues is going to win, which means of course that the little man will lose.

Attacks Our High Tax Rates

Former Secretary Humphrey was quoted out of context to the effect that if the Federal budget continued to be as high as it is we would have a depression that would curl your hair. I have always interpreted the Secretary's remark to be directed essentially against our Federal tax structure. That if we continued the high rate of Federal spending over too long a period we would have to continue the present taxes at their high rates in order to pay for them out of orthodox taxes rather than through the tax of inflation. However, continuing the high tax rates will produce its own ills equally as bad as inflation. Essentially, through the high tax rates we are eroding our entire voluntary tax system. If we destroy the willingness of our citizens to cooperate in filling out their tax returns honestly, we will indeed destroy the very base of our tax system. And yet every year it becomes more difficult to enforce our tax laws at the rates we have imposed.

Essentially, however, I disagree with ex-Secretary Humphrey as I have interpreted his views. One of the most basic criticisms I make both of the Treasury Department's and the Ways and Means Committee's approach to taxation is the use of the short sighted method of estimating tax gains or losses from changing tax rates. Both Treasury and Congress seem to think their tax rate is the only factor in computing tax take.

Actually, tax take is based upon a more complicated formula. In its simplest form, it is tax rate



Guy Thorold

world trade and the rapidly expanding English economy provided both a ready market for the foodstuffs and raw materials that these new countries were beginning to produce and a source of supply of the manufactured goods they required. These close trade ties were reinforced by the financial links existing between the London banks and their network of branches overseas which handled the financing of this trade, and also by the ancillary services provided by the City of

*An address by Mr. Thorold before the 44th National Foreign Trade Convention, New York City

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Continued on page 71

times tax base. But there needs to be added another important factor which I have chosen to call ratio of collectibility. In other words, some taxes are easy to administer in collection. Other taxes, like the local personal property tax, have such a low rate of collectibility that the tax take from a rather broad tax base and a good rate is practically nil. As tax rates increase, the tax collectibility ratio declines. Furthermore, as tax rates increase, the tax base tends to narrow.

Another way of stating it is to say that every tax has a point of diminishing returns, beyond which increasing tax rate will produce less, not more, revenue. I am constantly amazed that though this economic law is so obvious and though lip service is paid to it it is completely disregarded in considerations of tax law amendments by both the Treasury Department and the Ways and Means Committee.

The entire theory of the protective tariff is based upon the economic law of diminishing returns in taxation. This is relatively simple to understand. It becomes a bit more complex to follow this law when we are dealing with a comprehensive tax code like our corporate and individual Federal income tax code. In this instance it is easier to avoid considering the law of diminishing returns because the amount of revenue derived from a specific tax may actually increase but the diminution occurs in another area of taxation. The net take is less. In other words, our Federal tax structure is imposed, in effect, upon the entire Gross National Product. The tax code itself is simply the details of how the tax is to be applied and collected against the annual Gross National Product. If one aspect of this comprehensive tax is altered, this alteration affects other aspects.

Let me illustrate by referring to the unlamented and improperly termed "excess profits" tax. This tax in economics was essentially a tax upon new and/or growth companies simply because the base upon which the profits were to be tested to determine whether they were "excessive" was the previous experience of the taxpayer. It was a great boon to the older established and larger corporations, particularly the larger corporations whose efficiency had declined with age. The complete elimination of this tax resulted in more revenue coming into the Federal treasury through normal corporate tax than previously was collected from the normal corporate tax plus the excess profits tax.

I opposed the continuation of the 52% corporate tax last spring, not on the grounds of wanting to help the corporations. I am not so dumb as not to recognize, with the thoughts the demagogues have successfully put into the public mind, that being for corporations is being against the little man and this is political suicide. I was opposed to the corporate tax rate because I felt and do feel that it is considerably beyond the point of diminishing returns. We would actually collect more, not less, revenue from the corporations of America if we would lower the rate below the psychological barrier to 49% so that the American businessman weighed his advertising and business expenditures as costing him the major part and not, as presently, the minor part. . . . if he should be the major partner and Uncle Sam the minor partner.

However, neither the experts of the Treasury Department nor those of the staffs of the Ways and Means Committee, the Senate Finance Committee or the Joint Committee on Taxation will consider anticipated revenue loss on the long run basis even though our tax laws now give some recognition to the fact that economics does not follow the earth's yearly

trek around the sun. We permit carry forwards and carry backs so that economic cycles, whatever they may be, are reflected.

I think it is significant that though we anticipated a 3% increase in Gross National Product this fiscal year, the Treasury anticipated only a 1/2% increase in revenues from the corporate income tax. The recent budget report shows that though Gross National Product looks to be even greater than the anticipated 3% increase, the corporate tax take estimates are one-half billion less than anticipated and show a decline rather than 1/2% gain. This should rather conclusively prove to an objective observer that there is something wrong in our corporate tax structure. I suggest the obvious . . . we are beyond the point of diminishing returns.

Tax Rate Differentials

Important though the highness of the tax rate is to producing diminishing returns and affecting the ratio of collectibility, there is a factor that is even more important in our present tax laws. That factor is the differential existing in various tax rates. The American businessman or individual is confronted with a delightful assortment of rates. First is the sliding scale of 20% to 91% for individuals; then there is the 30% or 52% for corporations; then there is the 25% on capital gains; and there is the 0% if the capital gain is passed on to the heirs of the taxpayer. The difference between these tax rates is so great that a great deal of American business is now conducted, not on economics, but on this pinball

operation of shooting for the 0% or the 25% hole and avoiding the 20% to 91% trap.

If the tax hearings in January are going to mean anything of permanent value, they must be directed toward getting our tax system back to economics and away from the complicated pinball gambling operation that it has become.

To do this, the economic groups who are requesting hearings on their particular tax problems must direct their attention to the underlying, not the superficial, cause of their troubles. Pulling the tax cloth one way is merely going to leave a bare spot somewhere else.

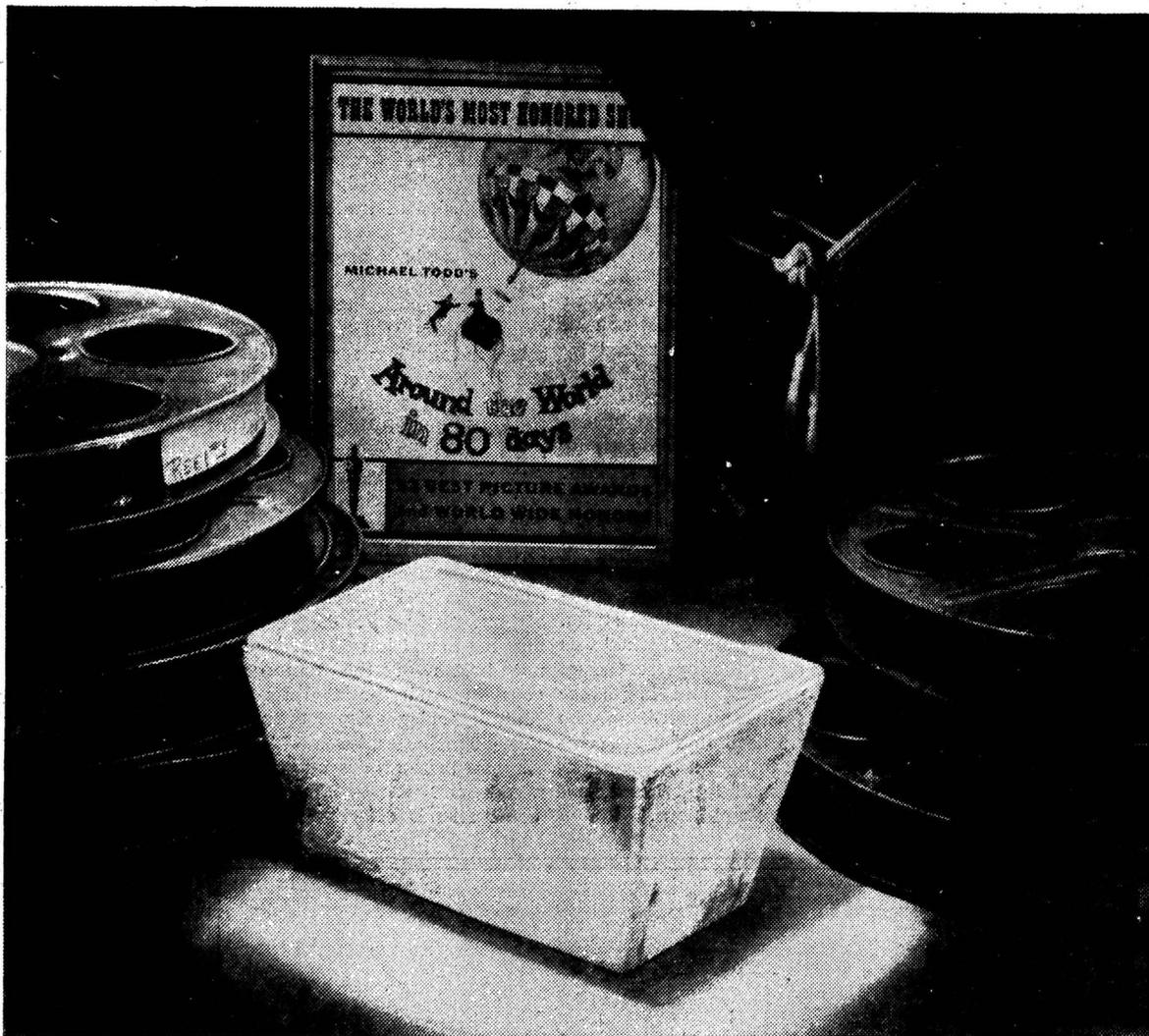
As they present their case they must use it primarily as a case

history to point up the underlying errors of the tax codes.

Correcting Basic Errors

I have several tax bills in the hopper which hit at some of the basic errors in our present code. I have a tax averaging bill which would put individuals in the same category as corporations so that they, too, can use economic cycles to measure their gains and losses instead of the earth's trip around the sun. I have several bills devised to review the tax differentials presently existing in our tax code. Differentials, of course, are designed to measure economic differences in various kinds of business. A differential can easily become a preferential if it does not accurately reflect the eco-

Continued on page 41



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The Peanut and the Sputnik

By HONORABLE CLARE BOOTHE LUCE*

Former Republican Member of Congress from Connecticut and Former United States Ambassador to Italy

Winner of the third annual Cordell Hull Award, former Ambassador Luce presents a five point program to end U. S. tariff barriers. Favors subsidies for concerns affected adversely by removal of protection, or affected with national defense; points out we can afford to accept \$2 billion of increased imports in view of our \$414 billion G. N. P.; and sees this mutually profitable increased trade injecting into world's bloodstream "the one specific antibiotic to communism—the raising of living standards which is always consequent to liberal trade." Mrs. Luce recalls conversation with Mr. Hull about "peanut politicians" and hopes that Sputnik's threat will cause small private ambitions to succumb to the common good.

One of my unforgettable memories is of a conversation I had with that great statesman, the "good grey Mr. Hull," on the very subject I shall discuss in this paper—American Protectionism. It occurred 14 years ago, on a bench, by the Wardman Park tennis court. I was waiting for my doubles partner to show. Mr. Hull lowered himself slowly beside me on the bench, to bask in the Sunday afternoon sun. "How are you, Congressman?" he asked, smiling, and we began to chat. The talk turned to a colleague of mine in the House who at that hour was fulminating and demagoguing his way into the news in support of some poor program—or, as was more likely, in destruction of some good one. I remarked, "How long can we afford such peanut politicians?" Mr. Hull replied, "Do you know the origin of the term peanut politician?" Then he told me:



Clare Boothe Luce

In his heyday in Congress there were two Southern states that were big producers of peanuts. At that hour in history, the South was liberal in its trade views. They were "free traders." Most of the representatives and senators of these states prided themselves on their "international vision" and "statemanship" in their arguments for abolition of the tariff walls being raised by the industrial North. And then, one day, a bill was introduced by a vengeful and irate Northerner to abolish the tariff on peanuts imported from the Far East. "That day," said Mr. Hull sadly, "every 'man of vision' became a politician, and when the bill came to the floor, God Almighty Himself could not have gotten an anti-peanut tariff vote in those states. The phrase 'peanut politician' was fastened on all the representatives of the growers, and has since come to mean any politician who abandons a position for the common good, to hold a position dictated by small local needs, and small private ambitions."

Then, speaking to me about the Reciprocal Trade Agreements, the Secretary said, "There's a peanut politician in the breast of every man—and it generally takes the ascendancy when his particular brand of peanuts are being roasted in the tariff bill."

Peanut vs. Sputniks

So much for reminiscence. Let me now widen the focus — from home-grown goobers in the ground, to the Russian Sputnik in the sky. Which is the greater problem? To abolish the tariff, so to speak, on the peanut? Or to overtake the Sputnik?

Both are problems. Rather, both peanuts and Sputniks are parts of the great problem of the struggle for the world; and prosperity, especially in the backward areas, is a weapon in that struggle. The protagonists in that struggle are, of course, the Free and the Communist sectors of the world.

I will address myself to one specific course of action which I believe is essential to the strength and security of the Free World: that is, American leadership in the expansion of trade among all free peoples.

Today, we have ample evidence that the Soviet Union is concentrating its economic efforts in certain areas which have been conspicuously less fortunate than the U. S. A. We call these the "have not" areas. Russia, we know, is forcefully wooing the Arab world, Africa, Southeast Asia, and flirting with some of our Latin American neighbors. Her "lovely" chocolate boxes and bouquets are the bids she makes for economic equality in the exchange of goods. Such evidences of both good will and good business are bound to make friends, if not brides of the nations so courted. And the Sputnik and Mutnik, racing around the world every 90 minutes, threaten to turn some of these affairs into shotgun weddings. If the U. S. is going to court friends effectively, it will

not only have to catch up in guided missiles, but re-examine the appeal of its economic policies, especially in the field of trade.

Today, we go about asking ourselves, "Can the conflict between the Free and the Communist world be resolved short of war?"

My own answer is that in the end we cannot, unless we act not only in the military and political field, but in the field of World Trade. We must help to increase the area of Free world trade, and trade in the free world, by moving rapidly and strongly towards the abolition of American protectionism. We must soon give proof that we intend to cooperate with our world neighbors and allies economically as well as militarily.

What chance is there that the U. S. A. will take forceful action in the field of Free Trade? At once we encounter, not only in the Halls of Congress, but on all the main streets of America the "peanut" psychology. If you talk world trade with an intelligent American almost anywhere, he will be quick to tell you that all foreign tariff barriers are evil: he sees them for what they are, iron trade curtains between one foreign country and another. Whenever a tariff barrier falls between two nations abroad, he cheers. He sees every new free trade action between, say, two foreign countries as a sign of mutual cooperation, mutual strength, mutual support, mutual friendship. The world, he tells you, is ablaze with economic nationalism. These foreign tariff barriers, he tells you, are clear signs either of economic blindness or of political blindness.

This American viewpoint has been translated into U. S. foreign policy in our verbal and psychological support of the European Common Market, EURATOM, and the Coal-Steel Community programs, all of which relax restrictions on trade among the signatories to the agreements. We believe in this kind of progress for economic reasons and also because we know that trade, mutually profitable trade, spells friendship and draws countries tighter together than military alliances can. A military alliance can become onerous, expensive, dangerous, unpopular. Buying and selling between nations remains, in all countries, a popular as well as prophetic undertaking.

The clarity with which Americans evaluate trade between the other countries of the world makes it all the more astounding

that they are deaf and partly blind where America's own tariff policies are concerned. Or, to be precise, the American is blind where an area of trade in which he as a manufacturer or grower is concerned. Then, he no longer sees the Stars and Stripes; he doesn't even see the Sputnik. He sees his own little bag of peanuts dancing before his eyes. While he is deaf and sometimes blind, unhappily he is not dumb. Indeed the blinder and deaf he is, the more vocal he becomes in defending his tariff. Having advocated free trade among all other friendly nations, and often advocating it for all other Americans' business, he is loud and quick to condemn it between the U. S. A. and every other nation on the globe where his own pocketbook seems for the moment to be affected adversely.

Some of the inconsistencies in the American political and economic behavior pattern are dynamic—even useful. But this particular inconsistency tends unwittingly towards one certain object: the success of the Soviet Union.

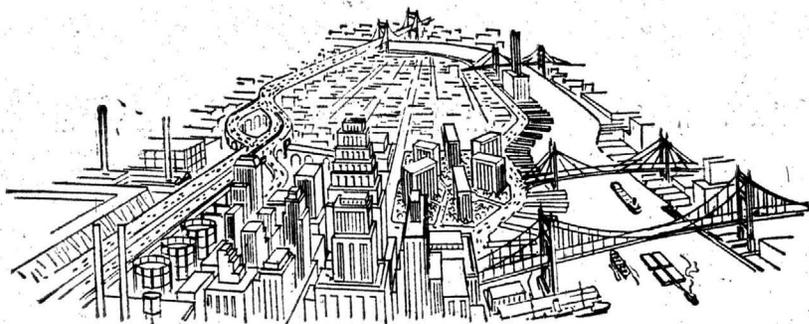
American Leadership

The American refuses to face the hard fact that while OEEC, GATT and other economic bodies are struggling to liberalize trade and prevent backsliding, this whole effort, and the whole question as to whether trade is to expand or contract, depends on American leadership and the accessibility of the American market, which is the largest in the world.

To the same extent that we fail to lead in the tariff field, we are encouraging the internal economies of all non-Communist countries to become increasingly "protectionist," increasingly Balkanized.

Let us examine certain other factors which we must consider before making recommendations for action. Last year Mr. Paul Hoffman outlined with outstanding clarity in his speech before the Committee on Foreign Trade Education, Inc. precisely how the economy of America depends upon trade — upon selling our wares abroad. But for another nation to be able to purchase from us, he pointed out that it needs dollars. Currently there are five ways their dollars can be accumulated.

Italy, the country in which I had the honor of serving as U. S. Ambassador for four years, ac-



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accumulated dollars in all these five ways:

First, by U. S. grants in aid and loans. The American people hand their personally earned dollars to the U. S. Government in the form of taxes. The U. S. Government then hands over these dollars to friendly foreign nations. The postwar object of these dollars, commonly called "handouts," was to put these nations back into business, keep them in business, enable them to help maintain their own defenses, and, of course, to buy from us. In 1956 these "handouts" amounted to \$2.3 billion.

Second, dollars are accumulated through U. S. Military expenditures abroad. And where do the military dollars spent in foreign countries come from? The American taxpayers' pockets. In 1956 this amounted to \$2.9 billion.

Third, through direct private remittances, the dollars Americans individually send to friends, relatives, and so on abroad. In 1956, this amounted to \$600 million.

Fourth, through private foreign investments. In 1956 this dollar source amounted to about \$3 billion.

Fifth, dollars acquired through normal trade i. e., exports of goods and services: \$17 billion—of which \$13 billion was for goods.

In other words, in 1956 alone, outside the normal channels of trade and investment, the world obtained from the U. S. \$5.2 billion.

Was it good to provide the world with these billions of dollars out of the American taxpayers' pockets? Or would it have been better to let foreign lands earn more of their dollars in normal trade? The answer should be obvious as the peanut on the politician's nose.

Answers Pro-Tariff Views

Is it better, through protectionism and the erratic employment of the all too familiar "escape clause" in our trade agreements, to keep uneconomic American enterprises alive, at the expense of the American consumer; or to practice abroad what we have practiced at home—honest competition? At this point two objections will be raised. First, that you cannot close down American businesses, and throw people out of work, even if it is uneconomic—that is, not if you are a Congressman coming up for election, you can't! The second is, the ar-

gument that certain industries must, even if uneconomic in competition with foreign sources of consumer supplies, be kept protected because of security reasons.

There are answers to each of these objections. As for "throwing people out of work," as it is usually phrased in heartless accents—the fact is that every month more than a million people change their jobs in the U. S. through the normal workings of a dynamic economy. This is many times the number that would be affected by the removal of all tariffs. Moreover, imports are a surefire weapon against inflation, and the government that encourages them is doing something for the consumer, who is at last becoming a political force to be reckoned with. Parenthetically, I should like to second the motion of David McDonald of the Steelworkers, and others, that hardship cases resulting from tariff cuts receive special government help for the transition to new products and new jobs. To which I might add, the conduct of hearings in such cases would be a fitting valetudinary function of the Tariff Commission, following which it might quietly go out of business.

As for the second objection, to tariff cutting—i. e., the need for protection of industries for security reasons—I personally favor direct subsidies. At least the taxpayer will see whom he's keeping in business and why. The taxpayer will receive a swift education when he comes to see that the tax dollars he hands out in subsidies are being collected from him to protect uneconomic competitors and are a direct levy on him as a consumer. Tariffs conceal this levy. Subsidies would make it plain.

Today most grants-in-aid, or handouts, to foreign countries have ceased. Aid abroad today is mostly military. Through that medium dollars are earned abroad which are then spent on trade with the U. S. A.

What would happen if tomorrow there were disarmament, and we stopped our military expenditures abroad?

If our trade with other countries could not be increased to take up the slack of these military dollars, there would be the biggest bust in the world.

It is high time we took stock of this situation and considered the potentiality of a crushing world depression which lies in it. With such a depression, it is clear

Continued on page 61

1958 Graduates Should Start Seeking Jobs Now

By ROGER W. BABSON

Reporting a let down in demand for 1958 college graduates, Mr. Babson enucleates a ninefold program of job-hunting advice. Tells June graduates-to-be that if they want a job they should "start hunting now."

The big-paying, easy-to-get first job out of college is something we shall see less of this year. Company recruitment officers are saying that "this year for the first time in a long while we shall find plenty of June graduates around at prices we want to pay."

Babson studies of business activity have for some months now revealed a mild softening in both employment and payrolls. The cause of this slowdown in the cycle can be attributed to a number of things; among these are rising productivity through technological advances, automation, and declines in government spending.

The reason I am writing this article now instead of in the spring is to try to make both young people and their parents aware of this changed condition. If a college education teaches nothing else, it should make individuals aware that survival of the fittest is a law of nature not likely to be repealed in a hurry by any Congress, Soviet, or college placement officer!

Unemployed College Graduates You may be surprised to know that there are a number of last June's graduates who have not yet been able to find full-time employment of the kind they want. I learned from one large eastern university recently that better than 20% of its last-June graduates had failed to find employment to their liking by Labor Day. Some are still working at part-time jobs; some have gone back to college for graduate work. While this figure may be

somewhat atypical, it does, nevertheless, point up a trend.

Did you know, too, that a fair sprinkling of last June's graduates who did get jobs have already been "excessed" by their employers? This word "excess" is a lovely new personnel word which means "you are a nice enough individual; you have done well on the job; we would like to have you around, but we just don't need you any more." In short, he has been fired!

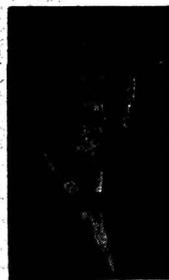
Start Job Hunting Now

One well-known college placement officer has stated that he expects the number of campus visits by companies this year to be cut by 50%. I cannot agree with this; but, I do say there will be some shrinkage.

If, therefore, you expect to graduate from school or college this year, and want a job, start hunting now. Include these things in your preparation: (1) Make an appraisal of yourself. Know your vocational interests, strengths, and weaknesses. (2) Find out what kinds of jobs can best use your abilities, education, and experience; working with people, with numbers, or with materials and things. (3) Investigate your college library to find out what companies offer what kinds of jobs. (4) Go to a good financial source book and check specific companies for growth potential and product diversification.

Study Companies to Be Visited

(5) Have a general knowledge, before you go into the interview, of each company as well as of the industry it represents. (6) Be able to tell a prospective employer in a general way why you are interested in his particular industry and his company. (7) Set up a contact schedule for yourself, and send a resume a day to companies you think you would like to work for, asking for the privilege of an interview (8) When interview time comes, be able to talk in-



Roger W. Babson

telligently about yourself, indicating again, in a general way, the kinds of things you think you might be able to do on the job. (9) Send a follow-up letter after the interview.

Sure, this is a lot of work, and it takes a good deal of time! But the person who fails to take minimal steps of this sort is mentally lazy. Time spent now in getting ready for interviews is far better employed than time wasted in interviews from which you will obviously be "washed out" because of your lack of preparation. It is also far better than time spent later on a job for which you have neither the interest nor the aptitudes. Job hunting is serious business, more so this year than at any time since the war.

Doris Lovejoy Treas. Of Rockwell-Gould

ELMIRA, N. Y.—Doris M. Lovejoy has been elected treasurer of Rockwell-Gould Co., Inc., Robinson Building.

Midwest Exch. Member

CHICAGO, Ill.—The Executive Committee of the Midwest Stock Exchange has elected to membership in the exchange: Morlan H. Bishop, M. H. Bishop & Co., Minneapolis, Minn.

With A. M. Kidder Co.

(Special to THE FINANCIAL CHRONICLE) SANFORD Fla.—Lee P. Moore is now with A. M. Kidder & Co., Inc. He was formerly with Goodbody & Co.

With R. F. Campeau Co.

(Special to THE FINANCIAL CHRONICLE) ST. PETERSBURG, Fla.—Frank H. Stremmel, Jr. has been added to the staff of R. F. Campeau Company, 110 Second Avenue, North.

Joins E. F. Hutton

(Special to THE FINANCIAL CHRONICLE) ATLANTA, Ga.—Mrs. Josephine B. McManus has joined the staff of E. F. Hutton & Company, Trust Co. of Georgia Building.

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Pressures for Expansion

By DR. CHARLES LEESE

Professor of Industrial Management, School of Business Faculty
U. S. A. F. Institute of Technology
Wright-Patterson Air Force Base, Dayton, Ohio

U. S. A. F. Air University faculty member schematizes many of the powerful, fundamental economic pressures for expansion constantly at work and distinguishes those forces from transitory conditions which cause temporary imbalances. By way of illustration, Dr. Leese depicts what may happen to many of the 400,000 aircraft workers, and spare parts manufacturers, affected by shift from military plane to missile production.

The phenomenon of economic expansion seems to be with us constantly. Economic growth in the form of increased production, building construction, population changes, higher prices, and money supply stems mostly from the constantly upward climb of the standard of living. Our demand for more and better things and services creates internal pressures for expansion. Many of the powerful pressures are hidden while they are building up in our economy.



Dr. Charles Leese

The emphasis here is placed upon the long-run and more fundamental pressures as distinguished from the current problems of credit deflation, price inflation, reduced dwelling construction, and automobile and ap-

pliance production. Conditions in the immediate present change from month-to-month and year-to-year and are temporary in nature.

Underlying Forces

The first half of the present century has been definitely inflationary. Since 1900 wholesale prices have risen from 56.1 to 115.6 for 1956 with the base as the average of 1947-1949. Other effects of the internal pressures could be cited without adding clarity to the concept. There are at least a dozen powerful internal pressures, largely hidden, building up within the economy. The following are among the basic and fundamental pressures.

First, our productive ability as evidenced by the Gross National Product will reach \$565 billion by 1965 according to many economists. It has already grown from \$104 billion in 1929 and \$120 billion in 1940 (all in terms of 1956 prices). The 1956 figure is \$412 billion which represents a 50% increase every decade since 1929.

Second, disposable personal in-

come has increased three-fold since 1940. This discretionary spending power of our population is capable of growing another 50% by 1965.

Third, mass millions are going to higher income levels. In 1950 some 12 million families had incomes of over \$4,000 after taxes; now 27 million families are in this group. By 1960 there may be over 36 million above \$4,000. The present number of families is about 42 million.

Fourth, private debt in relation to production had dropped. The total private debt (as distinguished from governmental debt) dropped from 175% of a year's production in 1930 to only 90% in 1956. Corporate long-term debt has dropped from 56% to 22% of a year's production in the same period. Economists think that consumer credit could safely expand by 50% over the 1956 level without exceeding the 1940 relationship to discretionary spending power.

Fifth, our population make-up has changed, with over 68% more children under five than in 1940 and 60% more in the five-nine age groups. This will add to the already increased pressure on schools, on housing, and food requirements because of the three and four million baby crops experienced since 1942, and 1949 respectively.

Sixth, the educational level of our people has changed. There are 90% more high school graduates in our adult population today than in 1940. With more persons going into the professions, the income level can be expected to increase still more than was the case before so large a proportion had attained advanced formal education. A larger percent of the high school graduates is going to college than ever before.

Seventh, a definite trend to family life has developed over the last two decades. This places greater emphasis on home ownership, larger families, more children per family, suburban living, and the resurgence to religion. This aspect alone constitutes a mighty pressure for expansion.

Eighth, our dwellings are becoming relatively older. The age and the rate of obsolescence of our dwellings are changing upward. More than 50% are at least 30 years old. The replacement construction for worn out dwellings will increase continually. In addition there is the increased obsolescence because of the desire for newer dwellings on the part of the population.

Ninth, more motor vehicles are on the highways. The increase is about 90% since 1940. This makes added demands on the roads, streets, garages, and parking facilities which were not adequate for a much smaller number of vehicles in 1940. Passenger cars alone increased in 1940 from 27 million to over 52 million registrations in 1956, an increase of 90%.

Tenth, the population is moving to the suburbs. About 84% of the 16 million net growth in population since April 1, 1950, took place in suburban parts of metropolitan areas. As compared with a rate of growth of 10% in total U. S. population since 1950, the areas outside of the metropolitan areas grew only .05%, the central cities of over 50,000 population grew 5%, and the suburban parts of metropolitan markets grew 34%. Farm population has declined from 23% of the total population in prewar 1940 to about 13% of the total population by the end of 1956.

Eleventh, military expenditures continue high. About 80% of the Federal budget goes for paying for past wars, and maintaining the military might to avert the next war. Out of the budget of \$72 billion for fiscal year 1958, military spending increases to maintain the

present machine and future development to keep us abreast of the potential enemies. Ever since 1917, Communism has posed a threat of infiltration and conquering from within. Since 1945 Russian Communism has gained considerably by pushing out and expanding through militaristic movements. How long this cold war (with the threat of turning into a hot war) will continue is unknown. The implication is that there is no end in sight. This may be regarded as an external pressure exerted upon our economy. However, the effects are internal.

No Slowing Down

Other pressures might be mentioned such as road construction, renovating the airways, new products being developed, new production processes and techniques taking the place of present ones, and the installation of peacetime atomic plants which are just a few of the specific developments coming in the years ahead. There seems to be no indication of a dearth of economic innovations, social developments, and scientific applications which would slow down our expanding economy in the near and foreseeable future.

There will be shifts in the economy as time goes on, which may cause temporary imbalance. An example, may be the shift from military plane production as it is now constituted to missile production. As many as 400,000 aircraft workers in the cities of Dallas, Hartford, Wichita, Detroit, Pittsburgh, Columbus and communities on the West Coast and Long Island would be affected.

However, as the appropriations for military planes and jet engines may be reduced perhaps 50% in about four years, some plane production would continue. The total spent for aircraft and missiles would not be cut. As the spending for planes goes down, the spending for missiles goes up. The same plants now making planes and jet engines might conceivably make missiles. In the overall it is pos-

sible that the total employment may be gradually reduced as the shift is made.

Missiles do not require jet engines, neither do they require maintenance and repairs. Once they are launched, they are gone. The extensive and periodic overhaul applied to planes and engines would pass out of the picture except for the remaining planes used by private enterprise which include the airlines and commercial operators. The government agencies would also continue to use extensive plane transportation for moving goods and passengers. It might be added that spare parts manufacturers would also suffer because missiles do not require spares as the planes do.

Temporary Offsets

Aside from transitory and temporary shifts in production which make their influences felt on employment, income, inflation, deflation, and other aspects of the economy, we are faced by the constantly underlying growth pressures which shape the future trends. These fundamental pressures are constantly exerting their influences for internal expansion, although temporarily offset by the transitory shifts.

Courts Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

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What We Cannot Ignore in Public Versus Private Power

By DR. S. C. HOLLISTER*

Dean, College of Engineering, Cornell University, Ithaca, N. Y.

Cornell engineering dean warns American business not to ignore Federal public power's competition to private power, as though it were of no primary concern to them, in terming this an entering wedge to bring government into the rest of the nation's industrial sector. Dr. Hollister examines the practical and ethical aspects of unfair subsidized competition in reviewing TVA history and tax picture, and concludes Federal competition with its own taxpayers leads to the anomalous situation of people paying money to have their business and prosperity taken away from them. Sees no reason for only Federal development of our water resources.

How would you like to have a competitor appear in your business who was furnished working capital with low interest by the Federal Government, who would not have to pay local, State or Federal taxes, and who set his prices below yours by the amount thus saved? What would you think if the Federal Government held up such difference in sale prices to the public as an example of the



Dr. S. C. Hollister

excessive charge you were making for your commodity or service? And what would you think about this operation when you realized that you were paying taxes which in part were being used to support this kind of competition?

The electric utilities are facing such a situation. Whether we know it or not, you and I are supporting, as taxpayers, the organizations that are producing it.

In using the term "private power" I mean utility companies, whether wholesale or retail, that are owned by investors of private funds. These companies pay taxes on their properties and taxes on their earnings. They must pay, either through interest or dividends, for the use of their capital.

Public power organizations are either cooperatives, authorized by law, or governmental agencies engaged in producing or distributing power, capital for which is pro-

vided by municipal, State, or Federal funds. Both cooperatives and government-owned organizations pay no property taxes and no income taxes. Since they pay no dividends, the cost of the money they use is limited to the interest that must be paid on the bonds, if any, or if supported by direct taxation, the interest paid on the funded indebtedness of the government agency, if any indebtedness exists.

It should be realized at the outset, that investor-owned utilities pay about 23% of gross revenue in taxes. In 1954 this amounted to \$1.4 billion on \$6 billion gross revenue. The amount of taxes paid is greater than the payment for salaries and wages. It is the highest item of expense in the budget. In addition to this, their stockholders, in turn, pay taxes on the dividends paid to them.

Started With TVA

The real introduction of the Federal Government into active production of electric power on a large scale began with the establishment of the Tennessee Valley Authority in 1933. This Authority was created to construct projects in the Tennessee River Basin for flood control, navigation, power and other purposes. The Authority has substantially completed construction of all feasible hydro-electric development on the Tennessee River. It has now embarked upon the construction of steam plants. When steam plants now being constructed and authorized are completed, the TVA will have a generating capacity in steam of three times that which it has for water development. Thus the TVA has shifted in purpose from developing hydro-electric power as a component of the river development, and has moved directly into the power business on a large scale, and without appropriate regulation.

In recent years, the Bureau of Reclamation and the U. S. Engineer Corps of the Army have also engaged in large development of Federal power projects in the Pacific Northwest and elsewhere.

By 1962 the total investment in the TVA will reach \$3.4 billion, of which \$3 billion will be for power, about half of it for steam plants. In 1958 the annual interest on the TVA power investment would be \$90 million. The Federal Government must currently pay 3% interest on its bonds for long-term financing. Up to June 30, 1956, after 23 years, the total repaid was slightly over \$179 million, or interest for about two years.

The TVA pays in lieu of taxes an amount equal to only 3% of revenues, instead of 23% of revenues as paid by investor-owned utilities for taxes; and has not paid interest on its invested capital at 3%.

The Hoover Commission has recommended "that the Congress empower and direct the Federal Power Commission to fix the rates on government power sales at such a level as will (a) eliminate the inequities now imposed upon the great majority of the people; (b) amortize and pay interest on the Federal investment in power, plus an amount which will equal Federal exemption based upon the Federal taxes paid by the private utilities; and (c) provide payments in lieu of full taxes to the State and local government equivalent to those the private

utilities would pay." In the meantime, until these matters are finally resolved, further expansion of the TVA territory of operations should be prohibited.

At present, allocation of costs and rates for the sale of power from the Bureau of Reclamation projects, are approved by the Secretary of the Interior; and from the Corps of Engineers projects, by the Federal Power Commission. The TVA fixes its own rates.

The TVA sells power wholesale, and not retail. Prior to its establishment, the law provided that municipalities wanting power for municipal purposes constituted preference customers for any Federal agency generating electric power; but the TVA Act provided that cooperatives also would be preference customers. These preference customers are Federally and mostly locally, tax-free. Such customers would be responsible for the local distributing lines. The TVA, the Department of the Interior and other agencies have stimulated the organization of cooperatives for the purpose of establishing a tax-free channel from generator to consumer, and thus selling the power more cheaply. Twenty-year contracts were entered into with these preference customers by the TVA for exclusive purchase from the Federal agency.

Sale to the preferred customers

is wholesale. They in turn sell to domestic, commercial and industrial consumers. The largest block of consumers to benefit by the subsidized power supplied by the TVA, outside of the Federal Government, is business and industry—not the home-owners.

If we take all of the domestic users' bills for the entire country, most of which is at present furnished by investor-owned utilities, we have a total annual bill of about half that paid for tobacco.

The Hoover Commission's Task Force summarized the costs of all Federally-financed power projects built, building and authorized as of June 30, 1953, at \$9.633 billion. It is not possible to make an accurate distribution of this huge cost among the taxpayers. However, to get an approximate indication of how this cost is shared, one may divide it up, among the States in proportion to the Federal taxes paid in 1953 in each State. The share paid by the people of New York State, for example, is \$1.775 billion, with no Federal power, while that for Tennessee is \$73 million, with nearly all its power generated by the TVA. This means that the taxpayers of New York State paid about \$410 per average family, and got no power in return, while in Tennessee they paid only \$75 per family and got

Continued on page 55

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Business and Finance Speaks After the Turn of the Year

Continued from first page

governed by sensible flexibility. We must be realists. We must not operate from pat or doctrinaire positions. We must judge our problems in the light of conditions as they exist. Decisions will have to be based upon the best collective judgment that can be brought to bear upon our problems in view of all the information available at the time we have to decide.

Maintaining a balanced budget is of great importance to our national welfare. So also is keeping our expenditures within reasonable and prudent limits. We must do everything we can to continue to achieve a budgetary balance and to insure that expenditures are in order of priority for our national good and within the framework of a sound economy. But we cannot indulge in prejudgment of the collective determinations of the executive departments and the Congress nor adhere to absolute rigidity. Ours is the more difficult task of using judgment and reason. We must try to fathom the future needs of our country, the course of our economy, and try to be practical and objective in the multitude of separate decisions we make.

I want to make it quite clear that we at the Treasury are never going to take any positions which are inimicable to the defense of our country as such defense is determined by the people responsible in that field. But, in the same breath, I would say that a strong defense can only be maintained over an unknowable period of time by a strong economy.

Our military and our economic strength are inseparable. The Communist world would welcome the neglect by us of either.

What are the prospects for our economy remaining strong in the months and years ahead?

We all spend a good deal of our time looking at the various items which go into the plus and minus side of the ledger of our economic health. It is generally agreed that some phases of our economy are going through a period of readjustment. But we have made great readjustments in our economy in recent years without serious impact on our total economy.

I am confident that today we have the basic ingredients for a healthy and growing economy which can continue to provide not only security but an improving standard of living for future generations of our people. This Nation will continue to exercise that measure of prudence, discipline, and enlightened judgment which will assure us both a strong and adequate defense and a strong and virile economy for the imponderable future.

ERNEST R. ACKER

President, Central Hudson Gas & Electric Corporation

The electric industry and the natural gas industry in 1957 continued to build with confidence to meet increasing customer requirements and to keep pace with construction schedules which anticipate upward trends in long range growth. The electric industry in 1958 is undertaking the most ambitious construction program in its long history; it expects to install almost twice as much electric generating capacity as was added in 1957. Its 1958 installation of new generating facilities will exceed the previous record year of 1955 by almost four million kilowatts and will be about equal to the total net installations of the 10 years between 1937 and 1947.

The gas utility and pipeline industry is budgeting construction expenditures in the magnitude of about \$2 billion annually, a higher rate than in any previous period. The 1,300 gas utility companies, supplied by about 100 transmission companies, are presently serving 31 million customers across the nation.

With gas replacing oil as the leading heating fuel for the nation's homes, househeating customers of gas utilities now total 18 million, or 63% of all residential gas consumers. With natural gas sales, revenues and proved recoverable reserves at an all-time high, the industry is looking forward with confidence to unprecedented progress and expansion.

The electric industry, traditionally, is a growth industry. Since 1950, electric generating capacity and production have increased by more than 90%, while sales have doubled. Average annual use of electricity in the home was at the rate of 3,164 kilowatt hours at year's end; the increase in the amount of electricity being used by the average residential customer in 1957 over 1950 is greater than his total annual use in 1956.

Throughout the postwar period of inflation the electric utility industry has made material gains in the efficiencies and economies of its operations, which, together with increased output, have largely offset rising costs of electrical equipment, materials, supplies and labor. Obviously, there are limitations on the industry's ability to continue to offset rising costs indefinitely and, as a result, last year rate changes were applied for on a wider scale than in recent years. It is encouraging to note that state utility commissions have recognized that earnings must be sufficient to maintain the sound financial structure required for the forward-looking planning of the



Ernest R. Acker

MORE STATEMENTS IN SUBSEQUENT ISSUES

Quite a number of statements either were received too late for publication in today's issue, or for mechanical reasons, could not be accommodated herein. These will appear in the "Chronicle" of Jan. 23.—EDITOR.

electric utilities and have permitted rate adjustments to assure the ability of the companies to finance the expansion programs on which continuance of adequate electric service depends.

The electric industry in 1957 continued to make important contributions to the development of atomic energy for the generation of electric power. At year's end, 60 electric utilities and associated service organizations were engaged in the planning, construction or operations, either singly or in groups, of 13 atomic power plants. When completed these plants will represent an investment by private enterprise of more than \$400,000,000 and they will be producing about 1,500,000 kilowatts of electric power. In addition, four major research groups, with a membership of 73 electric power companies, were engaged in atomic research and developmental programs. While the technological challenges are formidable, the electric power companies have during the year continued to demonstrate their willingness and competence to meet these challenges. The development of atomic energy for peaceful purposes is going forward on a progressive basis and, together with equipment manufacturers and allied industries, the electric industry is helping to advance the time when the benefits of this great new source of energy will be economically practical for use by the American people.

AVERY C. ADAMS

President and Chief Executive Officer
Jones & Laughlin Steel Corporation

According to the best information available, steel industry production in 1958 may settle out at 100,000,000 to 110,000,000 ingot tons. This is somewhat less than production in 1957, which is expected to reach about 113,000,000 tons—an extraordinarily high figure, when compared with record annual production of 117,000,000 tons in 1955.

But 100,000,000 tons still is a lot of steel. It would make 1958 a far better year than the "rolling readjustment" year of 1954, when 88,000,000 tons of steel were produced. And a 100,000,000-ton year would mean that there is a lot of business around for J & L and for our competitors in the steel industry.

The steel industry had been operating, through the first half of 1957, at peak production. Then in the second half of 1957, inventories began piling up, among steel users and producers as well.

Current indicators in the major steel-consuming markets lead to the conclusion that, at present levels of consumption, these inventories will be liquidated in the early months of 1958, and that steel industry operations will accelerate somewhat at about mid-year.

In the years since World War II, J & L has been concerned with modernizing its facilities, increasing its production, and expanding its product lines.

The company that emerges from this program is a "new" J & L, quite different from the old.

The company has improved its relative position in the steel industry. From Jan. 1, 1940, to Jan. 1, 1958, J & L will have increased its ingot capacity by 23% more than the total industry percentage increase in capacity. And J & L's capacity increase from 1957 (6,600,000 tons) to 1958 (7,500,000 tons) is larger percentage-wise than for any other steel company.

The new J & L has greatly improved raw materials and reserves, new coke ovens, enlarged blast furnaces, new and larger steelmaking furnaces, new primary rolling mill facilities, and many new finishing, fabricating, and warehousing facilities. Just recently J & L announced start of production of steel by the revolutionary new Basic Oxygen Process at its Aliquippa (Pa.) Works.

On the whole our modern facilities and our improved product mix put us in extraordinarily good condition to serve our customers quickly and efficiently with highest quality products.

Stiff competition is the order of the day. We're in a good position to meet the challenge of competition. Our 1958 objective is an outstanding selling job. I think it's obvious that this must be the objective in consumer product marketing as well.

Psychology no doubt is a major factor in the current slowing down of the economy. This, I feel, will change for the better as the inventory adjustment is worked out and is behind us.



Avery C. Adams

WILLIAM R. ADAMS

President, St. Regis Paper Company

In 1957, for the first time in several years, paper and paperboard was obtainable by all customers who needed it. Actual consumption was probably at about the same level as the record year of 1956 while production will probably be 2% to 3% below 1956's record because of inventory liquidation. The completion during the year of additional capacity, planned and undertaken, in some cases, as far back as 1954, lowered the operating ratio of the mills to about 91% compared with 96% in 1956.

Year-end adjustments to the capacity figures and completion of facilities still under construction would indicate a lower ratio for the first half of 1958 at current production rates. This presents to the industry, for the first time since the war, an opportunity to shut down older equipment for repair and modernization, and to make production facilities available for research and development on new and better products and manufacturing methods.

While prices have remained firm during this reestablishment of balance between supply and demand and have, by the necessity from rising costs, been raised slightly in some segments, it has become apparent in recent months that the industry cannot assume further cost increases and that work stoppages, costly to both sides, are resulting from excessive demands. It can be sincerely and realistically hoped that the industry's long record of mutually understanding collective bargaining will be further demonstrated in the negotiations to be undertaken in the Spring.

Paper and paperboard consumption in the United States, through the combination of increasing population and growing per capita use, has shown an approximately 4% annually compounded growth for a long period in the past. Government and private researchers have recently reaffirmed this as a projection over the next several decades. A normal projection of 1956 consumption on this basis would result in a 1958 consumption of about 34,000,000 tons and in 1959, over 35,000,000 tons or 94% and 97.8%, respectively, of the industry capacity at the end of 1958.

Thus, the resumption of paper's dynamic growth should come early in the reestablishment of the upward trend in the nation's economy. With paper for packaging, advertising, and the growing cultural and scientific interest so closely affected by the presently rising disposable personal income and consumer expenditure, it seems likely that this trend may be apparent in our industry by mid-1958.

STANLEY C. ALLYN

Chairman of the Board,
The National Cash Register Company

Sales of The National Cash Register Company for 1957 will be about 12% ahead of 1956. Earnings, however, may be slightly less than in 1956, due principally to increased expenditures for research and engineering and higher operating costs. The level of incoming orders was well maintained throughout the year. Those for December were the largest in our history.

Despite the adjustments which have taken place in the general economy and expectations that these may continue for a time, we anticipate that 1958 will at least equal 1957 in our business and may well exceed it. We recognize, however, that the coming year will be one which will test both manufacturing and selling organizations and certainly management as a whole.

While there are some clouds on the economic horizon, there are definite factors on the upside. Much of whatever correction was necessary in the economy has already taken place, perhaps more than is generally realized. Inventories have been in a process of reduction for several months. Current production in some lines, notably steel, is less than current and projected consumption. Construction in 1958 should exceed 1957. There has been some easing of the tight money situation.

Expenditures by state and municipal governments for public works are projected at between \$2 and \$3 billion higher than in 1957. There is almost certain to be an increase in defense orders as compared with recent levels.

Consumer spending, the real key to the situation, should be well maintained. Consumers start 1958 with record accumulations of savings and record equities in pension funds and social security benefits. As of the end of the year there were over a million more families in the income group of \$5,000 per year and over than at the beginning. The upsurge in consumer buying during and immediately following the holidays reflected both consumer confidence and ability to buy.

Our own business has grown faster than the general economy during recent years, chiefly because of the increasing volume of business records and the cost of



William R. Adams



Stanley C. Allyn

keeping them. Other important factors have been new products and an expanded sales organization. We see no lessening of the need for our products which represent essentially cost reducing equipment. We know that some important new products will be introduced in 1958, and have taken steps to further intensify and expand our sales effort. We do not anticipate that 1958 will be an easy year from any standpoint, but we do believe that it will be one of real opportunity.

For business in general, I believe that 1958 will be a highly competitive year in every field. Management's interests will be centered on cutting costs, improving efficiency and turning out products designed and priced to attract customers.

COWLES ANDRUS

President, County Bank & Trust Company
Passaic, New Jersey

In my opinion, 1958 will be a more orderly year than 1957. In recent years we have come to expect and to find crescendo marking the industrial and business scene. The toning-down which has marked the last several months will endure well into 1958.



Cowles Andrus

But it would seem that the hysteria which marked periods of 1957 has abated. Our thought is that enough managements and enough personnel have been scared just enough that both are approaching the near future more soberly and more realistically. There are evidences that some elements of labor are sensing a relationship between constantly rising wages and declining profit margins where increased production has not offset increased costs.

A less jittery securities market can be anticipated. The possibility that the President may feel that some part of his pressing responsibilities can be assumed if need be by other fully qualified aides is quite generally grasped by the public and therefore is appreciably discounted by now. Further, by now, we should concede that the President is the one in position to recognize first the necessity for such delegation of authority, should it arise, and that he is completely honest and would act accordingly.

Indications are that money will be less tight, with consequent stabilizing of interest rates at approximately the levels at it is writing and certainly no higher. Further, by being appropriately alert, commercial banks should supplement their funds by much more fully tapping the burgeoning pension and labor union funds that are crying for the honest and competent management that characterizes good banks. Without this influx of new money there will not be a marked increase in residential mortgage financing because banks' mortgage portfolios are already unusually large.

Sputnik was good for all of us at home. That it has lowered our prestige abroad only emphasizes the need for stepping up our research and less-publicized testing of our newer defenses. There is understandable indecision as to what of our conventional types of armament can be discontinued in the light of the vast advances in missiles; and there is constant flux in this new field of missiles both for offense and defense. Accordingly, for the time being we have the cumulative effect of hesitating to discontinue production of conventional defenses while being forced to continue to plunge forward into ever-widening circles of technical research for new and improved defenses. This spells increased defense expenditures.

With a stabilizing money market, local governments and utilities will move more readily to finance public works and capital improvements.

All this points toward a gradual resumption of the "forward look," but we must always expect a lag following a let-down such as we are presently experiencing. This lag we anticipate will extend through most of the first half of 1958.

ALEX H. ARDREY

President, Bankers Trust Company, New York City

The economy closed 1957 on a declining note, and a continuation of this downtrend is indicated in the months ahead. Business spending on plant and equipment, which had been sparking the economic boom for several years, has clearly topped off and is headed downward. Moreover, with many industries having excess capacity and profit margins generally being squeezed, it would not be at all surprising for this reduction to persist for some time.



Alex H. Ardrey

Other factors, too, have become less dynamic. Consumers apparently have become more price-conscious in their buying and retail sales have fallen below expectations. Some inventories are being trimmed, industrial production has dropped off, new orders have slowed down, and unemployment has increased.

Assuredly, not all sectors of the economy are in a decline. Construction remains active, the earlier retrenchment in defense spending is being reversed, the Federal highway program is expected to gain momentum, and state and local spending continues its upward trend. For the time being, however, these factors are unlikely to overcome the effects of adjustments elsewhere in the economy. At best, 1958

is likely to be a year of mixed trends and crosscurrents in business.

Reflecting the change in business conditions in the course of 1957, the sharp rise in bank loans of recent years tapered off in the latter part of the year. If, as now seems likely, the economy continues to sag, some further decline in loans seems in prospect, especially in loans to commerce and industry. Borrowers may require less credit from the banks because of cutbacks in business inventories; also, they may repay bank loans out of the proceeds of security issues, especially since an easing in business would facilitate the raising of funds in the bond market at more favorable terms than during most of 1957.

In such an environment, the commercial banking system may be in better position to replenish its holdings of Government securities, which have been reduced materially in the course of the business boom. The earning rate on loans and investments in 1958, however, is likely to average below the previous year, since the Federal Reserve may reasonably be expected to follow an easier credit policy than was the case when business was active and inflationary forces dominated the scene. Since the cost of rendering banking service is still advancing, this could result in some inroads upon the earnings of the commercial banks in the year ahead.

BRUCE BAIRD

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

While there are many cross currents and trends indicated in the economic history of 1957 we believe that most of these can be catalogued as emotional or psychological. When we face the fundamentals we can discover no serious cracking of our strong business structure. Ours is a strong and healthy country and a world of safeguards have been installed and are in daily operation to ban any such disaster as we witnessed in 1929. It occurs to us that after a straight up-hill climb the market has lately been pausing for a breather; and in the not too distant future, rejuvenated by a much needed rest, the potential of strength, health and energy in our national economy will surge forward once again and make itself felt before 1958 gets past middle-age.



Bruce Baird

Much weight must also be given in any detached appraisal to the large increase this year in the money the customers have placed in the savings departments of our banks, an increase of \$7 billion to \$87.5 billion, a growth of 9% in 1957 compared to 5% in 1956. Banks have become more aware of the importance of catering to savings depositors and interest rates have accordingly been materially increased. Also we have more than \$55 billion in series E and H Government Savings Bonds held by more than 42 million savers. These figures indicate a strong anti-inflationary movement and underline the existence of an important cushion to soften the effect of any marked

down-trend, all of which is very reassuring. With a fair measure of cooperation from the forces influencing the economic cycle we venture to predict that 1958 will prove to be at the very least an entirely satisfactory year.

MELVIN H. BAKER

Chairman of the Board, National Gypsum Company

Business for 1958 looks to us like about the same as 1957. Marketing will be more competitive with emphasis on quality and service. With few exceptions, prices will remain about as they are at present.

It is too early yet to fully appraise public moods resulting from various happenings, such as the stock market decline, increase of unemployment, impact of our missile program and the President's health.

Likewise, it is difficult to determine the effect and scope of possible strikes. Inability to pass higher wages on to the consumer by raising prices is expected to cause much more than usual resistance to union demands. This could result in a rash of strikes, some of major importance, which would result in unemployment, less buying power and disturbance in public confidence.

To meet rising costs, more labor-saving devices will come into use, and there will be better planning for the use of man-hours. Results from such efforts come slowly, and even though accelerated, will not come fast enough.

Some reduction in the cost of money and subsequent easing in supply is expected to stimulate the building of more homes, stores, hospitals, public buildings and roads that have been deferred for lack of capital funds.

The strongest elements in next year look like construction and road building. Home building has suffered a shrinkage of more than 25% during the past 18 months because of shortage of money and at terms the public would not pay. Subsequently, a backlog of demand has been rapidly accruing.

The supply of mortgage money is expected to continue as a limiting element in home building, but improvement in availability is anticipated because of increased savings in the hands of mortgage lenders and also because borrowing for industrial plant and equipment will be less. Lowering of Federal Reserve discount rates tends to reinforce the assumption that more money will be available for mortgages in 1958.

The present outlook indicates that more homes will be built in 1958 particularly in the low-priced range. Our estimate for 1958 calls for something more than one million new homes to be started, compared with about 950,000 for 1957. There will also be an attractive market for building repairs. The creation of new products and their adaptation for use in "Do-It-Yourself," will represent new business.

The outlook for National Gypsum Company includes five new plants brought into production late 1956 and



Melvin H. Baker

Continued on page 32

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INVESTMENTS

Continued from page 31

now operating efficiently at low cost; distribution that has been set up on many new products started last year, and the installation of new equipment and trained manpower to use it for better cost control.

We here at National Gypsum make many things, mostly for building, and our plants and mines are widely located in 26 States and Canada. As I look at prospects over this vast market, I am mindful of the organization in which our people have been trained for higher productivity in sales, production and research. Knowledge of this has permitted more decentralization, giving greater latitude to the individual in our hunt for more sales and lower costs.

This pattern to a greater or lesser degree is the trend in all industry. It is the justification for our belief that satisfactory profits will be maintained through 1958.

E. C. BARTHOLOMEW

President, The Austin National Bank, Austin, Texas

I am pleased to inform you that we here in Austin have not reached any stage where we might say that we are pessimistic about the future; however, I fully agree that we are at another cross road in the business outlook. At the same time I do not believe that our imaginary cross road is saturated with non-predictable stop and go signs. In other words, I feel that our business here in Central Texas will continue to be on the progressive side.

We, here in the City of Austin, have a consistent means of distribution of cash, the sources of which are derived mainly from The University of Texas with an enrollment of almost 18,000 students, plus a large faculty; the Texas seat of Government, our State Capitol being here in Austin; also a local Air Base, Bergstrom Air Force Base, which is considered a permanent installation. The payroll from the three sources just enumerated, plus student spending, is quite large and definitely is a tremendous help to us here in Central Texas, and in addition thereto it seems that such funds are available regardless of the times.

Our loans are not necessarily at an all-time high but higher than we would like for them to be. As a result, we are being cautious with new applications in attempting to accept only what we would classify as a "blue chip" and simultaneously trying to reduce our over-all loan total. Please be assured I have no feeling of uncertainty whatsoever.

CHARLES E. BECKER

President, The Franklin Life Insurance Company

Historically life insurance sales have reacted less than the whole economy in the cyclical movements of American business. This has again been demonstrated by the continued upward trend of life insurance sales during the latter part of 1957, when business in general experienced a leveling off and some industries showed a decline.

Life insurance sold in the United States in all categories . . . ordinary, group and industrial . . . should be in excess of \$65 billion, an increase of \$10 billion over 1956. Predominant in this picture is the continued substantial gain in the ordinary field. Group insurance also reflects a higher level of sales with a small decline in the sale of industrial policies.

New merchandising in the form of insurance protection for the entire family in one contract highlighted new developments in 1957 and contributed significantly to the upward surge of new ordinary coverage. This trend seems certain to continue in 1958.

Nineteen fifty-eight should be another year of expanding sales for the life insurance industry. Taking into account predictions for a mild general business recession in the first half of this year with a recovery movement in the last six months, I would predict an overall increase in new sales of 10%. Ordinary insurance . . . sales of individual contracts . . . should continue its upward swing with group sales somewhat influenced by general business conditions, since the latter purchases are made by an employer rather than by the individual. The long range outlook is for continued de-emphasis of industrial coverage.

Mortality experience should be favorable reflecting the excellent health standards of our population and the continued progress of medical science. The control of operating expenses will tax the skill of the home office administrators, but automation through the development of electronic equipment promises substantial assistance in that area.

In summary, I forecast excellent prospects for continued expansion and progress in the life insurance industry. Franklin's new sales goal for 1958 is a 15% increase, and we have every confidence the objective will be attained.



Charles E. Becker

S. CLARK BEISE

President, Bank of America, N. T. & S. A., San Francisco, Calif.

Business conditions throughout the country today are a result of the rapid expansion in our production facilities during the past several years. We are in a period now where production temporarily has run ahead of demand, which means we must pause and readjust to this condition. This readjustment will not be entirely painless in some areas of business and industry. It will, however, permit the growth of the economy to catch up with the growth in plant capacity.

The structure of our economy is fundamentally sound. The forces that have motivated our growth during the past three or four years still are present in varying degrees at all levels of our activity. Although inflation had been on the point of inflicting real damage to the country's economy, the current period of readjustment should help bring it under control and generate renewed confidence in the dollar.

The pressure on money and credit will ease during the period ahead. This will have a strengthening effect upon the housing program in particular. Builders should find it easier to get mortgage credit.

The easing credit situation also will have a stimulating impact upon public construction and serve to increase school and road building programs. Also, industries should find capital markets less restrictive in meeting their needs during the coming months.

The results of a recent survey of California's economy made by the managers of the bank's more than 600 branches in the state show that California is sharing in the readjustment.

In the housing field, branch managers reported the recent decline in vacancies indicates a probable increase in building activity during the year ahead.

The tourist trade continues to be active with many hotels in vacation areas reporting higher levels of occupancy than a year ago.

California's broad and diverse economic activity coupled with the increasing population trend gives its business and industrial leaders confidence in their outlook for 1958.

HON. EZRA TAFT BENSON

Secretary of Agriculture

We look for continued overall improvement in Agriculture during 1958.

Agriculture is currently a \$14 billion customer of industry and labor, and this figure does not include additional billions spent by farm families for consumer goods and services. Industry and labor can anticipate that agriculture will continue to be a big customer in 1958 since income is expected to be at the same level as in 1957.

Here are some of the significant trends.

Farm assets are now at an all-time high—estimated at \$188 billion as of Jan. 1, 1958. The value of farm assets rose \$11.2 billion during 1957, and will probably continue to rise in 1958. Farmers have less than \$11 of debts for every \$100 of assets. Owner equities are at an all-time high of \$168.4 billion. Two out of three farms are mortgage-free.

The market situation has improved. The price-depressing surpluses accumulated under provisions of the old price support law are being reduced. During the past year and a half, government holdings of surplus commodities have been cut back one-sixth. In the 15 months ended Sept. 30, 1957, the Commodity Credit Corporation disposed of \$5.3 billion worth of surplus commodities.

Our agricultural exports reached a total of \$4.7 billion in fiscal 1957—by far the highest in history. While exports during the current fiscal year will be smaller, we expect the total to be the second or third highest on record.

We are bending every effort to use sound business principles in our disposal and other programs. For example, this past month we sold the last of 155 million pounds of wool which had accumulated in government warehouses by November 1955, as a result of the old support program on wool during 1952, 1953, and 1954. The government is no longer a competitor in the wool business. Orderly marketing procedures and cooperation between government and the wool industry have made this accomplishment possible.

The Soil Bank has helped also by checking the build-up of surpluses while supplementing farm income and conserving soil and water resources. During 1958 there will be less emphasis on the acreage reserve but increased emphasis on the conservation reserve.

The improved market situation has resulted in a rise of about 3% in farm prices for 1957 over 1956. This gain has been achieved primarily in the marketplace, not through price supports. The average of prices received by farms in December 1957 was 9% higher than the level of December 1955.

But while improvement is under way, the cost-price



Ezra Taft Benson

squeeze on farms continues to be a major problem. The entire Nation should be concerned in stopping the price and wage spiral which is affecting adversely the "keep-home" pay of farmers and the income of this major segment of our population. Another round of wage increases and price hikes in machinery and other equipment used by farmers has recently occurred. A considerable part of these increased profits and higher wages is being siphoned from the economic bloodstream of the Nation at the expense of the American farmer.

We are in the midst of a technological revolution in agriculture and farmers must be able to adapt their operations to changing conditions, inaugurating new techniques, developing new crops, and finding new uses for farm products.

What the Congress will do in the way of revising the farm programs is not known at this moment, but the Administration's proposals are designed to give farmers greater freedom to adjust their operations to today's market and other economic factors.

We have too long been hampered in our efforts to balance the agricultural economy by laws which were designed for depression and war. Some of them are as outmoded as the weapons used in the last war.

There needs to be more flexibility in the support programs.

The promise and potential of the new agriculture can only be fulfilled if we have confidence in our free enterprise system and confidence in the ability of farm people to make the best decisions regarding the use of their own resources.

ESKIL I. BJORK

The Peoples Gas Light and Coke Company

It can be said with certainty now that in the early part of the year 1958 the entire gas industry will have its ears glued on Washington awaiting a review by the Supreme Court of the United States of the Memphis case, decided by the United States Circuit Court of Appeals for the District of Columbia on Nov. 21, 1957. Decisions involving the expansion of the facilities of natural gas pipeline companies undoubtedly will await the outcome of that review.

In the event that the Natural Gas Act requires legislative remedy in order to provide practicable and workable rate regulatory procedures, those decisions may be further delayed. Short of these considerations, however, the gas utility industry stands on the threshold of continued expansion in 1958. Only the absence of adequate gas supplies stands in the way of continued market development on a large scale in many areas of the country.

It is of interest to note that the gas utility industry appears to be in a position to promote more aggressively gas refrigeration and gas air conditioning in 1958. That is an encouraging development!



Eskil I. Bjork

S. BRUCE BLACK

Chairman of the Board, Liberty Mutual Insurance Co.

Although 1957 registered substantial increases in the volumes of premiums written by almost all segments of the casualty-fire insurance business, it will be set forth on the records as one of the most unprofitable years of all time for the companies.

Premiums written by the mutual casualty companies in 1957 increase 9% to total approximately \$1.9 billion, as compared with \$1.7 billion in 1956. Premiums written by the mutual property insurance companies increased about 7.5%, to total some \$850 million, as against last year's \$792 million. These figures, which were compiled by the American Mutual Insurance Alliance, mark the 19th consecutive year in which all-time highs have been established by both the mutual casualty insurance companies and the mutual property insurance companies. They include accident and health insurance premiums written by mutual companies, which also write other property or casualty insurance lines, but do not include the premiums of mutual life insurance companies or other organizations writing accident and health exclusively.

These gains in premiums were far short of matching the precipitous increases in incurred losses, so that almost all companies will fail to show for 1957 any margin from earned premiums after provision for losses, expenses, taxes and dividends to policyholders.

Surplus changes of most companies during 1957 will reflect not only this deterioration in underwriting experience which was worse than in 1956, but substantial losses due to the drop in market values of common stocks held as investments. As a result, the total picture for 1957 will look much worse than 1956.

Although the rise in loss frequency and severity began in 1955, not until 1956 and 1957 did the industry feel the full impact of the current rising loss cycle which has struck virtually all classes of the business. The automobile liability coverages have been, perhaps, the hardest hit. The rising trend of automobile accident frequency seems to have been halted in 1957, but the cost per accident continued to go up reflecting expanded claims consciousness, together with inflated judgments and jury verdicts. Juries today take into consideration



S. Bruce Black

the decreased value of dollars and off-set the depreciation in purchasing power by higher verdicts. This situation is reflected not only in the cost of cases that come to trial but also by those settled out of court. Other businesses are usually able to pass higher costs to the ultimate consumer as quickly as the increases are required. This is not so with the casualty-fire insurance industry. Premium rates have not kept pace with loss costs. The worst problem facing the business is continuing inflation; requiring us to pay 1958 losses with premium dollars computed from the experience of 1956 and prior. Another very serious problem in automobile insurance is the atrocious experience which the companies have to absorb from the assigned risk plans. It is obvious that most states continue to license wholly unqualified drivers and are too lax in law enforcement.

Workmen's Compensation premium volume for 1957 moved up reflecting rising wages in industry and a year of virtually full employment. In addition, benefits were materially increased by the state legislatures. It is doubtful whether rate readjustments so far granted in 1957 will be equivalent to the increased benefits required to be paid, nor do they reflect the higher levels of medical and hospital costs which have been advancing at a rate of approximately 5% a year.

Increased cost of construction and replacement continue to force loss ratios on fire insurance to higher levels. This is, of course, caused in part by the still great lack of insurance to value, particularly on dwellings. In 1956 the companies writing fire insurance predominantly did not fare as well as those writing general casualty business, but for 1957 the reverse is true and carriers with large volumes of automobile liability business were particularly hard hit.

The outlook for 1958 is not altogether encouraging, but there is basis for the hope that the worst may have passed. Any levelling-off in the economy that resulted in a slowing up in the inflationary spiral of claims costs would give premium rate levels a chance to catch up with present experience. Nineteen fifty-eight is certain to be a year of renewed emphasis by company managements on the fundamentals of the insurance business. Increased energies will be expended in an all-out effort looking to all possible areas of expense reduction. The new insurance policies and combinations of coverage available make it possible for the industry now to implement better merchandising of its product and to develop more efficient methods for its distribution.

ROBERT F. BLACK

Chairman, The White Motor Company

The year 1957 was a "breather" for the heavy-duty truck manufacturing industry and, at the same time, a very good one for both the industry and The White Motor Company.



Robert F. Black

It gave the industry an opportunity to consolidate its sharp gains of the two preceding years and enabled some companies to balance out inventories in preparation for a resumption of the upward trend in demand. It was a record year for dollar sales of White Motor and the second best year in history for earnings.

After establishing new high records two years in a row, in 1955 and 1956, industry registrations of heavy-duty trucks having gross weights in excess of 19,500 pounds declined around 13% to approximately 92,000 units in 1957, as compared with the record 106,438 in 1956. The total, however, was still considerably more than the 80,853 units registered in 1955 and the 58,526 in 1954.

The upward trend in industry registrations of these over-the-highway freight-carrying vehicles is expected to be resumed before the middle of 1958.

While dependent to a large degree on the trend of business in the basic industries which are among the best customers for new trucks, there are a number of factors, aside from general business conditions, which are counted on to exert an influence on the truck manufacturing business in 1958 and on its long-range pattern of growth.

In this connection, one of the most favorable developments affecting the outlook for heavy-duty truck volume was the fact that a growing number of states passed legislation in 1957 liberalizing their laws governing load limitations and over-all lengths of truck-trailer combinations.

Tied in with this easing of weight and length laws, the truck manufacturers for the past three years have been modernizing their equipment to haul greater payloads, faster and more efficiently.

White Motor, for example, has further increased payload capacity of its line of White and Autocar trucks during the past year by an average 10% through increased horsepower engines in both gasoline and diesel power, better weight distribution of chassis components and the utilization of lighter metals in manufacturing operations.

Another key factor in the long-range growth of our industry is the mammoth Federal highway building program, slow to get under way but massive in its significance. Extensive highway construction and improvement will itself create a sizeable demand for heavy trucks. And once the new roads are built, they should induce a further expansion in long-haul truck shipments.

White Motor experienced a pickup in orders for new trucks late in 1957. This will help our results for the first part of 1958.

With the addition of the Reo Division since June 5, 1957, we actually had an increase in units sold in 1957 over the preceding year, the total amounting to about 17,800 units against 17,434 sold in 1956. Combined with the substantial improvement in the White Diesel Engine Division's volume and our steadily expanding service business, White was able to achieve a new high record for dollar sales of around \$225,000,000, up about 8.5% over the previous year's total.

JOSEPH L. BLOCK

President, Inland Steel Company

Steel experienced the third best year in its history in 1957 with total production above 113,000,000 tons of ingots, compared with 115,000,000 in 1956 and the all-time record of 117,000,000 tons in 1955.

With the downward trend in general economic activity in the second half of 1957, steel production dropped 10% below the record rate of the first half and will probably hold at or slightly below this level during the first half of 1958.

Steel always reflects the trend of consuming industries and so is more of a thermometer than a barometer giving an advance indication of possible change in the economic climate. Its operations in early 1958 will probably accentuate what is occurring elsewhere in industry because it will be adversely affected by continued liquidation of inventories and reduced capital expenditures.

My estimate is that ingot production will total 50,000,000 to 52,000,000 tons in the first six months, compared with about 53,000,000 tons in the last half of 1957.

Looking beyond the first half, I would expect improvement, with production 5 to 10% higher in the second half. A stepped-up defense program, easier money and a reversal of inventory trend from liquidation to accumulation should contribute to this second-half betterment.

The industry's aggressive expansion program of the last few years has now given the nation a steelmaking capacity more than adequate to supply anticipated needs of the immediate future. As of Jan. 1, the annual ingot capacity of all the steel producers of the United States will exceed 140,000,000 tons, as compared with the 1957 figure of 133,000,000 tons. This means that the familiar measure of steel mill operating rates, expressed as a percentage of capacity, will range in the low seventies if my prediction of first half production is accurate. However, an index figure, calculated in a manner to reflect the postwar growth of the industry, should show first half operations at 121 to 125% of the 1947-49 base. This would compare with 126 in the second half of 1957, 105 for 1954, and 140 for record-breaking 1955.

Current steel prices are inadequate. They do not permit a proper return on the investments in new facilities which the industry must continually make for modernization and expansion.

A prominent Senator has suggested that a \$3 a ton decrease would benefit the economy. In my judgment, nothing could be further from the truth. Such a reduction would save about \$6 in the cost of the largest



Joseph L. Block

automobile made, and infinitesimal amounts in such appliances as stoves and refrigerators. Indeed, one might be hard pressed to find a ton of steel in all the wonderful new equipment in a modern kitchen and laundry. I cannot believe that such a price cut would stimulate buying. A strong steel industry is the bulwark of our economy in peace-time and for national defense. Surely nothing that impairs that strength can be good for the American people.

THURSTON P. BLODGETT

Vice-President, Tri-Continental Corporation

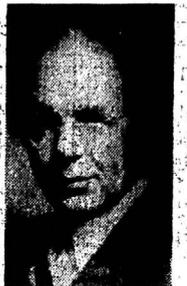
The year 1957 ended with a well-defined downturn in the economy—the first time his has happened since 1953. It has caused some who lived through the depressions of the 30's and the 1937-38 decline to fear that a major depression may be the aftermath of the long-continued period of active business, inflationary price rise, full employment and expanding debt structure which culminated in a money stringency. They point to over-investment in capital expansion, which has led to over-capacity in manufacturing industry; to intense competition and lowered profit margins; and to the strained financial position abroad which is complicated by world-wide political tensions.

There is no doubt that there are problems facing the American economy. The present economy, however, is different from that which existed in earlier periods. First, there is the virile long-term growth of the nation, which is rooted in the growth of population and fortified by major scientific developments fostered by greatly expanded government and industrial research programs. There are improved production processes and new products—not only among manufactured articles but in medicines, building and the like—coupled with improved long-term planning and new methods of administration and merchandising. All these elements combine to give the American economy underlying dynamics which go far in combating development of a prolonged depression as a consequence of current recessionary tendencies. Perhaps these basic factors were over-emphasized in last Spring's optimism, but we should not lose sight of them now during the prevailing concern about the near-term outlook.

Second, a far larger segment of over-all economic activity is influenced by government decision than was true in the 30's. This segment, influenced by national defense and world politics, is not subject to the recessionary influences in private business, and it gives the prospect of expansion rather than contraction in 1958.

Third, there is another element of stability in the strength of labor in maintaining or increasing wages. This, in turn, tends to support prices, whereas, one element of the instability of the depression of 1920-22, for example, was the drastic wage-cutting which resulted in a price-cutting spiral.

Fourth, the long-continued period of high over-all business activity has been self-corrective. Instead of all



Thurston P. Blodgett

Continued on page 34

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Continued from page 33

segments moving up together and feeding on each other in a sharp boom, business in general has maintained a steady course at the same time that substantial corrections have taken place in various individual industries. It was three years ago that the automobile industry produced 7.9 million cars. The copper, consumer capital goods and textile industries already have been sharply readjusted. The spiraling effect of one industry's troubles reacting on other industries, which is a major element in creating widespread fear leading to increasing liquidation and characteristic of a major depression, seems to have been avoided this time.

Fifth, the substantial integration of industry and the merger movement have reduced the number of marginal operators who, under stress, have in the past dumped their inventories on an unwilling market and created disorganized conditions. While competition is keen today, it tends to be conducted along more orderly lines as a result of more statesmanlike planning by the larger corporations.

Sixth, consumer incomes are more likely to be relatively well-maintained in 1958, because of social legislation and the larger share of the national income that is dependent on the less volatile service industries rather than on the manufacturing industries.

Seventh, the financial condition of the country is not strained by speculation in securities. The banking system, while fully-loaned, is sound, with smaller deposits guaranteed. Also, the Government is in a position to ease credit and is prepared to lend assistance through public programs, if necessary.

Conclusion

The year 1958 may well witness greater readjustments in individual segments of the economy than have been seen for some years. These readjustments and corrections, however, should not obscure the fundamentally strong position of the economy. They should not be looked upon with alarm. Rather, they should be viewed as a necessary prelude to further growth and strength in the nation during the years ahead.

ROGER M. BLOUGH

Chairman of the Board, United States Steel Corp.

Preliminary estimates indicate that 1957 was a record-breaking year for steel consumption and despite recent cutbacks in steel production U. S. Steel considers the recent decline in orders as a breathing point in a long-range increase in steel demand.



Roger M. Blough

U. S. Steel is backing this confidence in the future economy with nearly \$700,000,000 to be spent on authorized projects for additions to and replacement of facilities to keep the corporation prepared to meet anticipated steel requirements of its customers and ready to meet the demands of national emergency.

Although 1957 was a year in which the actual use of steel may prove to be the greatest in our country's history, it was also a year in which the industry operating rate declined in each successive quarter. With consumption in the beginning and ending quarters approximately the same, the operating rate declined from 96% to 78%. In the last quarter, for example, ingot production was still five to six million tons higher than the low of 20.1 million tons produced in the third quarter of 1954. It must be considered that steel capacity has been increased sharply since World War II, a development which has distorted year-by-year comparison on a basis of the operating rate. Therefore, any comparison of steel production in these days of increasing capacity is most informative when computed on a tonnage basis.

The seeming paradox between lowered production and high consumption lies in the marked impact of the recent consumer use of inventory stocks rather than mill or warehouse deliveries. Early in 1957 steel users were adding between 10 and 15% of steel receipts to stocks, both in the form of steel products—plates, sheets, strip—as well as in the form of material in the industrial pipeline, including parts and sub-assemblies.

It was late Spring before overall accumulation of inventories ended. The reversal in customer inventory policy from building to reducing continued through the remainder of 1957, resulting in steady reductions in the steel shipments despite sustained high consumption. In recent months steel shipments have fallen approximately 10% below actual consumption, as the equivalent of six million ingot tons was cut out of stocks during the second half of 1957. With an inventory change of this magnitude, it was inevitable that a sharp cut in the operating rate would result.

Steel inventory movements will continue to be a dominant consideration in evaluation of the outlook for steel in 1958. Our estimates of national output and steel consuming industry activity during the first half of 1958 indicate that total steel use will show some decline from the record pace of 1957. But of greater significance, it is probable that inventory cutting will be maintained well into 1958, with a continued restraining effect on steel production. Because of these considerations, steel output in the first half of this year may be little changed from the levels of recent weeks.

It is important to understand, however, that steel taken out of consumers' stocks is likely to be replaced at some point. Inventory liquidation carries with it the regenerative seed for renewed vigor in steel output when inventory building inevitably commences, rein-

forced by the long-term growth potential of our economy. Consequently, there is reason to expect a pickup in steel output engendered by renewed inventory building, following the current inventory liquidations.

In order to keep the steel industry outlook in proper perspective, the inadvisability of looking only at the operating rate must be emphasized. It is a measure of capacity utilization, but it has a constantly changing base as the steel industry adds to its productive capability. We cannot compare today's operating rate with that of prior years and automatically conclude that output in terms of tonnage has declined. Since 1947 industry capacity has increased by more than 40%, and with present capacity an operating rate of 70.6% would equal 100% operations a decade ago. Steel production in recent months has declined, but the picture is not as somber in comparison with prior years as the operating rates would imply.

However, production well below rated capacity has led observers to question once again whether excess capacity exists in steel. The real question is not whether we may have expanded too far, but whether we will be able to rise to the market opportunities and responsibilities which lie before us. Beyond the short-range factors now depressing steel industry operations, the future for steel lies unchanged.

Of greater concern than the current decline in operations is the fact that the steel industry still is confronted with the twin problems of mounting costs of production and the inadequacy of depreciation recovery allowed by the tax laws—both rooted in inflation. Steel workers wages have risen approximately three times faster than their productivity in the past decade. Replacement costs of facilities today are three to six times that of equipment costs in 1940, an indisputable fact which the tax laws do not recognize.

Our continuing studies of long-range steel demand indicate that the basic markets for steel are growing and growing rapidly. Moreover, it is essential that the steel industry have sufficient product flexibility to satisfy metal requirements in a year of peak activity. To meet the challenge of our expanding national economy 30 to 40 million tons of ingot production capability will have to be added in the next 10 to 12 years. This new capacity is essential not only for our peacetime growth, but even more vital, it is essential to our national security. United States Steel expects to do its part in meeting this challenge.

ANDERSON BORTHWICK

President, The First National Trust and Savings Bank
San Diego, Calif.
President, California Bankers Association

The outlook for banking in 1958 is necessarily predicated on developments in our national economy as well as international relations. Barring unforeseen changes in the struggle for world peace, it is our present thinking that the coming year will again see significant developments in the banking field.



Anderson Borthwick

In the year just completed, the leveling-out process and subsequent economic downturn have developed as we anticipated in these pages last year, as well as the reversal in monetary policy, in demand for bank credit, and in interest rates.

Viewing the prospects for 1958, it appears most probable that these trends will continue at least during the first part of the year; however, such further adjustments that we may expect before the advance in economic activity is resumed appear relatively mild in duration and extent. Subsequently, and most likely by the second or third quarter of 1958, we believe that fundamental expansionary forces underlying the economy will reassert themselves, and another "rolling readjustment" similar to 1948-49 and 1953-54 will have cleared the way for a resurgence in economic growth to new high levels.

In summary, this forecast is more specifically predicated on the following developments:

- (1) Some moderation in final demand, but consumer spending still providing a factor of over-all stability as disposable personal income remains high;
- (2) Gradual correction of the present imbalance in unutilized productive capacity, wherein the overly large expenditures on plant and equipment expansion of recent years are now reflected in a decrease in rates of capacity utilization;
- (3) A modest increase in outlays for residential construction, in which housing will be aided by increased availability of mortgage credit;
- (4) A further interim period of inventory disinvestment which will restore a sounder stocks/sales ratio, paving the way for subsequent accumulation;
- (5) The termination of retrenchment in Federal expenditures, particularly as the defense program is re-examined in the light of recent scientific and other developments abroad; and
- (6) The "built-in" stabilizer of social security, unemployment compensation, the progressive tax structure, and population growth. This framework will be highlighted by the progressive closing of the savings-investment gap which will provide the basis for the resurgence of national income and economic growth.

In this projected business environment, the logical effects in the banking field would include a lessening in demand for bank credit, increased government bond holdings, and improving liquidity and risk-asset ratios, with the demand/supply relationship of investment funds

in better balance. In orthodox policies of monetary stimulant, Federal Reserve policy will likely include continuing efforts at expansion of the money supply, as reserves are made readily available to the bank system through appropriate rediscount and open market operations. Reflected in interest rates, the cost of money should continue at lower levels than prevailed throughout 1957.

These trends will apply only until the economy again turns upward, and will then be reversed as the cycle is completed. All in all, these adjustments make for an extremely complex—and challenging—environment for the business and financial community.

DR. JULES I. BOGEN

Professor of Finance, New York University

A prospective decline in both business and consumer spending will have a depressing effect upon the economy in 1958.

The two basic forces producing the recession are the high rate of accumulation of durable goods and the rapid increase in debt during the current decade. Inflation fears accelerated the process, particularly by causing business to anticipate freely its future plant and equipment needs.

The recession promises to be mild by comparison with the depression of the 1930's. The banking weakness, the swollen brokers' loans, the agricultural collapse and the massive mortgage maturities which did so much to intensify the depression of the 1930's are absent today.

Moreover, increase in defense and other government spending will exert a sustaining influence upon the economy.

It is doubtful, however, whether a readjustment which follows so prolonged a period of prosperity can be completed this year. Recovery influences may not become pronounced until 1959 or 1960, unless increases in government spending assume very large proportions. Industrial strife could intensify the recession for a time.

The recession is bound to lead to further shifts towards an easy money policy that will bring further recovery in bond prices. The outlook for stocks is clouded, on the other hand, because of the profits squeeze that accompanies a decline in sales volume.

Because it causes an increase in government spending and a reduction in tax receipts, a recession means a return to deficit spending by government. In fact, if unemployment increases considerably, support will grow for a tax reduction to help stabilize the economy.

Stability and growth remain the cardinal objectives of monetary policy, and measures to implement these purposes are going to encounter less resistance as it becomes apparent that inflation pressures have waned with the ending of the boom.

THOMAS C. BOUSHALL

President, The Bank of Virginia, Richmond, Va.

Nineteen fifty-eight comes up as one of the most baffling to envision. But of this we can all be sure—pessimism, defeatism, cynicism isn't in the American tradition. What we do know is that complacency, wishful thinking, reliance on government agencies for relief or stimulation can only bring us harm.

And further, we do know that although most of us have been spoiled by the economic rise since 1945, we do have the balance, the sense, the ingenuity, the energy and the will to dig into each of our problems in each of our areas with zest and zeal. We know that with self-discipline and leadership based on confidence in hard work and the stimulating influence and effect of our free competitive enterprise system we can come through in fine shape.



Thomas C. Boushall

HARLEE BRANCH, JR.

President, The Southern Company

Southern Company system planning for 1958 is predicated on the assumption that industrial production and business volume will continue to grow in the four-state area of the Southeast, served by its operating subsidiaries, the Alabama, Georgia, Gulf, and Mississippi Power Companies.

Electric power sales by the Southern Company group are expected to increase from a 1957 total of 18 billion to 20.1 billion kilowatt-hours in 1958, a gain of 11.6%. Industrial power sales are estimated to increase from 8.6 billion to 9.6 billion kilowatt-hours, or 16.4%. These rather optimistic forecasts are based on recent surveys indicating increased production by existing industries as well as the establishment of a number of new industries in Southern's territory during the next 12 months.

Indications are that the textile industry in the Southeast will show at least a moderate recovery from the depression in which that industry has been operating for the past year or so. The cyclical nature of textile manufacturing is generally recognized and it appears likely that textiles,



Dr. Jules I. Bogen



Harlee Branch, Jr.

at least in the Southeast, may be about to enter into an upward swing.

National defense establishments are an important part of the economic life of the Southeastern states. These activities should be considerably expanded next year and in the foreseeable period beyond.

The chemical industry and pulp and paper manufacturing are two of the relatively new and fast growing additions to the industrial economy of the Southeast.

Reflecting the general expansion in retail trade, commercial sales of the Southern Company group are expected to increase by 8.7% during the next year and residential sales should increase by about 9.5%.

The operating companies of the Southern system have just completed a 1957 construction program totaling approximately \$133 million, the largest construction program in their history for a single year. The 1958 construction program is expected to approximate \$155 million, or an increase over 1957 of better than 16%. The construction of electrical facilities is a long-term undertaking. The larger facilities, especially generating plants, are not built in a period of months or even in a year but require two to three years, or longer. Thus, much of the money these companies will invest in 1958 will provide for the electrical needs not of this year but of 1959, 1960, and 1961. This fact is mentioned to indicate that the group's expectation of continued economic progress is not simply for the year 1958 but for several years in the future.

FRANCIS C. BROWN

President, Schering Corporation

President, American Pharmaceutical Manufacturers' Association

I predicted further gains in the fight against disease and continued growth for the drug industry that has achieved another record sales year. Sales of pharmaceuticals for 1957 will top \$1.7 billion, practically doubling the figure of ten years ago, chiefly as the result of the great contribution to world health of American pharmaceutical research. Sales of "ethical drugs," those promoted to the medical profession and not advertised to the public, now represent about two-thirds of the total volume.



Francis C. Brown

Looking ahead, there are sound reasons for confidence in new medical achievements relating to the heart, viruses, old age, and mental health. These will be accompanied by:

Increased awareness by the public of the ability of doctors to provide relief and remedies that were not possible ten years ago. Well over half of the prescriptions filled in 1957 called for pharmaceuticals that were not available ten years ago.

Continued sales growth by the industry, together with high research expenditures.

Increased competition which will stimulate the constant production of better medicines available at the lowest possible prices consistent with the continuation of necessary high research costs.

The past year has been the best year in history for the pharmaceutical industry—and we have no intention of stopping here. Increasing demand for antibiotics, drugs in the mental health field, vaccines, antihistamines and many other products which were recently developed by research laboratories of American pharmaceutical companies resulted in record production. We can look forward with confidence to further achievements which will either bring about solutions or alleviations of diseases of the heart and circulatory system, virus diseases, the degenerative processes of growing old, and to further progress in the field of mental health.

The results in the research laboratories have been supplemented by the public service rendered by the press, television, radio and other media of communication in stressing health matters. They have created an increasing interest on the part of the public over personal health problems and an awareness of the great role being played by the American medical profession.

The pharmaceutical industry is spending between 6 and 7% of its sales dollar on research. The constant development of new and better drugs makes obsolescence a great expense factor.

Many costly research projects are abandoned when a competing company discovers a better product. The public benefits from this competitive effort to continually supply better drugs.

Every major company in the industry is, I am sure, acutely aware of the risk element in research, and the complex problem of satisfying the needs of the public while at the same time supporting increased research and assuring a fair return to the large number of public investors who are placing their faith in pharmaceutical companies. At the present time there is ample productive capacity for the drugs now known. Moreover, health insurance would seem to assure a broad usage of pharmaceutical products in sufficient magnitude to prevent an overproduction problem of major proportions.

HON. STYLES BRIDGES

U. S. Senator from New Hampshire

As the Sputnik orbits about the earth, so will this Second Session of the 85th Congress orbit about the satellite issue. It is unquestionably the paramount subject with which Congress will be concerned. Indeed, it so far transcends all other issues, that they in turn will orbit about it.

The debate will rage between the spenders who always contend that the mere appropriation of additional money solves all problems, and the more thoughtful people who recognize the need for additional funds but realize that they must come from within present means if our economy is not to be disastrously weakened. The national situation to my mind is exactly parallel to a situation of family crisis. If junior needs a major operation, mother foregoes the new broodloom and father foregoes the new model with the higher tailfins. Competitive struggles with Russia will continue into the foreseeable future and we must conduct it not with deficit financed crash programs but with a girding of our whole strength for an all-out effort within our national economic capacity.



Sen. Styles Bridges

Other satellite issues which will orbit around the main one as we proceed through this year of debate and decision will be a consideration of our basic deficiency in scientific training. Ways to meet this deficiency must be found for us to hold our own in the long-term struggle in this new era of technology. Scientific scholarships, foundation grants and an enforced increase in a scientific curriculum will all be proposed.

The integration issue which seemed slated for a slight rest after the storms of last session will again come forward in the form of riders to legislation on scientific education.

In seeking ways and means to further streamline our military establishment in the interest of an all-out effort to regain lost leadership, the military hierarchy, itself will be examined. Unofficial debate has already started on the alternative proposals of stand pat with our joint chiefs system, going to a completely unified high command on the German general staff pattern, or return to separate services with the respective secretaries as cabinet officers.

Foreign Aid as a useful weapon in the struggle will be closely reexamined, both as to its effectiveness and as a possible area for belt tightening. Allied to that study will be a complete reappraisal of how realistic devices are our NATO, SEATO and similar alliances.

Overlying all this must come a heightened sense of urgency, not only on the part of Congress, but on the part of every single American. The decisions to be made in the Second Session of the 85th Congress, and how well they are made, could well provide the answer to survival or oblivion in the years ahead.

HARRY A. BULLIS

Chairman of the Board, General Mills, Inc.

Until a few months ago, our greatest economic concern was with inflation. Now, as we enter the new year our greatest concern is with recession. In August the Federal Reserve raised the discount rate in order to stem the tide of inflationary forces. In November the tide had apparently reached a turning point and the discount rate was reduced.



Harry A. Bullis

In attempting to appraise the outlook for 1958, it is difficult to find elements which will provide much upward thrust or which will push strongly downward. The prospective increase of two to three billion dollars in defense spending will be about offset by a decrease of like magnitude in the expenditures of industry for new plant and equipment. Expenditures for new housing may increase by one billion dollars, but probably will be counter-balanced by a drop of one billion dollars in net foreign investment. State and local governments will probably boost spending for highways and new public facilities by two billion dollars, while inventory liquidation is likely to offset its effect.

It would appear that any advance in the economy will depend largely on consumer spending. Consumer income is high and will be fortified by moderate wage increases which may largely offset the effect of a slightly shorter work week. Therefore, consumers are in a position to continue spending and they will probably boost their outlays by about three billion dollars, without much increase in purchases of durables, such as automobiles.

A prospective increase of three billion dollars is less than 1% of our gross national product, and it means that the economy as a whole is only marking time. It is neither inflation nor recession, but reflects uncertain conditions which will probably be in evidence for the next few months.

Unemployment has been rising and may reach 4,000,000 next spring. However, in early 1950 unemployment rose to more than 4,600,000 without great adverse consequences, so we should not become too alarmed. Furthermore, the Employment Act of 1946 requires appraisal of the situation and action by the government, if it seems necessary.

The present deflationary processes may have to be reversed by positive action, such as taking the following steps:

- (1) Effective reversal of the monetary policy.
- (2) Defense or other government expenditures.
- (3) Control of Union wage demands—not by causing unemployment.
- (4) Individual tax relief if things deteriorate further.

Our experience in the recession of 1949 and again in 1954 demonstrated that we were able to take effective measures to get the economy moving forward again. Since the economy is basically strong I believe that, with a program of positive action, we shall see an im-

Continued on page 36

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Continued from page 35.

provement in economic activity during the second half of 1958.

Although consumers have become more discriminating in their purchases, they have continued to buy food freely. For the first nine months of 1957, retail sales by food stores and markets increased about 8% over 1956. Although the index of food prices rose about 4%, and population increased nearly 2%, it would appear that the American people are continuing to upgrade their diets.

While the composition of the diet has changed considerably during the past half century, the average total intake of food per capita, as measured in pounds per annum, has not varied greatly for many years. Therefore, we can look for the tonnage of food consumed to increase about as fast as the population.

Inasmuch as consumer income is high, I believe there will be little change in the composition of the diet of the average family in 1958, and that the physical volume of food sales will continue to increase in proportion to the increase in population.

The long-term outlook for the food industry is excellent. On the basis of population growth alone we can expect a steady increase of nearly 2% annually in the demand for food. Our young homemakers are becoming better educated and they know more about the nutritional qualities of foods. They want variety and quality and they want convenience in preparation. It will be a challenge to the food industry to supply those wants.

Even though we are going through a period of temporary economic adjustment, the trend of family incomes will be upward for the long pull. That means plenty of opportunity for further upgrading of the diet. It means opportunity for the food industry to continue its research for new and better products, and to apply improved technology in all areas of food processing, preserving, packaging and distributing.

LEONARD V. BUSCHMAN

Minister, Central Presbyterian Church, Summit, N. J.

It may seem rather odd that a clergyman should be asked to contribute an article for this series of business forecasts. However, the churches of America play a significant part in the life of our country. Their vitality or weakness could affect very profoundly the economic life of the nation.

All statistics would indicate a deeper interest in religion than we have seen for over a century. Many Protestant churches are now holding two or three morning services in order to accommodate their growing congregations. Church Schools likewise are holding double sessions. This has necessitated a great deal of new church building as well as expansion of existing facilities. Organ builders and fabricators of stained glass windows have a backlog of orders for at least two years. Church furniture makers are also under heavy pressures. The church publishing houses have reached a peak of sales for religious books and periodicals. Mission boards and church related colleges are greatly expanding their programs.

So all in all the year 1958 will very likely be a year of significant growth. There is an old saying that the world at its worst needs the Church at its best. As tensions rise in the world and internal social problems increase, the churches will be needed more than ever.

H. S. M. BURNS

President, Shell Oil Company

When oil men talk about the outlook for 1958 or for any other year in the foreseeable future, they should remember that this industry is fundamentally in good shape. Oil does not go out of fashion, like last year's dresses. It will be around for a long time. The reason is that petroleum is essential. Its products and the services that accompany them are integral parts of the nation's economic life.

Now and then the industry may not flourish with the vigor it has shown for a good part of the time since World War II. The year 1958 probably will not prove too flourishing.

The industry's main product, gasoline, is expected to show a 3% increase. Total domestic demand, industry wide, is also expected to be about 3% higher in 1958 than in 1957, assuming that we have a normally cold winter. Too mild a winter

could cut the heating oil business enough to offset most of the anticipated gain for all oils in a low-gain year such as 1957. However, there is nothing in this situation that a few weeks of good cold weather would not improve.

It appears that total demand (domestic and export) will show no gain in 1958. The reason for this is that

1958 is not expected to involve another Suez, which led to exceptionally high exports in the early part of 1957.

In short, the industry has reached a leveling spot in its growth curve. Such spots have occurred before, and they will doubtless recur. For the time being, we are overbuilt, but that is no cause for alarm. Extra capacity can be quite helpful in meeting surges in demand such as we have known in the past and will surely know again.

This nation moves on oil. As it continues to grow—in population and in the application of machines—its demand for energy will continue to rise. Since much of this demand, for many years, will be met by petroleum, one of the oil man's chief concerns must be in seeing that the supplies of petroleum are kept adequate to the need.

If the rate of growth in the demand for oil continues along the line established over the past 30 years, the industry will have to do some heroic work in exploration and production. It is estimated that we will have to find a barrel and a half of oil for every barrel we use. This could mean drilling 70,000 wells a year for the next decade. The job of providing money for this will be easier if taxes and regulations do not discourage investment.

For nearly 100 years, the oil industry has helped to generate progress for the public and has brought credit to itself by meeting and solving difficult problems. I am sure the performance will be continued for the benefit of the people in the industry and for all the people the industry serves.

HON. HARRY F. BYRD

U. S. Senator from Virginia

In 1958 we must recover our position of military prestige in the ballistic missile and related fields, which has been lost to Russia.

This is certain to require increased expenditures in these fields on virtually an emergency basis.

If we are to do this, and avoid deficit spending, and more debt and inflation, there must be reduction in Federal expenditures in all less essential categories, including obsolete and obsolescent military procedures and methods of warfare.

The Federal debt is at its statutory limit, and the value of the dollar is 49 cents by the 1939 index.

Deficit financing, short of war, should be used only as a means of last resort, even for funding necessary military expenditures. But admittedly this requires wise planning and efficient and alert performance

in the armed services and foreign aid, plus limitation of domestic-civilian expenditures to absolutely necessary amounts in proper and essential fields.

A balanced budget is more imperative now than ever before, and we should take steps toward tax reduction although we are not able to accomplish it this year. This can be done by reduction of expenditures in items which may be desirable, but not necessary.

Certainly it would not be sound to advocate tax reduction at the expense of a balanced budget. I do not say it is wise to cut taxes at the expense of increased expenditures in vital ballistic missile procurement for defense. But I firmly believe sound tax reduction would be a stimulant to business improvement.

While I can not say I am optimistic, under present conditions, stern enough reduction in Federal expenditures could produce justification for tax reduction consideration. This could be done by reduction in items which may be desirable, but not necessary.

The Congress could make a substantial start in this sort of selective expenditure reduction effort, if it would write a limitation on expenditures from both old and new appropriations and other budget expenditure authorizations into every item in the appropriation bills enacted in the coming year.

On a permanent basis, our total tax burden is too great. All taxes—Federal, state, and local—amount to the astounding total of more than \$112 billion.

The Federal Government collects \$70.6 billion in taxes for general revenue purposes. In addition \$12.1 billion is collected for Social Security, highways and unemployment programs. Tax collections by States total \$15 billion, and local taxation takes another \$15 billion. The grand total of taxes paid annually out of the earnings of people is the astronomical figure of \$112.7 billion. This exclusive of more than \$13 billion in revenue collected from non-tax sources—Federal, state and local.

As Chairman of the Senate Finance Committee, I have thought for some time that a tax burden of this magnitude long continued has dangerous potentialities for our future economic welfare.

Our military danger is great, no doubt; but further to imperil our national security, by impairment of our fiscal stability and loss of confidence in our government, would be overwhelming.

THOMAS D. CABOT

President, Godfrey L. Cabot, Inc.

The U. S. carbon black industry will be affected by the level of the general economy in 1958 as well as by the particular factors influencing the rubber fabricating industry. There are disturbing indicators in the present economic pattern which may portend a more serious corrective phase than has been experienced recently. The possibility of a renewal of consumer confidence and an enlarged military budget which might offset contractions in other areas cannot yet be measured, and it is against this background of uncertainty that 1958 prospects are assessed.

Carbon black is a basic product of a mobile age, supplying necessary strength and durability characteristics to tires. Demand depends partly on the output of new cars and trucks, but more importantly on the steadier replacement tire demand of total vehicles in use. About 25% of carbon black produced in this country is exported. In 1957, U. S. shipments were the second highest in history. Slightly less than 80% of the industry's capacity was utilized to meet shipment demand.

The shift to the furnace black process and to liquid hydrocarbons as carbon black raw material has continued. Last year oil furnace blacks accounted for slightly more than half of the carbon black produced. Although the shift from natural gas to oil raw material was basically an economic one, the wide range of high quality oil furnace blacks now available have won customer acceptance and preference for most major carbon black uses.

Technical work continues to improve the quality and variety of carbon blacks. Success in new processes and techniques of production have also been important in restraining carbon black costs. This task becomes increasingly difficult as optimum efficiencies are reached and creeping inflation of purchased goods and services continues.

Automobile production near the six million unit level of recent years has been forecast by several industry analysts. In conjunction with anticipated high replacement tire sales and truck production of about one million, this would add up to another good year for the rubber fabricating and carbon black industries. The possibility mentioned above of a general decline in business could dampen these expectations. Over the longer range, however, it may be expected that the growth of the economy will continue to be accompanied by an equal or slightly greater growth in rubber consumption.

Outside the United States the market for carbon blacks has expanded rapidly since the end of World War II. This is partly a catching up process to regain the position the rest of the world held prior to the war when it accounted for nearly half of all carbon black consumed. The growth of the foreign market has been accompanied by the construction of carbon black plants abroad. A substantial part of this market will continue to be served by U. S. exports, however.

HON. HOMER E. CAPEHART

U. S. Senator from Indiana

Realism—the facing of domestic and international situations as they exist and not as we would like them to be—must be the watchword of Americans if the year 1958 is to bring sound progress to the greatest Republic in the history of the world. The exercise of such realistic considerations must extend from the executive, legislative and judicial systems of our government right down to the thinking of the more than 170,000,000 every-day citizens of our nation.

If we think and act realistically, the year 1958 can be another great year in the drive toward peace, progress and prosperity which is the undisputed aim of every American.

Internationally, the facts about Russia as they exist—not as we have sometimes liked to believe they existed—call for action based on realism. Russia is our only enemy. Thus, we need to recognize the fact that Russia, whose Communist system we abhor, has made progress scientifically, industrially and militarily. And, then, we must be guided in our own actions on that fact. We must take such actions only after calm deliberation of the facts. We only injure our own cause—our own sound progress—if we permit ourselves to be driven to the hysteria apt to grow from new realizations of Russian achievement.

We must follow the same realistic approach to our own domestic situation. The United States has just completed a year in which the facts show a Gross National Product of \$439 billion, the greatest in history. But, we must face the fact that there has been some leveling-off in the last few months, that a slight further dip is forecast for the early months of 1958. At the same time, we should heed the prediction that the latter half of 1958 will bring improvement in our economic situation.

We must recognize that there has been an increase in the cost of living—small though it has been—and that unemployment figures, while not serious in the foreseeable future, have gone up slightly in recent months.

Given the realistic facts, there is no reason for gloom among the American people. Rather, there is a certainty



Thomas D. Cabot



Harry F. Byrd



L. V. Buschman



H. S. M. Burns



Sen. Homer Capehart

that, given the facts, they will buckle down to whatever job is necessary to keep America strong, economically and militarily. They always have.

There can be no question about the power of our people, of the over-all potential of their skills.

Recently, I visited for several weeks behind the Iron Curtain in Russia, Poland and Czechoslovakia. I came away convinced that Russia has progressed industrially, militarily and propagandawise—in fact that they are the greatest showmen in the world.

Thus, we must face up to the fact that Russia is an enemy which we should be alerted to but not one which should frighten us into immobility. We just can't sit back, as some have done, and say that because the Russian system is evil it will die of its own weight.

So, we must act to keep ourselves well in advance of Russia; as we always have done. That means we must leave no stone unturned to keep the United States strong—economically and militarily—no matter what sacrifice may be necessary.

As ranking Republican member of the Senate Committee on Banking and Currency, a member of the Senate Committee on Foreign Relations and ranking minority member of the Joint Committee on Defense Production, I will be very close during this and succeeding sessions of the Congress to these problems.

Aside from these general, over-all legislative objectives, there are two specific steps which I believe are necessary and extremely important to the strengthening of our economy. I shall make every effort to obtain passage of both at this session of the Congress.

1. Increase the present \$25,000 exemption on business incomes (before the application of the 22% surtax) to a \$100,000 exemption. In other words, business incomes would be taxed only 30% on the first \$100,000 and 52% on income over \$100,000.

2. We should proceed at once to institute a vast program to discover, through research, and develop new industrial uses for farm products.

A bill to begin a \$100 million program of research for industrial uses for farm products already has been introduced by me, with more than 30 other Senators as co-sponsors. A similar bill was introduced in the last session of the Congress. Such a program is the only permanent solution of the continuing farm problem.

In the last 20 years we have spent literally billions of dollars trying to shrink the production of the farmer. We have spent these billions trying to destroy a genius that is the envy of the world. How fortunate it is, in my opinion, that in spite of our money we have not succeeded in shrinking his economy, because to do so, we will shrink the whole economy related to agriculture. There will be less farm implements, less automobiles, the railroads and trucks will haul less farm products, there will be less labor on the farms, less labor in related industries.

My program provides for a vastly stepped up program of research into increased industrial uses of farm products. A Presidential commission has found that with proper research, more than 100 increased industrial uses of farm products are available. Let's make use of our agricultural asset, not try to destroy it.

R. CARRION, JR.

President, Banco Popular de Puerto Rico, San Juan, P. R.



Rafael Carrion, Jr.

At the time this is being written, the outlook for banking in Puerto Rico during the new year appears to be rather bright. Demand for credit continues unabated. Loans rising 34.30% by Nov. 30 as compared with Dec. 31, 1956. Deposits have also risen but only to the extent of 46.64% of the increase in loan account during that period. Capital accounts also are in good relationship to deposit liability and have been increased 3.79% in the 11 months period. This should bring about a significant deposit growth.

Arrangements recently completed with the Federal Reserve will include Puerto Rico on the par clearance list and this should tend to reduce the need for Puerto Rican merchants and industrialists to carry accounts on the mainland as clearances of items on Puerto Rico with air mail communication are virtually as rapid as with New York City Clearing House items.

Pending legislation which affects banking, indicates the Treasury Department (Banking Supervisory Authority) knowledge and understanding of existing problems, and includes constructive advances on remedial measures covering installment and small loans. These will provide reasonable rate structures to permit loans of a size which heretofore could not be handled profitably by the banks, even if no risk were entailed. Previous legislative action has authorized permits for mobile banking to serve the vast populace located in presently bankless municipalities.

Although the capital formation by new ventures establishing additional productive plant capacity in Puerto Rico may be somewhat slowed down due to the economic pressures of the mainland where productive capacity has already caught up with or exceeds demand, many of the ventures now establishing here are those whose plans have already passed beyond the point of return and envision new substantial additions to capital assets, payrolls and employment.

The Economic Development Administration is also aware of and encouraging the construction of De Luxe Tourist Hotels with a keen weather eye on not permitting excesses in that direction reminiscent of Boom or Bust psychologies. Economic Development Administra-

tion also seeks to improve the tax legislation in keeping with the need of the Island's Government for revenue but also to make Puerto Rico a good place taxwise as well as climate-wise to live and to die in, which should be helpful in the profitable operation of trust business.

We must keep a watchful eye on the trends of economic activity in the mainland as we cannot avoid its repercussions on our local finances and on our own economy in general.

GEORGE S. CASE, JR.

President, The Lamson & Sessions Co.

As a whole 1957 was a good year for most metal fabricators, although it ended on a relatively low operating rate. The drop in business activity, now being experienced, was expected.

This year might well be 1957 in reverse. Further decline for several months could be followed by a slow climb. We are forecasting for ourselves about the same quantity of bolts and nuts to be produced this year as we produced in 1957.

Our new plant will show savings in production costs this year. Whether these savings will come soon enough and in sufficient quantity to offset the wage-price squeeze remains to be seen. Certainly they will ease the situation.

Continued alertness for sales opportunities and for expense reduction in shop and office will still be necessary in the period ahead. Our capital expenditure program, designed to effect economies, will continue as planned for 1958. We believe a fair volume of profitable business will be available for those organizations who aggressively seek it.



George S. Case, Jr.

O. W. CASPERSEN

President, Beneficial Finance Co.

Some months ago signs began to multiply that under the continued pressure of Federal Reserve money policy and the completion of new plant and equipment through the heavy capital expenditures of the last few years, inflationary pressures were starting to wane. The froth has been blown off the boom.



O. W. Caspersen

As we head into 1958, we are in the midst of an adjustment of the boom.

There is excess capacity in steel, in automobiles, and in durable goods; and factory employment, backlog of new orders, and production are down. Many swing easily from optimism to pessimism. They are concerned about the extent and the duration of the decline.

However, in recognition of the downturn in economic activity, the Federal Reserve Board has changed direction on money policy, and Sputnik has eliminated any serious downgrading in defense spending. Furthermore, in some fields, such as

housing and textiles, the adjustment has about completed itself.

In our economy it takes time for forces once in motion to work themselves out and for new ones to exert their full impact. The adjustments now in motion should carry economic indicators mildly down for some months in 1958. By mid-year the forces of recovery should begin to emerge and gather strength. The year as a whole should register somewhat higher than 1957. In terms of Gross National Product, 1958 should be about 3% better than 1957. And since inflation should be held in check, this should be a real increase.

We look for an automobile year fairly comparable to that of 1957, and somewhat better for other durable goods. More consumer credit will be used to finance these purchases. We also look for expansion in our field—that of small loans.

FREDERICK P. CHAMP

President, Utah Mortgage Loan Corp., Logan, Utah

I have felt that for some months our country as a whole has been settling down from the forced-draft economy which has prevailed for some years past and which we have been inclined to consider normal. This adjustment which is now well underway is, in my opinion, a healthy development and will enable us to avoid a more drastic adjustment later. It is sound that we should from time to time take up the slack and catch up with ourselves in the various phases of our economy, including building, manufacturing, the promotion of retail sales through increased use of installment credit and so forth. While it has been painful to have our housing starts drop from 1,300,000 to below 1,000,000 per year, I feel that such an adjustment was necessary in order to avoid the further development of soft spots in the building picture and a further squeeze in the long-term money market.



Frederick P. Champ

I believe we have crossed the summit in money rates and that there will be some lowering of rates in the near-term, but that we are not likely to settle back to the earlier level and will probably continue on a higher plateau, consistent with the inflationary pressures which are constantly threatening us.

As for the situation in the intermountain country and in this immediate vicinity, I feel that the outlook is relatively more favorable than in the industrial sections and that we can look for nominally better business, because the farmer and the livestock man is receiving somewhat better prices and the outlook for a continuation or an improvement in these prices is better than it has been for some time. For this reason we are likely to see less recession in business during the first half of 1958 than some other sections of the country and barring drastically adverse international conditions, I look for an improvement in business during the last half of 1958 pretty generally.

Continued on page 38

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Continued from page 37

C. M. CHRISTIE

President, The Dayton Rubber Company

The tempo of plant expansion and product diversification was stepped up substantially for the Dayton Rubber Company as the firm completed its 52nd year of operations. Also during the year, Dayton Rubber acquired Cadillac Plastic and Chemical Company of Detroit, Mich. Cadillac is the largest plastics warehousing company in the world, and is expected to strengthen and improve Dayton Rubber distribution. This acquisition carries Dayton Rubber further into the chemical and plastics field—an area in which the firm expects sharp growth.

The new Freedlander Research and Development Laboratories, scheduled for completion in January, 1958, at Hawthorne, Calif., will add to the extensive research facilities in the company's main laboratory in Dayton.

Dayton Rubber's sales position was considerably strengthened during 1957, particularly in the mechanical goods, tire and foam product lines. Even though predictions say 1958 will be an extremely competitive year, Dayton Rubber, with its strengthened management team, added research facilities, modern production facilities and plans for greater sales efforts, should record new highs in sales.



C. M. Christie

WALKER L. CISLER

President, The Detroit Edison Company

Business trends in Southeastern Michigan have been somewhat perplexing in December. The steel industry began to curtail operations early in the month, but continued operations at well above the national level. Some of the automobile manufacturers suspended operations longer than normal over the Christmas holidays.



Walker L. Cislser

Though these negative factors may seem discouraging, there are many positive factors which are encouraging. Foremost perhaps is the vast volume of industrial production that has continued at a near normal pace. A considerable time must elapse before the core of activity can be substantially altered, either down or upward. In addition, major new projects which will require large expenditures of money are getting under way. Nationally, industrial construction appears to continue at a high level. The effects of the nation-

wide road program are still to be felt, and new housing and defense programs seem to be on the horizon.

Though there were indications of an easing of industrial activities as early as the middle of 1957, power output in the area we serve continued well ahead of 1956 until the last half of December. Detroit Edison's total system output for the year 1957 was close to 13.8 billion kilowatt-hours, about 5.5% above 1956.

We believe the unusual slackening in late December was largely an economic adjustment and that business will assume a more normal course early in 1958. Possibly business activity will continue at a reduced rate for several months, but on the whole, we expect a fairly good year.

HUGH L. CLARY

President, Clary Corporation

We have been passing through a period which has given rise to a lot of economic double talk and this has served to becloud the fact that there has already been a genuine recession in many industries. Economic statistics based on national averages are very misleading. Recent low performances combined with previous high performances give a total that appears to be up when actually the trend is down. Figures of prosperous industries are combined with figures of depressed industries to give an impression of stability at a high plateau, when the significant fact is that industry after industry is progressively being required to adjust itself to adverse and changing conditions. The Dow Jones industrial averages have dropped from a 1957 high of 520 to a low of 419, as of the date this is written. This is a drop of only 19%. However, thousands of companies listed on the various stock exchanges and over the counter markets have seen their stocks drop by 50% or more. The fact that unemployment has now reached four million does not seem particularly serious. Nevertheless, for many months a large number of manufacturing companies have been operating at three-fourths or



Hugh L. Clary

less of capacity with larger employment reductions than they have known for many years.

Many heads of business will tell you that even where their sales have been maintained in the aggregate, this has been brought about by an increase in their lower priced lines rather than in their higher priced lines. For more than a year discount houses have prospered and the original price asked has meant very little. The prices that have been going up are the prices very few people pay. Mr. Lawrence Appley, President of the American Management Association, in his September, 1957, report said the year has been characterized by deep depression in the midst of prosperity. Even 1956, according to the National City Bank letter, was characterized as a year of rolling readjustment in which seven out of 15 industries earned less than they did in the previous year.

Now, after these conditions have prevailed for 12 months or more, it is being recognized in practically all economic letters that the recession is here. In economic affairs we are like a man riding through the countryside backwards. The only country he can see is the country he has already been through. I think when our forecasters say, as some do, that the recession is here and 1958 will be a tough year on all fronts, they are looking backward rather than forward. I think 1957 has been a tough year on many fronts and that on many of these fronts that have been tough it will be a better year in 1958. For many companies the recession is not coming, it is being passed. The Government is now preparing to spend more money than it did during the Korean emergency. This, I believe, will have the same stimulus on the economy as it has always had and will serve to offset the ill-timed deflationary moves of the Federal Reserve Board which it seems to some people, including myself, were made after the inflation they sought to prevent had ceased to be a threat.

As to our own industry, those who have new products, reasonable diversification and are able to meet the price demands of the public without disorganizing the market, should do better in 1958 than they have in recent months. I do not pretend to see into the future, so I am only expressing my belief that the recession is well along in its course, much further along than most people think, and that when we are able to look backward from the vantage point of early 1959 we will see in 1958 a rising trend instead of the downward trend we see now.

J. LUTHER CLEVELAND

Chairman, Guaranty Trust Company of New York

The year 1958 looks like one of readjustment for American business. Signs that this readjustment was in the making increased gradually during the course of 1957, and by the end of the year almost all analysts were agreed that the early months of 1958, at least, would be characterized by an atmosphere of caution and conservatism in business circles and by a lower level of activity than prevailed a year ago.



J. Luther Cleveland

Regarding the probable severity and duration of the readjustment, opinions differ widely. A few observers apparently believe that real trouble may be in the offing, but the majority take a more optimistic view. Some expect signs of recovery to appear well before midyear. The preponderance of opinion seems to be that the general trend during the second half of the year will be more favorable than that during the first half. The optimists can marshal an impressive array of arguments to support their view. Current income is still high and is supplemented by large holdings of liquid assets. The inventory situation is not serious, and a few months should suffice to liquidate over-extended positions. There have been signs of an upturn in residential building. Price changes have been moderate, and there are few if any serious distortions in the price structure.

This last statement is subject to one important reservation. For many years wage rates have been rising faster than productivity, and in the last few years it has been increasingly difficult for management to recover the higher labor costs through higher prices. The result has been a "profit squeeze" that has tended to restrict employment and discourage industrial expansion. This growing pressure on profits may have been a major factor in the decline of business investment in plant and equipment, which is certainly the outstanding feature of the business downturn so far.

If this view is correct, it would seem to follow that the inflexibility of labor costs—that is, their inflexibility on the downward side—due to long-term contracts and to the bargaining strength of the unions will tend to tighten the "profit squeeze" as business activity declines, further discouraging business investment and encouraging unemployment. Any such effect will be intensified if the unions carry out their recently announced intention of insisting upon substantial further wage increases this year as a means of bolstering "purchasing power."

It is impossible to foretell at present how this situation may develop. For the time being, we can only hope that its effects will not be too serious. If this hope is realized, it seems reasonable to believe that the downturn now under way will prove to be only another minor interruption in the long-term growth of the economy.

L. L. COLBERT
President, Chrysler Corporation

As 1957 moved to a close, estimates for the final weeks of the year indicated that retail sales of automobiles in the United States during 1957 would be slightly higher than the 1956 total of 5,955,000. This would make it the industry's third best sales year—clearly demonstrating once again the importance of automotive transportation in this country.

Chrysler Corporation also had its third best year. Our estimates indicate that retail sales of our passenger cars in 1957 will total about 1,130,000—nearly 208,000 more units than were sold by the corporation in 1956.

The potential exists for another good year for the automobile industry in 1958. Whether that potential is reached will depend upon two factors: (1) how quickly the nation's economy can adjust to the present downturn or leveling off in some sectors of business activity, and (2) how successful the automobile industry—with its new models and intensified selling programs—proves to be in stimulating a satisfactory volume of business.

The wide assortment of automotive advances now being offered to the public, the kind of product promotion being carried on by automobile manufacturers through national and local advertising, and the vigorous merchandising campaigns being conducted by dealers all add up to a marketing impact that can very well make the difference between a good and an average year.

In the economy generally, there are signs of strength that could make for a good business year in 1958. Here are a few:

(1) Home construction and improvements are expected to rise moderately and overall business construction promises to hold steady. Moreover, it is possible that recent actions tending to ease the money situation will give added impetus to activity in this sector.

(2) Local and state budgets for construction of public buildings and highways are higher for 1958. Here again the easing of money pressures will tend to encourage increased activity in this area.

(3) While no signs have yet appeared that appreciable increases in federal defense expenditures are likely in the first half of 1958, leaders in both the executive and legislative branches of the Federal Government have pointed to the prospect of larger expenditures sometime during the year.

(4) To a considerable degree, the continued high level of activity in non-durable goods and in services has helped offset slower rates of production of capital goods and durable goods.

(5) Consumer spending is high.

From the standpoint of the automobile industry, there are special factors that should be taken into consideration with regard to the business outlook for 1958.

It has been three years since the industry's all-time record year of 1955, when 7.2 million cars were sold at retail. In that year 57% of the cars sold on instalment credit carried contracts for periods of 30 to 36 months. These credit obligations will have been paid off sometime during the next 12 months.

In the last three years, over 19 million cars have been sold, and 38% of them will be three years old in 1958. Normally about 2 out of 5 of the cars traded in on new cars are less than three years old and 1 out of 5 are two to three years old.

These facts add up to a strong probability that a sizable proportion of the people who bought cars in 1955 and a good number of the 1956 and 1957 buyers as well will be in the market again in 1958.

Over and beyond these conditions bearing upon next year's market, there are other considerations which point to a growing market for automobiles in the years beyond 1958.

The basic reason for looking forward to a rising long-range demand for cars is the steady and rapid growth of the population. Census Bureau figures indicate the nation's population may reach 200 million by 1967—an increase of nearly 30 million. Of special significance to the automobile business is the tremendous expansion of population in the suburbs, where 30% of all cars are now owned. Between 1950 and 1955, suburban population increased 27.8% while the total population was rising 7.9%. If this trend continues, about 80% of the total increase in population during the next ten years will be in suburban areas.

The growing trend toward multiple-car families is directly related to this population shift to the suburbs. To meet the transportation needs of all the family, two cars are rapidly becoming standard equipment for the suburbanite.

A recent survey found that nearly 17% of all car-owning households had more than one car, compared with less than 5% in 1948. The number of cars owned by multiple-car families increased from less than 3 million in 1948 to more than 13 million in 1957.

These are only a few of the many good reasons for looking forward confidently to a continued growth in the demand for motor vehicles.



L. L. Colbert

Continued on page 40

Pursuit of Two Objectives in Supervising Securities Market

By ANDREW DOWNEY ORRICK*

Commissioner, Securities and Exchange Commission

An up-to-date insight into SEC thinking is presented by Commissioner Orrick in reviewing SEC's broader definition of "underwriter" than that commonly held, concept of convertible securities and Rule 133, and increased tempo of policing and enforcement activity in the past year. Stresses his agency's efforts to forestall illegal use of convertible securities as a subterfuge in distribution of underlying securities without registration, and "no-sale" rule to secure unregistered public distributions of securities.

The regulatory posture of the Securities and Exchange Commission in supervising the securities markets might be described as "objective firmness."

What are the most important manifestations of this attitude? First, it impels the Commission to administer a vigorous and aggressive program to strike down any attempts—particularly issuers, promoters, broker-dealers, and securities salesmen—to defraud the public. Second, it urges constant vigilance in securing fair and adequate disclosure in all offerings of securities which are not exempt from the registration requirements of the Securities Act and by companies required to file reports under the Securities Exchange Act. And, third, it stimulates the search for realistic solutions to Securities Act problems posed by complex financial transactions.

Prevention and Prosecution Of Fraud

An important component of the Commission's program is the prevention and prosecution of fraud in securities transactions. The Commission is currently investigating approximately 1,000 matters that appear to involve violations of the securities laws. During the fiscal year 1957 a total of 26 cases were referred to the Department of Justice for criminal prosecution compared with 17 referrals during the previous year. A total of 71 proceedings were instituted in the Federal courts during the fiscal year 1957 to enjoin illegal activities in the

*An address by Mr. Orrick before the Washington Society of Investment Analysts, Washington, D. C., Dec. 18, 1957.



A. D. Orrick

securities markets compared with 35 injunctive actions during the previous fiscal year. The enforcement record for 1957 fiscal year further shows that the Commission issued 132 denial or suspension orders for non-compliance with the small offerings exemption, revoked 29 broker-dealer registrations, denied the applications for registration of six broker-dealers, and instituted 10 stop order proceedings to prevent registration, statements of securities from becoming effective.

This acceleration of the Commission's enforcement program has been caused primarily by the record volume of capital formation required by American industry. The public appetite for corporate securities as a medium for investing individual savings has expanded with the increasing tempo of the economy. The intensified activity in the financial markets has attracted to the securities industry a fringe element of stockteering promoters and securities salesmen. These persons are the principal subjects of the Commission's investigative attention.

The schemes of some stockteers are whimsical. In March of last year the promoter of a company represented to own a patent for a wingless aircraft that was capable of carrying 4,000 persons a distance of 25,000 miles non-stop at half the cost of any other plane was convicted of securities fraud and sentenced to three years imprisonment. More than 800 stockholders lost approximately \$200,000 in this fraudulent venture. In selling the securities, the promoter claimed that the development of this wingless airplane was comparable to the achievements of the Wright Brothers, Leonardo da Vinci, Sikorsky, Billy Mitchell and Charles Lindbergh and that this plane was the greatest advance in aviation since the advent of flying. However, he omitted to disclose, among other things, that the prototype simply consisted of a remodeled small standard air-

plane from which he had sheared all but eight feet of each wing, that it was less efficient than existing types of planes, and that it had not been successfully test flown.

A few weeks ago an oil promoter was sentenced to seven years imprisonment for fraudulently selling investment contracts in oil and gas interests through making false promises of great wealth to prospective investors. He falsely represented that the lands covered by the leases had already been proved for oil and were highly productive and that there was no risk in making the investment. The promoter represented himself to be a highly qualified and successful oil operator who had never drilled for oil without bringing in a producing well. The indictment alleged, however, that the defendant had never been successful as an oil operator and that his profits had been made wholly as a result of promotional activities.

Securing Fair and Adequate Disclosure

The second principal aspect of the Commission's program is to exercise constant vigilance in securing fair and adequate disclosure of material business and financial facts in reports filed under the Securities Exchange Act and through the registration process in all offerings of securities not exempt from the requirements of registration under the Securities Act. During the fiscal year 1957, 943 registration statements, offering to the public a record volume of \$14.6 billion of corporate securities, were processed by the Commission. However, investigations conducted by the Commission have disclosed that a considerable quantity of capital was raised by the sale of unregistered securities in transactions where substantial doubt exists whether the exemptions from registration relied upon by the issuers were available.

In some of these cases the nature of the business transactions raise close legal questions respecting the necessity for registration. Others clearly involved illegal schemes to evade the registration requirements of the Securities Act. The effect, in both instances, has been to place in the channels of commerce large blocks of stocks without providing public investors with adequate business and financial facts on which an informed investment judgment can be predicated.

Regulatory Approach

What fundamental principles should guide the Commission in performing its important function of deciding the necessity for registration of securities issues? In interpreting the various statutory provisions the Commission must, first, carefully adhere to the language of the statutes, supplemented by an analysis of the legislative history in cases where the application of the statute to a particular situation may not be clear; second, give attentive consideration to the growing body of securities jurisprudence—such as court decisions, Commission opinions, orders, rules and administrative determinations—which have evolved over the past 23 years; and third, find reasonable and practical solutions to the disclosure problems involving legitimate business activities, within the framework of the statutory language and financial and judgment can be predicted.

The Commission has been diligent to require the registration of securities in all transactions brought to its attention where some exemption is not available. Frequently, however, complex interpretative problems are created for the financial bar and the Commission by particular factual situations and by various statutory provisions relating to the registration requirements.

Who is an Underwriter?

The definition of "underwriter" in the Securities Act has far-reaching implications to issuers and purchasers of securities in solving registration problems. In the context of the Act, the term "underwriter" has a scope far broader than its common meaning in financial circles. It is defined to include "any person who has purchased from an issuer with a view to, or sells for an issuer in connection with, the distribution of any security . . . or participates . . . in any such undertaking."¹ This definition is closely related to the exemption from registration afforded by the first and second clauses of Section 4(1) of the Act. These provisions exempt "transactions by any person other than an issuer, underwriter or dealer" and "transactions by an issuer not involving any public offering."

The basic concept of the Securities Act is to require registration of securities offered for sale by the issuer to the public unless some exemption is available. The Commission has long regarded the term "distribution" as used in defining underwriter, to be essentially equivalent to the term "public offering." A "public offering" has been broadly defined by the United States Supreme Court to include transactions in which the purchasers or offerees need the protection afforded by registration.² Consequently, a person who buys unregistered securities from an issuer with a view to reselling

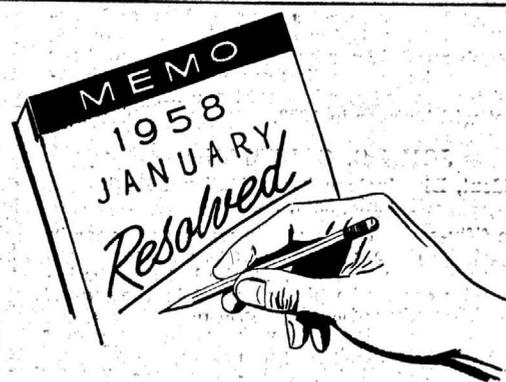
them, or who participates in the transaction by which the securities move from the issuer to ultimate investors, may, unwittingly, be acting as an underwriter, in the statutory sense, if the resale are deemed to be a public offering.

In order to carry out the registration objectives embodied in the Act, the Commission is compelled to examine the stream of transactions in which securities flow from the issuer to the ultimate purchasers. Thus, where a private sale of securities by an issuer is made to a person who intends to resell them to others, the circumstances involving the resale are included in determining whether or not the whole transaction constitutes a public offering.

The converse of taking securities "with a view to distribution" is purchasing for investment and not for resale. Where a purchase of securities is made from an issuer by a person, or a small group, who takes the securities for investment, no public distribution is involved, and registration is not required. The application of the expression "purchasing for investment" must be ascertained by reference to the intention of the purchaser at the time of acquisition. A person's intent can ordinarily be discovered only by weighing objective evidentiary factors and not by relying on self-serving statements—such as contained in so-called investment letters—that a particular purchase was made for investment. One of the most significant, although not necessarily conclusive, of the relevant evidentiary factors to be con-

¹ Section 2(11), Securities Act of 1933.
² SEC v. Ralston Purina, 346 U. S. 119.

Continued on page 57



The holidays are over and, traditionally, January is the time for "beginning again"—resolved to do better and work harder towards achieving our goals. Traditionally, also, it is a time for taking stock and making new plans.

As we look forward it is well to remember that in getting ahead financially there is more to be considered than earning and saving. Your savings should be invested wisely so that they, in turn, will work for you—as hard as possible. In investing small or large amounts of money the ability to recognize "good values" in securities is most important.

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Continued from page 38

REGINALD T. COLEChairman of the Board, National Bank of
Plymouth County, Brockton, Mass.

The business forecast for 1958, nationally, with particular reference to New England, appears to be as good, if not better, than the same guideposts indicated for the year 1957.



Reginald T. Cole

A survey of prominent manufacturers in the area discloses that they expect better profits in 1958, even though sales may lag behind 1957. It has been the conviction of the writer that our economy will be jeopardized more through overinvestment and overexpansion than from any basic weakness. Therefore, the following four points seem to indicate that an effective adjustment was started in 1957 and will be completed before 1958 is over:

(1) The boom and growing inflation were effectively curbed in 1957 by many factors, including tightening the money supply by regulation, and, despite statements to the contrary that his policy will still be in force as long as Federal Reserve Board policy withholds normal use of the discount privilege from the commercial banking system and continues the present restrictive reserve requirements. The curbing of the boom prevented any immediate danger of a major depression being caused by our internal economy. World conditions cannot be controlled by internal monetary policy.

(2) A growing realization by business that overexpansion of either inventories or producing capacity should be avoided.

(3) A shakeup in the securities market stopped a growing conviction by the general public that quick and easy profits were to be had in stock market investments.

(4) A growing realization by both management and employees that each is necessary to a successful business and that in individual business units they succeed or fail together.

All these factors combined in 1957 at a most opportune time, and, when considered against a backdrop of large government expenditures, voluntary savings, forced savings through pension and insurance plans, both of which are still rising, large reservoirs of, as yet, unused personal credit, the replenishing of individual purchasing power through monthly repayment plans, the need for civic improvement and spending seem to justify a conclusion that the present readjustment and increased unemployment will be over in 1958.

JOHN S. COLEMANPresident, Birmingham Trust National Bank
Birmingham, Ala.

Nineteen fifty-seven on the whole was a good year in this area. At the close, aggregate bank earnings, loans and deposits reached new highs. In the last quarter industrial activity declined which resulted in the lay-off of a substantial number of employees.

Agricultural production also was down due to the soil bank program and weather conditions. Cotton produced in Alabama amounted to 530,000 bales as contrasted to 750,000 in 1956. Three weeks of rain during the gathering season materially damaged the crop. The state's loss in peanut production was approximately one-third as compared to the previous year because of heavy rains and early drought.

Income from livestock, including poultry and eggs, was \$220,000,000 which represents an increase of 10% and for the first time exceeded the income from raw crops.

The Tennessee Coal and Iron Division of United States Steel operated last year at less than 90% of capacity in keeping with the steel industry generally. While lower than recent previous years, 1957 still was considered a good year. It was stated by company officials that the reduction was primarily the result of a reversal in the consumer policy from stock accumulation to liquidation and that it is probable that inventory building once more will be resumed before the end of 1958.

The state's water resources make it the envy of much of the rest of the nation. Industry today seeks and must have water. Alabama has more miles of potentially navigable streams than any other state. Many industries already have, and many more now are being, located on our rivers. Many new dams are being built both for navigation and power purposes.

The demand for power continues unabated. It has been running with our largest producer at a rate of increase of almost 10% per year over a number of years.

The coal industry is experiencing a comeback. Coal production increased 1,000,000 tons during the 1955-56 fiscal year and it went up another 200,000 tons during 1956-57. While much coke is required to produce our iron, another very important factor in the increased demand for coal is the very large steam plants now in operation. There are many substantial additions and new steam plants now in the course of construction which will require considerably more tonnage for electric generating purposes.

While there is a decline in our economy at the present time which, it seems will last for at least several months,



John S. Coleman

we do not detect a general feeling of pessimism. There appears to be a confident belief that after the period of adjustment is over conditions will be better and that this section and the entire nation will resume its march of progress.

RALPH J. COMSTOCK

President, First Security Bank of Idaho, Boise, Idaho.

The year 1958 promises to be one of readjustments from trends of the past three years. Small increases over 1957 are expected in Gross National Product, National and Personal Income with the rate of increase considerably less than in the three preceding years. Anticipated readjustments from the past three years were underway in many industrial segments in the last quarter of 1957. Trends in production and trade from October, 1957 to June, 1958 will probably be similar to those prevailing four years earlier from October, 1953 to June, 1954. Patterns in segments of the economy may well be somewhat as follows:



Ralph J. Comstock

(1) Total agricultural income and cash farm income should increase slightly over totals of 1957. This is a continuation of adjustments in 1957 which reversed the five-year downward trend in farm income. Drought has ceased to be a major factor, but farm surpluses, especially of crops are of major significance and will affect crop prices and the feeding patterns and marketing of livestock for the next six months.

(2) In the first half of 1958 industrial production may decrease by 10% from 1956-57 levels or by 6% from December, 1957 levels to a point near 133% of the 1947-49 average. Most mineral production will be slightly lower than 1957 levels. Lumber production has probably reached the low point and may increase slightly. A number of the smaller marginal mills have ceased operations and part of the accumulated inventories should start moving into the markets after the first of the year.

(3) Construction will be at a high level by any standards before 1955, but will be somewhat lower than totals of 1956 and 1957. To a great extent, major industrial construction to meet expanding demands for new products has been completed. Housing construction should be equal to or slightly above totals of 1957. Local government construction including schools, water and sewage plants and that of utilities and highways should be equal to totals of either of the past two years.

(4) Further increases in savings are anticipated at commercial banks and other institutions. This should have the effect of making long-term funds somewhat more readily available for industrial and commercial construction, and for mortgages.

(5) Interest rates, at least for capital funds, should be slightly lower. Easier money policies on the part of the Federal Reserve are expected to effect some slight reduction in interest rates from very high levels still prevailing. However, the price of money will remain relatively high compared with standards before 1956.

(6) Retail trade should be fair, but there will be a considerable amount of selling at bargain prices for the shopper. Goods are available. Resistance to constantly increasing prices may become somewhat noticeable. Peak in Consumer Price Index has probably been reached.

(7) Employment will be slightly lower, unemployment slightly higher than during the past three years.

The year 1958 is one of rather major adjustments in various economic segments as between saving and spending. It may well mark the end of the wage-price spiral.

SIDNEY B. CONGDON

Chairman of the Board

The National City Bank of Cleveland, Cleveland, Ohio

Banks are the servants of their business and individual customers. Accordingly, progress in banking ordinarily reflects developments in the overall economy. Banking trends in 1958 surely will be influenced by the extent of the business adjustment now underway.

Economic adjustments vary in depth and duration. It therefore is reassuring that most business analysts are finding good reasons for expecting the current adjustment to be of the more moderate variety. They point to the so-called built-in stabilizers of the economy. They remind us of the unfortunate but very real necessity of accelerating the missile program. Finally they note there were comparatively few "excesses" during the year just completed.

If 1957 had been a year of great boom, with record highs set in residential construction, automobiles, appliances, and steel output, such cyclical industries could now be candidates for correspondingly sharp cutbacks. Instead, those industries have just experienced what could be best described as an average year, with volume noticeably under records set a few years ago.

If 1957 had been a year of rapid expansion of business inventories, there would now be the threat of severe inventory liquidation. Instead, inventories in 1957 showed just a modest increase, considerably smaller than in the months prior to the 1949 and 1954 recessions. Similarly, consumer credit grew at a normal rather than excessive pace during the past year, thus reducing the



Sidney B. Congdon

possibility of the consumer sharply curtailing his use of credit during 1958. In fact, only in business outlays for new capacity does one find a part of the 1957 economy at an excessively high and thus very vulnerable level.

The fact that examples of excess are now so few in part reflects the Federal Reserve Board's courageous policy of monetary restraint, that is, the so-called policy of "tight money." Had credit been made freely available on easy terms during 1957, business volume would have been somewhat greater, and prices higher, but prospects for 1958 now would be considerably poorer.

In times like the present, it is pertinent to keep in mind that our economy has survived many adjustments, more than a score of them in fact. Furthermore, each adjustment has been followed by renewed advances into record high ground, advances so dynamic that total business volume has doubled every two decades. The experiences of the past dictate an attitude of confidence toward the future.

JOHN T. CONNOR

President, Merck & Company

The spotlight will turn more brightly than even upon scientific activity in the chemical and pharmaceutical industries during 1958. This would have happened even without the excitement about science in general and missiles and satellites in particular.



John T. Connor

As the effect of competition is felt in the erosion of prices and profits for many of the older products, manufacturers must strive for an ever increasing flow of new or improved products. To bring this about even more emphasis on scientific research and related scientific activities is needed.

The public is becoming so keenly aware of the value of scientific activities that it will provide an unusually favorable climate for research achievements in the coming year. Educators, parents, and the youngsters themselves will support programs for the advancement of science in America. Magazines, newspapers, television, and radio will promote the crusade powerfully.

The chemical and pharmaceutical industries, as well as the professions and the general public, will be among the beneficiaries of this greatly increased interest and emphasis—to some extent in 1958 and in great measure during the next 10 years.

There is another noteworthy aspect of importance to the pharmaceutical industry. I refer to the large sums that the National Institutes of Health and other government agencies have available for health research activities. The proper use of these Federal funds poses some important problems, but I think that there is general agreement in favor of increased support by the Federal Government for basic research activities in the health field.

As for sales and profits in 1958, the prospects for important new products indicates that at least some firms will continue to show improvement in operating results, even considering the fact that 1957 results apparently are at record levels, and in spite of the current depressed levels of activity in our national economy.

JAMES D. COONEY

President, Wilson & Co., Inc.

Total meat production in 1958 is again expected to turn upward—after a 3% decline last year from the 1956 record level. While this year's volume may fall short of the 28.1 billion pounds produced in 1956, it should easily be the second largest on record, according to present indications.

During 1958, and probably for some time thereafter, the total meat supply will reflect the pressures created last year on farms and ranches toward a renewed upsurge in livestock production. Not only did one of the country's worst droughts come to an end, but heavy rains revitalized grasslands and contributed to a record-breaking feed grain output. The past year saw rising livestock prices and falling feed prices, a combination which resulted in livestock-feed price ratios that were far above average relationships at the year's end. A build-up of both hog and cattle numbers became a virtual certainty, leaving only the sharpness and duration of the upturn surrounded with elements of conjecture.

The U. S. Department of Agriculture, based on a survey made last December 1, reported that a 6% increase in the 1958 spring pig crop was planned. Numerous informed observers believe that hog producers have since revised upward their expansion plans. Even so, feed grain stocks—which are already at record levels—are expected to show a further substantial increase at the end of the current feeding year. With stocks of this



James D. Cooney

Continued on page 42

Continued from page 25

Our Present Tax Structure Is Eroding Faster Each Day

economic difference sought to be measured. So we have differentials for the extractive industries, for savings and loan associations, mutual banks, cooperatives, life insurance companies, etc. All differentials should be constantly reviewed to determine whether, in light of economic developments, they remain accurate. Very few of them have received any review since they were introduced into the tax code. Instead of reviewing them to see if they are realistic, the tendency under the pressure of high rates is to extend the differential to other economic areas alleged to be analogous.

Several of my bills have to do with the removal of the Federal regulatory hand. One of the easiest ways for the Federal Government to regulate the economy is through manipulation of the tax laws. This is particularly true when the tax rates and the differential between various tax rates is so great. Yet, in my judgment, and this is a matter of basic governmental philosophy, the government should use taxation as best it can only for revenue and not for regulation. The reason for my conviction lies primarily in the fact that the use of taxation is so subtle and easy that the people and, indeed, the people's legislative representatives scarcely know when such regulation is being imposed. This destroys government of, by and for the people. If the government decides to regulate a particular thing or to produce an economic result, it should be done in a manner that the people know about it.

Many businessmen liked certificates of necessity even though they recognized it was a technique whereby the Federal Government could channel investment money into certain areas of economic endeavor over others. It was easy, effective and insidious.

One of the greatest dangers in our present tax structure is the preference it gives to various forms of doing business . . . the co-op over the corporation, the big corporation over the smaller corporation (in spite of the \$25,000 differential in the tax laws), the corporation over the individual. The very complexities of the tax laws and the economic importance of taxes in an era of such high yield give the larger corporation and the wealthier citizen a distinct tax advantage over the small economic units because they can afford the overhead of law-

yers, engineers and accountants so necessary to cope with and gain the advantages of these complexities.

Defines Inflation

In considering the question of inflation, I think it is first important to define inflation itself. I suggest that a great deal of what we are calling inflation today is probably not inflation. Though I hasten to add that I do believe even with the proper definition of inflation that we do have it. It is a matter of to what degree do we have it. Our conception of inflation is based upon the cost of living index computed by the Department of Labor. However, the cost of living index has no accurate way of measuring improvement of products. In other words, the cost of an item bearing a certain nomenclature may become greater because the product may be improved that much in quality. Furthermore, geared into the cost of living index are new items which formerly were not included, I presume, because they were regarded as luxuries, not necessities. Finally, I would observe that the greatest increase in the cost of living index is in the area of services. One of the items rising the most is medical care. There is no question that medical care has increased in cost, but I submit probably no dollar today is spent that brings a greater value than ever before than that spent for medical care. In other words, it is important to distinguish between what is increased standard of living in the cost of living index and what is inflation.

People say they cannot live on the income they receive today because the cost of living has gone up. This may be true, but partly, at least, they are saying that they cannot live as they would like to live and can live with all the things available in the market place if they had the money.

I think there is orthodox inflation in the area of many services. The cost of many services is up because there is a greater demand for them than there is a supply. Indeed, domestic help has almost been priced out of the market. It is difficult to get a plumber or an electrician, let alone a television repairman, to come to the home.

Another and even more important area behind the present inflation after we have allowed the proper discount for what is really increased standard of living, is investment capital. This has not

been regarded by the orthodox as a commodity. Yet once it is regarded as a commodity which is available in the market place, as it should be, we can readily see that there is a much greater demand for this commodity than there is supply.

Our tax structure, in my judgment, is the largest factor responsible for the shortage of investment capital today. I predicted that the short supply of this commodity will be overcome within the very near future and, on that assumption, I have based my prediction that this present inflation is due to end shortly. However, if we continue our present tax structure, we are going to ask for further trouble in the future in this area.

Depreciation Allowance

Probably the greatest offender in the tax structure today, as far as contributing to the shortage of investment capital, is our depreciation allowances. Depreciation allowances, based as they are upon original cost in dollars, are thrown completely out of kilter both by inflation and technological advancement. World War II ended 12 years ago and the dollar as a measuring stick was cut in two through the utilization of inflation as a device to finance the major part of the cost of this war. In the decade following the war America's economic plant was being replaced for reasons of both wearing out and obsolescence. However, the depreciation accounts permitted industry under our tax laws only half the dollars necessary simply to replace, let alone improve, their productive plant. This was bound to put a great squeeze on investment capital. The tremendous technological advances accelerated the turnover of plants. Equipment put on the books for a 10-year depreciation through technological advancement had to be scrapped and replaced with costlier, even though more efficient, equipment. Our tax laws failed to reflect these economic occurrences.

Furthermore, our tax structure imposed a great burden upon new equity investment and placed old equity investment in a very favorable light. It gave added advantage to the investors who didn't need a return on investment for living. In other words, those who were not compelled to use the investment earning for consumption and could use it for reinvestment were given a tremendous advantage. This investment group was hitting with regularity the 25% or the 30% holes in the pinball machine.

The result was that there was little encouragement for new investment money to come into the equity field. What was coming in was largely from the consumers in increased sales price. This, in turn, was plowed back by the corporations to finance replacement and growth. The other source of new money was debt financing which was no hedge at all against the effects of inflation. Corporations with a fixed group owning its equity were encouraged by our tax laws to resort to debt financing through bonds and bank loans. The result is that the corporate financing today is overloaded with debt financing and equity financing, which should be a broad base, has become quite narrowed. Established corporations which could plow back earnings derived from the consumer, instead of going to the market place for new equity capital, had a great advantage over the new and growth companies.

One reason for the great number of bankruptcies of smaller businesses is their too heavy reliance on bank financing as opposed to equity financing. And, even more alarming to me than the bankruptcies, are the increased number of mergers and acquisitions of good small businesses by their larger competitors. This is

more alarming because the mergers and acquisitions involve the successful, the healthy small businesses from which we would normally expect our new and virile big corporations to come to move out of the picture the old established big corporations which had lost their virility. With the "tight money" policy of the Federal Reserve, of which I approve, the banks have been forced to call in their small business clients and tell them to find equity capital in place of their bank loans for their financing, which indeed they should have done in the first place and would have, had not the game been stacked so heavily by our tax laws in favor of debt financing.

It is in these areas of tax philosophy that we must go if we are going to do the job necessary to carry the tremendous load of defense spending. I believe the load can be carried, particularly if we can ever get the quatruncated military establishment unified in areas where logic dictates they should be unified. But I do not believe we can continue much longer into the future under our present tax structure. It is eroding faster each day.

The hearings of the Ways and Means Committee in January should not be directed toward tax reduction which decreases the tax take, but they should be directed toward tax rate reductions and toward re-evaluating tax differentials which will increase the tax base and the ratio of tax collectibility. To many Americans this will seem like a tax reduction. To our dynamic economy it will be a tax reduction and the increased tax take of the Federal Government will come, as it should come, from the increased tax base, a healthier collectibility ratio, and an increased gross national product resulting from the removal of tax barriers presently impeding healthy growth.

Hill, Darlington to Admit Badgley, Frederick

SEATTLE, Wash.—On Feb. 3 Charles H. Badgley and Stanton W. Frederick will become partners in Hill, Darlington & Co., members of the New York Stock Exchange. Mr. Badgley, a member of the Pacific Coast Stock Exchange, is President and Mr. Frederick, Executive Vice-President of Badgley, Frederick & Rogers, Inc.

Drexel & Co. Will Admit New Partner

PHILADELPHIA, Pa.—Drexel & Co., 1500 Walnut Street, members of the New York and Philadelphia - Baltimore Stock Exchanges, on Feb. 1 will admit B. Dawson Coleman to partnership.

McCormick & Co. Will Admit R. H. Berliss

CHICAGO, Ill.—McCormick & Co., 231 South La Salle Street, members of the New York and Midwest Stock Exchanges, on Jan. 23 will admit Richard H. Berliss to partnership. He has been with the firm for some time.

Phila. Inv. Women Dinner

PHILADELPHIA, Pa.—The Investment Women's Club of Philadelphia will hold its Annual "Boss Night" Dinner at The Barclay on Monday, the twentieth of January at 6:45 p.m.

Theodore A. Smith, Executive Vice-President, Industrial Electronics Products, Radio Corporation of America, will be guest speaker.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)
NEW HAVEN, Conn.—A. L. Kuleske has become connected with Bache & Co., 199 Church Street.

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Continued from page 40

magnitude, and even with allowance for the possibility of smaller crop yields, there is a strong likelihood that hog production with stay large for several years.

Retention of cows and heifers during 1958 for herd rebuilding and expansion is expected to hold slaughter of these kinds below year-earlier levels. However, as an offsetting factor, last year's record feed crop has intensified interest in cattle feeding, and may also contribute to a relatively heavy weight per head at marketing time. In consequence, the total tonnage of beef this year may closely approach last year's volume.

Along with adequate supplies of raw materials, a sustained high level of consumer income represents the second key ingredient that is conducive to favorable operations in the meat packing industry. While some uncertainty surrounds the prospective level of consumer spending, any major change presently appears unlikely. Over-all, the demand outlook in combination with the supply of raw materials in prospect appears sufficiently favorable to present ample opportunity for profitable industry operations.

In our judgment, the meat packing industry in the year ahead will maintain or intensify its efforts to increase the efficiency of all phases of its operations, ranging from plant and equipment modernization to more effective coordination of procurement and selling functions. There is growing evidence within the industry that an improved return on capital has been given high priority, and that headway is being made in achieving this objective. The meat packing industry is generally aware of the potential advancements in the offing, bearing on all major phases of the business, and it seems reasonable to assume that steps are being taken to crystallize effective courses of action in order to capitalize on the opportunities as they develop.

STUART COOPER

Chairman of the Board, Delaware Power & Light Co.

Despite the year-end slackening in most types of business and the current pessimism about the outlook, Delaware Power & Light Company believes its sales and revenues will reach new highs in 1958. Its forecasts show



Stuart Cooper

that the 1958 consolidated revenues for Delaware Power & Light Company and its two subsidiaries, The Eastern Shore Public Service Company of Maryland and Eastern Shore Public Service Company of Virginia will exceed those for 1957 by 5 to 6%.

These estimates reflect our belief that the Delmarva Peninsula will continue its rapid growth, although at a somewhat reduced rate, and that it will remain one of the fastest growing areas in the country. Now ranked as the fourth fastest growing state in the nation by the U. S. Bureau of Census, Delaware's trend of population increase is expected to continue its upward spiral. New and

substantial industries, attracted to the area by its good economic climate, have brought permanent increases in population which in turn have created opportunities and demands for commercial and retail outlets to supply the services and the goods required. This growth has, of course, been the basis of the steadily increasing demands for gas and electric service enjoyed by this company.

The availability of natural gas in the company's service area has been and will continue to be an important factor in such development. To meet the demands for gas, the company has with the necessary approvals of public authorities executed contracts with its suppliers for an additional four million cubic feet of natural gas per day; this allocation having become effective Dec. 1, 1957. The popular acceptance of natural gas for residential heating is expected to reach a new high level in 1958 when more than 25% of our customers will be using such gas to heat their homes. This percentage of gas heated homes is certain to increase substantially and rapidly in subsequent years.

Coupling the demands of increased population and new industries with the acceptance of new labor saving devices in the home, it is estimated that Delaware Power & Light Company's electric sales will increase 5 to 6% and gas sales will increase about 20% in 1958.

Based upon the company's determination to provide adequate, dependable sources of power at all times and for all needs throughout Delaware and the Delmarva Peninsula, the company now has under way a program involving expenditures of over \$22 million during 1958 for construction of additional generating and distribution facilities.

The largest item in this program is the completion of a second 85,000 kilowatt generating unit now under construction at our new Indian River Generating Station between Millsboro and Dagsboro in southern Delaware, the first 85,000 kilowatt unit of this fourth major power station having been placed in service on Nov. 1, 1957. Other major items in our 1958 construction program include the extension of a 138,000-volt transmission line from Denton, Md., to the company's Vienna generating station, and thence to the new Indian River Generating Station; the start of construction on an addition to our General Operations Building in Wilmington, Del.; and the completion of a new Service Center, including Engineering and Operating Offices, Storerooms, Meter Shop, and Garages at the Salisburg, Md. headquarters of the company's two subsidiaries.

Other expenditures include general expansion of the gas and electric system, extending transmission and distribution lines and mains; constructing new substations, installing new and larger transformers; and a general

firming up of the system to meet the constantly growing needs of homes, farms, stores and industries on the Delmarva Peninsula.

In this program there is reflected the strong belief by the officers of Delaware Power & Light Company that while there may be a temporary slowing up of business, it will be short in duration and that the long term outlook is favorable if not indeed optimistic.

GEORGE H. COPPERS

President, National Biscuit Company

We believe the prospects for the biscuit and cracker industry in 1958 are favorable. At National Biscuit, unless developments occur which are not foreseen at present, we are looking forward to continued increases in both sales and earnings. As long as our population growth continues and personal income levels remain high, the demand for food products and consumer goods should not slacken appreciably. Food industry sales are running about \$75 billion annually and an increase of some \$3 billion is expected in 1958.

Our industry generally has just concluded a successful year. National Biscuit's sales and profits improved over those of the previous year; sales reached record levels and profits hit a higher per share figure than we have enjoyed in eight years. We expect both to increase about 4% this year. The gains achieved in 1957 were due in part to the successful introduction of several new products and to the continued growth of our foreign operations. We now have subsidiary companies in Canada, England, Mexico and Venezuela, plus a licensing agreement with an Italian firm which produces and sells some of our products in western Europe and the Mediterranean area. Operations overseas now account for about 11% of our total sales and earnings, compared with 5% 10 years ago.

New products are essential to the future well-being and growth of any consumer-goods manufacturer, and this is particularly true in the food industry. Nearly half of current food sales are accounted for by products which either did not exist a dozen years ago or which have been substantially altered and improved since that time. The big trend has been toward the so-called convenience foods which possess built-in service features in both product and package, and no one looks for any let-up in this direction.

The emphasis on new and improved products places a high premium on a productive research program. We feel that Nabisco will considerably brighten its own picture with the opening next month of a new research center at Fair Lawn, New Jersey. Located adjacent to our newest biscuit and cracker bakery now nearing completion at Fair Lawn, this center will give us greatly improved facilities for product and packaging research, mechanical equipment development, and test baking procedures. We are currently spending about \$1.5 million each year on basic and applied research programs and we expect this figure to increase.

Perhaps the biggest problem facing our industry in 1958 is that of slim profit margins. The gains we have made in production efficiency, impressive as they have been, have not kept pace with increasing labor and material costs. A reduction in the cost of doing business is a primary aim in our own program and we are undertaking a continuing survey of production and distribution expenses. We feel the surest path to satisfactory earnings lies in our own ability to improve the efficiency of our operations. If we can make headway in this direction, National Biscuit should do well in 1958.

J. E. CORETTE

President, The Montana Power Company

General improvement in economic conditions is anticipated for Montana during 1958 with the result that gains in the second half are expected to bring the state out of the depressed position it has been in during the last quarter of 1957. The first six months of 1958 will not be as good as the corresponding 1957 period and will more nearly approximate conditions of the last few months, but the last two quarters are expected to show improvement over the second half of 1957.



J. E. Corette

Agriculture and livestock, which account for approximately one-half the value of production in Montana, appear to have good prospects. A bumper winter wheat crop is anticipated, with the forecasted production of 56,000,000 bushels being 21% above the 1957 production and higher than the record crop of 1955. Farm and livestock prices are improved over a year ago and remain firm, with the expectation that this will continue in 1958. Moisture conditions in the state are good.

The forecasted increase in housing starts in 1958, if realized, will bring substantial improvement in Montana's lumbering industry which has been one of the hardest-hit of the industries in this state.

Nonferrous mining and smelting, which have been at a low point due to the depressed prices of copper and zinc, probably will remain quiet during the first half of 1958, but there are hopes that improvement will be experienced in the copper industry during the last half of the year.



George H. Coppers

Bright spots in the economic picture include the state's petroleum industry, where substantial increases in production have been recorded. Montana oil production in the first 10 months of 1957 was 27.5% above the corresponding period in 1956, and continued growth is anticipated in that field.

The state's industrial potential will continue to be the subject of new development. One major project which has been announced for the coming year is an iron ore operation which will include a mine and an \$8,000,000 concentrating mill to produce 1,000 tons of pellets per day for a Canadian steel mill.

Continued development and expansion of other smaller industries, including chrome and manganese operations, will lend diversification to the state's mining picture and will improve growth conditions for the overall economy.

This economic situation will be reflected in general improvement in the utility industry, although growth is expected to be achieved at a slower rate than has been the experience of the last several years.

The Montana Power Company is anticipating an increase in revenues and the number of customers served, but the rate of growth will be somewhat less than in prior years.

Use of electricity in the home and in commercial establishments will continue to increase and an anticipated reduction in sales to industrial customers should be offset by sales of energy out of the state.

Construction of new utility property will be on a lesser scale than 1957, which was an abnormal year, but will approximate the average annual construction expenditures of the last 10 years. Montana Power Company's construction program will be approximately \$10,000,000.

HON. FREDERIC R. COUDERT, JR.

U. S. Congressman from New York

The first duty of Congress will be to vote the funds to pay for the necessary additions to American national defense. All patriotic Americans are in agreement that the sums needed for national self-preservation must and will be voted.

In regard to other matters, the prospects are not promising for any substantial amount of sound, constructive legislation. At the last session, with Congress controlled by one party and the Administration by the other, legislative accomplishments were extremely meagre. The same situation exists in 1958 and is aggravated by the fact that this is an election year.

Administration proposals will face tough sledding when considered by committees which are controlled by the opposition party. However, the majority Democrat Party, divided into antagonistic factions, is likely to find difficulty in uniting on constructive programs of its own.

It seems extremely important to me that the necessary increases in defense appropriations should be balanced in part by reduction of non-essential expenditures, and by the postponement of additional worthy projects which would deserve sympathetic consideration under more normal circumstances.

The American taxpayer bears a heavy burden. Hopes for substantial tax relief have been dashed by defense needs. However, it may still be possible to strengthen our defenses as much as is needed, without resort to inflationary deficit financing and further increasing our astronomical national debt, if a program is followed of rigid economy in regard to non-essential spending.

I introduced in 1956 a resolution to establish a Hoover-type joint commission to investigate tax policy and structure with a view to making recommendations to promote efficiency, equality, simplicity and equity in the tax policy and structure of the Federal Government. Similar resolutions were subsequently introduced in the Senate by Senator Wiley and a number of other members. It is my belief that such a commission could do the job more expeditiously and more effectively than any standing legislative committee burdened as it would be with so many other problems.

We are confronted with a difficult and dangerous situation that will require sound judgment and fortitude. To carry out effectively the programs necessary for the successful conduct of our foreign relations, the President will require the loyal and sympathetic support of the American people. We must, therefore, stand by him. Under our constitutional system, he alone can speak for the nation and provide that leadership so necessary to our security in this time of international stress. I am sure that the American people generally, in their wisdom and out of their knowledge of and respect for the forthright integrity, wide experience and sound judgment of President Eisenhower, will present a united front to the world under his leadership. Only in this way can the United States exercise to the fullest extent its influence and strength in the struggle for survival. Moreover, there is no possible alternative. To quote a distinguished authority, James Reston, Chief of the Washington Bureau of the New York "Times":

"The overriding fact in Washington today is that President Eisenhower and his Administration must govern the country for over three more years."

If war is to be avoided the world bloc of free nations, under the leadership of the United States, and the Soviet bloc must learn to live together at peace. This is the objective of foreign policy. Failure here can mean only war and perhaps in the not far distant future.

Continued on page 44



F. R. Coudert, Jr.

State of the Union Message

A program for defense and peace is set forth by President Eisenhower which itemizes eight items requiring action today "to ensure our strength tomorrow." These include stepped-up defense spending and reorganization, more effective foreign aid and consistent longer term increased foreign trade, and a "science for peace" plan. Predicts economic growth will be resumed without an extended interruption and pledges Federal action "to promote reviewed business expansion" if needed.

President Dwight D. Eisenhower, on Jan. 9, personally delivered a momentous call for action to the 85th Congress transcending last year's problems of inflation and Middle East crisis with relatively larger problems of our defense status and business cycle prospects.



Pres. Eisenhower

In his sixth annual State of the Union message, General Eisenhower spelled out an eight-point program dealing with the atomic missile race, Soviet non-war economic penetration, our need for a balanced and better organized program of military strength, foreign economic aid and trade, and a novel proposal of closer cooperation with Russia on a "science for peace" program.

Though doubtful of but a short economic interruption, the Chief Executive pledged appropriate Federal action to promote renewal of business expansion should this prove to be necessary. Despite increased expenditures of \$4 billion anticipated for 1959 over the 1957 budget, he thought it could be financed out of expected revenues with proper budgetary controls exercised.

The President appealed to members of Congress for consistency and logic in pointing out, for example, that "it makes no sense . . . to spend additional billions on military strength to deter potential danger, and then, by cutting aid and trade programs, let the world succumb to a present danger in economic guise."

The text of the President's message in full follows:

It is again my high privilege to extend personal greetings to the members of the 85th Congress.

All of us realize that, as this new session begins, many Americans are troubled about recent world developments which they believe may threaten our nation's safety. Honest men differ in their appraisal of America's material and intellectual strength, and the dangers that confront us. But all know these dangers are real.

The purpose of this message is to outline the measures that can give the American people a confidence—just as real—in their own security.

I am not here to justify the past, gloss over the problems of the present, or propose easy solutions for the future.

I am here to state what I believe to be right and what I believe to be wrong; and to propose action for correcting what I think wrong!

I

There are two tasks confronting us that so far outweigh all others that I shall devote this year's message entirely to them.

Insuring Strength and Peace
The first is to ensure our safety through strength.

As to our strength, I have repeatedly voiced this conviction: We now have a broadly based and efficient defensive strength, including a great deterrent power, which is, for the present, our main guarantee against war; but, unless we act wisely and promptly,

we could lose that capacity to deter attack or defend ourselves.

My profoundest conviction is that the American people will say, as one man: No matter what the exertions or sacrifices, we shall maintain that necessary strength!

But we could make no more tragic mistake than merely to concentrate on military strength.

For if we did only this, the future would hold nothing for the world but an Age of Terror.

And so our second task is to do the constructive work of building a genuine peace. We must never become so preoccupied with our desire for military strength that we neglect those areas of economic development, trade, diplomacy, education, ideas and principles where the foundations of real peace must be laid.

II

The threat to our safety, and to the hope of a peaceful world, can be simply stated. It is communist imperialism.

This threat is not something imagined by critics of the Soviets. Soviet spokesmen, from the beginning, have publicly and frequently declared their aim to expand their power, one way or another, throughout the world.

The threat has become increasingly serious as this expansionist aim has been reinforced by an advancing industrial, military and scientific establishment.

But what makes the Soviet threat unique in history is its all-inclusiveness. Every human activity is pressed into service as a weapon of expansion. Trade, economic development, military power, arts, science, education, the whole world of ideas—all are harnessed to this same chariot of expansion.

The Soviets are, in short, waging total cold war.

The only answer to a regime that wages total cold war is to wage total peace.

This means bringing to bear every asset of our personal and national lives upon the task of building the conditions in which security and peace can grow.

III

Among our assets, let us first briefly glance at our military power.

Military power serves the cause of security by making prohibitive the cost of any aggressive attack.

It serves the cause of peace by holding up a shield behind which the patient constructive work of peace can go on.

But it can serve neither cause if we make either of two mistakes. The one would be to overestimate our strength, and thus neglect crucially important actions in the period just ahead. The other would be to underestimate our strength. Thereby we might be tempted to become irresolute in our foreign relations, to dishearten our friends, and to lose our national poise and perspective in approaching the complex problems ahead.

Any orderly balance-sheet of military strength must be in two parts. The first is the position as of today. The second is the position in the period ahead.

As of today: our defensive shield comprehends a vast complex of ground, sea, and air units, superbly equipped and strategically deployed around the world. The most powerful deterrent to war in the world today lies in the retaliatory power of our Strategic Air Com-

mand and the aircraft of our Navy. They present to any potential attacker who would unleash war upon the world the prospect of virtual annihilation of his own country.

Even if we assume a surprise attack on our bases, with a marked reduction in our striking power, our bombers would immediately be on their way in sufficient strength to accomplish this mission of retaliation. Every informed government knows this. It is no secret.

Since the Korean Armistice, the American people have spent \$225 billion in maintaining and strengthening this over-all defensive shield.

This is the position as of today.

Our Position Tomorrow

Now as to the period ahead: Every part of our military establishment must and will be equipped to do its defensive job with the most modern weapons and methods. But it is particularly important to our planning that we make a candid estimate of the effect of long-range ballistic missiles on the present deterrent power I have described.

At this moment, the consensus of opinion is that we are probably somewhat behind the Soviets in some areas of long-range ballistic missile development. But it is my conviction, based on close study of all relevant intelligence, that if we make the necessary effort, we will have the missiles, in the needed quantity and in time, to sustain and strengthen the deterrent power of our increasingly efficient bombers. One encouraging fact evidencing this ability is the rate of progress we have achieved since we began to concentrate on these missiles.

The intermediate ballistic missiles, Thor and Jupiter, have already been ordered into production. The parallel progress in the intercontinental ballistic missile effort will be advanced by our plans for acceleration. The development of the submarine-based Polaris missile system has progressed so well that its future procurement schedules are being moved forward markedly.

When it is remembered that our country has concentrated on the development of ballistic missiles for only about a third as long as the Soviets, these achievements show a rate of progress that speaks for itself. Only a brief time back, we were spending at the rate of only about one million dollars a year on long range ballistic missiles. In 1957 we spent more than one billion dollars on the Atlas, Titan, Thor, Jupiter and Polaris programs, alone.

But I repeat, gratifying though this rate of progress is, we must still do more!

Our real problem, then, is not our strength today; it is rather the vital necessity of action today to ensure our strength tomorrow.

What I have just said applies to our strength as a single country. But we are not alone. I have returned from the recent NATO meeting with renewed conviction that, because we are a part of a world-wide community of free and peaceful nations, our own security is immeasurably increased.

By contrast, the Soviet Union has surrounded itself with captive and sullen nations. Like a crack in the crust of an uneasily sleeping volcano, the Hungarian uprising revealed the depth and intensity of the patriotic longing for liberty that still burns within these countries.

The world thinks of us as a country which is strong, but which will never start a war. The world also thinks of us as a land which has never enslaved anyone and which is animated by humane ideals. This friendship, based on common ideals, is one of our greatest sources of strength.

It cements into a cohesive security arrangement the aggregate of

the spiritual, military and economic strength of all those nations which, with us, are allied by treaties and agreements.

* * *

Up to this point, I have talked solely about our military strength to deter a possible future war.

I now want to talk about the strength we need to win a different kind of war—one that has already been launched against us.

Soviet Economic Offensive

It is the massive economic offensive that has been mounted by the communist imperialists against free nations.

The communist imperialist regimes have for some time been largely frustrated in their attempts at expansion based directly on force. As a result, they have begun to concentrate heavily on economic penetration, particularly of newly-developing countries, as a preliminary to political domination.

This non-military drive, if underestimated, could defeat the free world regardless of our military strength. This danger is all the greater precisely because many of us fail or refuse to recognize it. Thus, some people may be tempted to finance our extra military effort by cutting economic assistance. But at the very time when the economic threat is assuming menacing proportions, to fail to strengthen our own effort would be nothing less than reckless folly!

Admittedly, most of us did not anticipate the psychological impact upon the world of the launching of the first earth satellite. Let us not make the same kind of mistake in another field, by failing to anticipate the much more

serious impact of the Soviet economic offensive.

As with our military potential, our economic assets are more than equal to the task. Our independent farmers produce an abundance of food and fibre. Our free workers are versatile, intelligent, and hard-working. Our businessmen are imaginative and resourceful. The productivity, the adaptability of the American economy is the solid foundation-stone of our security structure.

Economic Outlook

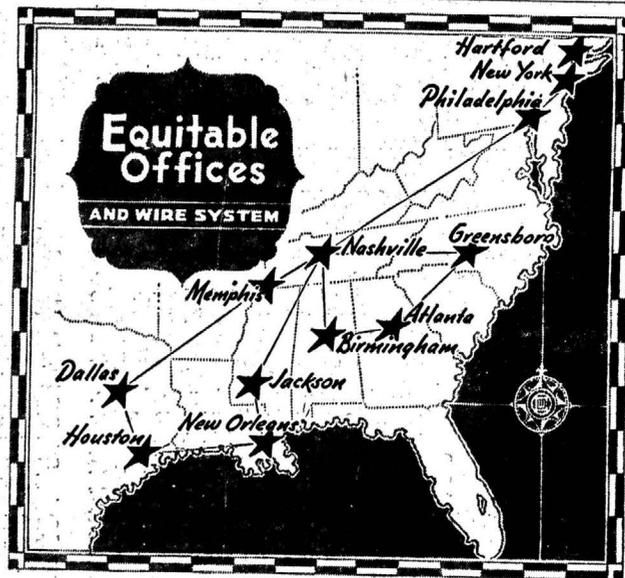
We have just concluded another prosperous year. Our output was once more the greatest in the nation's history. In the latter part of the year, some decline in employment and output occurred, following the exceptionally rapid expansion of recent years. In a free economy, reflecting as it does the independent judgments of millions of people, growth typically moves forward unevenly. But the basic forces of growth remain unimpaired. There are solid grounds for confidence that economic growth will be resumed without an extended interruption. Moreover, the Federal government, constantly alert to signs of weakening in any part of our economy, always stands ready, with its full power, to take any appropriate further action to promote renewed business expansion.

If our history teaches us anything, it is this lesson: so far as the economic potential of our nation is concerned, the believers in the future of America have always been the realists.

I count myself as one of this company.

Our long-range problem, then,

Continued on page 101



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Continued from page 42

WILLIAM V. CROWLEY

President, The Fulton National Bank, Atlanta, Ga.

The past year our economy continued to operate at record levels despite some pessimism which prevailed in late 1956. Business activity in the Atlanta area equaled or exceeded the national average.

But, today, the visibility, as we look into the future, is very cloudy. None of us can see too far ahead, for once again the international situation has taken the center of the stage and there is no doubt that Russia's "sputnik" has wielded an influence on our economy and international prestige all out of proportion to its strategic military value.

The recent shift of Federal Reserve Bank policy to lower the discount rate helped psychologically. It did not create any new money, however, and so far has not affected interest rates generally. Depending on business conditions the Federal Reserve Board might conceivably take steps during the new year to supply reserves to the banking system including reduction in reserve requirements so that banks will have more money available for lending.

In the long run, I think that most bankers have a favorable outlook for the economy of the United States and for the commercial banking system. One should always bear in mind that a free economy such as ours is bound to have its ups and downs. At the present time several industries are facing what has been called a "rolling readjustment."

We are living in a dynamic era in which our population is growing fast, living standards are rising and wages have risen to match the cost of living.

We should have no real fear for the future, because wants, desires, and demands are constantly increasing.

Large amounts of long-term funds for new plants and equipment, housing and public works will be necessary to supply these needs. In addition, the growing economy needs large amounts of seasonal working capital. My view is that we need more saving on the part of the average man in order to provide this capital, for permanent good can only come out of more saving on the part of the American people.

The present readjustment period, according to a group of economists who recently met at Ann Arbor, Michigan, should end by the middle of 1958. Production, according to them, may decline next year as much as 3%, profits by the same amount, and business investments by 5%. Unemployment, they said, would rise 400,000 to a total of 3,200,000 and prices would rise about 1%.

There is one thing of which we can be sure: that in any period of business uncertainty, we have a banking system which is sound, flexible and geared to meet the demands of money and credit without extremely sharp fluctuations.

JOSEPH F. CULLMAN, 3rd

President, Philip Morris Inc.

Philip Morris Inc. and the cigarette industry enter 1958 with the strongest positions in their respective histories.

For the industry three major important factors make this so: the general and continuing increase in cigarette smoking which set new records in last year, better profit margins in the industry and the continuing increase in our national population. For Philip Morris there are additional elements of equal value and consequence: the company's major cigarette brands are showing new and greater strengths and in 1957 Philip Morris launched an important diversification program designed to expand logically its corporate and business horizon.

The general increase in cigarette smoking in 1957 is the element of greatest significance to the industry. In fact, cigarette smoking in the United States for 1957 will achieve an all-time record high of about 408-billion cigarettes. This is an increase of about 5% over the previous year. 1957 also will establish a new peak of about 441-billion in the total U. S. domestic and export cigarette consumption. This is a gain of about 4%. 1952 was the previous peak year for the industry—394.1 billion cigarettes were consumed domestically and the combined U. S. domestic and export total was 435 billion cigarettes.

Second, the industry has created better profit margins for itself through recent improvements in manufacturing techniques. And the mid-year retail price increase on non-filter cigarette brands aided in adjusting profit margins on these products. In addition, the surging popularity of filter-tip brands generally is offsetting any declines shown by the non-filter cigarettes. However, the industry recognizes that tobacco prices in 1958 will continue at high levels and the outlook indicates little chance that they will lower perceptively next year. This, of course, will affect adversely the security of the industry's export potential.

The third factor of major significance for the industry is the continuing increase in the population of the United States and the concomitant enlargement in the smoking age group.

Philip Morris Inc.'s 1957 cigarette volume also reached record peaks. In recent years, Philip Morris has branched out from a single brand producer to become a multiple brand manufacturer.



William V. Crowley

The successful expansion in the number of cigarette products offered by Philip Morris Inc., (Philip Morris regular and long size, Marlboro, Parliament, Benson & Hedges and Spud) grew out of the fact that the company entered into a vast and continuing scientific and consumer research program on products and their packaging. The consumer public has been consulted every step of the way.

This led to Philip Morris' acknowledged packaging leadership in the cigarette industry. The flip-top, crush-proof box developed and first introduced on our popular-priced Marlboro cigarettes was the industry's first major change in cigarette packaging since 1908 and helped gain for Marlboro the fastest rate of consumer acceptance ever accorded a new cigarette.

Recognizing this new packaging trend in the cigarette industry is the fact that today some 15% of all cigarettes are in hard boxes of construction similar to our flip-top box. Philip Morris also introduced the "Snap-Open" convenience feature for the Philip Morris brand cigarettes and has repackaged all its major brands in the now famous flip-top box.

Our natural interest in packaging made it entirely logical for Philip Morris to acquire Milprint, Inc., the leader in the field of flexible packaging. This took place in July, 1957.

Apart from the fact that Philip Morris and Milprint contributed almost equally to the improved results shown for 1957, the diversification program launched by Philip Morris Inc. brings to our cigarette operations and to each of our subsidiaries new reservoirs of knowledge and new profit potentials. It also opens to us new product fields for consumer merchandising and marketing.

In January, 1958, Philip Morris Inc. will complete the second phase of its diversification program by acquiring both Polymer Industries Inc. and Franklin Research Company. Polymer Industries of Stamford, Conn. and Greenville, S. C. makes adhesives for packaging and for the textile industry. Franklin Research Company of Philadelphia, Pa. makes waxes, cleaners and industrial emulsions and finishes.

With the exception of a major new research center to be started in 1958, and the addition of certain improved technological equipment tending toward further mechanization, Philip Morris Inc.'s major capital expenditures, such as those for new packaging and cigarette making machinery, are behind it. This new research center emphasizes the importance which the company places on research as the key to unlocking important contributions to the welfare and growth of Philip Morris Inc.

Therefore, the industry and Philip Morris look out on 1958 with an optimistic mood: cigarette smoking is on the increase with long range forecasts estimating consumption at 500 billion cigarettes by 1965, and a more modern technology is aiding in improving the industry's profit margins. The same optimism prevails for the cigarette operations of Philip Morris Inc. and, in addition, the results shown to date by its diversification program lend a further degree of high encouragement to the company's future.

J. E. CUNNINGHAM

President, Southwestern Public Service Company

1958 should be another year for continued economic growth in the 45,000 square mile territory which we serve in the Texas and Oklahoma Panhandles, the South Plains of Texas, and Eastern New Mexico.

1957 produced above average rainfall which brings forth the promise of an excellent 1958 wheat crop, finds the cattle ranges in outstanding condition, and indicates that the sub-soil moisture for Spring planting of sorghum grains and cotton will be exceptionally good.

Many of the communities which we serve carried out successful industrial relocation programs in 1957. These efforts brought forth a number of small diversified industries, in most cases in communities which had previously been primarily agricultural. On the basis of prospects which are now being followed by a number of the communities, 1958 should be another good year for this type of civic promotion.

New construction continues at a high rate in our area in all fields. Because of our great growth, it is estimated that the population of our area has increased 81% in 17 years; new schools, homes and commercial buildings continue to be needed. Of particular interest to us is the fact that 90% of the new homes with built-in cooking appliances have electric ranges.

The independent appliance dealers with whom we work in sales promotion efforts increased their appliance sales by 16% in 1957, and we are budgeting an additional increase of 10% for 1958, and look forward to success.

Our commercial cooking equipment promotion, instituted for the first time in 1957, moved our company into the top ten for its size, and indications are that 1958 will be an even better year.

The territory continues to show growth in natural resources. New oil and gas discoveries are being made nearly every day, particularly in the Texas and Oklahoma Panhandles. This territory already has one-eighth of the nation's known oil reserves. Another potash company, the seventh, will begin operations in the Carlsbad Potash Basin in 1958.

We look forward with confidence to 1958 with the firm belief that our territory will continue as one of the outstanding growth areas of the country.



J. E. Cunningham

HARLOW H. CURTICE

President, General Motors Corporation

The outlook for the economy in 1958 is difficult to appraise at the present time. As we try to look ahead an all-important factor in the business picture is confidence—confidence on the part of both business and the consumer. For various reasons confidence at present seems to be somewhat shaken and an attitude of caution appears to prevail. This can have a substantial effect on the level of economic activity.

While consumer and business spending have been at record levels, both have eased off somewhat in recent months. This trend may well continue for the first half of 1958. But other factors—notably the recent Federal Reserve Board action in lowering the rediscount rate, and the expectancy of increased expenditures for defense—may result in an upturn during the second half of 1958. Taking all factors into consideration, it is my belief that on balance 1958 can be a year of good business generally.

As to the outlook for our industry in particular, all signs point to 1958 as another year of intense competition. It appears likely that 1958 domestic retail passenger car sales, exclusive of imports, will be somewhat lower than the 1957 total of approximately 5,800,000 units. Currently, retail sales of new 1958 passenger cars in the domestic market, again exclusive of imports, are at an annual rate of 5½ million units. If this is indicative of the 1958 sales level, it would still represent a good volume of business for the industry. The picture would improve should an upturn in business in the second half materialize.

The factor of confidence to which I have referred can have a particularly marked effect on durable goods industries such as the automobile industry. I am convinced that an important reason for the erosion of public confidence is to be found in mounting worry over inflation—rising prices and the declining value of the dollar.

Of grave concern in this connection are the publicly announced 1958 economic demands of certain labor unions. Union leadership, while professing to be disturbed over rising prices, has indicated it will exert all the pressure of which it is capable to enforce its demands. Should it succeed there can be no doubt that the wage-cost-price spiral would be given another major upward push.

Authoritative studies have shown that postwar rounds of bargaining in industry after industry have pushed wage and benefit plan costs substantially ahead of the nation's productivity gains. This has been a major factor in recent inflationary trends.

If we, as a people, are forced still further along this dangerous path, the economic consequences will be very serious. Precisely such consequences would result if the 1958 bargaining objectives of union leaders were to be realized. One of the announced objectives is the shorter work-week with increased take-home pay. More pay for less work would certainly bring about either a lower living standard or still more inflation, with resultant uncertainty and loss of confidence. It would tend to weaken the national economy, and a strong economy today is more essential to the security of our nation than ever before.

Fortunately there is reason to believe that most Americans are willing to work for the things they want; that they understand that we must produce more both to have more and to maintain our nation's strength and position of world leadership. In this connection, and looking beyond current short-term uncertainties, I would reiterate and emphasize my confident belief in the future growth and progress of our country.

LAWRENCE M. CURTISS

First Vice-President, American Investment Company of Illinois

In attempting to analyze the factors which will influence the consumer finance industry in 1958 and the national economy in which it operates, we, at American Investment Company, have concluded that consumer confidence will again be the key to the new year.

During 1957, our company and our industry again reached new records. Receivables outstanding and net earnings of American Investment and most companies in the consumer finance field were the best in our experience. The rate of growth was a little slower than in the past several years but it was still a healthy one.

We did notice, however, a leveling off of business during the last several months of 1957. Our feeling is that this was caused by a general uneasiness accompanying the recent ventures into outer space; a slight reduction in the average work-week with a corresponding decrease in the average take-home pay; and, an attitude of "let's wait and see" on the part of the consumer in his purchases and in his borrowing.

It is our belief that this same feeling will carry-over to the first few months of 1958. The confidence of the American consumer in the stability of his job, the amount and sureness of his future income and in the success of business generally is mainly psychological in nature. If



Lawrence M. Curtiss

Continued on page 46

Iowa Power & Light Pfd. Stock Marketed

Public offering of 50,000 shares of 4.80% cumulative, \$100 par value, preferred stock of Iowa Power and Light Co. was made Jan. 14 by a group of underwriters headed by Smith, Barney & Co. The stock is priced at \$100 a share, plus accrued dividends from Jan. 1.

Proceeds from the offering, together with funds to be received from the scheduled sale on Jan. 22 of \$10,000,000 first mortgage bonds, will be applied toward payment of short-term bank loans amounting to \$11,435,000 at Dec. 20, 1957, incurred as temporary financing for the company's construction program, and toward other construction costs.

The stock will be redeemable at the option of the company at \$107.20 a share for five years, and there after at decreasing prices through Dec. 31, 1972 to \$102.70 on and after Jan. 1, 1973.

Upon issuance of the preferred stock and the projected bond sale, outstanding capitalization will comprise \$64,268,000 long-term debt; 200,000 shares of preferred stock, \$100 par value per share; and 2,041,842 shares of common stock, \$10 par value.

The company serves central and southwestern sections of Iowa, including some of the most fertile and prosperous farm areas in the United States. It supplies both electric and natural gas service in and around Des Moines and in 18 other municipalities; electric service only in Council Bluffs, 85 other municipalities; more than 100 unincorporated communities and rural territory; and natural gas only in five municipalities.

Operating revenues totaled \$38,526,925 and net income amounted to \$4,813,722 in the 12 months ended Oct. 31, 1957.

S. F. Street Club Elects Officers

SAN FRANCISCO, Calif.—The Street Club (which is the organization of the younger members of San Francisco's Investment Community) announces the election of the following officers for 1958:

President—Russell LaBelle, Blyth & Co.

Vice-President—William C. Richardson, Davis, Skaggs & Co.
Secretary—Thomas W. Witter, Dean Witter & Co.

Treasurer—Albert P. Otto, Jr., Schwabacher & Co.

Directors—Robert Goshen, Dean Witter & Co.; Allen Mitchum, Mitchum Jones & Templeton; Jack MacKenzie, North American Securities Co.

Chicago Munic. Club To Hear A. J. Tobin

CHICAGO, Ill.—Arthur E. Kirtley, First Boston Corporation, President of the Municipal Bond Club of Chicago announces that a Special Meeting will be held on Thurs. Jan. 16, 1958, at 3:30 p.m. in the Crystal Room, 5th Floor, Union League Club of Chicago.

Guest Speaker will be Austin J. Tobin, Executive Director of The Port of New York Authority, whose subject will be "The Port of New York Authority—Today and Tomorrow."

Mabon to Admit

Mabon & Co., 115 Broadway, New York City, members of the New York Stock Exchange on Jan. 16 will admit Margaret Mabon Stockhausen to limited partnership.

Pyne, Kendall to Admit

Pyne, Kendall & Hollister, 52 Wall Street, New York City, members of the New York Stock Exchange on Feb. 1 will admit Edward V. Mayer to partnership.

With Wayne Jewell Co.

(Special to THE FINANCIAL CHRONICLE)
DENVER, Colo.—Victor E. Essling is now with Wayne Jewell Company, 818 Seventeenth Street.

Two With Hathaway

(Special to THE FINANCIAL CHRONICLE)
DENVER, Colo.—Ovid P. Matheny and Leland R. Schaad are now connected with Hathaway Investment Corp., 900 South Pearl Street.

B. Albert Stern

B. Albert Stern passed away Jan. 3. Mr. Stern was a partner in Stern, Lauer & Co.

Form Fifth Securities

Fifth Securities, Inc. has been formed with offices at 545 Fifth Avenue, New York City to engage in a securities business. Chauncey S. Olman is President, Secretary and Treasurer.

With Copley & Co.

(Special to THE FINANCIAL CHRONICLE)
COLORADO SPRINGS, Colo.—Gerald O. Essendrop is now affiliated with Copley and Company, Independence Building. He was formerly with Hathaway Investment Co.

Two With Keller Co.

(Special to THE FINANCIAL CHRONICLE)
BOSTON, Mass.—Albert J. Cohen and Robert Cohen have become associated with Keller & Co., 31 State Street.

Continued from first page

Significant Aspects of Law Concerning Mergers

one of the considerations, and not necessarily the paramount consideration, to be weighed in determining how the nation is best to be served by industry. I refer you, for example, to matters concerning regulated industries which are under the close supervision of a governmental agency.

Development of the Current Law

But while we may agree generally on the theory of the laws, the practical application of the theory and the exercise of the laws in particular economic situations give rise to controversy and doubt.

For the businessman the problem is frequently that of the uncertainties and hazards presented, particularly in the operation of enterprises of substantial size, by the largely undefined and flexibly interpreted provisions—with civil and criminal liabilities—of the antitrust laws. And the lawyers to whom executives turn for advice are required more and more to evaluate the whole range of a company's operations against the elusive standards of a myriad of sometimes conflicting statutes, court decisions and administrative opinions and rulings. Such questions as a company's size, growth, patterns of distribution, and its relations with customers, suppliers and competitors, are particularly important in evaluating whether a particular merger or acquisition is permitted or prohibited under Section 7 of the Clayton Act.

Section 7 provides that certain mergers and acquisitions are unlawful

"... where in any line of commerce in any section of the country the effect of such acquisition may be substantially to lessen competition, or to tend to create a monopoly."

Note carefully the phrases "in any line of commerce," "in any section of the country," "where . . . the effect . . . may be" and "or to tend." I shall have more to say about these later. Meanwhile, to view this particular legislation in some perspective, I should like to touch briefly on our basic antitrust law—the Sherman Act.

The passage of the Sherman Act in 1890 followed a long period of depression, and of public outcry against concentration of economic power through the linking of enterprises under common control by use of the trust device, as well as against what was considered to be a series of abuses by what were then considered to be giant enterprises.

The law as passed was directed at two things: Section 1 prohibited any contract, combination or conspiracy in restraint of trade; Section 2 prohibited monopolization or attempts to monopolize. It was early established by the *Standard Oil*³ and *American Tobacco*⁴ cases in 1911 that only "unreasonable" restraints of trade were prohibited and not every contract that might have the effect of restraining trade in some manner.

It is sometimes said that all monopolies are restraints of trade but that not all restraints of trade are monopolies. The term "restraint of trade" is, as you all recognize, a broad and flexible concept capable of being applied, through judicial decision, to an infinite variety of situations. It includes, for example, agreements between competitors to fix prices or to divide up customers or territories. It has been utilized to strike down arrangements de-

scribed as "joint ventures." The term "combination in restraint of trade," particularly in the early days of the enforcement of the Sherman Act, was also used to attack corporate aggregations built up by acquisitions.

One of the planks in the 1912 Democratic platform had stated "A private monopoly is indefensible and intolerable." In October, 1914, about a quarter of a century after the passage of the Sherman Act, a supplementary law called the Clayton Act, was enacted.

Section 7 of the Clayton Act

Section 7 of the Clayton Act was originally enacted in somewhat different form from that in which it appears today.

The original form, for one thing, did not prohibit acquisitions of assets, as distinguished from acquisitions of stock, an omission which was remedied by the amendment in 1950. The remedy, however, did not extend to all corporations. Banks, for example, which are subject to the jurisdiction of the Federal Reserve Board rather than that of the Federal Trade Commission, are still not covered by the provision with respect to acquisitions of assets.⁵

The original Section 7 was

⁵It may be noted in passing that "the preservation of competition in the field of banking" is one of the factors prescribed, for consideration by the Federal Reserve Board of an acquisition by a bank holding company, by Section 3 (c) of the Bank Holding Company Act of 1956, the Act under which the proposed plan of the First National City Bank to join with the County Trust National Bank of Westchester is now being considered by a trial examiner.

framed in terms of lessening competition between the acquiring and the acquired corporation. It was therefore generally assumed that it did not apply to an acquisition of a non-competitor—for example, the acquisition of a supplier by his customer. This assumption was authoritatively corrected by the Supreme Court in the *duPont-General Motors* case in 1957, a case that was decided under the old statute. In any event, however, Congress had seven years earlier in 1950, perhaps acting under the earlier assumption, changed the language so that the "new" Section 7 would apply to these so-called vertical acquisitions.

It is generally accepted that Section 7 of the Clayton Act is designed to catch a lessening of competition or monopoly which might result from a merger or acquisition in its "incipiency," before it has attained such effects as would justify a Sherman Act proceeding. Another way of putting it is that Section 7 is violated if there is a "reasonable probability" that the acquisition will result in a substantial lessening of competition or a monopoly in a relevant market, whether or not such a substantial lessening or monopoly has in fact occurred or is intended. This is the significance of the "may be" and "tend" language I referred to earlier.

It has also been said that Section 7 "applies to all types of mergers and acquisitions, vertical and conglomerate as well as horizontal."⁶ I shall at this point attempt to define those terms, although I must warn you that here, as with so many aspects of this legislation, definition is difficult. Generally speaking, a horizontal merger may be considered

Continued on page 47

⁶H. R. Rep. No. 1191 (81st Cong., 1st Sess.), 1949, p. 11.

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² 64 Stat. 1125, 15 U. S. C. § 18.
³ *Standard Oil of New Jersey v. United States*, 221 U. S. 1 (1911).
⁴ *United States v. American Tobacco Company*, 221 U. S. 106 (1911).

Continued from page 44

the American consumer believes the future will be good, he tends to buy, to borrow, and to do those things to increase his standard of living which create demand for additional goods and services.

We believe that future is good. There are many thousands of labor contracts already in operation which provide for increases in wages in 1958. It has been the experience of American Investment and the consumer finance industry that every increase in consumer income brings increased demand for our services—cash installment loans.

We also believe that increases in wages will bring a renewed confidence on the part of the consumer and that this will see a reversal of the downward trend of the economy which came during the latter part of 1957. It is our opinion that entirely too much emphasis is being placed on the negative side of our economy and not enough attention being given to the positive side. New and better products and services are coming on the market every day. Many new families are being formed every day to create additional demand for new and present goods and services. More people are earning more money to buy additional products.

The market is there—all we need to do is to stop "crying wolf" and obtain our share of this market for a bright and successful 1958. We believe that American Investment Company will have one of its best years in 1958, both in outstanding receivables and in net earnings because of an upsurge of consumer confidence. We feel that our industry—consumer finance—will likewise have a high successful 1958 for the same reason. We can see no reason for pessimism—on the contrary we are optimistic for the future of our company and our country.

JAMES M. DARBAKER

President, Copperweld Steel Company

For Copperweld Steel Company, the two outstanding developments of 1957 were the merger of Superior Steel Corporation with and into Copperweld on Nov. 30, and the completion of the \$15,000,000 enlargement and improvement program. Employing its newly installed facilities, Copperweld can produce substantially all of the stainless, alloy, and high carbon steel billets and slabs used by its Superior Steel Division. With that division's production of hot-rolled and cold-rolled strip steel and special products, the manufacturing facilities of the two companies complement each other. The integrated operation will result in a better diversification of products and greater economy.

On a consolidated basis with Superior Steel Corporation, a new high in sales was attained in 1957, although Copperweld's sales volume was down from the record total of the previous year. Earnings were lower, largely because of the lower sales volume and the extraordinary costs incurred when new facilities were broken in during the second half of the year. With the payment of the quarterly dividends of 50 cents per share during 1957, Copperweld has maintained consistent dividend payments every quarter for 22 years.

A new rod mill, completed in the third quarter, at the Wire and Cable Division's plant provides for the production of double-weight coils of copper-covered steel rods and wire. This results in substantial cost reductions by making possible the handling and shipping of longer continuous lengths of rods and wire.

In 1957, communication and signal line wire sales for the telephone industry and railroads continued at a high level. These users and the power utility field all extended their use of Copperweld strand for such applications as guying, overhead ground wire and messengers.

A continuous program of metallurgical research is being conducted at the Wire and Cable Division. Its objective is to further improve products and to develop wires and cables which will meet the future needs of the industries served. Material handling is another continuing phase of research and development; object—to reduce costs.

At the Aristology Steel Division, new facilities costing \$13,000,000 were in operational status at the year end. These facilities included enlarged electric melting furnaces, new heating units, new and improved rolling mills, and expanded conditioning and finishing equipment.

This division, utilizing its new facilities, commenced the manufacture of stainless slabs, billets and bars, gearing itself to the phenomenal growth in the demand for stainless steels. Missiles, aircraft, atomic energy, automobiles, railroads, household appliances—these are just a few of the industries with an insatiable appetite for stainless steels.

The improvement program has also made it possible for this division to offer its customers a wider range of high quality carbon and alloy steel products. Slabs, flats, and other rolled products have been added to the line, opening markets which had previously been uneconomical to serve.

In a research program begun during 1957, the Aristology Steel Division is exploring the feasibility of using direct-reduced iron ore in the metallic charge for the electric melting furnaces. It will be continued in 1958.

A high point of the year at Ohio Seamless Tube Division was the completion of a new controlled-atmosphere roller-hearth furnace. First of its type anywhere, the furnace was developed for cycle annealing of higher



James M. Darbaker

carbon grades of alloy steel to produce a spheroidized structure at a high hourly capacity.

Sales of tubular products continued at a high level during 1957. Plant facilities were augmented to provide additional cold working capacity. In the research area, Ohio Seamless metallurgists and engineers continued their experiments with new alloys and new techniques in steel tube manufacture.

This division's products are used extensively in the manufacture of automotive parts, bearings, farm equipment, electronic apparatus, construction equipment, household appliances, mining and drilling equipment, furniture, aircraft and missiles, materials handling and industrial equipment.

At the new Superior Steel Division, approximately \$750,000 was spent to improve still further the quality of Superior stainless strip steel which already enjoys a reputation second to none.

Additional expenditures were made to provide the equipment needed for increased participation in the growing field of special materials: zirconium, zircaloy and beryllium copper. Other investments provided for a 5-ton capacity vacuum annealing furnace, grinding and pickling facilities and equipment for furnishing narrow plates and strip in cut lengths. In addition, a new billet heating furnace now on order for the Hot Strip Mill will make considerably longer coils of hot-rolled and cold-rolled strip steel, with resulting economies in production.

A trend toward miniaturization in the electrical and electronic fields augurs well for the Flexo Fine Wire Division. During 1957, this division added two large stranders to satisfy customer requirements for large size flexible strands. A new heavy-duty braider was also added to increase the range of sizes desired by the trade.

New processes developed in the Flexo engineering department have enhanced its fine wire products in both appearance and quality. Copperweld-copper composite strand constructions are replacing many of the old-type copper constructions in applications where great strength and increased flex life are a must.

For the company's export sales agency—the Copperweld Steel International Company—1957 was a record year. The amount of material shipped abroad exceeded that of any previous year in the company's history. Firms in as many as 65 separate nations were buyers of Copperweld's wide range of products.

Looking ahead, we are confident that when the economic trend becomes more favorable, Copperweld is in an excellent position to realize extensive benefits from its completed modernization and expansion program, plus the additional advantages to be gained from its integration with Superior Steel.

DEANE C. DAVIS

President, National Life Insurance Company

An acute shortage of capital in 1956 produced the highest money rates in more than a quarter of a century. Other significant changes in many sectors of business such as production, stock prices and mounting unemployment have created an atmosphere of uncertainty as the U. S. economy enters 1958.

We have become so accustomed to achieving ever higher peaks of prosperity in recent years that any reduction in the rate of business activity tends to impress some observers as disquieting, when as a matter of fact it should prove to be very constructive from the long-range point of view.

Every period of conspicuous prosperity has been identified by seemingly unavoidable excesses and inefficiencies which creep into business operations. A moderate slowing down of activity serves to curtail these excesses, and to produce a higher standard of operation throughout many businesses, thus establishing a firmer base for future resumption of increased activity.

While the rate of business activity has declined, it should be remembered that the decline to date has been relatively small, and that business activity remains at a high level nonetheless. Even though business should decline somewhat further, the rate of activity would even then be at a point exceeding the peaks of a few years ago.

The long-range outlook for American business continues to be very promising despite the current slowdown, assuming of course that we are able to avoid war and disastrous inflation. A tremendous growth in the Nation's population is anticipated, which of itself will create a strong demand for capital. Scientific developments occurring daily offer the promise of new products and a further strong demand for capital. Government expenditures will remain high because of the inevitable cost of participating in what may prove to be a long and continuous "cold war."

The economy strains under a severe tax burden which has taken its toll in reduced savings and a reduced supply of risk capital. While it frequently is suggested that higher taxes may be necessary, the point has long since been passed at which we should take a prudent look at all governmental expenditures in order to meet our defense requirements, maintain a balanced budget, and also reduce Federal income taxes, even though such a program might require a curtailment in some of our domestic expenditures.

While zealously seeking to stand paramount in scientific fields, we must constantly guard against allowing our zeal to produce disastrous inflation through lack of control over expenditures. By the same token, we must make certain that we achieve further prosperity only

through sound economic measures, and not by means of inflationary techniques.

Recent wide fluctuations in security values have served to emphasize once more the value of life insurance, not only as a medium of saving, but as the only sure means by which to provide against the certainty of death and the hope of an enjoyable retirement.

The life insurance industry has snared generously in the prosperity of the last decade, and will continue to prosper regardless of what may lie ahead.

LOUIS W. DAWSON

President, Mutual of New York

The butcher, baker and candlestick maker . . . the housewife at the supermarket and the family man who shops for life insurance . . . all of them have at least one thing in common as consumers:

They like to buy cheaper-by-the-dozen. They like the idea of having savings in expenses translated into lower prices through quantity discounts.

Mutual Of New York's experience since last May, when it began to offer life insurance on a quantity discount basis, has convinced the company that this merchandising concept is as suited to life insurance selling as it is to consumers goods. In the first six months since MONY introduced quantity discounts, sales jumped 31% over the same period a year ago. For comparison purposes, the rise for MONY was far ahead of the 12% average increase registered by 124 companies that sell individual ordinary life policies.

More importantly, quantity discounts have been a way for a man to acquire a greater amount of insurance protection, more nearly commensurate with his higher earnings today. In the first half year since quantity discounts were started, the average size policy issued by MONY was nearly \$8,300. This compared with an average of \$6,800 issued in 1956; with an average of \$5,000 issued as recently as 1951.

The cheaper-by-the-dozen principle works this way at MONY: On almost all types of new individual life insurance policies, the company offers an annual premium discount of \$1.25 per thousand on policies with face amounts of \$5,000 and over; the discount is \$2 per thousand when the policy is for \$10,000 or more.

The large-economy-size concept has also shown up in MONY's family policy. This is a way for a husband to obtain, in a single policy for one premium, whole life insurance for himself and term insurance for his wife and other eligible members of his immediate family. "Packaged" into a family plan, the protection costs less than if the husband bought individual policies. Quantity discounts result in lower premiums for larger-size policies. Children born after the plan is issued are automatically eligible for children's coverage when they are fifteen days old, at no extra premium.

In the first four months after the company began marketing the family policy, MONY issued \$37,000,000 of such coverage.

Buying the large-economy-size is a way of American life. Budgeting also is a way of American life. Here too MONY heeded the cue and found a way to turn the budgeting habit in the direction of life insurance purchases. Under the MONY-MATIC plan, a policyholder can authorize the company to draw a check monthly on his regular checking account at his local bank to pay the premium(s) for the insurance he owns with MONY. The premium must be at least \$10. If the policyholder wants, he can consolidate all MONY policies owned by him and his family and pay for them with a single check monthly under MONY-MATIC. If he uses the plan, the premium is 2½% less than the regular monthly premium would be.

In the first seven months after the company began MONY-MATIC, people purchased \$50,000,000 of new insurance under the plan. In addition, in the same period existing policyholders transferred \$110,000,000 of insurance to a MONY-MATIC payment basis.

Today, at least 75 life insurance companies are offering similar plans to their policyholders. Many experts declare that the growth of such plans has been the most revolutionary single development to take place in the personal insurance business in the last half century.

The things that are happening in the insurance business are exhilarating and exciting. Great as the role of personal insurance has been in the past in the development of family security, the future bodes even greater. The creative genius of technicians and salesmen in our business and the marvels of mechanization are producing new products in new ways to meet the changing needs of policyholders and their beneficiaries.

Quantity discounts, family policies, and automatic monthly payment plans are examples of such changes. Group-type plans, formerly practical only for larger corporations, are now available to smaller businesses, to associations of small companies in a given field, and even to associations of individual professional people.

Families and groups can now even take a page from the field of design and structure their protection plans along modular lines. To a basic program of life insurance, they can add modular units of accident and sickness protection, disability income coverage, and pensions.

The home owner can buy insurance to pay off his mortgage. The tenant can purchase coverage to assure continuation of his rental payments. The borrower can



Louis W. Dawson



Deane C. Davis

Continued from page 45

Significant Aspects of Law Concerning Mergers

as one involving companies with similar products or which are in roughly the same type of business. A vertical acquisition, as I have indicated, is one where a supplier acquires a customer, or a customer acquires a source of supply. A conglomerate merger, I suppose, is everything that's left over.

Complaints Under Section 7

Since the amendment of the statute in 1950, the Government has filed 34 anti-merger complaints—22 by the Federal Trade Commission and 12 by the Department of Justice. Of these, 26 are still pending. One of the few things I may safely say with regard to Section 7 is that the extent of its application is not definitively settled.

By far the great majority of cases thus far filed under the new Section 7 involve so-called "horizontal" mergers. One interesting element in some of these complaints is that they charge that there may be a substantial lessening not only of actual, existing competition, but also of so-called "potential competition."

This theory is expressed, for example, in the complaint by the Department of Justice against American Radiator and Standard Sanitary Corporation for its acquisition of Mullins Manufacturing Co. American Standard is described in the complaint as the largest manufacturer of kitchen sinks and bathtubs in the United States and as a manufacturer also of kitchen cabinets. Mullins is described as the largest manufacturer of steel kitchen sinks and steel kitchen cabinets prior to the acquisition. The complaint asserts that Mullins not only competed with American Standard in the sale of kitchen sinks and kitchen cabinets, but also had facilities adaptable for the manufacture of steel bathtubs in competition with American Standard. It is then alleged that, even though prior to the acquisition Mullins did not manufacture bathtubs, "potential competition" between the two companies in this product was cut off as a result of the acquisition.

I do not mean to suggest that the idea of "potential competition" is new to complaints issued after the amendment of Section 7 in 1950. One need go back only to the *Columbia Steel* case, decided by the Supreme Court in 1948, where at page 528 of 334 U. S. we find reference to the United States making the point "that the acquisition of Consolidated would preclude and restrain substantial potential competition in the production and sale of other steel

products than fabricated structural steel and pipe." That case, of course, involved a purchase of assets, and was brought only under Sections 1 and 2 of the Sherman Act at a time when the opportunity was not available to the Government to attack assets acquisitions under Section 7 of the Clayton Act. Various persons have expressed their opinion that the *Columbia Steel* decision would go the other way today under the new Section 7.

Many of the complaints have attacked acquisitions which contain vertical as well as horizontal aspects. The F. T. C. complaint against Union Carbide Corporation for its acquisition of the assets of the Visking Corporation appears on the basis of its factual allegations to strike principally at the vertical aspects of the acquisition. I might note that I did not include the *duPont-General Motors* case in my count of the number of cases because it was commenced prior to 1950 under the old form of Section 7. It is interesting, however, that the Union Carbide complaint was issued about a month after the *duPont-General Motors* decision.

According to the complaint in the *Union Carbide* case, that company is the second largest chemical company in the United States and the country's largest producer of polyethylene resins with over 50% of the market. Visking was, according to the complaint, the country's largest manufacturer of synthetic sausage casings and polyethylene films, accounting for about 65% of all sales of synthetic sausage casings and 40% of all sales of polyethylene film.

The complaint further alleges that polyethylene film is manufactured from polyethylene resin and that Visking purchased 82% of its polyethylene resin requirements in 1955 and 90% in 1956 from Union Carbide.

The complaint alleges that one adverse effect of the acquisition will be to foreclose Union Carbide's competitors from the substantial share of the market for polyethylene resins represented by Visking's purchases. It is also alleged that Union Carbide itself, through its new Visking Division, would henceforth be the principal competitor, as well as their principal supplier, of its customers for polyethylene resins.

The complaint contains a further approach to the merger problem in the following allegation dealing with sausage casings, which Union Carbide never made and for which it is apparently not a supplier of raw material:

"(6) The acquisition of Visking, the dominant manufacturer and distributor of synthetic sausage casings, by Union Carbide, a company which has a much greater financial, research, and resource position, may tend to lessen competition and exclude actual or potential competitors from entering the synthetic sausage casing business."

I shall return to this point a little later. Meanwhile, I want to note the emphasis on size, competitive strength and so-called market "dominance." This, as well as references to past mergers, is a recurrent theme in the various Section 7 complaints filed by the Department of Justice and Federal Trade Commission. In some, as in the *Scott Paper* and *International Paper* complaints, charges of expansion by dominant companies are accompanied by allegations of injury to potential competition with the acquired companies. In addition to references to dollar amount of assets, dollar amount of sales and "dominance" or high relative standing in the particular market, some of the complaints—such as those against Continental Can and International Paper—give further expression to this emphasis in allegations that the acquisitions give to the resultant combination advantages of product or geographical diversification over smaller, single-line competitors.

In the *Scott Paper* case, the Federal Trade Commission attacked in 1956 three separate acquisitions consummated in 1951 and 1953 and 1954, respectively. Scott acquired Soundview Pulp Company, which produced only sulphite wood pulp, the raw material for the bulk of Scott's products; Detroit Sulphite Pulp & Paper Co., which produces pulp and paper, including the waxing stock which Scott uses to make waxed paper; and Hollingsworth & Whitney Company, a pulp and paper producer which, prior to the acquisition, did not produce any of the Scott products. After the acquisition, Scott installed paper machines at the Soundview Pulp mill and converted paper machines at the Detroit Sulphite and Hollingsworth & Whitney mills for the production of Scott trademarked products.

In the complaint, the emphasis seems to be upon the enhancement of Scott's allegedly dominant position as a producer of sanitary and waxed paper products, and also upon the potential competition between Scott and each of the companies it acquired. Although none of the three acquired companies made sanitary or waxed papers, the complaint alleges that one effect of the acquisition may be to eliminate potential competition between Scott and each of them in the sale of sanitary paper products and household waxed paper.

International Paper Company, the largest paper company in the United States, acquired Long-Bell Lumber Co., a large West Coast lumber company which had never produced either pulp or paper. However, prior to the acquisition, Long-Bell is said to have had under consideration a plan to utilize its timber resources by building a pulp and paper mill in Oregon. The complaint alleges that the acquisition foreclosed the probable entry of Long-Bell into the paper industry. With respect to the "size" aspect, the complaint alleges that the 11 western states are a separate marketing area for papers of the kind that Long-Bell was thinking of making. International has no paper mill in this area, but the complaint alleges that International's geographical diversification would lessen competition in the west because of the "leverage" that International could exert by reason of its "large financial and natural resources."

*The *International Paper* case has been terminated by a consent order.

Two Department of Justice complaints against Continental Can Co. can be read as striking at product diversification, but the alternative lines of commerce alleged in the complaints indicate that the cases could be tried on the theory that all containers and all packaging materials are part of one market. There are allegations in the complaints to support the theory that Continental's metal cans, plastic squeeze bottles and fiber drums are in the same line of commerce with glass bottles made by Hazel Atlas Glass Co. and with paper shipping containers made by Robert Gair Co. The *Continental* complaints also allege that the two acquisitions will give Continental a "decisive" competitive advantage over its smaller single-line competitors. And it is alleged in the *Gair* complaint that the acquisition may trigger other mergers in the container industry as Continental's competitors will be forced to diversify "as a matter of competitive necessity."

The latest complaint filed by the enforcement authorities under Section 7 is the F. T. C. complaint against Procter & Gamble for its acquisition of the Clorox Company. This case apparently falls into the heterogeneous class called conglomerate mergers. It seems to represent an effort to establish a violation primarily on the theory set forth in the paragraph of the Union Carbide complaint dealing with sausage casings which I have just quoted, whereas in the Union Carbide complaint itself the major emphasis, as I have noted, appears to be on the vertical aspects of the acquisition.

Thus the Procter & Gamble complaint states that P & G had annual sales of over a billion dollars, ranks as the leading producer in the United States of soap and detergent products and is a major producer in other product fields. Clorox is described as having annual sales of \$40,000,000, as having been for many years the largest producer of household liquid bleach in the United States

and as being the "dominant factor" in that market. It is alleged Clorox had 48% of the market, the next in rank had 16%, and no single producer of the approximately 40 other producers had over 5%.

The complaint in Paragraph 11 then points out that P & G did not compete with Clorox, saying: "PARAGRAPH ELEVEN: Respondent, by virtue of the acquisition of Clorox, has entered a market in which it did not formerly compete or offer a competitive product. Respondent, in so doing, has replaced the dominant factor in that market with its own dominant ability to produce and sell which threatens the household liquid bleach market with extremely adverse competitive effects."

You may ask: "What is the basis for claiming a reasonable probability of a prohibited lessening of competition when there was no competition to begin with?" A summary of the factors deemed significant by the F. T. C. is contained in Paragraph Fifteen of the complaint which reads in part as follows:

"(3) Household liquid bleach producers may be unable to compete with respondent [that is P & G, after its acquisition of Clorox] due to any one, any combination of, or all of the following factors:

- (a) Respondent's market position;
- (b) Respondent's financial and economic strength;
- (c) Respondent's advertising ability and experience;
- (d) Respondent's merchandising and promotional ability and experience;
- (e) Respondent's 'full-line' of cleansing and laundry products;
- (f) Respondent's ability to command consumer acceptance of its products and of valuable grocery store shelf space;
- (g) Respondent's ability to concentrate on one of its prod-

Continued on page 49

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Continued from page 46

buy credit insurance. These developments further demonstrate the willingness and ability of the insurance business to offer products that meet today's new needs.

Other examples are the easy transition from term insurance to permanent plans; the "modified life" concept that helps a young man start early at relatively low cost to build a substantial insurance program; the built-in flexibility that enables a man to convert today's protective policy for his family into tomorrow's retirement policy for himself; additional indemnity for loss of life or for dismemberment resulting from public conveyance accidents; the extension of disability coverage to later years; the removal of extra premiums from many so-called hazardous occupations.

Automatic premium loan provisions, liberalization of grace periods and reinstatement privileges, simplification of forms, streamlining and speed-up of services and procedures . . . these too demonstrate how the insurance business is striving to help more people buy more and more personal insurance . . . because insurance is synonymous with the stability of the American family, and the family is the keystone of the nation.

What's ahead?

The attempt to supply a variable annuity is clearly a response to the changes in the times. If, as so many confidently assert, our country faces unlimited growth, the persons who have contributed to the foundations of that growth should be assured of a means of sharing its rewards during their retirement years. Either life insurance companies will provide the means . . . or others will.

Another question is the entry of life insurance companies into other lines of coverage. Without predicting the future of multiple-line selling, it seems perfectly obvious that if non-life companies can expand into the life insurance business, life insurance companies must necessarily be given similar legislative authority in order to meet the competitive situation now in the process of developing.

Today, and tomorrow, there are still other questions which are particularly pertinent to mutual companies: What further role can the business take in improving public health and public safety?

In our philosophy of benefit payments, how can we best assume the broadest risk without unfairness to the entire body of mutual policyholders?

In our actuarial and selection practices, where can our increasing knowledge allow us to grant more latitude than has heretofore been possible?

In our mutual companies, how can the theory of sharing the risks and the savings be best put to use, so that the utmost safety and cheapest cost can be combined?

The changes already wrought, for the benefit of policy holders and their families, have made the personal insurance business one of the most important social and economic institutions the country has ever known.

Through it all, the keywords in our business have been security, quality and service. So long as they continue to be the keywords, future changes will be conceived and executed as intelligently as they have in the past . . . and the policyholder family and the nation will benefit more and more.

HENRY L. DAY

President, Day Mines, Inc.

Producers of these two metals faced the new year with lead at 13 cents New York, and zinc at 10 cents in St. Louis, the lowest prices in several years. As a result output was curtailed substantially in the fourth quarter of 1957, and about 5,000 employees lost their jobs. This outlook is bleak for 1958; a brief review of last year will clarify the situation.

Quotations were reduced 3 cents for lead and 3½ cents for zinc during the mid-months of last year. The immediate causes were notice of intent by the Federal Government in May to terminate monthly purchases of the two metals for short-term stock-pile, and announcement by the Department of Agriculture that it was greatly reducing its program to barter domestic farm products for foreign lead and zinc. The basic cause was large over-production in the free world outside of our



Henry L. Day

own country; these foreign tonnages sought sales for U. S. dollar exchange in the best market—the United States.

This country's consumption has been excellent during the past three years; its production has continued on an even keel; foreign production has increased very greatly and caused unprecedented imports, finally flooding the U. S. market despite governmental support.

Domestic producers unanimously believe tariff increases are at least a partial solution of the problem, and they so testified before the U. S. Tariff Commission last November, setting "peril" points of 17½ cents and 13 cents, below which the maximum tariffs permitted by present statute, should be operable. Most of these producers believe tariffs in excess of the permissible ones, are required for profitable, sustained operations.

A majority of the domestic producers think that an import quota system is necessary in addition to maximum permissible tariffs, and petitioned the Tariff Committee to recommend the adoption of quotas to the executive branch for administrative action.

To preserve the lead and zinc mining industry it would seem that a two-price system of some sort is clearly required. All that it asks is for an operating

climate permitting at a fair profit the production of roughly 350,000 tons of lead annually and about 550,000 tons of zinc per year.

But the squeeze is being put on U. S. producers as may be realized from a recent statement of one of its representatives, speaking of 1957 statistics and continued operation without executive or legislative aid:

"In the case of lead U. S. consumption will be about 1,100,000 tons, which, when added to the first eight-months import rate of 500,000 tons per year, would leave a total of only 100,000 tons for our U. S. mines. Our normal output is over 350,000 tons.

"For zinc the picture would be just as ridiculous. U. S. consumption will also be about 1,100,000 tons; zinc from scrap will provide about 70,000 tons, which, when added to the eight-months import rate of 870,000 tons on an annual basis would leave a total of only 160,000 tons for our zinc mines, which normally produce 550,000 tons."

Despite the probability of increased tariffs early in 1958, the outlook for U. S. lead and zinc mines during the first half of 1958 is not promising. The inexorable law of supply and demand is just beginning to become operative, currently felt more in this country than in the rest of the free world. Political aid in the form of increased tariffs may be expected to be somewhat offset by governmental decrease in monthly purchases. Chances of import quotas being established are slim.

Prospects are brighter for the second half of the year as demand should increase and supply be substantially less. Then too there is a possibility that Congress, realizing the dire dilemma of the domestic mines, may take appropriate action.

The market situation in 1958 certainly promises to be a badly mixed affair. Year-end prices slightly higher than those now prevailing may be expected after softness in the first two quarters of 1958.

EDGAR H. DIXON

President, Middle South Utilities, Inc.

Present indications point to 1958 as another year in which we can expect a continuation of the growth of the Middle South states — Arkansas, Louisiana, and Mississippi. Prominent among the nation's most rapidly developing sections, the Middle South, since World War II, has surpassed the average national growth as measured by the major economic indices. The area's economic development, though generally widespread, has been paced by southern Louisiana. There, along the Mississippi River between Baton Rouge and New Orleans, an influx of the chemical industry has created a section frequently called the "Chemical Basin of the United States." Last year "Newsweek" credited this 132-mile stretch of river with having received ". . . more than \$1 billion in new and expanded plants" since World War II. Viewing the industrial growth of this particular section, "Time" added that "another billion could be on the way."



E. H. Dixon

Elsewhere in the Middle South, just as in southern Louisiana, industry is being developed by sound, productive programs. The Industrial Development Commission in Arkansas and the Balance Agriculture With Industry Program in Mississippi are making great contributions to their area's needs. Supporting and supplementing these and other efforts, Middle South system companies—Arkansas Power & Light Company, Louisiana Power & Light Company, Mississippi Power & Light Company, and New Orleans Public Service Inc.—maintain active area development programs.

The development departments of the System companies continue to receive inquiries from industries seeking to locate plants in the region. These industries are attracted by the area's ample supply of productive labor, many natural resources, abundant fresh water, efficient transportation, and expanding markets.

Industrial development has brought new prosperity to many parts of the Middle South. This prosperity, in turn, is helping to create increasing demands for electric service. Electric ranges, electric washers, television sets, air-conditioning units, and other electric appliances are being purchased and used in large numbers. As a result of this more convenient, modern living, average electric sales to residential and rural customers reached a record 2,390 kilowatt-hours in 1957. This was an increase of more than 10.5% over the previous year.

The momentum of the Middle South's economy appears to be substantial, and we are building to meet future demands for electricity and service. Our construction outlays were \$46 million in 1956 and \$64 million in 1957. Capital outlays in 1958 are expected to amount to \$71 million.

Last year New Orleans Public Service Inc. completed a 118,000-kilowatt unit, bringing the owned generating capacity of the Middle South System to 2,281,000 kilowatts. In 1958 Louisiana Power & Light Company will complete a 210,000-kilowatt unit. This will be followed in 1959 by a 230,000-kilowatt unit now being constructed by Mississippi Power & Light Company.

The System's peak load in 1957 was 1,936,000 kilowatts. It is forecast that over the next several years System peak load will increase at an average rate of around 9% compounded annually—doubling about every eight years.

HARRY A. DeBUTTS

President, Southern Railway System

Forecasts for 1958 are offering a choice of prospects ranging from the dismal to the optimistic optimistic.

Looking at the present somewhat unsettled economic picture in this country, the writer prefers a non-alarmist viewpoint.

Forecasts for national employment and national income, announced plans for increased national defense spending, a continuing high level of Federal, State and local Government spending for other purposes, buyer potential for goods and services, industry plans for new or expanded production facilities, all point to a conclusion that prospects for a satisfactory year are good.

In the South, and particularly along the lines of the Southern Railway System, there is even cause for optimism. At the end of the year 1957 more than 250 new industrial projects had been begun or firm plans announced for construction. The total investment for projects under way and those to be built by companies that have made public announcement of their planning will exceed \$600 million. New job opportunities will be provided for an estimated 16,000 to 17,000 workers.

It is not at all unlikely that Southern will be able to report at year's end that 1958 was one of its best for industrial development along its lines. Planning is known to be going ahead on major projects not included in the above figures. Inquiries continue to be received in good volume by development agencies.

The South's resources of raw materials, plant sites, climate and manpower are attractive. So, too, is the market offered in an area where the United States Department of Commerce reports that:

"Rates of gains taking place in the southeastern region in the fields of banking, value of manufactured products produced, manufacturing employment and payrolls, expenditures for new plant and equipment, motor vehicle registrations, life insurance in force, electric energy produced, construction and construction employment, telephones in operation, gross and per capita personal income, value of minerals produced, retail and wholesale sales and employment, cash farm income, number of industrial and commercial firms in business, beef cattle on farms, commercial chickens and broiler production, value of foreign commerce handled, and airline and railroad transportation have all exceeded the increases for the United States as a whole."

The South looks ahead to a continuation of such growth.

BYRON DUNN

President, National Bank of Commerce, Lincoln, Nebr.

Business in our territory for the year 1958 will depend on so many factors that it's hard to make a prophecy. Because of our good crops this year, we are in better condition than for several years, but it's too wet to harvest the crops. However, during the next 60 days, we should begin to receive some money returns.

Business conditions will also depend on the mood of the people. If a lot of men are laid off through unemployment, our people will become cautious and not buy freely. If, however, business over the country starts out this Spring fairly normal, the coming 1958 should be our best year because we have the money to do the business.

Prospects for crops that mature early in the Spring, such as wheat, pasture, etc., are good.

Byron Dunn

Over a period of 52 years in banking, I have passed through several inflationary and depression periods, and it isn't hard to analyze the cause. First, some of the large companies and banks become too optimistic—they over-build and over-expand. Then, when the recession hits, they slow down too fast. This all affects us out here in the Midwest because it hurts the price of our products—grain prices and the price of livestock. Economy should remain level—then our way of life would grow gradually. It would be better if large banks and companies wouldn't be quite so competitive when things are at the top, and again when they hit the bottom!

Another thing that affects our economy, temporarily and to a small degree, I think—is the action of our Federal authorities. Relaxing of reserve requirements give a temporary boost to economy, but it doesn't produce more wealth or a better way of living, which, in my opinion, is what makes the American way of life prosperous and worthwhile—more wealth and better living for more people.

It takes clear thinking to be far enough ahead to foresee the results of our present economic trend. You do a wonderful service in publishing opinions from all over the country, and we look forward to reading your paper to gather the opinions from the different sections.

Continued on page 50



Harry A. DeButts



Byron Dunn

Continued from page 47

Significant Aspects of Law Concerning Mergers

ucts, or on one selected section of the country, the full impact of its advertising, promotional, and merchandising experience and ability."

The press report which carried the story of the FTC complaint against P & G also carried a statement by the President of P & G to the effect that the charge against P & G was that it was successful as a competitor.

As I noted earlier, the law is still very much in the process of development and what I have been dealing with are some complaints actually filed by the enforcement authorities. My purpose in highlighting some—and they are only some—of the factors which have been included in Section 7 complaints against acquisitions and mergers is not to defend or criticize, but merely to emphasize that some of the things in which businessmen take most pride—market position, diversification, consumer acceptance—are the very things which may be cited against you should expansion take the form of external acquisition rather than growth by internal expansion.

Definition of the "Market"

It has doubtless been noted that the word "market" has appeared frequently in this discussion. That is related to the words "line of commerce in any section of the country" to which I earlier called your attention. There must be some definition of the market in which competition may be lessened, or which may be monopolized.

The significance of "market" definition is well illustrated by a merger case before the Federal Trade Commission involving Crown Zellerbach Corporation. (The Commission has recently affirmed the Trial Examiner's report and the Company will petition the U. S. Court of Appeals to review and reverse the Commission's decision.)

Crown, one of the large paper companies in the United States,

produces many varieties of pulp and paper and also is a converter of many paper products, such as bags, shipping sacks, gummed tape, towels and napkins.

In 1953, Crown acquired the stock of St. Helens Pulp & Paper Company, a small company in Oregon which produced a range of products which are collectively described in the trade as coarse paper.

Commission counsel based much of their case upon the argument that in the relevant market, Crown accounted for 51.5% of all production, and St. Helens accounted for 11%. I argued to the Commission that its attorneys had derived these percentages by arbitrarily shrinking the market to the point that it lacked economic reality and by disregarding shipments in and out of the market.

If we look at United States production statistics for coarse paper, we find that Crown accounted for 2.6% and St. Helens, 0.3%. However, Commission counsel argued that national figures were irrelevant, for in their view the 11 Western States constituted a separate market for measuring the impact of the acquisition. If those geographic boundaries of the market are accepted, the percentages are increased to 23.1% for Crown and 3.1% for St. Helens.

In addition to geography, Commission counsel dispute the product dimensions of the market. They argued that the relevant products did not include all coarse papers but included only a few of them. The few they selected comprise a sub-category defined by the United States Bureau of the Census for the purpose of collecting and publishing production statistics. By so reducing the "market," Commission counsel derived their percentages of 51.5% for Crown and 11% for St. Helens.

Thus, one of the issues in the Crown Zellerbach case is whether Crown accounted for 2.6%, 23.1% or 51.5% of production in the relevant market, and whether St.

Helens accounted for 0.3%, 3.1% or 11%.

The significance of definition of the relevant market in geographical terms is highlighted by the current Department of Justice action against Bethlehem Steel and Youngstown Sheet and Tube. The defense in this case argues that the two steel companies complement rather than compete with each other and that each sells most of its products in different geographical areas. The defense contends that the "natural" markets of Bethlehem are in the Eastern and Western areas of the country and that the "natural" market of Youngstown is in the mid-continent area, and that each of the defendants is a negligible factor in the market areas of the other. On the other hand, the Government takes the approach that the relevant market encompasses all significant steel consuming areas of the nation, or alternatively the Northeast area separately, or in combination with the Chicago District.

While geography did not play a part, the determination of the appropriate "market" in terms of products was also of vital importance in the Supreme Court's opinion in the *duPont-General Motors* case. There, you may recall, duPont had in the years 1917 to 1919 acquired a 23% stock interest in General Motors. The Supreme Court by a vote of four Justices, with two Justices dissenting vigorously and the remaining three abstaining, held that a violation of Section 7 of the Clayton Act, as it read prior to its amendment in 1950, resulted from the purchase. The case was remanded to the District Court with instructions to determine appropriate relief. The Government's proposed solution, which has not yet been approved by the Court or accepted by duPont, is to transfer duPont's holdings of General Motors stock to a trustee who would distribute it pro rata to duPont shareholders, except the duPont family interests, over a period of ten years, and sell the proportionate share of the family interests to outside buyers, subject to an option to the other duPont shareholders to purchase this stock as well.

On the question of the "relevant market," the issue turned on whether the appropriate line of commerce was (i) automobile finishes and fabrics or (ii) the market for all industrial finishes and fabrics.

The majority adopted the narrower definition and measured duPont's market position as follows. It pointed out that in 1946 and 1947, duPont furnished 67% and 68% of G. M.'s auto finishes and 52.3% and 38.5% of its auto fabrics, and then went on:

"Because General Motors accounts for almost one-half of the automobile industry's annual sales, its requirements for automotive finishes and fabrics must represent approximately one-half of the relevant market for those materials. Because the record clearly shows that quantitatively and percentage-wise duPont supplies the largest part of General Motors' requirements, we must conclude that duPont has a substantial share of the relevant market."

The minority, choosing the total industrial market rather than just the automotive market, came up with figures of less than 3.5% for finishes and only about 1.6% for fabrics.

The importance of the *General Motors* case as a measure of legality in acquisition and merger situations must be emphasized because of the Court which rendered it, the time at which it came and the scarcity of court decisions under Section 7 since its enactment over 40 years ago. At the same time, there is a responsible body of opinion that this importance is mitigated by the fact that the Court was dealing with duPont,

the largest company in the chemical industry, and General Motors, which it described as "the colossus of the giant automobile industry," as well as by the further fact of the various relationships between the two companies which, the majority said, revealed that

"... duPont purposely employed its stock to pry open the General Motors market to entrench itself as the primary supplier of General Motors' requirements for automotive finishes and fabrics."

It is also interesting to note in this connection that the case was in overwhelming part tried below—and lost by the Government—as a Sherman Act case, with the Section 7 aspects receiving only the minimum of attention in the briefs and oral arguments of the parties. The Supreme Court chose to base its decision, however, solely on Section 7 of the Clayton Act and to ignore the Sherman Act aspects of the case.

At least two worrisome problems arise from the majority opinion in the *duPont-General Motors* case.

The first is whether the Court adopted the so-called rule of "quantitative substantiality," sometimes termed the *Standard Stations* rule of quantitative substantiality, as the test under Section 7. "Quantitative substantiality," I may say, is another of those terms which has a different meaning to different people; indeed, there are those who say that there is no rule of quantitative substantiality set forth in the *Standard Stations* case anyway. But I shall describe "quantitative substantiality" here as the doctrine that any acquisition is unlawful under Sec-

⁷ *Standard Oil Co. of California v. United States*, 337 U. S. 193 (1949).

tion 7 where the company acquired is a substantial factor in the relevant market, without further inquiry into such relevant economic and competitive facts as the general history of developments in that particular industry, ease of entry by other competitors, opportunities open to competitors to find other customers, etc., etc.

As you can readily see, this is an extremely significant question: If the test is that of quantitative substantiality as thus defined, then the primary area for determination may be in defining the "relevant market" which I have just discussed.

There is language in the majority opinion which could be used to support an argument that a test of quantitative substantiality was adopted in the case.

However, I do not think the Supreme Court intended to adopt any doctrine which would be applied indiscriminately in every case, irrespective of whether the acquired company is a substantial factor in the market. I think, rather, that the Courts will take into account the business and economic facts in each particular case, and I am hopeful that part of that consideration will include an understanding of the dynamics of American industry and its genius for adapting itself quickly to changing markets, changing demands and fluid patterns of consumption.

My reasons are as follows:

In the first place, the Court was talking about General Motors and duPont, two of our very largest industrial companies. The majority held that duPont's acquisition of General Motors stock permitted

Continued on page 53

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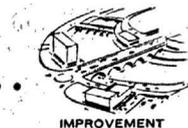
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Continued from page 48

R. L. DOMINICK
Chairman of the Board,
Traders National Bank of Kansas City, Kansas City, Mo.

Frankly, I feel the 1958 outlook for business is much sounder than in January 1957.

I think business was long overdue for some adjustment. The continuing improvement and increased ratios including earnings, were not, in my opinion, a healthy situation for the national economy if it continued its upward spiral year after year. The readjustment we are just going through is, in my mind, healthy. We have all taken a long look into the past, present and future. The adjustment undoubtedly will create keener competition, more profitable methods in operation and a closer look at expense and operating costs, both of which had gotten out of hand.

No doubt lowering of the re-discount rate and the reserve accounts will make more money available for lending, and these two matters alone mark a changed feeling of the Federal Reserve Board as to the necessity of tightening money to control inflation. Presently it would appear that these two moves would be sufficient. It is hoped other measures will not be forthcoming too fast for fear a repetition of similar measures taken in 1954 would again develop into uncontrolled inflation. Certainly some deflation is much more desirable than a higher inflation.

RAFAEL DURAND
Executive Director, Economic Development
Administration, Commonwealth of Puerto Rico

Nineteen Fifty-Seven was a truly great year for Puerto Rico on all major socio-economic fronts. The island's economy expanded so rapidly due to our self-help "Operation Bootstrap" program no other country in the Western Hemisphere save Canada and Venezuela matched the Commonwealth's capital formation rate—also in these lands, investments went into developing natural resources which Puerto Rico has yet to discover.



Rafael Durand

Thanks mainly to private funds from the U. S. this torrent of investment splashed construction all over the island in all directions. More than 100 "Operation Bootstrap" factories opened. A score of luxury hotels added rooms while construction of new facilities was pushed to keep up with a record influx of tourists.

With Puerto Rico's per capita net income now second only to Venezuela in Latin America, supermarkets became a way of life in 1957 for the island's 2,281,000 people, who incidentally have been Americans since 1917.

Equally important, investments poured into public works, into extending highways so as to speed the flow of production from Bootstrap factories to ports, into modern schools, sewer systems, housing, and to a great extent into the great sinew of industrialization—electric power.

This self-help program extended far beyond Puerto Rico's 35 mile wide, 100 mile long periphery. Hundreds of observers from underdeveloped areas of the world—Asia, Africa, Europe and of course Latin America—came to our island during the year to see first hand the magic spun by a common threat of free enterprise and Commonwealth cooperation. In fact, nearly 4,500 such observers from 104 nations have flocked to Puerto Rico in recent years, ranging from technical students on up to top cabinet officers.

As every businessman knows, a high rate of investment growth overlaps into the future. Thus, barring a major decline in the merchandising of consumer goods in the U. S. (most of Puerto Rico's new factories produce consumer goods for the American market) the island's net income in the coming year should rise by over 10%. Under the Bootstrap program, overseered by the Economic Development Administration, net income has already quadrupled since 1940.

It is conceivable that Puerto Rico's high rate of capital formation may carry it through a sustained recession in the U. S. Statistics show a remarkable capital formation rate in fiscal 1957-58; investment in fixed capital goods increased by \$48,000,000 to \$262,000,000 with half of the funds coming from the U. S.

Growth of Puerto Rico's industry is shown by a 37% hike of investments in plant and industrial equipment during the fiscal year which rose to an annual rate of \$177,000,000. In the same period, income from manufacturing increased 23% and manufacturing activity by

21%. Textile mill, chemical, and metal equipment industries expanded by 28-35%; apparel manufacturing by 19%. Most if not all of this growth was sparked by U. S. companies which expanded to the island under the Bootstrap program.

In all, 115 new Bootstrap factories opened during the year including affiliates of such "blue chip" corporations as W. R. Grace, Indian Head Mills, General Electric Co. and Phelps Dodge Corp. Appropriately enough, when EDA celebrated the opening of the 500th Bootstrap sponsored plant in November, it turned out to be another "blue chip"—American Can Company.

Events during the fiscal year pointed to a number of industrial trends. It is now clear that more U. S. companies and investors than ever before are going to Puerto Rico to manufacture basic and semi-basic materials. Examples include petrochemicals, copper wire, steel springs, refined oil, edible and inedible oils, marble tile, paper, urethane foam, silicon, polyethylene piping, textiles dyeing and finishing, tools and dies, airplane parts, processed meat, and acetylene.

There is also a growing tendency among U. S. companies to put in a second and even a third tax-free Bootstrap plant in Puerto Rico. Examples in 1957: Maiden Form Brassiere, Lovable Bras, International Molded-Plastics, General Electric.

Under the Bootstrap program, we do not permit "run away" plants to come to Puerto Rico. We don't want to grow economically at the expense of the Stateside worker. In fact quite the converse is happening. Puerto Rico's industrialization, though taking place 1,600 miles away from New York City, is creating new job opportunities for U. S. workers.

Consider these figures: Industrialization is making it possible for Puerto Ricans to buy more U. S. goods. Puerto Rico currently buys \$600 million worth of Stateside goods each year, more than the total yearly purchases of Brazil and Argentina combined. These two nations have a population which exceeds 80,000,000! For every million dollars in net income generated in Puerto Rico, half goes back to the States to pay for an ever widening array of foodstuffs hard and soft goods including machinery, furniture, automobiles, clothing, television sets, and shiny appliances.

Other sectors of Puerto Rico's economy which grew in fiscal 1957:

Tourism: With 200,000 visitors coming to Puerto Rico in the 12 month period, tourism now ranks third behind industry and agriculture. Tourists spent \$28 million in Puerto Rico, 18% more than the last fiscal year. To accommodate the many more expected this year, Puerto Rico added 500 new hotel rooms and is now working on \$22,000,000 worth of new facilities soon to be completed.

Expanded airline service will help tremendously. The Civil Aeronautics Board has approved direct flights to Puerto Rico from 13 more cities in the East Coast and the Midwest including Detroit, Pittsburgh, Boston, and Washington. It goes without saying that increased air service will also aid industrialization.

Construction: Wherever you go in Puerto Rico today you will find some kind of construction going on. Put in place construction during fiscal 1957 hit \$168,000,000 and should climb higher this year. Public corporations will spend \$76,500,000 on construction, 54% over the previous \$49,600,000 outlay. Money will be spent mostly on new electric power units, extension and improvement of San Juan's sewer and aqueduct systems and construction of industrial buildings and medical facilities.

Road building accounts for more than \$51,000,000 of the total of more than \$86,000,000 spent for public works. Other projects include schools, and medical facilities.

Agriculture: Once the mainstay of the economy, Puerto Rico's agriculture suffered from bad weather in fiscal 1957, with its income falling off by seven per cent. Plans now underway, however, visualize an expanding agricultural program. By 1965 Puerto Rico is expected to have more than doubled its yearly pasteurized milk supply and tripled its beef production. Other crops to be expanded—coffee, pineapple (by 1960 Puerto Rico will be a major exporter of canned pineapples) sugar, and acerola, a tropical cherry which contains 100 times more Vitamin C than an orange.

Puerto Rico's self-help program seems to be helping everyone concerned. First, it helps Uncle Sam in his fight to show underdeveloped areas that democracy and free enterprise works. It helps U. S. manufacturers and Stateside workers via increased sales to Puerto Rico. Also, Bootstrap's lush industrial climate makes possible unusually high profits which can be used to expand operations in the States. And most important to Puerto Ricans—our program is creating thousands of new jobs, has boosted our per capita income to over \$460 and raised our literacy rate 68 to 82%. "Operation Bootstrap" truly has given us a sense of direction and achievement which we note "have-not" areas from all over the world are applying to a growing degree.

CYRUS S. EATON
Chairman of the Board
Chesapeake and Ohio Railway Co.

In all his million years on earth, man has never faced graver challenges or greater opportunities than those of the exciting times in which we live.

Mankind's progress in mastering his environment has been a slow and uncertain struggle over the eons. In some ages he has moved so slowly as to seem to be little more than marking time. In others, the swiftness of his forward pace has almost outrun his capacity to assimilate the vast changes that have resulted.



Cyrus S. Eaton

We are living in one of the fastest moving periods of all history. Fission, fusion, and sputnik are bound to revolutionize the ways of life of both the West and the East for good or for bad, according to our ability to live up to their tremendous constructive possibilities.

Our first and most acute problem is to learn to live with one another, in a climate of honorable peace. The scientific miracles that can enrich our lives if we apply them wisely, can as easily destroy us if we persist along the path of suicide down which some of our short-sighted statesmen would righteously lead us.

Both the U. S. and the U. S. S. R. are favored with vast geographical areas, boundless natural resources, and able and industrious populations. Granted that our two nations differ profoundly in economic, political and religious theories, surely we can still arrive by compromise at a reasonable *modus vivendi* rather than risk the annihilation of the whole family of mankind in a futile nuclear conflict.

This is the crucial question that deserves to command our best thinking as this new year of decision begins. The businessman, with every other element of society, owes it to himself, his family, and future generations to exercise to the utmost his intelligence, his energy, his willpower and his self-control in helping to find the final answer.

CHARLES E. EBLE
President, Consolidated Edison Company
of New York, Inc.

In general, Con Edison looks forward to continued growth in the year ahead. While the rate of growth may be temporarily slowed by any slackening of economic activity, the determining factor will be the nature of our market.

Here in New York the traditional stability of the market continues to assert itself. The softgoods industry, New York City's biggest, has held up well compared with the downward trend in durable goods. The city still expands its position as the management and financial capital of the United States.

There are several positive factors that serve to bolster the sales outlook. Both gas and electricity have excellent markets that are still not fully developed. The campaign for adequate wiring in new homes is paying real dividends while the rewiring of old homes offers an even greater opportunity for increasing sales. The rewiring of apartment houses in New York City hit its stride in 1957 and expectations are this work will increase in 1958.

Rewiring of consumers' homes should stimulate long delayed sales of both major appliances and the small "traffic" appliances. Air conditioners will be a new appliance for many consumers while the electric dishwasher is a relative newcomer to the ranks of heavily promoted major appliances.

The desire of Americans for new homes has not slackened and residential building activity is a healthy omen. Construction of new office buildings with high loads replacing older and often unoccupied buildings indicates higher commercial sales. In New York City some 14,000,000 square feet of office space will be completed in the next three years.

Gas continues to gain as a fuel for both space and water heating. Gas-fired equipment is a strong contender both in new homes and for replacement. Gas unit heaters are popular in manufacturing and service establishments.

District steam for heating and processing finds a ready market not only for these purposes but for air conditioning in large commercial buildings. This cooling business helps level out the severe summer dip in steam operations.

The anticipated growth of Con Edison's business is reflected in the \$200,000,000 construction budget scheduled for 1958.



Charles E. Eble

Continued from page 51

ing business economists see signs of an upturn in the second half of 1958.

Coming back to my own industry, my conviction is that Ordinary life insurance sales will continue to grow rapidly during the year to come, though I do not think we can reasonably expect as rapid a growth, percentage-wise, as occurred in 1957. In recent years, the growth of Ordinary sales volume has been closely correlated with the growth of disposable personal income. If disposable income in 1958 increases about 2 or 3% over 1957, as seems not unlikely at this time, I would look for an over-all increase in Ordinary life insurance sales of perhaps 10-12%.

CRAWFORD H. ELLIS

President, Pan-American Life Insurance Company

While economic conditions are not as good now as they were at the close of 1956, I see no reason why the life insurance business should not continue to enjoy a good business. It has been so thoroughly proven that the only way for young people to build up an estate of any size is through life insurance, not to speak of the wonderful things the life insurance companies are doing in the way of all kinds of policies to take care of the needs of every family.

Group insurance as well as individual hospitalization and accident and health is becoming so necessary for the American people that nearly all companies are making great strides in this. There is hardly a family who can afford not taking it as it has proven so beneficial to everyone that it almost sells itself.

General business conditions, I do not think, will be as good in 1958 as they were in 1956, but before the end of the year I think the inventories will have become so depleted that the manufacturing industries will enjoy a better business than they are at the present time.



Crawford H. Ellis

ROLAND A. ERICKSON

President, Guaranty Bank & Trust Company, Worcester, Mass.

Nineteen hundred and fifty-seven saw the turning point in the money market for the present phase of the business cycle. Pressure for commercial loans began to wane during the late summer. This reflected a growing consciousness of some excess capacity in certain basic industries which would inevitably cause a slowing down in the capital goods expansion.

The "money" bond market has had a dizzy period of rise following official recognition by the Federal Reserve Board of a change in the business outlook by the decrease in the rediscount rate. In some respects the rate of rise has been out of proportion to the economic facts of the day. Generally speaking, banks are still fully loaned and apparently no one so far is forecasting a decline in business of depression proportions. Remembering that the money rate structure in historical perspective has only been at an average level, there is no economic basis for anticipating a return of the controlled artificially low levels of the '30's and '40's.

As an industry, banking will reflect a somewhat lessened demand for loans next year, and as the year progresses, there may be discussion as to the soundness of a 4½% prime rate. These two factors will obviously have a tendency to adversely affect earnings next year. For those banks that were liquid enough and had properly judged the business outlook, there may be an offsetting recording of substantial capital gains in government bond operations. To the extent that an easier money policy is actively pursued, it should also stimulate the growth of deposits—another factor counteracting the loan volume and rate trend.

Turning to the broader economic picture, there seems to be reason to be very alert to the present recession. Fundamentals such as family formation, birth rate, and plant capacity are now quite different than in the '49 and '54 recessions. The dynamic force in the economy in the past two years has been the rapidly accelerating curve of capital expenditures. There is nothing more stimulating to the business world than a dollar spent for plant and equipment or buildings. Next year the trend of these expenditures will decline. Even with a 10% decline, the absolute dollars so expended will exceed the boom year of 1953. Inventories and exports are probably two areas that will exert a depressing influence, too. The net effect of a change from inventory accumulation to one of reduction could involve a difference of six or seven billion dollars. Dollar and gold reserve problems abroad as well as our own national policy could mean a net negative influence of from two to three billion dollars in exports.

Pessimists should take heart, however, over the fact of the high level of absolute dollar expenditures for plant and equipment (even though below 1957), of the very hard core of high Federal, state, and local spending, a seemingly improved residential housing outlook, and the absence of any real dangerous imbalances in the over-all economic structure.

It is expected that over-all business is in a period of

adjustment and, barring the development of a lack of confidence by the individual consumer, it should only be a moderate reaction and nothing more serious.

FRANK E. FELT

Vice-President, The First National Bank, Jamestown, N. Y.

The new year begins in an atmosphere somewhat beclouded with business uncertainty. Certain strands in the economic fabric are rather frayed and while there exists the expectancy that business recovery will appear later in the year nevertheless future unpredictable events could readily occur which would dispel this hope.

The threat of labor strikes looms on the economic horizon and should they be of major proportions or long duration the business recovery looked for later could well be deferred.

Thinking by both business and consumers will determine in some degree the extent and duration of the current recession.

With the easing of credit and mortgage money more readily available there should be a stimulation in the building of new homes which will have a beneficial effect on related industries.

While personal income is at a high level, consumers are price conscious and their spending will depend to a certain extent not only on their reluctance to pay present high prices but also the degree of their fear of unemployment, shorter work hours and doubt as to the length and severity of the recession. When workers are in a frame of mind where they feel insecurity as to their future income the tendency will be to save instead of spend.

Commercial banks will be faced with many problems throughout the year and it will require astute management to achieve satisfactory net operating earnings.

A reduced volume of loans with lower interest rates can be anticipated and higher operating costs in all categories will result in a profit squeeze.

To cushion the decline in income from loans, bank management has had the opportunity of making bond investments at depressed prices and affording high yields together with later capital gains.

Despite the problems to be met banking should have a satisfactory year.

HARVEY S. FIRESTONE, JR.

Chairman, The Firestone Tire & Rubber Company

Excellent opportunities for sales and profits are ahead for the rubber industry in 1958.

Tire sales, which make up the bulk of industry business, are expected to be high—perhaps they will set a new record. Business signposts within the rubber industry point to record sales in 1958 of replacement tires for passenger cars. Sales of original equipment tires will remain high.

One big source of business will be the market for replacement tires on 1955 automobiles. In that year a record 7,170,000 passenger cars were sold.

Approximately 5,850,000 passenger cars are expected to be sold in 1958.

The number of automobiles in the United States is growing constantly. This factor alone will stimulate business in the rubber industry. There were approximately 63,000,000 cars and trucks in use in the United States at the end of 1957 compared with 60,600,000 at the end of 1956.

By the end of 1958 there will be about 65,000,000 cars and trucks in use in this country.

Gross sales by the rubber industry have been increasing steadily and in 1957 amounted to approximately \$6,500,000,000, an increase of 90% in the 10-year period since 1947 when sales volume was \$3,400,000,000.

All these signs indicate further growth for the rubber industry in the year ahead.

The Firestone Tire & Rubber Company is continually expanding, modernizing and improving its facilities in preparation for the future and is better prepared for business activity than ever before.

Firestone has maintained its position as the world's largest producer of rubber. The sales and profits of our company in the 1957 fiscal year (which ended on Oct. 31, 1957) were the greatest in history. Sales for the past three years have exceeded \$1,000,000,000. In 1957, they amounted to \$1,158,884,304. Net income amounted to \$61,692,152, a new record.

During the 1957 fiscal year of record sales and earnings we also concentrated much of our thought and efforts on the years ahead.

We spent a record \$68,768,000 for expansion and completed the construction of five major facilities during the year. These installations included new tire plants in Havana, Cuba, and Manilla, Philippine Islands; a new test center, including a race track and proving grounds, at Fort Stockton, Texas; a plant for the manufacture of Airide springs at Noblesville, Ind.; and a butadiene plant at Orange, Texas, with an annual capacity of 40,000 tons a year of the basic ingredient for synthetic rubber.

We also acquired The Electric Wheel Company at Quincy, Ill., through a transfer of stock, to enlarge the scope of our metal products activities and we purchased from the government the experimental laboratories ad-

acent to our Akron synthetic rubber plant to provide additional synthetic rubber research and production facilities.

Early in 1958, a pilot plant for the production of Coral rubber will begin operation in Akron. This new rubber, developed by Firestone research, has characteristics so nearly identical to natural rubber that it may eliminate the need for costly stockpiling of natural rubber and make the United States, in case of an emergency, completely independent of foreign sources of rubber.

Synthetic rubber is steadily gaining a greater proportion of the market. Manufacturers, both in the United States and abroad, are recognizing the advantages of its stability in price and the improved quality gained by using more of it in their products. Natural rubber prices have become more stable due principally to the increasing use of synthetic rubber.

We at Firestone are confident the outlook for the future is especially bright for our company.

ERNEST S. FIELDS

President, The Cincinnati Gas & Electric Company

During the first half of 1958, our company's volume of gas and electric sales is expected to be approximately equal to or slightly above that of the corresponding 1957 months. The drop in sales to heavy industries will almost offset the growth of residential and commercial sales and some industrial increases. Because of the sustained residential and commercial growth, at their corresponding higher unit rates, revenues will be maintained at or above present levels.

After the middle of 1958, it is expected that our company's total business will resume the long term growth pattern which averages annually about 6.5%. The diversity in the business of this area is such that while there are temporary setbacks in some industries, other industries are going well. The need for homes created by large scale demolition of slum areas in Cincinnati should effect an early up-turn in home construction.

Several other factors point to an early resumption of the long term growth pattern. The population of this area continues to increase at a rate which adds about 10,000 residential electric customers (2.8%) to our lines annually. It is estimated that conversions and additions will add about 10,000 gas heating customers to the lines in 1958. Sales of the load building electric appliances continue strong, even though less than last year. The many new suburban shopping centers are large users of gas and electric service. A large new automobile plant and numerous large industrial expansions will come into production in the last half of 1958.

We believe strongly that this area has sound prospects for healthy growth. The Federal Government is spending large sums to improve navigation on the Ohio River, thereby increasing the attractiveness of this area to heavy industries. The gigantic Metropolitan Master Plan involving an expenditure of \$460 million for expressways, distributors, urban relocation and many other community developments, is well under way.

Our company's confidence in the growth of the area is supported by our firm commitments of a minimum of \$75 million for construction during 1958-59. This includes increasing our electric generating capacity 39%, from 895,000 kw. to 1,239,000 kw.

ROBERT H. FITE

President, Florida Power & Light Company

Florida's economy, which has already achieved the highest per capita income in the South, is growing in stature as large-scale national manufacturers choose the State for new plant sites, and as such new names as

Glenn L. Martin, Pratt & Whitney, Minneapolis-Honeywell and Sperry-Rand are added to the business population. Mass migration of Americans toward sunny climates, notably toward the Pacific Coast and toward Florida, is resulting in a corresponding migration of industry to those areas which offer living and working conditions that pay off in high man-hour production, and which ease the recruitment problems that plague management in other industrial areas.

Between the last two Federal Censuses of Manufacturers, 1947 and 1954, Florida added more new manufacturing jobs than were added in

many of the nation's most highly industrial states, to rank tenth among all states in numerical increase. Since that time growth in manufacturing has been accelerated. In the 12 months ending September 1957, Florida's numerical increase in manufacturing employment was third largest in the nation, percentage-wise it was first. Since 1950 manufacturing wages and salaries have increased in Florida at twice the national rate. In the first half of the past year 386 new manufacturing establishments were announced for the State. With climate as the chief lure, it is not surprising that the greatest concentration of new manufacturing is in the principal tourist area, Florida's lower east coast.

New jobs set the pace for new population growth.



Frank E. Felt



Ernest S. Fields



Roland A. Erickson



H. S. Firestone, Jr.



Robert H. Fite

Continued on page 54

Continued from page 49.

Significant Aspects of Law Concerning Mergers

it to pre-empt General Motors as a customer for automotive finishes and fabrics. Although the automobile industry is one of the largest and most important in our economy, if duPont has pre-empted General Motors' business, duPont's competitors have only a limited number of alternative outlets. "Substantiality" in such a context has a far different meaning from what it means in a situation where the companies involved are ordinary-sized frogs in an ample body of water.

Secondly, the Court was concerned with a vertical acquisition—the acquisition of the stock of a customer—where it may be easier to assume, particularly when it has been found that the stock was used to "pry open" and "entrench," that the acquiring company's competitors may lose access to a large part or all of the share of the market represented by the acquired company.

A horizontal acquisition, the acquisition of a competitor, raises measurement problems of greater subtlety and complexity. The acquiring company does not necessarily, or even usually, acquire the power to foreclose its competitors from selling to the customers of the acquired company. The fact that the acquired company had 10% of the market does not mean that the acquiring company will necessarily add that 10% to its own share.

In the end, it seems to me that a test based upon numbers and percentages cannot of itself yield a rational determination of the competitive effect of an acquisition.

The other aspect of the *duPont-General Motors* case that I want to mention for its important implications is the "continuing applicability" or "sleeping giant" theory, and to what extent it opens up for attack other acquisitions made since 1914. You will recall that duPont acquired its 23% of General Motors stock in 1917 to 1919 and was not sued until some 30 years later. The majority held that the legality of the acquisition should be tested by the conditions found at the time of suit, rather than at the time of the acquisition, saying that the purpose of Section 7 was to arrest, apprehended consequences before the corporate relationships could work their evil, which may be "at or any time after the acquisition."

It was this ruling, plus the ruling on the applicability of the old

Section 7 to vertical acquisitions, that led the minority Justices to say that it was now "apparent for the first time that Section 7 had been a sleeping giant all along."

Unlike the question of quantitative substantiality to which I have just adverted, the opinion is crystal clear in its holding that the test of a violation of Section 7 is whether at the time of suit there is a reasonable probability that the acquisition is likely to result in the prohibited restraints. But again, I find it difficult to disassociate the corporations involved from any prediction as to whether the Department of Justice or the Federal Trade Commission or the Courts will seek to undo on a wholesale basis acquisitions which were made years ago. In my view, it will be the facts of the particular cases that will be significant.

Net Operating Loss Carryovers: The Libson Case

Various commentators have observed that one important incentive for mergers and acquisitions is tax planning, including the avoidance of excessive taxes. While I do not propose to evaluate this aspect or go into the question generally, there is another recent Supreme Court decision in the merger field, the so-called *Libson*⁸ case of which many of you have doubtless heard, which I will mention briefly because of the effect it may have on the importance of past operating losses as a factor in mergers.

Libson Shops was a corporation providing management services for corporations selling women's wearing apparel. At the time the service corporation was organized, its stockholders also organized 16 separate corporations, each of which operated a single retail store selling wearing apparel. Each corporation filed a separate tax return. Three and one-half years later, the retail store corporations were merged into the service corporation.

Prior to the merger, three of the retail store corporations had net operating losses. In the year following the merger, each of the retail units that had been operated by these three corporations continued to show losses.

The question before the Supreme Court was whether the surviving corporation could offset the pre-merger losses of the three loss corporations against its current income.

The Court noted that the pur-

pose of allowing net operating loss carryovers was to permit a taxpayer to offset the lush years against the lean. According to the Court, the Congress in authorizing net operating loss carryovers, was concerned only with the problem of fluctuating income of a single business. The Court emphasized that the stores producing the post-merger income were not the same stores which had produced the prior losses. The Court then said that since there was no "continuity of business enterprise," the surviving corporation could not be considered to be the same taxpayer as the corporations sustaining the loss and, therefore, could not avail itself of the net operating loss carryovers of these corporations.

How much application the *Libson* case has to future mergers is difficult to say. The *Libson* case was decided under the Internal Revenue Code of 1939, which has been superseded by the Internal Revenue Code of 1954. Current mergers are governed by the 1954 Code. With respect to the carry-over of net operating losses, the 1954 Code explicitly allows such carryovers in certain types of acquisitions subject to the general requirement that the principal purpose of the acquisition was not the avoidance of income tax by securing the benefit of the net operating loss carryover. The 1954 Code also explicitly provides for those situations in which a net operating loss carryover should be denied because of a change of trade or business when accompanied by a substantial change of ownership. On the other hand, the 1939 Code under which the *Libson* case was decided was far less explicit, providing simply that an operating loss could be carried over by "the taxpayer" which had incurred the loss. There were no statutory criteria to determine when the surviving "taxpayer" was the same "taxpayer" which had sustained the loss.

Economic Concentration Ratios

In any discussion of the causes and effects of mergers, major attention must ultimately be given to the question of economic concentration. You have probably all heard about concentration ratios, and about at least some of the controversy as to whether the statistics, in the first instance, are any good and, if so, how much they prove.

I won't have time this morning to get into the economists' struggle about the meaning and significance of concentration statistics, but the recent report by the Senate Subcommittee on Antitrust and Monopoly entitled *Concentration in American Industry*⁹ is worthy of note if only because of the extensive use to which it will be put in merger cases. It also provides a vast amount of statistical data that was not readily available.

The report is based upon data collected in the Census of Manufactures, the most recent of which was in 1954. The report itself indicates several limitations upon its utility as a tool for economic analysis. One significant limitation is that the Census industry and product groupings were developed for the purpose of collecting statistics and are not intended to represent "markets" in the competitive sense or to provide a basis for measuring market power. The report then notes (p. 5): "The result is in some cases a fairly accurate reflection of the degree of market concentration, in others an overstatement, and in others an understatement of such concentration."

Another significant limitation is that the report is but a compilation of statistical data, and as the report itself says (p. 4): "Bare statistics necessarily omit many qualitative factors which are es-

essential to a complete understanding of the competitive structure of the entire industrial economy or of an individual industry. By the same token, the data themselves do not reveal the causes of the concentration shown, nor the relative importance of new entries, integration, internal growth, mergers, or business decline or mortality in accounting for the degree or trend of concentration."

With that warning of the report's limitations, I note that it shows an increase in concentration between 1947 and 1954 for American industry viewed as a whole. In 1947 the 50 largest companies in the United States accounted for 17% of all value, measured in dollars, added by manufacture, whereas by 1954, the 50 largest companies accounted for 23% of all value, again measured in dollars, added by manufacture.¹⁰ The number of units produced may well be a better test.

The report also shows an increase in concentration between 1947 and 1954 in many of the 367 industry classifications for which concentration ratios are given.

Concentration levels are considered by some commentators to be an important factor in evaluating legality or illegality under Section 7. A recent report¹¹ by the staff of the same Senate Subcommittee on Antitrust and Monopoly that issued the concentration study makes the recommendation that new legislation should divide mergers into three classes. One class would include smaller and other exempt companies which could merge without giving advance notice to the Government. A second class would include larger companies which would be required to give notice to the

Government before consummating a merger. A third class would consist of mergers for which advance legal clearance by the Government would be obligatory. It is not quite clear who would be the impartial "trier of the facts" in these so-called "clearance" proceedings, in which the burden would be upon the companies concerned to show that there would be no substantial adverse competitive effect.

The staff report recommends that companies should be classified in this third group when the markets in which they sell are "characterized by a high degree of concentration."¹² Other criteria for inclusion in the mandatory clearance group would be a high degree of market power and a history of growth by merger.

Similarly, Dr. Jesse W. Markham, formerly Chief Economist of the Federal Trade Commission, has written that a merger in a market characterized by "very low concentration should be *prima facie* legal," whereas a merger would be *prima facie* illegal in an industry "having a concentration ratio approaching 100,"¹³ i.e., where the four largest companies combined have 99% of the market.

However, not all economists view high levels of concentration with alarm. Professor Sumner H. Slichter, of Harvard University, wrote only recently:¹⁴

"In fact, in order to stimulate competition, existing restrictions on mergers should be relaxed, not tightened, and large enterprises, instead of being threatened with breakup, should be given a clear mandate to grow, provided they use fair means."

Professor Slichter points out
Continued on page 55

⁹ *Concentration in American Industry*, Report of the Subcommittee on Antitrust and Monopoly to the Committee on the Judiciary, United States Senate, 85th Cong., 1st Sess., pursuant to S. Res. 57 (85th Cong.) to Study the Antitrust Laws of the United States, and their Administration, Interpretation, and Effect (85th Cong., 1st Sess.)
¹⁰ *Id.*, Table 1, p. 11.

¹¹ *Corporate Mergers and Acquisitions*, S. Rep. No. 132 (85th Cong., 1st Sess.)
¹² *Id.*, p. 73.
¹³ *Economic Concentration: Measures, Uses and Abuses* (National Industrial Conference Board, 1957), p. 21.
¹⁴ Slichter, *A Defense of Bigness in Business*, *The New York Times Magazine* (Aug. 4, 1957), pp. 10, 43.

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The Price-earnings ratio of itself is a deceptive yardstick of investment value because—

- (1) Half of earnings paid to you as dividends must be earmarked for the tax collector.
- (2) All that is yours is the proceeds of the after-tax dividend plus retained earnings. This is your real yardstick.
- (3) For example: DuPont is selling at 20 times earnings but you pay 32 times your net share in those earnings.
- (4) Why? DuPont pays out 74% of earnings as dividends—only half of which is yours to keep.
- (5) By contrast: GRINNELL CORPORATION has paid out only 20% of earnings for the past ten years. You pay for the earnings of this high-earning, high-quality company: about 7 times.

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⁸ *Libson Shops, Inc. v. Koehler*, 353 U. S. 382 (1957).

Continued from page 52

Since 1950 Florida's population has increased by more than 1.3 million, fourth largest numerical increase in the nation. About 75% of this increase has been through in-migration, the largest net in-migration recorded by any state with the exception of California. In 1930 Florida ranked 31st among the states in population; today its rank is 13th, and its rate of growth exceeds that of any other sizable state in the country.

New residents require new housing. In 1956, first year of the so-called "tight money market," Florida was the only state in the nation to build more homes than in the relatively easy money year of 1955. Residential construction has been further stepped up in Florida in 1957, while only six other states have recorded increases above their low 1956 building levels.

Tourist business, which provides the largest segment of Florida's income, is becoming increasingly big business as Americans achieve more leisure and higher incomes. About 25,000 new tourist rooms were added in the state in 1957, to bring today's total to more than 740,000. More new hotels of 100 or more rooms have been built in Miami Beach since the end of World War II than in all the rest of the United States. In 1957 Florida entertained over six million visitors; advance reservations indicate that the number will be greater in 1958.

In the last two years Florida's agricultural income has increased more than 25%, in the face of a decline nationally. Besides producing more than two-thirds of the nation's supply of oranges, Florida has become an important producer of beef cattle through introduction of new strains especially bred for the Florida climate, and through utilization of new grasses developed for the state's year-round pastures. Florida has the unique climatic advantage that permits large-scale vegetable production in the winter months when such produce is in shortest supply.

In the face of growing population and expanding economy, it is not surprising that Florida ranked third among all states in number of new electric customers added, 1950-1956. To meet the growing demands of new residents and commercial and industrial establishments, the Florida Power & Light Company now has under construction, or contract for construction new generating plants to increase today's 1,160,000 kilowatt capability to 2,120,000 by 1961, an 86% increase in four years following upon a 76% increase in the four years just past. Total increase in capability in the eight years 1953 to 1961 will be 227%. In 1956 only two electric utilities in the United States added more customers than Florida Power & Light.

The present recession has had little effect on Florida's economy. The same was true during the similar business downturns in 1937, 1949 and 1954. If the present slowdown follows the patterns set in the past, with movement toward recovery occurring sometime in 1958, we believe that the weight of new businesses, new jobs and new population will continue to force Florida's economy upward without interruption.

HON. RALPH E. FLANDERS

U. S. Senator from Vermont

Legislatively we need to restrain the natural tendency in an election year to expand the services of the Federal Government to states and individuals. We likewise need to give careful consideration to the problem of defense expenditures being sure that we appropriate enough to put our defenses in the best possible shape without waste or duplication. This means among other things that we must find some way to end the inter-service rivalries.

As to the economic state of the country, there is nothing to prevent a revival of high production and employment except the attitude of people whether as businessmen, wage earners, or consumers. If we go forward confidently, our confidence will be justified. If we lack confidence, our lack of confidence most unfortunately will likewise seem to be justified.

The great change that needs to be made is in the control of the inflationary spiral. This cannot be done by law nor can it be completely accomplished by administrative action such as has been taken by the Federal Reserve Board. There must be a realization that wage increases can come only from achieved productivity and that the monetary returns from such achieved productivity must be divided between the wage earner, the business and the consumer.

The wage earner is entitled to a measure of higher wages. It is in the interests of all that the business receive a return from the increased investment which has resulted in higher productivity so that he may be encouraged to go further in the same direction. The consumer is entitled to a price cut.

If this division is accepted by all as a principle, it will be to the advantage of all. The wage earner in particular will get his advantage in three ways. First in higher wages, second in lower prices and third in the prospect of still further wage increases and price cuts by the encouragement to increased investment by business.



Sen. R. E. Flanders

EDMUND FITZGERALD

President, Northeastern Mutual Life Insurance Co.

The life insurance industry has just closed a record breaking year in sales volume; 1957 likewise established new records in terms of services to policyholders and beneficiaries. Funds available for investment were slightly less in amount than for the previous year. This decline was caused by the increased use of funds by policyholders and larger payments to beneficiaries.

The outlook for life insurance sales in 1958 is excellent. Personal incomes will be at a high level and the competition for the consumer's dollar will be keener than ever. However, the need for increased life insurance protection to match recent gains made in real income by the average American family will be continued. Informed and skilled salesmanship on the part of the life insurance industry will produce in 1958 a record sales volume.

Investible funds in 1958 will exceed the volume available last year and although the demand for long-term capital funds will probably decrease in the commercial and industrial area of the economy, huge sums will be required to finance residential housing, municipal and other public services and the public utility industry, particularly electric and telephone. The life insurance industry has demonstrated its flexibility and aggressiveness in meeting changing investment conditions and opportunities and 1958 will afford the industry many new and important investment outlets which will aid in the overall growth of the economy.



Edmund Fitzgerald

SAM M. FLEMING

President, Third National Bank, Nashville, Tenn.

Twelve months ago, the majority of prognosticators felt business conditions would continue good for most of 1957 but would show some signs of weakening towards the close of the year. Furthermore, they correctly saw that money restraint would prevail and the cost of credit become increasingly higher. As the new year opens, almost the exact opposite predictions are being made. It is clear that the economy is going through a readjustment period, the severity of which as yet cannot be accurately predicted and, in all probability, will to a great extent depend upon the attitude and psychology of the buying public. Money is gradually becoming more plentiful and very likely will be cheaper as the year goes on. Many cross currents exist in the business picture, but the minus signs out-weight the plus factors, and the most optimistic picture that can



Sam M. Fleming

be expected is a gradual leveling out and upward turn towards the end of the year. The year will not be an easy one for bankers and will present many problems. In the forefront will be an increasing number of weakening credit situations and the necessity of continuing to pay high rates on savings in the face of the strong possibility that gross revenue will begin to decline. The pressure for higher salaries will undoubtedly continue unabated and it will be difficult to keep the expenses of doing business from continuing to rise. The banker must, therefore, the same as other businessmen, tighten his belt, cut off unnecessary expenditures and ever strive for better operating efficiency. In the long run, a period of readjustment such as we are now experiencing should prove beneficial as bankers and other businessmen will put their respective houses in better position to meet the needs and requirements of the long range economy expansion which seems to be inevitable. It also will be at least a temporary check on the inflationary pressures which undoubtedly will continue to be the number one economic problem of our generation.

HARRY B. FREEMAN

President, Rhode Island Hospital Trust Company, Providence, R. I.

When I read in the newspapers recently that the Congressional Joint Committee would skip its usual December economic forecast this year because it figured the business outlook was too uncertain, I thought to myself, "Who am I to rush into print with predictions as to the unpredictable?" Certainly I don't know as much about the economy as the members of the Joint Economic Committee. I also recalled that Chairman Martin of the Federal Reserve Board last March cheerfully confessed that he did not know whether the United States economy was headed up or down, that he really could not tell which way business currents were flowing. I wondered whether, if the man with the world's greatest statistical organization at his elbow couldn't do better than that, my two cents worth now would be worth more than a depreciated 49% of par. However, there is one difference between the situation now and that last March.



Harry B. Freeman

No one is any longer in doubt as to which way the economy is headed. It is headed downward and the pace must be rapid for, you will remember, that only four weeks before Federal reduced the discount rate in mid-November, Chairman Hayes of the New York Federal Reserve Bank had told us that business was holding at a high level, that it was business sentiment rather than business statistics which had deteriorated, that inflation was still the major threat and that there appeared to be no reason to expect an early change in Federal's restrictive credit policy. Even at that moment the first Russian satellite had been circling the earth for about two weeks; yet the deterioration in a month must have been very serious to warrant a complete reversal of the Federal Reserve policy.

And so we know that we are moving into a recession, that Federal is already taking steps to counteract it and that the sequel to Sputniks I and II will probably be a great increase in defense expenditures. The question now is how energetically and/or successfully will Federal's counterattack be. Federal surely wouldn't want to do anything that would further stimulate an already wildly advancing bond market; and by next summer the expanded defense spending may again bring inflationary pressures which Federal would want to curb. Or, to cite another question, will defense spending really get into high gear by next summer, and if not, what will be our position in the business cycle?

I end up by asking rather than answering the important questions. But, if I were to hazard a guess it would be that Federal will not repeat the mistake of over-emphasizing monetary ease that it made in 1953 and 1954, that it will be inclined to let the recession run long enough and go deep enough to correct serious maladjustments that were built up during the tremendous boom, and that defense spending will not become an important factor until late next year. On this basis the recession could be somewhat more severe than those of 1949 and 1954, which at the time, by the way, were hardly noticed.

HON. J. W. FULBRIGHT

U. S. Senator from Arkansas

The most important problems which the country, and the Congress, will face in 1958 will be those related to our competition with the Soviet Union. Domestic issues should be considered and decided primarily in the light of their relationship to this major issue, for this is the one which controls our future.

Among the many issues of great importance, there are three of a pressing and critical nature:

- (1) The achievement of military capability, at least, equal to that of Russia;
- (2) The improvement of our diplomatic and economic relationships with the rest of the world;
- (3) A major improvement in the quality of our educational system.

We must have military strength sufficient to deter an aggressor from global or limited attacks. We must be willing to make whatever sacrifices are needed to get adequate military security.

Our country can do much to encourage the nations of the free world to develop their resources and their economies, so that the fullest benefits of civilization may be available to them. In order to achieve this they must act together in a spirit of mutual helpfulness, with an understanding leadership on our part.

The peoples of the underdeveloped nations need to grow and improve their living conditions. The United States, through the Marshall Plan, the United Nations, the World Bank, and the Export-Import Bank, has done much to encourage and assist these nations in this effort. But it is even more important to develop healthy and profitable trade with these countries, so that they can continue their development out of their own resources. In particular, we must be careful not to cancel, by restricting trade, all the benefits we are providing by development loans.

Many parts of the United States, and many segments of our economy, also are in need of development. Rural areas, small businesses in all areas, and low income families have long been handicapped in the struggle for existence, and are a source of weakness in our economy. The Sputnik has made it clear, as many have long been warning us, that our educational system is in need of great improvement. This objective is the most difficult because it involves the changing of the attitude toward education generally and intellectual excellence especially. But it is the key to our survival.

It is too early to tell what specific proposals will be made, and what laws will be adopted to remedy these situations. I believe the public and the Congress are prepared to meet a challenge as great as any in history, if our leadership will be bold and determined and diligent.

As to the recent downturn in the economy, I do not believe we are headed for a serious depression. There are too many things we need too badly to countenance men and machines standing idle—schools, roads, housing, hospitals, and so on in this country, and requirements of the military and the rest of the free world which we must help fill if we are to survive. Despite the current recession, and the prospect for more, I think our long term problem is still one of avoiding or minimizing inflation.



Sen. J. W. Fulbright

Continued on page 56

Significant Aspects of Law Concerning Mergers

that vigorous competition exists in the United States in industries in which concentration is very high, such as automobiles, refrigerators, soap, cigarettes and televisions.

Professor Slichter is stating what he, as an economist, thinks the economic policy of a nation should be. I do not suggest that the antitrust laws as they now exist permit determination of the legality of a merger on the premise that bigness and a high level of concentration are desirable ends in themselves. On the contrary, the 1950 amendment of Section 7 of the Clayton Act had as one of its objectives the slowing down of a supposed trend toward increased industrial concentration.

The question, it appears to me—keeping in mind the always important consideration that bigness is usually followed by more regulation—is how that objective squares with the present facts of life for American business, which is now charged with heavy responsibility for maintaining national defense, for furthering the national cause on the world-wide economic battlefronts of the cold war, for meeting social and political demands for full employment, individual security and an expanding national product, and for pioneering the industrial technique of chemicals, atomic energy and electronics.

In any analysis of the legal fabric of business regulation, ever-occurring technological, political and social changes compel consideration of such fundamental questions as the degree of private as well as Government responsibility for insuring full employment, the scope of industry's social responsibility for adapting production capacity to factors other than those of the market place, whether competition involving a large number of producing units is to be preferred even at the cost of economic inefficiency, and the extent to which the consumer is to enjoy economies of large-scale production or the elimination of middle-man costs.

May I close with a statement with respect to some of the problems which industry and their lawyers face in this field. In evaluating the significance of merger problems, not only the particular corporation and its business, but frequently the en-

tire industry, must be examined. The basic outline of the industry structure, its technology, the identity of the competitive units, their relative and absolute size, how and where the product is marketed, raw material supplies, ease of entry by new competitors, the significance of diminishing by one the number of companies in the industry, the advantages such as national advertising, decreased costs of production or increased capacity for essential research which accrue to increased size—all these and many other factors are important to an intelligent understanding of the problem. Often the lawyer must ascertain by persistent questions and analysis, and then present to a court or administrative body, what it has taken his client a lifetime to learn. Sometimes the lawyer must point out that the things which his client "knows" just ain't so or that the proposed economic advantages to his client may be most dangerous from an antitrust point of view.

Basically, however, the facts the lawyer gets from his client and pertinent economic and legal analyses furnish, in large measure, the basis for the justification or defense of the acquisition or merger. The facts, however, must be carefully and objectively tested. Good intentions and good faith are not enough. As Mr. Justice Brennan said in the *duPont* case:

"Similarly, the fact that all concerned in high executive posts in both companies acted honorably and fairly, each in the honest conviction that his actions were in the best interests of his own company and without any design to over-reach anyone, including *duPont's* competitors, does not defeat the Government's right to relief. It is not requisite to the proof of a violation of Section 7 to show that restraint or monopoly was intended."

Obviously the lawyer will be better able to contribute to sound decision if his client in turn has thought hard and realistically and given him the advantages of his thinking without undue emotion about the types of questions to which I have been referring.

The realization that proposed mergers must be assessed against such a background may result in their being more carefully evaluated by those responsible for them in the first instance.

What We Cannot Ignore in Public Versus Private Power

the benefits of the power paid for by the other taxpayers. The people of many States are actually being obliged to pay money into the Federal Treasury that will be used to take their business and prosperity away from them. Such an anomalous situation results when the Federal Government competes in business with its own taxpayers.

Our Water Resources

In the competitive and politically-charged atmosphere of bureaucratic operation, there is a grave threat to arrival at sound solutions to the many urgent problems respecting water resources that beset our Nation, in which the right decision rather than the most politically expedient decision must be made. Two things are thus needed: (1) a sound and continuing, non-political national policy respecting water and power, and the Federal Government's role therein, and (2) adequate machinery to aid the President to make effective this determined policy.

There is no reason why the Federal Government should be the sole developer of our water resources. Historically, it did not attempt such a role until within the last quarter-century. The Hoover Commission recommends for this and other developments of water resources and power:

"That the Federal Government should assume responsibility when participation or initiation is necessary and . . . beyond the means or the needs of local or private enterprise. Under other circumstances the responsibility for development should be discharged by State or local governments, or by local organizations, or by private enterprise."

On this point the President has said:¹

"It is not properly a Federal responsibility to try to supply all the power needs of our people. The Federal Government should no more attempt to do so than it should assume responsibility for supplying all their drinking water, their food, their housing and their transportation."

The President has also said:²

"May I remark that a region which lets itself become completely dependent upon national funds provided by a Congress—which Congress represents not that region alone but the whole Nation—frequently finds that the funds fail to keep pace with local needs. But the important thing is that as Federal power expands in a region, local enterprise becomes increasingly intimidated and discouraged, even though the needs for energy continue to grow. Thus still more Federal intervention becomes necessary, such as conversion of local regions into Federal satellites poses a threat deadly to our liberties.

"These believers in centralization fail to warn us that monopoly is exercised by Government. Curiously enough, they proclaim their fear of a private power monopoly in a country, city or State, but urge upon us all a gigantic, overwhelming, Nation-wide power monopoly. But, of course, they also see themselves as the all-wise directors of that monopoly—so all would be well."

Referring to the extensive program of the TVA to build large steam-electric power plants, and the consequent embarkation into the utility field, The Hoover Commission recommended:

"That the Government or its

1 McNary	Dam	Dedication	speech
9/13/54.			
2 McNary	Dam	Dedication	speech
9/13/54.			

agencies cease the building of steam plants and provide for the equation of their power needs by inter-connection with the grids of neighboring power systems."

Respecting the further building of steam plants by the TVA, the President said:³

"I believe that the project for building new plants at Federal expense—implying a purpose of continuing this process indefinitely in the future—is therefore wholly indefensible unless it should become part of a vast national plan. If this is to be national policy, it is most certainly a project that demands earnest and prayerful study. In the meantime, the citizens of that region will not be deprived of the additional power they need for the next several years . . ."

There is at present a Bill before the House of Representatives which is disturbing in its consequences if it should ever become law. The Bill provides for the TVA to raise its own capital through the sale of bonds; to extend its geographical territory without limit; and to operate its financial affairs without any budgetary approval by the Congress. If such a Bill were enacted, the Federal Government would be on an uncontrolled expansion program in the power field.

What is there in this power situation that should receive the active attention of business men generally? Power is the energizing force of all industry. Control of this force by government operation affords a powerful entry by government into the remainder of the industrial activity of the

³ Letter from President Eisenhower to Sterling Cole on Dixon-Yates Contract—New York Times 11/11/54.

country. Any act, therefore, on the part of business which condones expansion in the power field can well be an act which, in the end, will be inimicable to the business world, itself. You cannot have just a little bit of socialism. You either have it or you don't. We must realize that this trend is on the march and that our action with respect to it will be the determining factor in the form our government will assume in the years to come.

General American Appoints New V. Ps.

Arthur G. Altschul and Malcolm B. Smith have been appointed Vice-Presidents of General American Investors Company, Inc., 44 Wall Street, New York City, it has been announced. Mr. Altschul continues as Secretary and Mr. Smith continues as Treasurer.

Mr. Altschul, was associated with Lehman Brothers in their Industrial and Investment Advisory Departments from 1950 to 1955. He has been a director of General American since 1952, and Secretary since January 1957.

Mr. Smith became a member of the research staff of the Company in 1948. He was appointed Treasurer in January 1957.

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Continued from page 54

C. KENNETH FULLER

Chairman of the Board, County Bank & Trust Co., Paterson, New Jersey

The outlook for banking in Southern Passaic County will reflect directly the economic trends of industry and commerce in the area and, therefore, a breakdown of the outlook and trends of the major employers for the next six to twelve months is in order.

Actually the outlook varies greatly as between industries and somewhat as between areas, with some industries enjoying full production and employment with a backlog of orders sufficient to sustain volume for six months to one year. These represent less than 10% of total employment, however, and included are instrument specialty companies, certain machine manufacturers and most of our chemical plants.

Another group as typified by the textile industry has been in the doldrums so long that they are inclined to feel a bit more optimistic as to prices and perhaps as to volume (or at least they feel that output is not expected to decline any further). This group comprises possibly 5% of total employment. The closely allied apparel and needle trades representing another 5% have done somewhat better with an outlook for reasonable stability.

The third group has experienced a good volume of operations during 1957, but with a declining backlog and some reduction in orders for the past two months, its components anticipate a definite decline in operations and employment for the next few months. This group comprises most all of the durable goods manufacturers plus rubber goods and contract construction and provides 30% of employment. Within this group are units in the defense industry whose position varies greatly from manufacturers of technical specialties for missiles and allied components to propeller engines with the former operating at a high level of production with full employment and a good backlog whereas the latter has experienced sharply reduced volume with a possible continuance of the trend for the next several months. Such trend might be turned about quickly, however, depending upon military orders.

The fourth group is made up of relatively stable units and fortunately accounts for some 45% of total employment thereby providing a greater than average degree of economic stability and employment to the area. This group is made up of public utilities, finance, insurance and real estate, government employees, retail trade, service and other miscellaneous employers.

Balancing out the favorable and unfavorable factors, it is evident that the overall economy of the area, as with the nation as a whole, will continue a downward trend for the next several months, at the end of which time we will have a chance to see whether the so-called "built-in stabilizers" will really stabilize or whether we may be going on for more serious readjustment.

It is my feeling that the stabilizers, including monetary policies, will ease the adjustment and that the recession will be mild. Consumers have high spending power and an evident willingness to spend on one class of goods or another, but perhaps with somewhat more caution than formerly. Although the economy has lost some of its dynamism, nevertheless, with the above conditions and with 45% of total employment in the so-called stable categories, we have no reason to be unduly pessimistic.

As a result, the Commercial Banks should experience an active year with deposits holding well, but without much growth; with a fair to good loan and mortgage demand; easier interest rates; and possible bond profits as against the substantial losses of the past two years.

W. RANKIN FUREY

President, Berkshire Life Insurance Co.

During 1958 the life insurance salesman's principal competition, I suspect, will continue to be the sleek lines, compelling colors and can't-live-without-itness of modern hard goods. This salesman will continue to wage a hard, clean battle for what he calls his "share of the consumer dollar." In spite of the intensity of the battle and the appeal of the competition, however, he'll probably have another good year.

There is every indication that 1958 will produce another sizable gain in the life insurance in force. Much of this gain, doubtless, will be in the form of "Family" policies and the numerous "Specials" now on the market. I strongly suspect, however, that the astute life insurance salesman in 1958 will close a larger proportion of his sales on a savings approach. It appears that the public information campaign waged by the life insurance industry, and others, is taking hold. Americans are beginning to realize that they cannot spend their way out of inflation and that, in spite of company-provided security plans of record generosity, they cannot spend forever 110% of what they make.

This adds up to an increasing market for a savings plan with compulsion, pure insurance and guaranteed accumulation features. These, of course, are the characteristics of permanent life insurance and well-trained,

well-informed salesmen of this product, and the companies they represent should prosper during 1958.

WILLIS GALE

Chairman, Commonwealth Edison Company

I believe the 1958 outlook for Commonwealth Edison Company is good.

This prediction is based on the fact that the overall use of electricity in the Chicago area continues to show steady growth despite some slackening in the rate of growth of industrial power use.

Although 1957 figures are not yet available, it appears that our kilowatt-hour sales to ultimate consumers for the year will be nearly 19 billion, up at least 6% from 1956. We see no reason to expect any radical change in this upward trend during the year ahead. We base this view on the assumption that there will be no further significant slackening in industrial use.

There are two reasons for our fundamentally optimistic point of view for the electric industry: (1) population growth, which means more customers and (2) new and enlarged uses of electricity, which mean more use by both existing and new customers.

Despite some decline in new home building during 1957, we added about 40,000 new customers for the year. The bulk of these were residential.

Further, more and more people seem to be heading our industry slogan which is, "Live Better Electrically." They are doing this with electric ranges, automatic clothes washers and dryers, food freezers, television, air conditioning and a host of other appliances.

Stores and offices continue to improve their lighting, install air conditioning and increase automation. Industries and farms become more and more mechanized each year.

We believe that this adds up to further increases in our sales and revenues during 1958.

However, one word of caution. Our expenses probably will continue to show increases also. In other words, Commonwealth Edison, like most other companies, has been caught in the price-profit squeeze.

Despite our best efforts to offset rising costs by improving our efficiency, we found it necessary to apply to the Illinois Commerce Commission last July for higher rates.

Hearings on this rate request have been going forward since Oct. 15. We hope that our request will be granted before 1958 is too many months old.

If it is, we should be able, in 1958, to increase not only our revenues, but also and more important, our net earnings.

This is a "must" if we are to continue to be successful in expanding our facilities to meet the growing power requirements of the Chicago and northern Illinois area.

We already have spent nearly one and one-quarter billion dollars on new construction since the end of World War II, far more than any other local industry. We expect to spend another 600 million dollars in the next four years—a postwar total of over \$1.3 billion.

EARL A. GARBER

President, Harbison-Walker Refractories Company

The refractories industry has just completed one of the best years in its history, and while the "adjustment" which has been taking place in America's business economy since last fall is quite likely to project into next year, we in the industry are looking forward to a satisfactory year in 1958. Industrial activity has been unusually high during the last two years, creating record-breaking demands for refractories, and even the anticipated reduction in this activity should leave the refractories industry with a good sales record for 1958.

Customers' inventories are not excessive today, and the upswing in demands for refractories will, undoubtedly, precede the upswing in steel production, to permit repair of furnaces.

Refractories are vital to the operation of many industries. Almost anything one uses from the time he gets up in the morning until he goes to bed at night is dependent upon refractories at some stage in its manufacture. Conversely, as customers, these industries are important to those in our field, and it is largely upon their anticipated refractories demands that we base our industry forecasts.

Principal industries served by us are: iron and steel; non-ferrous metals; cement, glass and ceramics; chemicals; and power and fuels.

During the year ahead, the steel industry expects to produce better than 100 million tons, which, while less than the 113 million tons produced in 1957, will still give it a good year. The automobile industry, another yardstick helpful in predicting business activity, may well end up with what could be considered a satisfactory year in 1958, but below 1957.

The same might be said for the industry in general—namely, a good year for 1958 may be reasonably expected but it possibly will not be one to break the record sales of 1956 and 1957.

The Federal Reserve Board's recent lowering of rediscount rates will have the tendency to make the availability of capital and loan funds easier. This creates an

atmosphere more favorable to business activity. Recently, there is an indication of an increase in residential building.

Increased government spending for defense, and the national road building program with its consumption of great quantities of steel and cement are other stimulants which should become effective during 1958. However, industrial plant expansion are expected to fall off during 1958, for tremendous capital expansions made during the past several years appear adequate to serve the present market. To some degree, this reduction in plant expansions will be offset by public expenditures for new facilities.

While industry is reducing capital expenditures in 1958, expenditures for research and development will be one-third higher in the primary metals industry. These research and development programs will probably lead to substantial expenditures on new plants and equipment in 1959 and later.

Due to the general reduction in business activity and the cutback in capital expansions, unemployment will, no doubt, be higher in 1958 than in 1957. Many of these remaining at their jobs, however, will receive wage increases as the result of existing negotiated labor contracts, which should somewhat compensate for the shorter work schedules.

In short, I believe general business activity in the United States will continue at its present level for the next 6-9 months, and then climb to a point sufficiently high to permit us to look back on it as a good or, perhaps we should say, a "normal" year.

FREDERICK V. GEIER

President, Cincinnati Milling Machine Co.

As the worldwide business boom waned during 1957, new international, economic, and political uncertainties arose to becloud the business outlook. For some months, there has been a lull in new orders for machine tools and most published economic reviews see no early prospect of a pick-up from the current low levels, scarcely 50% of normal capacity.

At Cincinnati Milling Machine, we do not expect early recovery of expansion demand, but orders from four other sources should improve soon.

It is true that a number of major machine-tool-using industries have more total capacity than present sales require. However, there are few plants which do not contain machines due or overdue for replacement when measured on a productivity basis. In fact, over 60% of all the machine tools in use in America today can be classed as below present-day standards in productivity and quality of work produced.

Many alert manufacturers are studying their operations looking for better methods and lower costs. They have funds available to make replacement purchases and such business will be increasingly important this year.

Technical advances and the pace of competition are bringing product changes in various industries. These in turn create a need for new machine tools to produce the new design products.

In machine tools, too, new advances are being made. For example, within the year we unveiled nine developments offering users something new and advantageous. Such machines, together with other new and improved models, will generate new business in 1958.

The opportunity for production cost savings will bring additional installations of transfer-type lines and "automation" equipment.

Finally, the fundamental changes taking place in our National Defense will create new production and machine tool requirements, some of which cannot be filled from government surplus.

The overall machine tool backlog is down to what appears a modest working level, but this varies greatly between individual firms. Similarly, new orders may be very selective. They will depend on what machines best meet the pattern of 1958 needs.

LORING L. GELBACH

Chairman and President, Central National Bank of Cleveland

1957 has been a year of transition—a transition from a boom economy to a period of readjustment. The inflationary forces of the past few years no longer threaten the economic stability of the nation so that the restrictive credit policy of the Federal Reserve System is now undergoing a change to credit ease.

The sharp decline in industrial production in recent months indicates a willingness on the part of management to correct quickly the imbalances that have crept into the economy throughout the inflationary period. There are indications that in certain industries the worst of the decline is over and that once the imbalances are corrected, a continuation of the long-term growth trend will reassert itself.

With plant and equipment expenditures declining at a faster rate than governmental expenditures increase and with inventory liquidation proceeding at an accel-

Continued on page 58



C. Kenneth Fuller



Willis Gale



Frederick V. Geier



Earl A. Garber



W. Rankin Furey



Loring L. Gelbach

Continued from page 39

Pursuit of Two Objectives in Supervising Securities Market

considered would be the length of time elapsing between the acquisition and resale of the securities. The longer the period of retention, the stronger might be the inference that the securities had been purchased for investment. The concept of taking for investment does not, of course, preclude for all time the right of the purchaser to resell without becoming an underwriter. However, it does impose a heavy burden on the purchaser to establish that when the securities were acquired, he, in fact, did not have a premeditated plan to make a distribution.

A recent administrative decision of the Commission illustrates the type of case where the existence of a premeditated plan to make a distribution negated the representation of taking for investment. A limited number of large purchasers acquired subordinated debentures and common stock in a company organized to engage in a speculative venture. The securities had been purchased with the intent to hold them until the business would become established. Since the purchasers had the preconceived intention, at the time of acquisition, to liquidate their holdings when this point in the development of the company would be reached, the Commission determined that registration would be required prior to any public offering.

Another significant ruling by the Commission interpreting the phrase "with a view to distribution" involved a sale by a controlling person of a large block of common stock in an unseasoned, highly speculative oil venture to a single purchaser in a private transaction. Some months later, the financial condition of the purchaser became critical and it desired to make a public offering of its holdings. Although the purchaser represented that the company was unwilling to register the securities to be sold, the Commission denied a request for assurance that it would not take action if the securities were sold without registration. The Commission was not persuaded that the purchaser had not acquired the securities with a view to their distribution. The speculative character of the securities, the nature of the purchaser's business and its precarious financial condition at the time of acquisition were relevant objective facts that negated investment intent.

The Commission recently pointed out the dangers of making or relying on vague representations of

investment intent by persons who do not have a clear understanding of the meaning of that term under the Securities Act. An exemption for an alleged private offering originally made to a restricted group of persons may be destroyed and the original purchasers may be transformed into statutory underwriters where the participations are subdivided or resold to others. In the Crowell-Collier Publishing Company³ financing of convertible debentures in 1955-56, the issuer had secured commitments from 27 persons who executed investment letters stating they had no present intention of distributing the securities. However, prior to the closing date, approximately one-third of these purchasers subdivided and resold their allotments, resulting in at least 79 purchasers. The Commission concluded that the issuer could not rely on the exemption from registration provided for transactions not involving a public offering in the sale of the debentures.

Convertible Securities

From time to time, the issuance of convertible securities becomes a popular medium, with both sellers and buyers, for capital formation and investment. During the fiscal year 1957, \$1,273 million of convertible securities were registered with the Commission, compared with \$1,361 million in 1956, and \$369 million in 1952.

The issuance and sale of convertible securities involves a simultaneous offering of two securities: the convertible security itself and the security into which it is convertible. Where the issuer makes a public offering of the convertible security and the conversion privilege is immediately exercisable, registration of both securities is required.

Upon completion of a public distribution of registered convertible securities, the Commission does not consider that the delivery of an up-to-date prospectus in connection with the issuance of the underlying securities upon exercise of the conversion privilege is required by the statute. The rationale of this position is that where the distribution of the convertible securities has been completed through the public offering, the transaction of conversion is exempt as an exchange made "by the issuer with its existing security holders exclusively where no commission or other remuneration

³ Securities Act Release No. 3825, dated Aug. 12, 1957.

is paid or given directly or indirectly for soliciting such exchange.⁴ In this situation the exempt transaction is considered not to be a device to achieve a distribution since that has already occurred.

Difficult problems concerning the statutory requirements for registration are frequently raised, however, where issuers sell convertible securities in transactions which purport not to involve any public offering.⁵ In a number of instances coming to the attention of the Commission, purchasers in these transactions have exchanged the convertible securities within a relatively short period after the original take-down and have made a distribution of the underlying securities to the public when no registration has been effected. Even though the initial sale of the convertible securities might have been so limited as to qualify for the exemption afforded for transactions not involving any public offering as to the convertible securities, an appropriate exemption must be found for the subsequent resales in order to avoid violations of the registration requirements.

One exemption which has been relied upon for the conversion and the subsequent sales of the underlying securities is the exchange exemption. It would seem, however, that the exemption provided for exchanges of securities by an issuer exclusively with its existing security holders where no commission or other remuneration is paid or given, directly or indirectly, for soliciting such exchange is available only for the transaction of conversion. This exemption does not afford a permanent exemption for the securities received upon conversion. It does not clothe such securities with an exempt status in subsequent transactions. It applies only to the transaction of exchange. The rationale of this conclusion is that securities which are issued in exchange for convertible securities do not possess any intrinsic qualities that should cause the extension of the exemption afforded by the transaction of exchange to subsequent resales.

Another theory is relied upon to relieve subsequent sales of the underlying securities from the registration requirements. It has been urged that since the convertible securities were acquired in a private offering transaction, this exemption continues to be available for the securities issuable upon conversion. Reliance on this exemption, however, overlooks the fact that a person who converts a security is, in fact, purchasing a new security from the issuer. If the purchaser's intent, at the time of conversion, is to resell the underlying securities to the public, he appears to fall within the statutory definition of underwriter, for the reason that he has purchased the securities from the issuer with a view to distribution.

Not all the perplexing implications of these types of transactions have been satisfactorily resolved. The view that the existence of an exemption for subsequent resales of the underlying securities depends upon the circumstances surrounding the original acquisition of the convertible securities is consistent with the concept that an ordinary investor who acquires securities in an exempt private transaction does not become an underwriter merely because at some future time he disposes of his investment. On the other hand, if the status of exemption is not related to the purchaser's intent at the time of conversion, the private placement of convertible securities might become a medium for publicly distributing, without the protections afforded by registration, the securities into which they are convertible.

⁴ Section 3(a) (9), Securities Act of 1933.

⁵ Section 4(I), Securities Act of 1933.

Rule 133

During the course of the Commission's administration of the securities statutes a vast volume of unregistered securities have been issued in connection with corporate reorganizations. Under Rule 133 securities issued in mergers, consolidations, recapitalizations and transfers of assets effected pursuant to state statutes providing that a favorable vote by a majority of stockholders will bind all stockholders (with appraisal rights for dissenters) are not subject to the registration provisions. On the other hand, voluntary exchanges made by a person or corporation to the public security holders of another company are subject to registration. Voluntary exchanges, however, have constituted only a small fraction of the total offerings registered under the Securities Act, and are insignificant in relation to the total amount of securities involved in corporate acquisitions and mergers.

From the present time back to the enactment of the Securities Act contrariety of opinion among practitioners, regulators and other students of the securities laws has existed as to the soundness of the legal theory relieving securities issued in these types of statutory reorganizations from the registration requirements.

Rule 133 qualifies the definition of "sale" contained in the Securities Act by stating that, for purposes of registration, the issuance of securities in these statutory reorganizations does not involve a sale. The legal theory supporting this "no sale" interpretation is that the securities transactions in such a reorganization occur through corporate action by stockholders exercising their franchise to vote as members of a corporate body. The voting rights of stockholders to accept or reject, as a class, a proposed reorganization plan are created, and the procedures to consummate the trans-

actions are governed, exclusively by the laws of the interested states. The exercise of voting rights by stockholders, acting as a class, does not have the same legal effect as making a choice as an individual to accept or reject a security offered in exchange for another security. The prime elements of a contract, namely, mutual assent between the corporation and the individual stockholder, are lacking.

The repeal of Rule 133 has been urged on the ground that the Act broadly defines the term "sale" to include every disposition of a security for value, and that many of these reorganization transactions involve the disposition of a new security for value to at least some of the stockholders of the constituent companies.

This approach, however, oversimplifies the problem. It would appear to be rudimentary that the interpretation of the word "sale," as used in the context of "disposition for value," should follow its historical legal meaning, absent an express Congressional mandate to the contrary. A solicitation of stockholders to vote on a proposed reorganization plan does not have the connotation of an "offer to sell." Furthermore, an equally artificial construction of the term "sale" would be involved by deeming that a sale of securities has occurred when the approval of stockholders to a merger, consolidation, reclassification or transfer of assets is obtained.

The no-sale theory, respecting the inapplicability of the registration provisions to these types of corporate reorganizations, has received 23 years of administrative acceptance by the Commission as well as some judicial sanction.⁶ While the doctrine has been de-

Continued on page 59

⁶ National Supply Co. v. Leland Stanford Jr. University, 134 F. 2d 689, (C.A. 9, 1943), cert. denied, 320 U. S. 773.

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Continued from page 56

erated rate, the brunt of the readjustment may fall in the first quarter of the year. Some improvement in a few basic industries may occur in the second quarter if serious labor disputes can be avoided. Improvement in business throughout the latter half year is anticipated.

Loss of confidence in the basic soundness of the economy is not justified. The soundness of our financial institutions precludes any spiraling contraction of credit in the period ahead. The decline in plant and equipment expenditures to a level more in keeping with the long-term growth of the economy is welcomed. It removes a powerful force making for inflation by once again bringing capital expenditures into line with the growth in savings.

1958 will be a year of great import to our nation, both internationally and domestically. A new international policy will develop out of the recent NATO meeting. An increase in expenditures abroad and a step-up in imports are to be anticipated. Domestically, the Federal Government will become a more dominant influence over the economy with expenditures for national defense increasing yearly. It will make for an expanding and competitive economy with increases in corporate taxes a likely possibility.

The consumer will continue to spend at a high rate in keeping with a rise in personal incomes. Throughout the early months of the year, factory payrolls will be down so that a modest decline in consumer expenditures for durable goods is to be anticipated. Increases in defense expenditures, home construction and state and local government expenditures will maintain consumer incomes at a high level and make for a further growth in soft goods sales and services. As the year progresses, a rise in consumer expenditures is to be anticipated.

There are many indications that 1958 will mark the return to a balanced economy, free of inflationary excesses and restraints. With the banks in a strong financial condition, a gradual increase in the money supply will provide the funds needed to finance the growth in output. It may not be the best business year in the history of our nation, but the level of business in 1958 will not be down appreciably.

R. A. GIBSON

President, The Hartford Electric Light Co.

The outlook for 1958 while not as optimistic as a year ago still presents a picture of steady growth with an overall increase in sales estimated by our forecasters to be about 6% compared with a 7% increase for 1957 over 1956. In the residential and commercial field, we have begun promoting the sale of heat pumps as several preliminary installations have proved that the heating and cooling features are competitive with other dual purpose units in our climate. Electric air conditioning, both residential and commercial, has been primarily responsible for the rapid growth of the summer hourly peak load which is approaching the winter hourly peak load. The use of food freezers and campaigns for better lighting have also helped maintain the average use per residential customer at a point above the national average.



R. A. Gibson

As of Jan. 1, 1958, the Connecticut Power Company was merged into The Hartford Electric Light Company, increasing our assets, sales and capitalization by approximately three-fourths. This merger is expected to result in improvement in business stability through better diversification of sales in the combined territories, the availability of larger potential for growth in the combined territories and a more efficient and better utilization of the transmission and distribution facilities of both companies thereby improving services to customers and decreasing both combined operating expenses and the combined future investment in such facilities.

Other steps have been taken towards the better control of expenses. Nineteen fifty-seven marked the introduction of a state-wide power pooling agreement among all of the larger utilities in the State. This is expected to result in substantial savings in production cost for the participating companies over a period of years.

It is expected that the merged company will spend about \$18,000,000 in 1958 for new construction to meet additional demands for power, the major item being a 100,000 KW. generating unit in the company's Middletown Station, expected to go into commercial operation in the early fall of 1958.

Our participation with other New England electric utilities in ownership of the Yankee Atomic Electric Company, which is building a commercial atomic power generating plant for joint use by the participating companies, is characteristic of the long range planning traditional with this company and of our interest in contributing towards technological research for the benefit of the industry.

The recession forces now working in our economy, the unknown effects of world events and the continuing efforts of those who favor government power operations, while problems which must be met and solved, will not, in our opinion, affect the long-term growth in the economy of the country and of our industry.

BRUCE A. GIMBEL

President, Gimbel Brothers, Inc.

The feeling of uncertainty which has permeated the business atmosphere during the last half of 1957 is resulting in a cautious attitude with respect to 1958. Just as the nation benefited in the 1954 recession from the built-in stabilizers of unemployment insurance and social security benefits, the cushioning effect of these stabilizers will be evident if the trend towards a business downturn continues into 1958. The uncertainty with respect to business provided the justification for an easier credit policy as evidenced by the action of the Federal Reserve banks in reducing the discount rates. While this action in itself has not eased the credit strain, it is evidence of further easing measures that will be taken to maintain the economy of the country on an even keel.



Bruce A. Gimbel

The problem of missiles and rocket development will probably bring about an increase in defense expenditures, so that instead of contributing to a contraction of business in 1958, defense may very well contribute towards an expanding economy.

Any further decline should come to a halt by the end of the first half of 1958 from which point momentum should begin to gather for a further upward swing in the nation's economy. With respect to the department store industry generally, many downtown stores will probably have difficulty making last Springs sales figures but these small declines will probably be more than balanced by expanding volume in the suburban branches. The latter half of 1958 may well provide opportunities for increased volume in both suburban and downtown units.

PAUL W. GOODRICH

President, Chicago Title & Trust Co., Chicago, Ill.

The metropolitan Chicago area continues to maintain its position as one of the outstanding commercial and industrial regions in the country. This territory is now engaged in a huge program of modernizing and extending its major land and water transportation arteries. These improvements, together with its established position, give reason for continued optimism concerning the future growth and development of this area.

This general economic growth, strengthened by increasing population, should be favorable to the real estate industry in which Chicago Title and Trust Company has a primary interest and which our title insurance business serves. There is evidence the decline in new home construction has about run its course and a moderate upturn is likely. Over the long period, there are factors at work to stimulate demand for homes: greater population, higher incomes, and greater movement of family groups. Unless seriously affected by shortage of mortgage money or other unforeseeable developments, the increase in home construction should continue for some years.

The factors stimulating demand for housing are especially evident in the Chicago area. The market for new housing should be stronger in this area than in many other parts of the country.



Paul W. Goodrich

J. PETER GRACE

President, W. R. Grace & Co.

During its 104 years of existence W. R. Grace & Co. has operated through good times and bad, through war and peace, in the varied economies of many nations. The slackening of the pace of business in the United States in 1957, therefore, poses a challenge which is not new to our management.



J. Peter Grace

In our company's history we have had to learn to plan for the future, as any company must in order to survive. Of course, implementation of long-range plans must be adapted to financial and economic conditions, as they appear at the time that individual investment decisions are made. However, based on conditions as we see them now, it is our intention to continue in 1958 to drive ahead in our planned expansion program, making such adjustments as may become necessary to meet circumstances.

Our strategic objectives are to grow principally in three areas: the chemical industry in the United States and Latin America; the paper industry in Latin America; and the shipping industry linking the Americas.

We contemplate an increase in our investments in the domestic chemical industry by about 40% by 1961. Our first major chemical investments were made only early in the 1950's, but since then we have invested \$170 million in the field, and we are now one of the largest U. S. chemical companies.

The growth of W. R. Grace & Co. has been intimately related to the growth of Latin America since our founding in 1854. We are of the opinion that in the decades to come, much closer financial and economic relations

will develop between us and our Latin American neighbors. This should support and accelerate the extraordinary growth which those nations have experienced since World War II, and we are convinced that this growth will provide a firm basis for our expansion in the chemical and paper industries in Latin America.

We intend to continue with the program of replacing the Grace Line fleet with ships of the most modern design. Under today's competitive conditions there is increasing need for greater efficiency in handling cargo and for speedier ships, and we are building the ships to meet that need.

We are fully aware of current leveling tendencies in the world economy, and 1958 looks to us like a year of readjustment and consolidation. We are, however, confident of the continued growth of the world economy over the long-term. In the American Continents, especially, the populations are continuing to grow at tremendous rates, while at the same time more and more people are demanding the increased benefits of industrialization.

I see no economic justification why we in the Western World cannot continue our high rate of consumption. Furthermore, it has become evident that a greater effort is going to be required of all of us to assure our military security. In the face of these defense requirements and the long-term growth factors of our economy, I do not foresee that the tempo of our economy can or will slacken for any sustained period of time.

R. L. GRAY

President, Armco Steel Corporation

Business in 1958 will be taking a "breathing spell." Some of the force has gone out of the wave of expansion we have recently been experiencing. After forging ahead so rapidly for three years, business will pause to catch its breath next year, but will soon find it necessary to again push ahead with new vigor to prepare for the expected upsurge of the 1960's.

American business has had these breathing spells before . . . one in 1949, and the most recent one in 1954—now almost forgotten. While these reactions were going on, they seemed quite serious, but viewed from the distance of a few years they appear much less disturbing. For example, per capita production of steel in 1954 dropped to 1,088 pounds, but jumped back to 1,416 pounds in the very next year . . . illustrating forcibly the tremendous power of our economy to snap back.

With the exception of the war-to-peace adjustment year of 1946, production of steel in this country has been above 1,000 pounds per person since 1940 . . . and it will continue to grow. Even if per capita production dropped to the 1954 level next year, we would still need 94 million tons of steel in 1958 because our population has grown.

We believe that the actual consumption of steel in 1958 is due for a decline from the 1957 level. In addition, manufacturers will use more steel for their inventories, so steel production seems bound to be under the 1957 figure . . . perhaps as much as 10%.

Because our economy remains basically strong, with unfilled demands still existing in many areas, we do not believe that per capita production will drop to the 1954 level. However, as mentioned previously, even if such a decline does come about, there would still be substantial tonnage produced.

We should keep in mind, as we look toward next year, that there are several bright spots in the current business picture. Home building is showing mild signs of an upturn and we believe it will continue to increase slowly through 1958. Home building not only requires many materials for actual construction, but also stimulates the demand for appliances and all types of household goods. The need for new highways, schools, and public works of all kinds has still not caught up with our population growth, and many big new programs will be gathering headway next year.

There are two additional important factors that will add support to the economy. First, it is very likely that spending for defense will increase next year. Second, we now have concrete evidence that banking authorities intend to make credit easier.

We believe that the effect of the 1958 let-up will be felt less by Armco than by most of the steel industry. One reason is that Armco's wide variety of products is distributed to a broad range of markets located in areas around our plants. A second reason is that inventories of sheet and strip steel are at relatively lower levels than inventories of other steel products. While total steel production will decline in 1958, the output of sheet and strip may show a modest increase, and an important portion of Armco's output is in these flat rolled products.

In the past few years American business has spent record amounts of money to increase and improve manufacturing capacity. Now we must put greater emphasis on our sales efforts in order to increase consumption. As we do this, over the next few years present capacity will become inadequate and a new wave of business expansion will start.

We believe that Americans will not lose faith in the basic strength of our economy. Therefore, we see no reason why this "breathing spell" should be anything more than a mild adjustment. Looking a little further ahead, we believe that 1959 could be a real "bounce back" year.



R. L. Gray

Continued on page 60

Continued from page 57

Pursuit of Two Objectives in Supervising Securities Market

scribed as "unforgiveably formalistic," the legalistic justification for holding that an offer to sell or a sale of securities is involved where a proxy is solicited or voted is subject to the same criticism. The conclusion that the present structure of the Securities Act was not designed to encompass the registration of securities issued in inter- and intra-corporate transactions of this kind is not unreasonable.

During the past year the courts and the Commission have clarified the legitimate limitations of the no-sale rule. These decisions have re-emphasized the interpretation that the rule does not have the effect of "freeing up" from the registration requirements the securities issued in merger transactions, which are merely a maneuver to effect a public distribution of securities. The articulation of this sound proposition should effectively preclude further attempts to use the rule as a loophole to avoid registration.

In *Sec. v. Moisture Controls, Inc.*,⁷ decided early last year by the United States District Court for the Southern District of New York, defendant issued more than 2,000,000 shares of its stock in exchange for the assets of another corporation. The shares were distributed as a liquidating dividend to the shareholders of the merging corporation, who signed powers of attorney appointing the largest stockholder of Micro-Moisture as their attorney-in-fact to sell the shares. The shares were sold without having been registered and in purported reliance on Rule 133. In granting the Commission's petition for a preliminary injunction, the Court held that Rule 133 could not be relied upon to exempt the subsequent resales from registration "for the reason that the shareholders of (the merging corporation) were and are in control of Micro-Moisture and that the 'exchange' of (the merging corporation's) assets for Micro-Moisture stock was but a step in the major activity of selling the stock." The sellers of the stock were also held to be statutory underwriters.

The Great Sweet Grass Oils Limited and Kroy Oil Limited case,⁸ decided by the Commission in April 1957, was a proceeding to delist the securities of the two companies on the ground that they had filed false and misleading reports with the Commission

and a national securities exchange. The Commission found that respondents had issued their stock in exchange for the oil and gas properties of a number of ostensibly independent corporations. These corporations were, in fact, under the common control of respondents. The stock was then sold without registration to the public through the use of flamboyant literature and high pressure sales techniques. The reports filed by respondents stated that registration was not required by reason of Rule 133. In rejecting this claim, the Commission said: "Where there is a preexisting plan . . . to use stockholders merely as a conduit for distributing a substantial amount of securities to the public, Rule 133 cannot be relied upon by the issuer. . . . In any event, where the persons negotiating an exchange, merger or similar transaction have sufficient control of the voting stock to make a vote of shareholders a mere formality, Rule 133 does not apply."

Just two months ago the Commission rendered a further important interpretation under Rule 133 in a case not involving any of the aspects of fraud, such as were involved in the Micro-Moisture and Great Sweet Grass cases. In a proposed merger transaction, a substantial stockholder of the merging company contemplated selling the shares to be received upon consummation of the merger. The Commission decided that while registration would not be required for the issuance of shares of the surviving company to the security holders of the merging company, the substantial stockholder would be a statutory underwriter if he effected a public distribution of the shares received. Following the receipt of this interpretation, a registration statement was filed to cover the shares to be issued in the merger transaction.

Conclusion

The Securities and Exchange Commission assumes an important responsibility for preserving public investor confidence in the securities markets. While continuing its diligent policing of the securities industry, the Commission must attempt to clarify further its interpretations of the statutory requirements applicable to the registration of securities. The issuance of convertible securities in private transactions must be adequately controlled so that the practice does not become a sub-

terfuge for the distribution of the underlying securities without registration. Likewise, the Commission should continue to be vigilant to prevent the use of the "no-sale" rule as a means of effecting unregistered public distributions of securities.

about with the enlarged defense program.

E. F. Phillips Co. Opens

TUCSON, Ariz. — Eben F. Phillips & Co., Inc. has been formed with offices at 149 North Stone Avenue, to engage in a securities business. Eben F. Phillips is a principal.

J. H. Peach Co. Formed

J. H. Peach Co. has been formed with offices at 206 East 85th St., New York City to engage in a securities business.

Continues With Riter

John A. Andresen has withdrawn as a general partner in Riter & Co., 40 Wall Street, New York City, but will continue to be associated with the firm as registered representative.

With R. J. Plunkett Co.

MARSHFIELD, Wis.—Mrs. Albert J. Rasmussen has become associated with Raymond J. Plunkett & Company of Wausau. Mrs. Rasmussen has been active as an individual dealer in securities.

Russ Co. Branch Opened

SAN ANGELO, Tex. — Russ & Company, Incorporated has opened a branch office in the San Angelo National Bank Building under the management of Roland W. Hoyt.

Walston Branch Opened

RENO, Nev. — Walston & Co., Inc. has opened a branch office in the Holiday Hotel under the direction of John G. Hodge.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The money market is still looking for help from the monetary authorities but, up to the present, not too much aid has been coming from this source. To be sure, there is a better reserve position as far as the member banks are concerned, but this does not seem to be the answer which the money market is looking for. There is no change in the attitude towards the government market, because the operators in these securities are still observing it from the constructive side. Profit taking is being encountered here and there but the securities that come in for sale are readily absorbed. The rallying qualities of the market continue to be strong, with new highs being made in many issues.

In spite of the large weekly offering of Treasury bills, there is a sizable demand for these securities. The tendency to move from shorts into longs has not affected the market for the most liquid government issue.

Federal Open Market Operations

The most recent figures of the Federal Reserve System show that credit was taken out of the money market in a very large way. Open market operations of the Central Banks last week took out more than \$500 million of the \$1 billion of credit that was put into the money market from the end of November. Sales of Treasury obligations at this time of the year, to offset the return flow of currency and the repayment of loans, is a normal procedure. In spite of the credit limiting operations of the Federal Reserve Banks there was, however, a bit more ease as far as the reserve position of the member banks of the system was concerned. Evidently, the powers that be are going to proceed with a certain amount of caution in their policy of easing money and credit. The next several weeks will give further evidence as to what will be done; that is, how fast, how slow or how far they are going in their operations to influence the money markets.

Defense Spending to Rise

Business conditions, according to the latest available data, are still very much on the defensive and this would seem to indicate that easier money and credit conditions would be in the offing. On the other hand, a program of large spending for defense purposes could have a very positive effect on the economy because this could offset the decline in investments by corporations. It may be that the monetary authorities will not be inclined to supply too much credit to the economy until there is more proof that the inflation spiral is not going to be set in motion again by the sizable spending of the government.

Government Bonds in Good Demand

The movement of the Treasury market is still in a favorable vein since there is a growing demand for these obligations. It is reported that money which has been held pretty much in short-term issues is now being switched into the intermediate and long-term government securities. It is evident that more favorable yields are still available in corporate and tax free bonds and advantage is being taken of these opportunities by not a few investors. As against this, there is definite evidence that pension funds, both the public and private ones, are among the active buyers of the longest maturities of Treasury obligations. Other in-

stitutional investors have been showing a tendency to take profit in recent new issues of corporate and government bonds by putting the proceeds into the old outstanding intermediates and the higher yielding Treasury securities. The discount obligations in the government list appear to be attracting attention from a wide variety of investors with reports showing that the smaller commercial banks are still very much interested in these securities.

The Next Treasury Refunding

There is more than a passing amount of attention being given now to the next major refunding operation of the Treasury which will involve the 3½% certificates which come due on Feb. 14. It is evident that the holders of this issue, outside of the Central Banking system, are looking for an attractive offer. It is the opinion in some quarters that the 2½s due March 15 may also be included in the same operation.

Debt Limit Increase Envisaged

It appears to be the opinion of most money market followers that the debt limit will be increased in the near future. This will give the Treasury some leeway to take care of the stepped up spending which will come

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Continued from page 58

JOSEPH GRIESEDIECK

President, Falstaff Brewing Corporation

I look for a stronger balancing of the nation's economy in 1958 between the risks of deflation and the problems of inflation.

There may be some slowing of capital spending and greater caution in business commitments early next year. However, these conditions should be offset by, among other things, accelerated housing, greater defense spending and more easing of money. We should see the upswing in the second half of next year, with 1958 closing on a strong note.

To counteract any possible dampening factors in our own industry, Falstaff is launching the largest advertising and selling program in its history in 1958. The firm, among the four largest breweries in the nation, anticipates total sales this year in excess of a record-breaking 4,000,000 barrels in its 25-State marketing area.

Falstaff anticipates in 1958 an increase in dollar sales comparable to that of 1957 which amounted to about 8% over the previous year.

Recognizing the increasing importance of flexibility in management planning in the existing type of economic climate, our firm will "go all out" in 1958 to consolidate and solidify its gains of recent years rather than open any additional major markets.

Rising costs continue to be a great threat to the future security of every American. Business and industry must have profits to provide and maintain jobs. Today's insistence on holding costs in line, coupled with greater productivity, efficiency and increased sales, will determine the success of tomorrow's business and industry.



Joseph Griesedieck

ROBERT E. GROSSChairman of the Board
Lockheed Aircraft Corporation

Predictions are always difficult to make in the rapidly-changing aircraft-missile industry. With new developments flaring up hourly along the entire front, forecasts today are unusually perilous. And yet, 1958 can hardly fail to be a good year. Manpower declines that began in 1957 are tapering off as the military services have stepped up orders for manned aircraft and as more missiles move from development to production stages. Backlogs for a few types of military manned aircraft have shrunk. But this decline is offset by rising backlogs for missiles, which probably will make up more than a third of the industry's sales by the end of 1958.



Robert E. Gross

The industry's dollar volume of military business should remain surprisingly close to 1957's high level. Deliveries of commercial airplanes will drop slightly as several com-

panies prepare for heavy output of new jet and prop-jet transports in 1959 and 1960.

But this year, as last, the aircraft-missile industry will be an important factor in the national economy. Its expansion from the traditional manned airplane into all forms of rocketry, sophisticated forms of guidance and propulsion, nuclear activity, and similar fields has broadened its business base and established a sound base for diversified future growth.

In many ways, the year will be better than last year. For the industry 1957 was a year of contradictions: record deliveries with mass layoffs, midyear efforts to reduce military expenditures with a year-end clamor for increased spending, spectacular emphasis on the missile with simultaneous warnings that national defense will long require the manned aircraft.

In short, 1957 brought the industry some of its greatest problems in a decade, yet also its greatest challenge. The historian of the future probably will regard 1957 as the year of transition—the year in which the aircraft-missile industry took its irrevocable step from the Air Age to the Space Age.

Like most transitions, it brought severe financial strains and drastic readjustments, including the layoff of some 100,000 men and women from industry payrolls and less business for scores of defense companies.

Now, on the threshold of 1958, it is apparent that the industry is making the readjustment and is rising to the challenge successfully. True, cancellations, cutbacks, and stretch-outs initiated last year will be felt all through 1958 in even lower manpower requirements for conventional aircraft. There will be more dislocations as individual companies jockey for a place in the new era of competition in the changing world of flight.

But the pattern is clear. The new year will bring more, not less, defense spending—possibly \$2 or \$3 billion more. Presumably most of this spending will go to missiles, primarily ballistic missiles, and will provide a tremendous boost to the missile and electronics parts of the industry. Continuing need for total defense preparation will spur research in missiles, improvements to manned aircraft, and new air systems to complement, support, and even combat the missile.

The year will speed up far-reaching research. In lab-

oratories, factories, and testing grounds throughout the nation, air and space scientists will be delving into every branch of knowledge to free man from the bounds of earth. Breath-taking discoveries in such fields as avionics, nucleonics, and astronautics will further the development of the atomic airplane, anti-missile missiles, ion and photon propulsion, and the remote guidance of unmanned vehicles rocketing through interstellar space. Present studies in these fields and others no longer fantastic will be pursued with redoubled vigor.

We are being catapulted into this incredible world of the future as a result of a deadly struggle for air and space supremacy. But while the industry extends our defensive ramparts into space, it also devotes a considerable part of its energy to exploring the peaceful uses of air and space craft.

In 1958 it will be also engaged in heavy production to equip the world's airlines with new jet and prop-jet transports. These airplanes, flying up to 600 miles an hour, will in a single step provide speed increases greater than all those attained during the last 20 years. It is an impressive advance, and one that is vital to our national economy, prestige, and even preservation.

It is also an expensive advance. The nation's airlines have committed themselves for over \$2 billion worth of new equipment. Restricted as they are by a burdensome type of rate regulation which has prevented them from receiving much-needed fare increases, they are having real difficulty in financing the new equipment. Their problems may become insurmountable, and the nation's well-being imperiled, if they are not soon given relief.

The aircraft-missile industry will have its problems in 1958—problems on both the commercial and military sides. But problems bring both challenge and opportunity, and it is these that will set the tone for the year. It will be a year of challenges accepted and problems solved.

LEWIS GRUBER

President, P. Lorillard Company

With retail cigarette sales for the year expected to top five billion dollars for the first time in history, the cigarette industry (which only a few years back was "written off" by some pessimists) once again in 1957 demonstrated its tremendous vitality and adaptability to changing consumer tastes. For 1958, I predict another record year with the significant trends (which helped the industry set record sales and increased earnings in 1957) likely to bring:

- (1) Development of more new high-filtration cigarettes and a continuing consumer switch to filters;
- (2) Further growth of the new mentholated cigarette market;
- (3) More product and packaging innovations.

The advent of 1958 finds the cigarette industry in the midst of a long-term revolution, involving not only marketing patterns but the very products themselves. Already, as a result of this "revolution," we have seen tremendous changes in the industry:

- (1) The continuing sales decline of non-filter regular size cigarettes (which until 1938 represented more than 98% of all cigarette sales, now account for only about 37%);
- (2) The decline of nonfilter king-size cigarettes (from almost 30% of all sales in 1954 to 20% or less today);
- (3) The development and rise in sales of filter cigarettes (from less than 1% in 1951 to an approximately 40% share of market now);
- (4) The growth of the new menthol market (less than 4% of total sales two years ago, today an estimated 7%);
- (5) The increased use of new packaging styles and designs in both the standard cup pack and crush-proof box. (The latter is now used by some 13 brands accounting for about 15% of all cigarettes made, compared to only about 5% last year.)

So far as 1957 is concerned it may well go down in business history as the year in which the industry met its greatest setbacks, yet scored its most significant gains. Beset on all sides—(1) by the continuing health controversy; (2) Congressional hearings; (3) relatively slower population gains among the heaviest smoking age group due to low birth rate in the 'thirties; and (4) rising costs—the industry nonetheless expanded by at least 5%, enjoyed record sales (minimal industry estimate—410 billion cigarettes) and generally brought in substantially improved earnings for the first nine months, with fourth quarter figures (not yet available) expected to follow this trend. During 1957 the tobacco industry in all its phases is estimated to have provided a living for some 16 million Americans, and contributed an estimated \$2 billion to government through Federal and State taxes alone.

Since many of the factors that made 1957 successful were born in the industry's laboratories, the emphasis in 1958 should be more strongly than ever on research—in the marketplace and in the laboratories—to determine exactly what smokers want and to give it to them.

My company is looking not only to what the smoker wants in product and package today, but what he may need and want two, three or five years from now. We at Lorillard are placing great emphasis on research—both basic and applied scientific studies.

This intensified research effort already has paid off for the Company in dollars-and-cents terms: Lorillard

sales volume is running very substantially ahead of last year due in great part to product innovations derived through research. Some of the specific factors were:

(1) The unprecedented demand for Lorillard's new high-filtration Kent cigarettes, which, introduced in July, 1956, by year-end were the best-selling filter cigarettes in many of the country's key markets;

(2) The success, in their first year, of "hint-of-mint" Newport, which exceeded the Company's optimistic projections;

(3) The redesigned package for Lorillard's Old Gold Filter cigarettes which has helped this brand also to increase its sales over last year.

For P. Lorillard Company, 1957 was a very good year, one in which our sales and earnings took sharp upward spurts and in which our products performed better than the market overall. We expect 1958 to be another good year of progress for America's oldest tobacco Company.

GEORGE GUNDPresident, The Cleveland Trust Company,
Cleveland, Ohio

Business sentiment today is less confident and more cautious than it was a year ago. There was disappointment at the failure of the fourth quarter of 1957 to show a rebound from the third quarter. It has also become clear that the sharp rise in business capital outlays, which furnished such strong support during the last two years, has come to a halt. Manufacturers' orders, both new and unfilled, have been declining. Other evidences of a change in the weather include a downturn in industrial production, larger unemployment, a reduction in average hours worked per week in factories, and a slight decrease in total personal income.

The generally downward trend which began late in 1957 is likely to continue for some months ahead. Business spending for new plant and equipment is pointing toward a lower level. Inventory accumulation

has changed to liquidation. Consumer buying of durable goods will probably slip, with some families postponing such purchases while their short-time debt load is being worked down.

However, not all of the signs and portents are on the minus side. In considering the outlook for all of 1958, several plus factors should be kept in mind. Spending by State and local governments for schools, highways, and other public works should continue to rise. Federal purchases of goods and services for the year 1958 will probably be above 1957. Residential building, which has had a two-year slump, may turn the corner. Personal consumption expenditures for nondurable goods and for services are likely to increase moderately.

At this time the prospects are that the recession will have run its course by the latter part of the year. The Gross National Product, or value of all goods and services produced, will probably be higher in the fourth quarter of 1958 than at midyear. The same can be said concerning the demand for credit.

H. W. HAIGHT

President, Creole Petroleum Corporation

While the year 1957 witnessed the contrast of production peaks and valleys for the oil industry in Venezuela, it nevertheless averaged out to another record-breaking year in both the production of oil and the extension of proved reserves. During the first half of the year, production went as high as 2.97 million barrels daily at one time, and it now appears that when the final figures are in, Venezuelan oil production for 1957 will average about 2.8 million barrels per day. This represents an increase of about 13.5% over 1956 although production at the end of the year was down to about 2.5 million. Estimates indicate that at year's end the nation's proved reserves were well in excess of 14 billion barrels.

Parallel to this substantial growth of the oil industry was the continued remarkable development of the Venezuelan economy as a whole. This development was sparked by a second round of new oil concessions, for which the national treasury received initial payments of \$370 million. In the first round of concessions, granted in 1956, initial payments totaled \$316 million.

The combination of new production peaks and the direct and indirect effects of the new concessions contributed to continued Venezuelan general economic expansion.

Thus, Venezuela continues to set an example of the manner in which mutual benefits may be derived from a policy of encouragement to private enterprise and of welcome to foreign capital in helping to carry out the big job of converting great natural resources into active wealth. This policy constitutes a solid foundation for the future growth of the oil industry here, regardless of the peaks and valleys that may be encountered.

The decline in production during the last half of the year was due in the first instance to the resumption of the normal flow of oil from the Middle East. During the Suez crisis, Venezuelan production increased by some

Continued on page 62

Continued from page 27

The Peanut and the Sputnik

that we would fall directly into the condition hoped for by the Soviets, who are already taking long-range steps to increase and insure a continuation of their trade, regardless of their military expenditures.

Let us consider briefly three other elements which affect any decision we take in the U. S. regarding liberalization of trade and removal of restrictive barriers.

Three Different Considerations

(1) **The Escape Clauses.** Our trade agreements contain clauses which no private business contractor would find acceptable. These clauses permit one of the contracting parties (the U. S.) to break the agreement whenever the government wishes, or rather, whether it wishes to or not. For when sufficient political pressure from any group asserts that a specific segment of the economy will be adversely affected by imports, the government, especially in election years, is likely to break the contract previously agreed upon. To our friends abroad, the existence of these escape clauses is one more argument for East-West, that is to say Russian trade.

How much of the increase in iron curtain trade with the Free World is due to American stubbornness in protecting certain (often minor) segments of industry through the Escape Clauses? We do know that last year, Free World trade with China increased

\$100,000,000, while West Germany and France tripled their trade with the Soviet bloc.

(2) **American productivity.** The U. S. generated a gross national product of \$414 billion last year. Can we not afford to accept two billion dollars in increased imports? Would this not cement friendships, help maintain world leadership in trade, and diminish growing East-West trade?

Let us take one small example of our present trade policy: Less than a month ago, the U. S. doubled its tariff on—of all things—spring-operated wooden clothes pins. This was done at the behest of a domestic industry composed of no more than six manufacturers whose average employees number barely 400 each—and who must compete anyway with the makers of plastic pins or automatic driers. And who were the targets of the tariff rise? No fewer than nine friendly exporting countries including Sweden, Denmark, West Germany, Belgium, the Netherlands, Austria and Yugoslavia.

(3) **The Value of the Dollar.** Now let us look beyond the immediate economic problem as it presents itself as a contest with the Soviets. One hundred years ago Great Britain was faced with the necessity of analyzing this problem in order to establish its policies and trade programs for the future. Now we are in the position of World leadership that Great Britain was in a hundred

years ago. It behooves us, as Great Britain did in its time, to decide where we may be in the future if we continue certain restrictive policies, and where we want to be under certain predictable future conditions. Scientists tell us that in 100 years there will be seven billion people on this earth. In the lifetime of our own children, the population of Japan, 80 million now, will be 180 million.

But the problem is not years ahead. It is now. Right now, Japan is increasing not only its population, but its manufacturing and export capacity, just as we hope to increase ours. If we cling to a position of restricting imports of Japanese materials, thus limiting the number of dollars which flow into Japan, that country is virtually bound to seek other outlets for its goods and with the currency earned from such sales, purchase products in the same area where Japanese goods are sold. It is not difficult to guess what area that will be—with Communist China producing foodstuffs unavailable in the overcrowded Japanese Islands. This pattern of East-West trade is bound to grow more definite, more deeply rooted every year we maintain our present policy.

Still more importantly, from a purely U. S. viewpoint, what will happen to the world value of the dollar if it is not readily available through trade? What people need and can't get, they may fight for; otherwise they will find a substitute for it. That has already been happening to the dollar. The system of exchange controls which so many nations have maintained since the war is really a system by which these nations try to protect themselves against the scarcity of the dollar, i. e., it is for them to substitute for the dollar. The more this system becomes a habit, the less necessary becomes the dollar to their trade. Thus the dollar's power and prestige are restricted by its own scarcity; and American products are discriminated against in the very markets we need most, because there is nothing to buy them with. A musclebound dollar can become just as bad for American trade as can a sliding dollar. Either kind is dangerous in the long run to the strength and influence of America.

American Policies

In closing let us review what the U. S. A. has done to design a wise foreign trade policy. After wasting three years on ITO, we fell back on the Reciprocal Trade Agreements, multilateralized by GATT. Now, the Reciprocal Trade Agreements are better than nothing. In fact, so much better, that our failure, when Congress convenes, to put them again into effect will be open disaster. But in the absence of a drastic U. S. policy of large tariff reduction, and the use by the U. S. A. of import quotas on agricultural products, we have not given, and do not seem prepared to give effective leadership in GATT.

The time is short. Sputnik has informed us of this. Do we want peace or war? We're most certainly going to have either a war or a depression unless we get our world economic policy on the tracks. If either depression or war is unleashed upon us, we will not be altogether to blame, but we will be largely to blame. We seem to have fallen behind Russia in the military field; we may soon be falling behind economically. Therefore, I would like to make certain specific recommendations:

- (1) That the Tariff Commission be dissolved.
- (2) That the Trade Agreements Extension Act of 1958 be passed in this Congress.
- (3) That we forget "Buy America."
- (4) That escape clauses be done away with. The uncertainty they

create defeats the very purpose of our agreements.

(5) That we make GATT even more effective by joining the Organization for Trade Cooperation.

In short, let us give some concrete and dynamic evidence of our will to achieve, in conjunction with our allies, economic strength and well-being for all of us.

Perhaps Sputniks 1 and 2 have had their good uses. They have stimulated new concentrated effort in the field of missiles. This we know. Perhaps they will also

give rise to a sense of statesmanship, the need to see beyond any narrow immediate self-interest. Now is the hour to inject into the economic bloodstream of the world the one specific antibiotic to Communism—the raising of living standards which is always consequent to liberal trade. Then, perhaps, we will see the U. S. A. still out in the forefront, leading peacefully the seven billion people who will populate the world 100 years from now. And we will be winning the economic contest with Communism today.

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Continued from page 60

400,000 barrels daily. This temporary gain, which represented Venezuela's contribution toward solution of the supply crisis, has now been erased.

Venezuela has also been affected by the voluntary reduction of the imports of crude oil into the United States requested by President Eisenhower. Prior to the application of the voluntary reduction program to District V, it was estimated that this program was costing Venezuela some 135,000 barrels daily in market outlets. While Venezuela has not been a major source of West Coast imports in the past, several of the new producers here expected to find outlets for their oil in District V. The inclusion of this region in the voluntary reduction program will, therefore, tend to limit the growth of Venezuelan exports to that area.

A third factor contributing to the decline in market demand was the general economic slow-down in many parts of the free world. Considerable concern is now felt in Venezuela regarding the possibility of future restrictions of U. S. petroleum imports, which might well impair the health of the oil industry here. Approximately 65% of the industry's production is accounted for by U. S. firms. Venezuela's oil was vital to the U. S. in the fighting of World War II and in Korea. Its importance to the western world was again demonstrated during the Suez crisis.

Furthermore, through the sale of its oil Venezuela has been able to earn dollars that make it one of the richest markets in the world for U. S. exporters. In 1957 Venezuela's purchase of goods and services from the United States exceeded \$1 billion.

As a North American oil man representing the largest U. S. producing company in Venezuela, I believe that the time has come to pay greater attention to the importance of Venezuelan oil in the security picture of the U. S., the western hemisphere and the free world. Any further restrictive measures which would further curtail Venezuelan production might well have a serious effect upon the ability of this country to produce the oil that would be needed to deal with any future emergency.

As 1957 drew to a close, it was increasingly evident that a substantial excess of oil producing capacity exists in all major producing areas. The only cure for this situation is for major producing countries to exercise patience and restraint until demand again regains a reasonable balance with supply.

WALTER S. HALLANAN

President, Plymouth Oil Company

The petroleum industry cannot expect to buck the tide of economic recession. It must adjust itself to the overall conditions of the national economy. For the time being, the industry must cut its cloth to fit the pattern of national and world conditions.



W. S. Hallanan

The industry has weathered other and more severe maladjustments in the past, emerging from each with greater strength and vitality. It is my opinion that the industry will ride out this storm, and that when the mounting tide of population and continuing rise in standards of living are reflected in new peaks of petroleum demand, as inevitably they will be, the industry will be prepared to meet that challenge as it has met all of the unusual demands of both peace and war throughout its history.

For the moment we must recognize that there can be no reasonable expectation that the petroleum industry will run counter to the trend of the times. We know too well from the history of the past that the demand for oil products can only be anticipated on a level with the nation's economy.

By its very nature, the petroleum industry is more sensitive to any maladjustment of either world or domestic economy than any other segment of American business. Because it serves not only all of the other industries, but almost every family in the nation, it cannot escape the contagion of such ills as may be suffered by any part of our economy. When virtually all segments are adversely affected, as during the current business recession, the effects upon the petroleum industry are compounded. The industry is equally as sensitive to economic and political developments on the international scene because of the worldwide nature of its services.

The year just ended was one of the alternating feast and famine. It began with the exaggerated requirements brought on by the Suez crisis, and this exhilarating swing of the pendulum was quickened by forecasts that the domestic demand for petroleum products would continue to increase in the same or greater proportion than in 1956. There were also growing indications of import controls, which materialized in a voluntary program made effective in August. Altogether, the year held more promise than any in the last decade.

Unhappily, the promise did not materialize into performance. The unusual demand growing out of the Suez crisis has long since been history. The increase in domestic demand fell considerably short of expectations, with the result that the industry finds itself saddled with burdensome inventories and a resultant product price structure that seriously jeopardizes the stability of integrated domestic companies.

Under these conditions, it is certain that the domestic industry cannot be kept solvent unless the so-called voluntary controls over imports are strengthened and strictly enforced. Any breakdown in this control program

would precipitate a crisis that would carry the seeds of national disaster.

Only because the domestic industry has vigorously carried on exploration and development, despite the depressive influence of excessive imports, the nation is today in the fortunate situation that its reserve petroleum productive capacity is sufficient to meet 100% of the domestic demand. If necessary we could get along without one single barrel of foreign oil, although it is recognized that a reasonable amount of oil should be imported in order that a cushion of safety may be maintained for the hour of emergency.

As the industry nears its hundredth anniversary, it can look back upon a record that sparkles with achievement in the public interest. Since 1924 the daily production of crude oil has increased three and one-half times, and that of natural gas nine times. These figures tell the impressive story of how the petroleum industry has kept pace with our economic advance. Despite the temporary depressive factors of the moment, I have every confidence that the petroleum industry will again be in the vanguard when the forward march of the national economy is resumed.

CHARLES W. HALL

President, The Oneida National Bank and Trust Co. of Utica, Utica, N. Y.

I am very pleased to again report on the general outlook for business in 1958 as seen from Utica, New York, an important industrial production city located in the heart of the great Empire State of New York.

Industrial employment continues at a high level, although somewhat less than the peak as reported some six months ago. Production reflects a similar pattern, and looking forward into 1958 at this period of the year causes management to expect a steady good volume of sales and relatively steady employment.

Home construction stays active with a majority of the new homes offered at a selling level of under \$20,000.00. The resale market for older homes is good but reflects a drop of from 5% to 10% in values from the level prevailing in early 1957.

During 1958 there is every indication of a high volume of new road construction in this area. Many projects which have been started have yet to be completed and many other projects are in the planning.

There will be further need for increases in our public school facilities, both in the city and in the area roundabout.

We expect a moderate amount of heavy construction to move forward, with all of the construction program making full employment for the tradesmen serving in this area of industry.

With steady employment being expected throughout the year, merchants can look forward with reasonable expectation to good retail sales. This forecast also applies to all of the merchandise sold under consumer credit terms, for in this category general collections have been good and past dues are at a very low percentage related to outstandings.

In general, this area anticipates no major upset that will affect the general economic level now prevailing.

JOSEPH B. HALL

President, Kroger Co.

The retail food industry looks forward to increased sales, and to continued supermarket expansion and other capital improvements in 1958.

Kroger will set a record sales high in 1957, a substantial increase over 1956 sales of \$1,492,552,233. Continued sales progress is anticipated for 1958.

Personal income after taxes rose from \$270.2 billion in 1955 to an estimated \$300 billion in 1957. For the same period, personal spending for food and other nondurable goods increased from \$126 billion to \$142.5 billion, a gain of 13.09%.

With more and more mouths to feed every year, new stores in operation and a continued high rate of consumer spending for nondurables, there appears to be plenty of evidence to support a prediction of higher food sales in 1958. The trend for the past several years of replacing small Kroger stores with larger, more modern supermarkets continued in 1957, as it will in 1958.

Shopping center development is expected to slow down somewhat in 1958 because investors are finding it more difficult to finance store construction projects on favorable terms.

Replacement of several obsolete distribution centers and expansion of others, along with new stores and equipment will account for most of Kroger's capital expenditures in 1958.

Employment throughout the food industry should increase in 1958. More new stores, increasing population and a continuing high level of personal income are expected to insure high employment for the food industry. In addition, the slowing down or sideways movement anticipated for 1958 in some other business areas should make the food industry even more attractive as a career field.



Joseph B. Hall

ELVIN E. HALLANDER

President, Lynch Corporation

Nineteen hundred and fifty-eight presents a greater challenge than any recent year due to many conflicting and unpredictable aspects. Economists predict continued softness in the purchase of capital equipment for increased productive capacity. But we believe that in this new year there will be more buying of capital equipment for the specific purposes of cost reduction, automation and product design changes.



Elvin E. Hallander

Lynch Corporation has developed a broad product sales approach as manufacturing engineers of automatic processing equipment for the glass, packaging, plastic, automotive and other industries.

The new products we have put on the market in 1957 and the ones we will introduce this year will determine the extent of our increased sales in 1958. Consequently, while we look for a 15% to 20% higher

sales volume, we are realistically trimming unessential expenditures so that we can continue to improve our earnings position.

Our backlogs are satisfactory, but not generous. We look to an indifferent first quarter and a steadily improving situation thereafter.

LEWIS H. HANEY

Economic Consultant, Chicopee Mills, Inc., and National Association of Purchasing Agents

Again, as at the beginning of 1957, many forecasters are now saying that general business will rise in the second half of the new year. It seems more likely that a little rebound will come early in 1958 (when "the bad news is out," and the first sharp curtailment will have occurred), and that thereafter the recession will continue throughout the year. Conditions require much more correction than in 1953-54. In fact, in both textiles and general business, the cyclical readjustment in 1954 was very inadequate, which shortcoming contributes to present excessive inventory, overcapacity, and inflated stock prices.

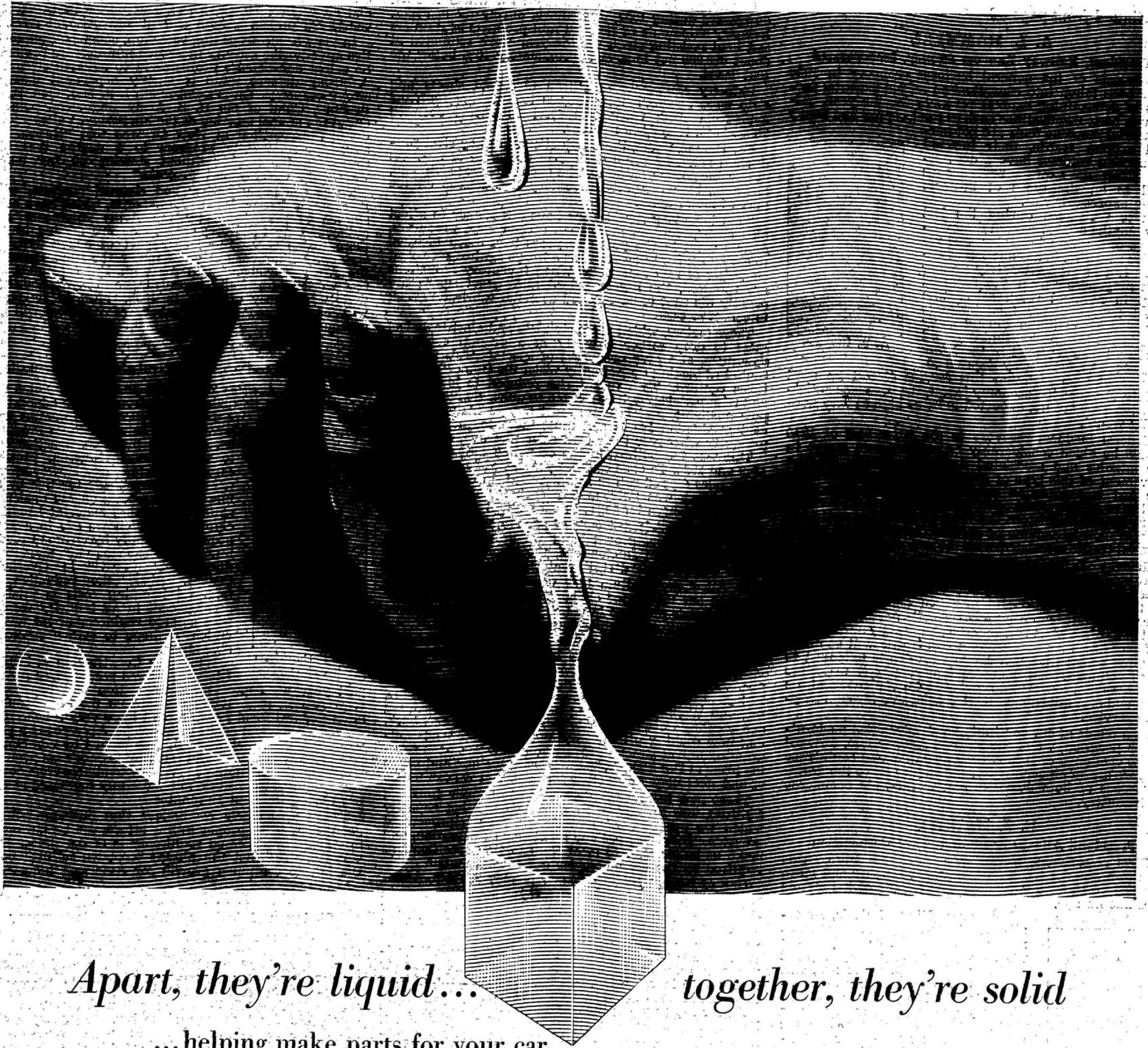
The cotton textile industry, though much further along in the recession than most, is representative in many respects. Its condition and outlook are typical:

- (1) Overcapacity exists. (I doubt if this is less than in most other industries.)
 - (2) This is proved by excessive inventories, which are still near peak levels. The manufacturers' stock-sales ratio for all textile products has made a new high for the cycle.
 - (3) Stale unfilled orders, representing speculative buying facilitated by easy credit, have been excessive and still hold new orders down.
 - (4) Overproduction has not been prevented by any sustained curtailment of output.
 - (5) Demand is restricted by (a) price maladjustments, (b) difficulty with substitutes, and (c) foreign conditions. Raw cotton is far too high in price in relation to cotton textiles, and this counteracts buying stimulants because it keeps cotton textiles too high compared with others.
 - (6) Profit margins are very low (for cotton textiles the lowest since June, 1952), despite unsatisfactory efforts to maintain textile prices on the basis of costs.
 - (7) Now volume of business is down, and low profit margins are therefore resulting in lower total profits.
 - (8) The demand partly depends on sales of new automobiles, and the backwardness of such sales is an unfavorable factor in the 1958 outlook both for textiles and for general business. (It is too simple to argue that if people buy less of autos they will have more dollars for clothes.)
 - (9) Textiles, like other business, are suffering from an overdose of government aid. Aid to cotton farmers has forced a high monopoly price on raw cotton. Foreign aid has subsidized foreign competition.
 - (10) The squeezing out of marginal (high-cost) operations has been masked by many mergers, some ill-advised, which are a continuing threat to stability.
 - (11) The validity of business cycle theory is demonstrated. The recessionary phase of the textile cycle is nearly complete, and with further curtailment efforts, textile inventories may become bearable in a few months. But (1) the general business cycle reached its peak only between November, 1956 and January, 1957, and (2) the peak went unrecognized (or denied) until a month or two ago. The peak of credit strain was reached only last October.
- Both in textiles and in general business we now see attempts to avoid liquidation by holding prices up on the basis of high costs (labor and materials). Perhaps the biggest differences just now are: The textile business is not much affected directly by consumer credit strain. Also, its labor troubles are not as threatening. But these two unfavorable factors may have indirect effects.
- In sum: In the Fall of 1958, I expect depressed general business to be retarding a recovery in textiles.



Lewis H. Haney

Continued on page 64



Apart, they're liquid... together, they're solid

*...helping make parts for your car,
your television set, and even your tableware*

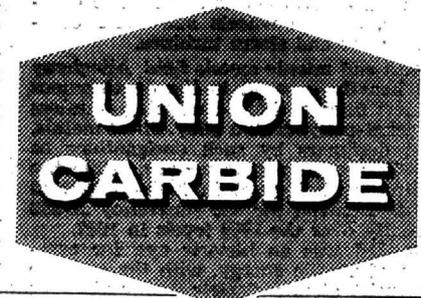
THESE TWO LIQUIDS flow as freely as water. Yet when poured together they quickly turn into a solid—without the use of heat or pressure. Harder than many metals, the resulting plastic is called epoxy.

Delicate parts for television, radio, and other electronic equipment are embedded in epoxies to protect them from moisture and vibration. And, in durable tableware, epoxy adhesives seal knife blades in their handles with a strong, permanent bond.

Epoxies are so hard that they are used to make the huge dies that stamp out automobile trunk lids and hoods, airplane wing sections and other varied shapes. These dies are molded in about half the time it takes to shape all-metal dies . . . and, at substantial savings.

Many industries are now looking to epoxies to make better things for you. Developing and producing epoxies—as well as such plastics as vinyl and polyethylene—is one of many important jobs of the people of Union Carbide.

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UNION Calcium Carbide
HAYNES STELLITE Alloys
EVEREADY Flashlights and Batteries

UNION CARBIDE Silicones
Dynel Textile Fibers
ELECTROMET Alloys and Metals

Continued from page 62

A. L. HAMMELL**President, Railway Express Agency, Incorporated**

Forecasts of the general business economy in 1958 have been taken into consideration as fundamental factors in determining express revenues for the year. Although basic commodities such as steel, copper and heavy industrial machine tools are not normal express traffic, their lowered production volumes have a depressing effect on express revenues as well as on the types of business using express service.

Sales resistance during the last few months of 1957 caused diminishing re-orders by wholesalers and retailers resulting in a reduction of express traffic proportionately greater percentage-wise than the reported drop in national retail sales. The trend toward lower inventories is expected to continue during early 1958 but it is expected that depleted stocks will be replaced in the latter half of 1958. As Railway Express offers rapid transportation this service should be used widely. Because the economy is soft, the revenues anticipated in 1958 are not expected to be as high as they normally would.

General business recovery in the latter half of 1958 should be aided considerably by an increased tempo in the missiles and associated defense programs. In the movement of this type of government and allied traffic, the fast transportation schedules of Railway Express will have an important contribution to make. As a result there should be, before the close of 1958, a greatly increased express volume of defense traffic as well as industrial traffic associated with the new defense emphasis.

Railway Express greatly expanded its new World Thruway Express services during 1957. International express shipments now move between all cities and towns in the United States and principal points in some 27 overseas countries on a single negotiable Export Order Bill of Lading. This traffic increased rapidly during 1957. It is confidently expected that this traffic will continue to grow substantially in 1958 as service is extended to more countries and as more importers and exporters both here and overseas discover the convenience and the time and cost advantages of this extensive through shipping service.

As a result of our continuing and intensified modernization program, we of the Express Agency look forward to the challenge of 1958 with anticipation and confidence that we are in an even better position to serve the growing needs of both domestic and world-wide commerce and industry.

E. J. HANLEY**President, Allegheny Ludlum Steel Corporation**

Steel researchers, metallurgists, and chemists continued to probe the horizons in 1957 for tougher and more versatile metals to meet the requirements of the atomic and missile age.

Vacuum melting of steels, superalloys and other special metals made major forward strides during the year. From laboratory and pilot plant operations just five years ago, this phase of the industry has seen capacity installed to produce about 50,000,000 pounds of metals annually by the consumable electrode vacuum arc melting process, and another 20,000,000 pounds by induction vacuum melting.

Further substantial increases in capacity are now in progress or planned. Allegheny Ludlum is proud to have had a leading role in the development of the consumable electrode vacuum arc melting process,

which first came into commercial use in titanium processing, but which has expanded rapidly into alloy steels and other metals.

During 1957, our company brought into production a 26-inch diameter consumable electrode furnace capable of producing superalloy ingots weighing up to 12,000 pounds—the largest such ingots commercially available. These metals, which retain their strength at very high temperatures, are used in jet aircraft and missile components, in bearings, turbine wheels and other components of stationary gas and steam turbines.

Also in the aircraft and missile metals field, Allegheny Ludlum has been heavily engaged in the development of the relatively new family of age-hardening stainless steels of chrome-nickel-molybdenum alloy. These metals, known to aircraft designers by such designations as AM-350 and AM-365, are helping to make possible the new records continually being set in high-speed and high-altitude flight. Demand for the superalloy A-286 increased substantially over the 1956 levels in 1957.

The year just ended was an historic one for commercial application of atomic energy, with the start-up of the first commercial atomic electric power plant at Shippingport, Pa. Other such installations are on the way, and they require large quantities of stainless and high alloy steels in their piping, valves, tanks, shielding and structural components. The same is true of atomic-powered ocean vessels, which are expected to increase rapidly in numbers in the years ahead.



A. L. Hammell

Operations in the steel industry as a whole trended downward during 1957, particularly during the last half. Industry shipments of finished mill products of stainless and heat-resisting steels for the year were estimated at about 620,000 net tons, or approximately 10% below the 1956 level.

Industry shipments of silicon electrical sheets and strip were approximately 625,000 tons during 1957, off 23% from 1956; while tool steel shipments declined about 22%, to 100,000 net tons.

For the most part, these reductions in alloy steel production reflected some decline in the level of business of durable goods producers. The decline was accentuated, however, by widespread inventory liquidations on the part of metal users.

Such inventory liquidations have a tendency to affect alloy steel producers more than carbon steel producers. Metals users in the past few years have been inclined to overstock the alloy steels as a hedge against recurrent shortages of raw materials. When inventory reductions are required, the higher priced alloy steel stocks are usually the first to be reduced as metal fabricators seek to conserve cash.

These factors, which cause stainless and electrical steel sales to drop rather abruptly in a general economic downturn, also give producers of special steels the potential of picking up promptly when the tide of business turns upward. With inventories reduced to low levels, and with metals purchases keyed to quick delivery times now available, metals users must buy to maintain current production levels and must increase their buying promptly whenever their own sales improve.

This was the pattern in the economic adjustments of 1949 and 1954. In each of these years, stainless and electrical sales dipped rather sharply. But, in each instance the recovery was swift and in each instance we went on to record-high tonnages in subsequent years.

Thus, the long-term trends of our major markets have shown substantial growth, and we are confident that, despite occasional fluctuations, the trend for the years ahead will be toward still greater growth.

At Allegheny Ludlum 1957 was a year in which we rounded out the major elements in a long-range plant improvements program in which we have invested more than \$130 million since the end of World War II.

Major items of equipment brought into operation during 1957 included: the new 26-inch consumable electrode vacuum melting furnace at Watervliet, N. Y.; two new Sendzimir cold mills for rolling very thin gauges of stainless steel, titanium and other metals at Brackenridge, Pa., and Wallingford, Conn.; new continuous annealing and pickling lines at Brackenridge and West Leechburg, Pa.; new soaking pit capacity and new motorized slab-grinding line at Brackenridge, and a new 2,000-ton forging press at Dunkirk, N. Y., increasing the size and range of tool steel shapes and other forgings that we can make.

These new improvements help to bring our finishing facilities into balance with increased melting capacity which we put in earlier in the postwar improvement program. They increase our efficiency of operation, and make us better able to meet the exacting specifications required by the customers for our special metals.

One of the brighter spots in our 1957 operations was the electronics business of our subsidiary, The Arnold Engineering Company, which was at record levels for the year and which is expected to grow further with expansion of facilities now in progress.

Given a reasonable improvement in the overall business picture, we believe that Allegheny Ludlum is now equipped to increase its sales volume substantially over the record level of \$287 million in 1956.

As for 1958, we expect that business will continue to be in a transitional phase; but we are hopeful that the general tone of business will improve as the year progresses. If it does, our own levels of business should improve markedly.

GEORGE W. HANSON**Treasurer, Atlantic, Gulf & Pacific Co.**

In our forecast for 1957, we closed as follows:

"Indications are that during the past two fiscal years the Administration has become aware of the vital importance of waterway development. If this awareness does not slacken (most of our work is Federal), and if a fair volume of non-Federal work materializes, the outlook for our industry is encouraging."

Despite those encouraging indications then, it is now reported that the annual Federal civil works program is to be drastically curtailed for the 1959 fiscal year, beginning July 1st. Indeed, some curtailment has already begun, adding to unemployment and furthering the recession. We estimate that about 70% of all dredging plant is now idle.

The annual appropriation for civil works under the Army Engineers is only a small part of the annual budget, less than 1% for the fiscal year ending June 30, 1958. Less than 20% of this 1% was for new and maintenance dredging, about \$123,000,000.

A short time ago Senator Douglas of Illinois visited a southern Illinois community, where it is reported that from 18 to 20% of the available working population is unemployed. The Senator was gathering evidence to support a proposed canalization and certain other projects, to stimulate employment. Varied and lasting benefits come from worthy waterway improvements. They

create direct and indirect employment, spur industrial and civic development, lower distribution costs. Every completed project is both a local and national asset.

In view of the deepening recession, competent authorities are advising activity in needed non-defense projects. So called non-defense projects add to national strength. A strong defense setup is largely dependent upon a strong economy. On December 5th last, Maj. Gen. E. C. Itschner, Chief of the U. S. Army Engineers, pointed out at the annual meeting of the Mississippi Valley Flood Control Association at New Orleans that "Russia has advanced its missile program to a degree that has astounded the world without slowing up her many waterways development projects."

There are many harbor and channel projects, with great immediate and potential benefits, which have been studied and approved by the Army Engineers and authorized by Congress; only funds are needed to get them under way. The larger part of our activity is waterway improvement work under the supervision of the Army Engineers, paid for with Federal funds. If that work is drastically curtailed, the dredging industry will be seriously affected in 1958. Most of its plant will be idle and large numbers of its men will be unemployed.

HENRY HARNISCHFEGER**Executive Vice-President, Harnischfeger Corporation**

The Harnischfeger Corporation has just completed the largest year in its history both from the standpoint of sales and profits. We expect the next three months will show a decline in the volume of sales for those products used in new plant construction due to the apparent reduction in new capital investment. However, we expect to compensate for this by an increased emphasis on the modernization of existing material handling equipment which we are in a good position to supply by virtue of recent innovations such as our "Electronic Stepless Control" in Overhead Cranes. Since the reduction of material handling costs is vital to management in all industry we expect a large replacement market of which we hope to gain a considerable share.

While our Construction & Mining Division showed record sales for the past year we expect that competition will be keener than ever in 1958. It is doubtful that the highly publicized Federal Road Program will have very much effect on new equipment needs in 1958. There is already a good volume of construction machinery owned by contractors immediately available for additional work as well as large supplies of equipment readily available from dealer and manufacturers stock to handle any increased activities during the next 12 months.

Taken as a whole we believe that business will be good in '58 if the proper selling efforts can be developed to match the increased requirements of the times. It is certainly true that the phrase "creative selling" holds the key to continued growth for American industry.

I. J. HARVEY, JR.**Chairman of the Board, The Flintkote Company**

The recent reversal of the downtrend in new housing starts, coupled with a strong market for modernization and repair, should result in increased sales in 1958 for many of the products manufactured by The Flintkote Co.

A recent staff survey indicates that not only will credit be more readily obtainable for mortgage financing, but that the supply and demand for new houses have come into better balance, and particularly in areas influenced by the movement toward "interurbia" there is increased interest in tract building.

The Flintkote Company has been active over the past few years, in preparing itself for the expected upsurge of construction activity in the early 1960's and it has laid a broad base through its diversification program to participate fully over a wide area of construction activity such as homes, schools, factories, office buildings, institutions, roads and dams.

Additional sales emphasis will be placed on obtaining a larger share of the repair and home improvement market. This should be supported by the high level of consumer income.

Flintkote further believes that the customers which it serves will receive an increased percentage of the consumer dollars as more people through modernization and repair work protect their major investment — their homes!

Prices have recently been increased on certain of the company's products to partially offset the increased costs of labor and other operating charges.

Market conditions in the area served by Flintkote's wholly-owned subsidiary, Kosmos Portland Cement Company, appear favorable for 1958. Kosmos recently announced a price increase of 15 cents per barrel effective Jan. 1, 1958, necessitated by wage increases granted in July upon the conclusion of the national cement strike. These wage increases were retroactive until June 1, 1957.

Continued on page 66



E. J. Hanley



Henry Harnischfeger



I. J. Harvey, Jr.



George W. Hanson

MILESTONE IN REFINING



PURE'S 4 refineries are now busy on the second billion.

Pure Oil refines its Billionth barrel of crude

Not long ago, Pure Oil processed its billionth barrel of crude.

These billion barrels have furnished power, heat, lubrication to millions of homes and farms, automobiles and industries throughout America.

But the most interesting part is this: It took us 10½ years to process our first 100 million barrels, and less than two years to process the last 100 million. It's this sort of growth that

has made PURE one of America's 75 largest industrial corporations.

This record of growth demonstrates that year by year more and more people are turning to Pure Oil for top-quality petroleum products. It clearly shows that when *you* turn into any of our nearly 16,000 stations in 24 states, you, too, can be *sure* with PURE.

THE PURE OIL COMPANY, 35 East Wacker Drive, Chicago 1, Illinois.



BE SURE WITH PURE

Continued from page 64

I. W. HELLMAN

President, Wells Fargo Bank, San Francisco, Calif.

Business in the first half of 1958 probably will continue to reflect the same conditions which caused a lower level of activity in the closing months of 1957.

A number of sustaining influences should tend to limit the decline, however, and may well provide the basis for improvement in the latter part of the year. These factors include continued strength in construction outlays, gains in state and local governmental expenditures, and a probable uptrend in defense outlays.

In the San Francisco Bay Area, business activity in 1958 can be expected to generally follow national trends. This region has enjoyed a diversified industrial and commercial development during the postwar period and is not dependent on any one industry. This broad diversification should be a favorable factor for the Bay Area in coping with economic readjustments occurring now or in future years.



I. W. Hellman

ERNEST HENDERSON

President, Sheraton Corporation of America

The hotel industry—like most other businesses—is not immune to recessions. Following the sharp stock market declines of the past six months, Sheraton executives made plans to "stretch out" some \$12 million of rehabilitation and improvement projects previously projected as a 12-month program, to cover perhaps a one and a half to two-year period.

To the extent that similar curtailment of expenditures is being considered simultaneously by thousands of American firms, it appears inevitable that our economy will be shifting into a somewhat lower gear, if for no other reason than to provide the added power necessary to meet whatever economic "ill winds" may lie ahead.

I rather doubt that the heavy liquidations in the stock market of recent months, involving a shrinkage of so many tens of billions of dollars in the country's reservoir of liquid wealth, can fail to leave some scars on our economy, or fail to influence the trend of our business indices. The sharp market declines of two years ago, following the Eisenhower heart attack, did not at that time bring on a recession, but it did tend to flatten out the rising trend of business activity. The more recent market declines, following a more nearly "sidewise" trend in the economy since the President's first illness, is now more likely to be followed by declining business indices.

Whether a turnabout can be achieved in a matter of a few months, or whether a longer period will be required, is difficult to predict. However, a rise in security prices, it would seem, will be a prerequisite to leveling off the present downward trend in business, and further continuing advances in the market averages may be necessary to insure a resumption of the business boom.

This may appear to be a somewhat pessimistic outlook. Fortunately those like myself who are sufficiently foolhardy to hazard predictions as to the future are frequently proven to be wrong. In this instance, I sincerely hope that my views prove inaccurate. However, expecting as we do, a somewhat lower rate of occupancy in our hotels than experienced a year ago, and a smaller advance in overall sales than had previously been projected, it is expected that, despite a probable decline in general business activity, the well administered hotel chains with conservative debt ratios will be in a position to dispel the widely held belief that a hotel system is as vulnerable—if not more vulnerable to cyclical changes than are most manufacturing and merchandising businesses.

For the calendar year 1958 we expect Sheraton's earnings before depreciation from its 45 hotels to equal those of the preceding year, despite some slowing down in the economy. With higher reserves for depreciation this year, reported earnings may be somewhat lower.

CONRAD N. HILTON

President, Hilton Hotels Corporation

The generally high level of business activity and national prosperity made 1957 a year of high volume for the hotel industry. For almost all hotels gross revenues during 1957 surpassed those of any previous year. Although the current softness in certain areas of the economy may be expected to continue for at least some months to come, hotel gross revenues in 1958 should run at satisfactory levels.



Conrad N. Hilton

Last year, Hilton Hotels Corporation's gross volume exceeded \$200,000,000, the best year in its history. Net profits declined, however, a development which held true for the industry at large. Operational costs, which in 1957 increased at an accelerated rate, are expected to be sharply trimmed to enable the hotel industry to improve its profit margins.

Hilton Hotels Corporation is re-examining all its expenses for the purpose of effecting

further economies. Through this procedure, as well as strict cost controls and maximum utilization of existing space, net profits should be at a healthy level in 1958.

Historically, Hilton Hotels Corporation has enjoyed a better rate of growth than the industry as a whole. In addition, the lowering of costs are expected to lower the breakeven point in operations, making Hilton Hotels less vulnerable to any setback in the economy.

At present, Hilton Hotels' domestic operations encompass 25 hotels representing approximately 25,000 rooms. Much of this growth has come from the acquisition of existing hotel properties. However, there are few remaining opportunities for purchasing and integrating fine domestic hotels into the Hilton group. At the same time, mushrooming population growth in certain dynamic areas has led to a shortage of new hotel space. Thus it is in the proper planning of new hotel properties, which can yield sound profits despite today's high construction costs, that Hilton Hotels Corporation is currently embarked.

As the most recent part of this pattern, late in 1957 excavation began for the \$15 million, 22-story Pittsburgh Hilton which is scheduled to open late next year.

As dynamic as Hilton Hotels' domestic growth has been, its foreign expansion may be even more impressive. We already have hotels in Panama, Puerto Rico, Mexico, Spain and Turkey and before the year end, The Queen Elizabeth, Montreal, Canada; the Habana Hilton, Havana, Cuba; the Cairo Hilton, Cairo, Egypt and the Berlin Hilton, West Berlin, Germany are scheduled to open for business. Additional hotels in major cities of the world are currently under construction or are being considered.

Hotelmen are keenly aware of the fact that every year, more people aided by faster, more convenient transportation, travel round a smaller world. The coming jet air age is expected to accelerate this process. To keep pace with these developments, and at the same time maintain reasonable profits, will require concentrated efforts by means of close efficient operations to furnish and provide the many services demanded and expected by hotel guests everywhere.

GEORGE P. HITCHINGS

Economist, Ford Motor Company

The size of the automobile market in 1958 will depend on general business developments and consumer reaction to these developments.

Normal turnover of the existing consumer stock of cars, coupled with an average rate of growth, would provide a retail market somewhat above the 6 million cars sold in 1957 (including 5.8 million U. S. cars and 0.2 million imports). Car sales are likely to be below normal, however, because of consumer hesitancy in making commitments.

A decline in business activity affects car buying not only by consumers whose incomes have been reduced, but also by those who have not been hurt. The present decline has been relatively rapid, but it has curtailed the buying power of only a small fraction of consumers.

Total employment declined about 1% between August and November. Hours worked in manufacturing also were reduced. The buying power of total wages and salaries was down only 1½%, however, even after allowing for slight price increases. This decline was cushioned in part by increased government benefit payments. Other forms of personal income, except agricultural, were virtually unchanged.

The trend of general business, coupled with uncertainty regarding military developments, has caused other consumers to postpone buying. Excessive postponement can increase the depth of the decline unnecessarily.

There are no serious excesses of the 1956-57 prosperity to be corrected. Consumer buying of cars and use of automotive credit in that period were not out of line. There also was no housing boom during the period. Only in the areas of additions to business inventories, plant and equipment, and exports did expenditures climb to rates from which a temporary falling back was indicated.

The problem in any decline is to prevent it from becoming cumulative—i.e., lower spending generating lower income, which in turn discourages spending still more. To turn around such a decline, an increase in total spending is necessary.

Government expenditures will be increasing during 1958. State and local governments will spend more for payrolls and new construction, particularly schools and highways. These expenditures will be met at least in part, however, through higher tax rates. The Federal Government will step up its military procurement from currently reduced levels. A change in Federal tax rates is not indicated at the present time.

Business and consumer spending are the questionable segments. Consumers played a key role in the 1953-54 decline by maintaining their spending in the last half of 1953 and increasing it throughout 1954. Consumer demand also supported rising residential construction during 1954. Nonresidential construction was firm throughout the 1953-54 adjustment. Business expenditures for machinery and equipment were reduced, but the cutback was not sharp.

Tax reduction, made possible by the lower military spending, was an important factor in this maintenance of consumer and business spending. When the readjustments in the military program and in business inventories were completed, the economy was on solid ground for resumption of an upward trend starting in the fourth quarter of 1954.

Maintenance of consumer spending and construction are again essential during the present declining phase of the economy. The initial adjustments in business activity are not as great this time as in 1953-54 because there is no sharp cutback in the military program. On the other hand, the prospects for tax reduction are not as favorable.

Postponement of normal buying is not warranted for the great bulk of consumers and business firms. Prices are not likely to decrease for most products and services, particularly where a trade-in is involved, such as for a car. A new car purchaser can make as favorable a deal on his used car trade-in at this time as at any time in the year.

Incomes of the two-thirds of the work force in non-agricultural employment outside of manufacturing are not likely to shrink significantly. Even in manufacturing, the great bulk of employees should not be affected seriously.

The year 1958 promises to be another test of our ability to minimize the interruptions to forward progress in the economy. There are some inevitable adjustments which have started and will continue into the early part of 1958. There is no necessity for postponement of normal buying for fear of a serious decline. We have the ability to cope with such a decline, should it develop, and lay the groundwork for renewal of the long-run uptrend.

In the auto industry, we expect to have below-normal years when total business activity temporarily declines, but we also expect to follow such years with above-normal years. The long-run outlook is not changed as a result of a slowing down in one year. The auto market is sensitive to shifts in consumer incomes and psychology, however, and we are concerned lest these shifts be allowed to proceed too far.

HOWARD HOLDERNESS

President, Jefferson Standard Life Insurance Co., Greensboro, North Carolina

Business during the last few months of 1957 has been good, but in many segments of our economy there has been some leveling off. Tight money, both as to rates and in certain instances the difficulty in obtaining the amount of financing needed, has caused most individuals and corporations to defer their expansion plans. The recent move by the various member Federal Reserve banks in reduction of their discount rates from 3½ to 3% indicates a change in the Federal Reserve's plans to make money more easily attained and at a lower rate. This move has already resulted in very substantial increases in the price of outstanding bonds and in the lowering of interest which is being paid on new issues.

It is my opinion that 1958 should be a very good year. Business should be benefited by increased spending of our Government in its defense expenditures. Our economy should be helped a great deal by business in general being able to obtain financing for current needs and expansion projects at a lower interest rate. In my opinion, these benefits will be felt more during the third and fourth quarters of 1958 than the first quarters. This analysis is based on the assumption that the international situation will continue on a cold war basis along the lines now existing.



Howard Holderness

CHARLES W. HOFF

President, Union Trust Company of Maryland, Baltimore, Md.

There are so many conflicting and uncertain forces underlying the economy that it is extremely difficult to forecast the immediate outlook with any degree of assurance, especially because of the unknown future developments in the international scene.

Basically, our economy is sound, despite the softening of business sentiment and many of the usual indexes in recent months. We have been through three years of sustained prosperity with no great ill effects other than the decline in the purchasing value of the dollar. We have no speculative problem to correct, employment still remains high, and industry is not burdened with outmoded and inefficient plants. Furthermore, our financial institutions are strong and ready to meet appropriate credit needs. With this healthy framework to respond to the demands of a growing population which requires more roads, schools, hospitals and all the increased utilities and services and durable goods that accompany them, and the new techniques and products which will result from scientific research in all fields, we cannot escape an encouraging conclusion for the long term.

In the meantime we may expect temporary fluctuations and adjustments in the level of activity, and quite possibly the first half of 1958 will see a decline in production, to be followed by a stronger consumer demand for durable goods by the end of the year. Certainly there is no justification for complacency, but rather for renewed energy in competition, which will result in some cases in mergers that are in the public interest.

In view of the varied nature of manufacturing and commerce in Baltimore, we do not experience as severe

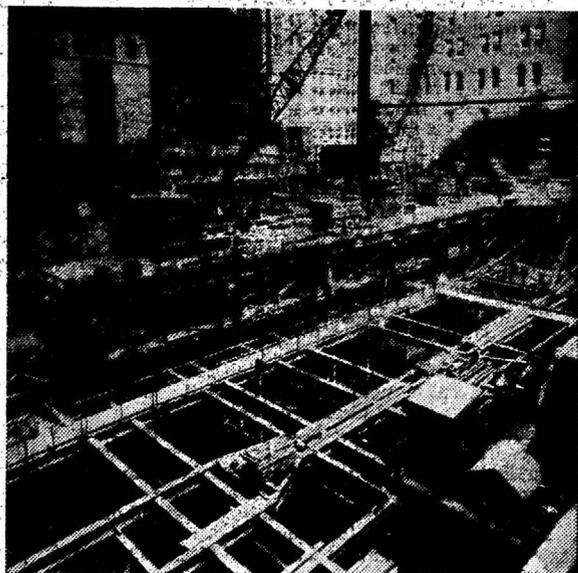


Charles W. Hoff

Continued on page 68

BETHLEHEM STEEL

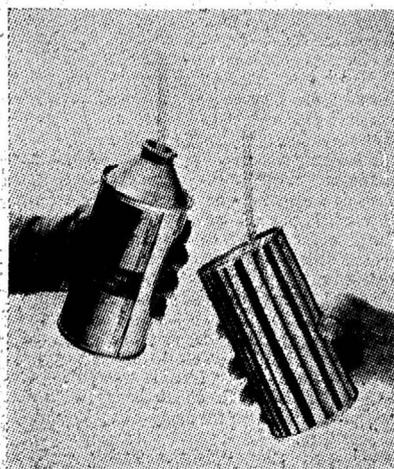
News Briefs of 1957



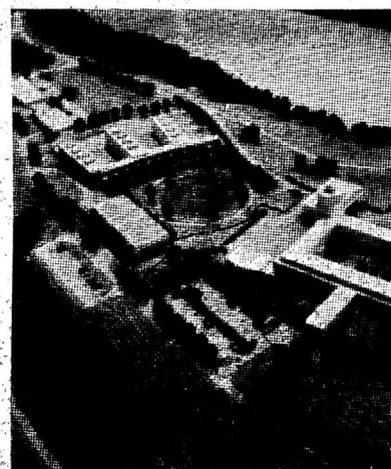
STEEL FOR NEW YORK CITY—Underway is the 60-story Chase Manhattan Bank building deep in the heart of New York's financial district. Unique feature of the design is a large, landscaped plaza. The steel for the new bank and office—some 50,000 tons—is being fabricated at Bethlehem's Pottstown, Pa., works.



TACONITE PELLETS—Some 7½ million tons a year of these small pellets of concentrated iron ore will soon be produced by Erie Mining Company's Minnesota taconite plant—largest iron ore processing undertaking in history. The project, in which Bethlehem has a substantial interest, began production in late 1957.



MORE SOFT DRINKS IN CANS!—In 1957 it took more than 40 billion cans of all types—some 5 million tons of steel—to supply can makers' demands. Nowadays, more and more soft drinks and other good things to drink and eat come in cans. Bethlehem is a major supplier of tinplate—thin sheets of steel coated with tin used in making cans.



SCALE MODEL OF RESEARCH CENTER—Early in the year, plans were announced for construction of a basic steel research center on a 1000-acre site adjoining the Lehigh University campus, and overlooking our plant and general offices at Bethlehem, Pa., Here Bethlehem scientists will have superb new facilities for carrying on vital research projects.



STEEL HOME OF THE FUTURE—When commuting by 'copter becomes commonplace, your roof can be your own heliport. Only a rugged steel frame could stand the strain. And exposed-steel framing is used more and more for its beauty. Bethlehem Pacific Coast Steel Corporation supplied the structural steel for this hillside home in Oakland, California.

GIANT TANKERS—Contracts awarded to Bethlehem's Shipbuilding Division during the year included a number of tankers ranging from 25,000 to 106,500 tons. The latter, to be built at our Quincy, Mass., yard, are about twice as long and twice as wide as a standard wartime tanker and will carry six times as much cargo.

MAKING STEELMAKING SAFER—For the fifteenth consecutive year a Bethlehem plant has won first place in the annual safety contest sponsored by the Metals Section of the National Safety Council. Our Sparrows Point, Md., plant won first place among all large steel plants in the nation. The Bethlehem, Pa., plant won second place, and the Johnstown, Pa., plant won third place.

T-2 TANKER, 524 FT.



SUPERTANKER, 937 FT.



Continued from page 66

upward and downward changes as those in some centers where the business categories are more restricted. We of course follow the national trend but possibly at a greater distance.

Banks, like industry, are undergoing changes in routine operating procedures, and they are offering new services to the public, some of which provide new sources of income and/or supporting balances. By and large, bank deposits and earnings will likely remain at about the present levels.

EUGENE HOLMAN

Chairman, Standard Oil Company (New Jersey)

The year 1957 has been a difficult year for the oil industry and 1958 will continue to present problems of excess supply and some price weakness, but Standard Oil Company (New Jersey) views the longer range outlook with complete confidence. Over the future years the outlook is for continued increase in the demand for petroleum, although the yearly rates of increase are not expected to run as high as in the post World War II period to date.

The expenditures the company and its affiliates have made in recent years for capital investment and in the search for oil and gas put us in good shape to meet these increased demands for petroleum. While 1958 will continue to present problems of excess supply and some price weakness, we view the longer range outlook with complete confidence that we are in a growth business.

Jersey Standard and the operating affiliates included in its consolidated report have programmed capital expenditures in 1958 for producing, refining, marketing, tankers, pipelines and equipment and for other expenditures in the search for oil and gas at approximately \$1,250,000,000, the same amount estimated this time last year for 1957. Actual expenditures for 1957 are now expected to total \$1,400,000,000. This would be the largest program in the company's 75-year history.

In addition, Jersey Standard's share of such expenditures by non-consolidated companies, in which the company holds 50% ownership or less, is estimated at \$130 million in 1958, compared to an estimate of \$120,000,000 for such companies in 1957.

Although about 75% of the 1958 program is for the Western Hemisphere, where Jersey does the major share of its business, more investment has been programmed in Europe than was the case last year, primarily for additional refining capacity and other facilities for marketing oil products.

Subdivided functionally, Jersey Standard's capital program for 1958 calls for 48% to be expended for producing facilities, exploration and other expenditures in the search for oil and gas; 27% for refining; 13% for marketing facilities; 12% for marine and pipeline transportation. The company's recent successful financing has placed it in a good position to meet future capital requirements.

Mr. Holman said that 1957's program will bring to more than \$8,500,000,000 the total spent by Jersey Standard and its operating affiliates since World War II to help meet the growing need for energy and oil products in the free world.

Mr. Holman estimated industry demand for oil products in 1957 was up 1% in the United States. In free foreign areas, oil demand increased by an estimated 6% over the previous year. While these figures show continued growth, the rates of increase are appreciably lower than in recent years.

Probably no economy has always gone upward without lulls and even problems. We now appear to be in such a cyclical adjustment that accompanies rapid growth. In 1958 we look for new high levels of demand for petroleum products world-wide, but again expect that rates of increase will be lower than the post war average, probably around 1½% in the United States, and averaging 8% for foreign countries.

Turning to the outlook for business generally, economic activity in the United States was relatively stable for most of 1957, but turned downward toward the end of the year. Our own economists, as well as others in industry and government feel that this contraction will not be severe or prolonged. They look forward to a healthy recovery to be underway before the end of 1958.

In the free world outside the United States conditions have continued to be generally favorable during 1957, despite fairly strong economic cross-currents. Output has continued to rise in most areas, although much of the vigor of the boom of the past three years has abated. Currency and payments difficulties were more widespread than in the previous years.

Looking ahead to legislation affecting the oil industry, I believe the renewal by Congress of the Reciprocal Trade Agreements Act will be in the interest of all consumers as well as to those associated with the oil industry. Other nations must sell abroad to survive, and ours is the world's biggest market. But beyond that, the Americans getting their weekly pay checks from the production of merchandise for foreign markets number many more than are liable to be displaced by imports from other countries. The encouragement of trade, as freely as possible, with all the countries of the free world is a basic ingredient for peace. We hope that all Americans will support a liberal extension of the Reciprocal Trade Agreements Act.

In the national interest, a reasonable balance should be maintained between domestic production and im-

ported crude oil. Such a balance requires, we believe, sufficient exploration and development in this country to maintain reserve producing capacity in order to meet emergencies such as Korea or Suez. A reasonable balance involves imports from producing countries in quantities sufficient to insure continuance of our favorable relations with those countries and our trade relations, generally, as well as keeping the American consumers' interest in mind.

We believe that, in view of the present productive capacity of the United States, the level of crude oil imports recommended under this country's current Voluntary Plan appears reasonable. This level should not be fixed, however, at a constant percentage, but should be held subject to periodic review so that adjustments may be made in light of changing conditions and unforeseen events.

During a year in which science and technology assumed a greater significance than ever before, Jersey's scientific affiliate, Esso Research and Engineering Company, took a number of forward steps. To increase the scope of exploratory research being done at the Radiation Laboratory in Linden, N. J., the company acquired the most powerful radioactive source ever supplied to private industry by the Atomic Energy Commission plant in Oak Ridge, Tenn.

In gearing itself for future expansion, the company launched a program to build an engineering and research center on a 675-acre site in Florham Park, N. J. This location will supplement the existing major center in Linden.

RUSSELL J. HUG

President, General Baking Company

Despite repeated expressions by analysts that there exists a strong possibility of a continuing dip in national economy for the first half of 1958, there is nothing to convince me that the fluctuations could not very rapidly swing the economy to an all-out early high.

Large baking corporations such as General with nearly a half century of production experience and exposure to marketing variations are less vulnerable in an expanding population era than corporations existing within industrial fields hyper-sensitive to international conditions.

The basic product of the baker is bread, the Staff of Life, which has still the best relative nutritional value of all foods. The daily consumer demand for baked goods continues to increase, thus volume alone assures constant sales expansion. We of General Baking Company, aware of the great future market resulting from unbelievably increasing population figures, are aiming not merely toward the development and marketing of new products but also toward the development of new and comparatively untouched market areas which will absorb the population increases of the future.

Technological developments of American industry, which are bound to be intensified as a result of the recent international challenges, are bound to residually affect the more rapid development of great expanses of America which are virtually crying for modern pioneers to partake of their fullness in a way of life more expansive than the already overdeveloped existing industrial centers.

With increased pioneering activity on the part of young America the need for high energy foods should place bread in a proper nutritional perspective.

It has been said that America's economy is "jittery," pessimistic at times, but no one can say that it's not dynamic. Alertness and intelligence go hand-in-hand with sensitivity, and sensitivity results in variable moods whether it be in a person or in a nation. These signs are emotional expressions of adulthood. We have grown up. We are building muscle. We have lost the smugness of adolescence. The doors to our thresholds are wide . . . and awaiting the brilliance of America's destiny. . . .

General Baking Company . . . aware of this and firm in this belief . . . intends to be there . . . waiting.

JOEL HUNTER

President, Crucible Steel Company of America

The beginning of 1958 appears to be near the mid-point of a period of contraction in demand for special purpose steels. Such contractions occur periodically in this branch of the steel industry and are characteristically sharp, followed, in time, by recoveries of equal or greater magnitude. The underlying cause is inventory accumulation, with either accelerating or damping effects according to the state of business of the buyers of these types of steels and general business conditions.

According to the historical pattern, no significant improvement should be expected before the latter half of 1958. This view is confirmed by our estimate of the outlook for the several Crucible products, including stainless, alloy and tool steels. Substantial inventory quantities yet remain in customers' hands. In general, the increasing demand for special

purpose steels of the current industrial and military arts creates a growth pattern which, though periodically interrupted, is then resumed with greater force. It seems reasonable to expect that the later in the year the next

upsurge begins, the greater its strength will be. A considerable amount of new facilities has been added by the industry both for increased capacity as well as cost reduction and quality improvement. We now see general acceptance of new techniques for making fine steels, involving melting in a vacuum, with most producers having vacuum furnaces in current operation. There is intensification of interest in scientific research. In the months and years ahead these activities will contribute greatly to industry progress.

CHARLES L. HUSTON, JR.

President, Lukens Steel Company

Lukens Steel Company moves into 1958 with a realistic optimism.

This position recognizes predicted reductions in total industry steel production for the year and that Lukens' 1958 performance is unlikely to equal the record level of net sales established in 1957. At the same time, the company has set a goal to not only hold—but possibly improve—its share of the markets served by Lukens heavy plate specialty products.

Lukens steel production during 1957 was above the company's annual rated capacity. However, the overall operations for the first half of this year probably will be at the same reduced levels now being experienced.

There are some factors which indicate a subsequent upturn in steel industry and Lukens operations, although their timing is not yet definite. They include a continued reduction of steel user inventories, anticipated increases in appliance manufacturing, good prospects for heavier construction and defense buying, and the expectation that both shipbuilding and oil well drilling will remain at 1957 levels.

Three major market factors helped Lukens' 1957 performance:

(1) The company's basic sales-marketing objective over the last decade has been to search out, develop and serve those steel plate specialty markets which have shown the greatest, continuing growth potential.

(2) In working toward this objective, Lukens has re-oriented its product mix from the "commodity" steel plate items to the point where more than two-thirds of the 1957 volume (including fabrication) involved "specialty" steel plate items. Because demand for these items generally has been steady and growing, Lukens' products have not been subject to the same cyclical demands as many other steel products.

(3) The basic market for heavy steel plate has been strong during 1957, in relation to most other steel products.

Lukens will enter 1958 with several encouraging signs. Actual steelmaking is still at a satisfactory level; a record \$33 million plant expansion program is proceeding on schedule; a recently-completed physical testing laboratory makes possible even better quality control and additional cost improvements; and sales, marketing, production, research and development programs have been strengthened.

In 1958, the forecasted reduction in the demand for capital goods, a broad market served by Lukens, could affect Lukens' operations. However, Lukens will continue to serve industries where, in general, this decline is not expected to be severe in 1958.

Capacity limitations which in past years have prevented Lukens from participating to a greater extent in the markets for its products are being remedied in the current expansion program. New facilities—including an electric furnace, a mill, and ingot-soaking pits—will increase both steelmaking and rolling capacity by more than 25%. They are scheduled to be in full operation during the first half of 1959.

AUGUST IHLEFELD

President, Savings Banks Trust Company
New York City

Mutual savings banks could have a larger gain in deposits this year than last, despite recession tendencies in the economy.

Several factors explain the favorable outlook for savings bank deposit gains in 1958. These include:

(1) A tendency for people to spend less and save more of their incomes as inflation fears abate and as uncertainty grows about the trend of personal incomes.

(2) The increased attraction of mutual savings bank accounts in a period of business recession because of their absolute safety and liquidity.

(3) Lessened popular interest in equity investment at a time when corporate earnings are declining.

(4) The ability of mutual savings banks to continue to pay attractive dividend rates on deposits because they hold long-term assets.

(5) Lessened competition from commercial banks because of the declining trend in interest rates and in their loan volume.

A mild business downturn, by increasing the desire for absolute safety and liquidity for savings, tends to



Eugene Holman



Russell J. Hug



Chas. L. Huston, Jr.



August Ihlefeld

Continued on page 70

Gregory & Sons Merges Brokerage Facilities Of McManus & Walker

54 correspondents in 61 cities.

Gregory & Sons, 72 Wall Street, New York City, members of the New York Stock Exchange and underwriters of corporate and municipal securities, have announced the completion of negotiations to merge the facilities of McManus & Walker, also a member of the New York Stock Exchange, effective Feb. 1958. The combination, which is subject to approval of the Exchange, will bring together two of Wall Street's well known wire houses. The enlarged firm will retain the name of Gregory & Sons.

The wire facilities of McManus & Walker added to the present wire system of Gregory & Sons will provide the firm with one of the largest networks of correspondents for any New York Stock Exchange firm, William H. Gregory, Jr., senior partner, said.

Graham Walker, senior partner of McManus & Walker, will become a general partner of Gregory & Sons, subject to the approval of the board of governors of the New York Stock Exchange. Mr. Walker stated that most of the personnel of McManus & Walker will join the Gregory & Sons organization. The merger, he said, will afford to McManus & Walker correspondents the advantages of the broader brokerage, underwriting and distribution facilities of Gregory & Sons.

Upon integration of facilities, Gregory & Sons will have private wires from its New York office to 54 correspondents located in 61 cities in 23 states, the District of Columbia and Canada. Including cities served by branch offices of the 54 correspondents, a total of over 100 cities will be in the network. Mr. Gregory said that the firm will have over 25,000 miles of leased wire.

Gregory & Sons is the outgrowth of Gregory & Son, Incorporated, founded in 1934, and Bonner & Gregory, founded in 1937. The two firms merged in 1955. The firm engages in all phases of securities brokerage and underwriting, as stock and bond brokers and underwriters, and distributors of corporate and municipal issues. It also maintains United States government bond and investment company departments. The firm, with the addition of Graham Walker, will have 13 general partners, four of whom hold seats on the New York Stock Exchange. The current partners are William H. Gregory, Jr., George M. Gregory, Douglas G. Bonner, George E. Nelson, M. Henry Townsend, Joseph D. Krasowich, Robert J. Kelly, Francis K. Coleman, E. Oakley Crawford, William H. Gregory, III, Samuel Sloan, III, J. Hampden Robb, Jr. and Edith A. Gregory, special.

A. M. Bleiler Pres. Of First California

SAN FRANCISCO, Calif.—Directors of First California Company, 300 Montgomery Street, one of the West's large brokerage and investment-banking firms, at a special meeting Jan. 8th elected Adolph M. Bleiler president of the corporation. Mr. Bleiler has been with First California for 16 years, and for the past year and a half has been senior Vice-President.

First California, whose business was founded in 1919, has 34 offices, 32 in California and two in Nevada. The company adopted its present name in 1945 when it was changed from Bankamerica Company.

First California's new president has been in the securities business for 33 years, all in California. Senior members of his manage-

ment staff are R. W. Wild and J. F. Egan, Executive Vice-Presidents, and F. Stuart Roussel who is Vice-President in charge of the company's Southern California territory.

Shearson, Hammill Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Richard J. Teweles has become associated with Shearson, Hammill & Co., 208 South La Salle St. He was previously with Merrill Lynch, Pierce, Fenner & Beane.

NYSE Govs. Donate To Blood Bank

Governors of the New York Stock Exchange led a mass blood donation for the securities industry Jan. 13, at a Red Cross Bloodmobile at Federal Hall, Nassau and Pine Streets.

In line to donate blood were Edward C. Werle, Vice-Chairman of the Exchange, and Governors C. Peabody Mohun and Samuel W. West.

The Security Industry Blood Bank provides blood, without charge, to employes of the Exchange and its member firms and their immediate families. About 150 member firms are participating.

In 1957 the Blood Bank handled requests for more than 600 pints of blood. The current drive is needed to cover a small operating deficit and to build a reserve for future needs.

With Reynolds Co.

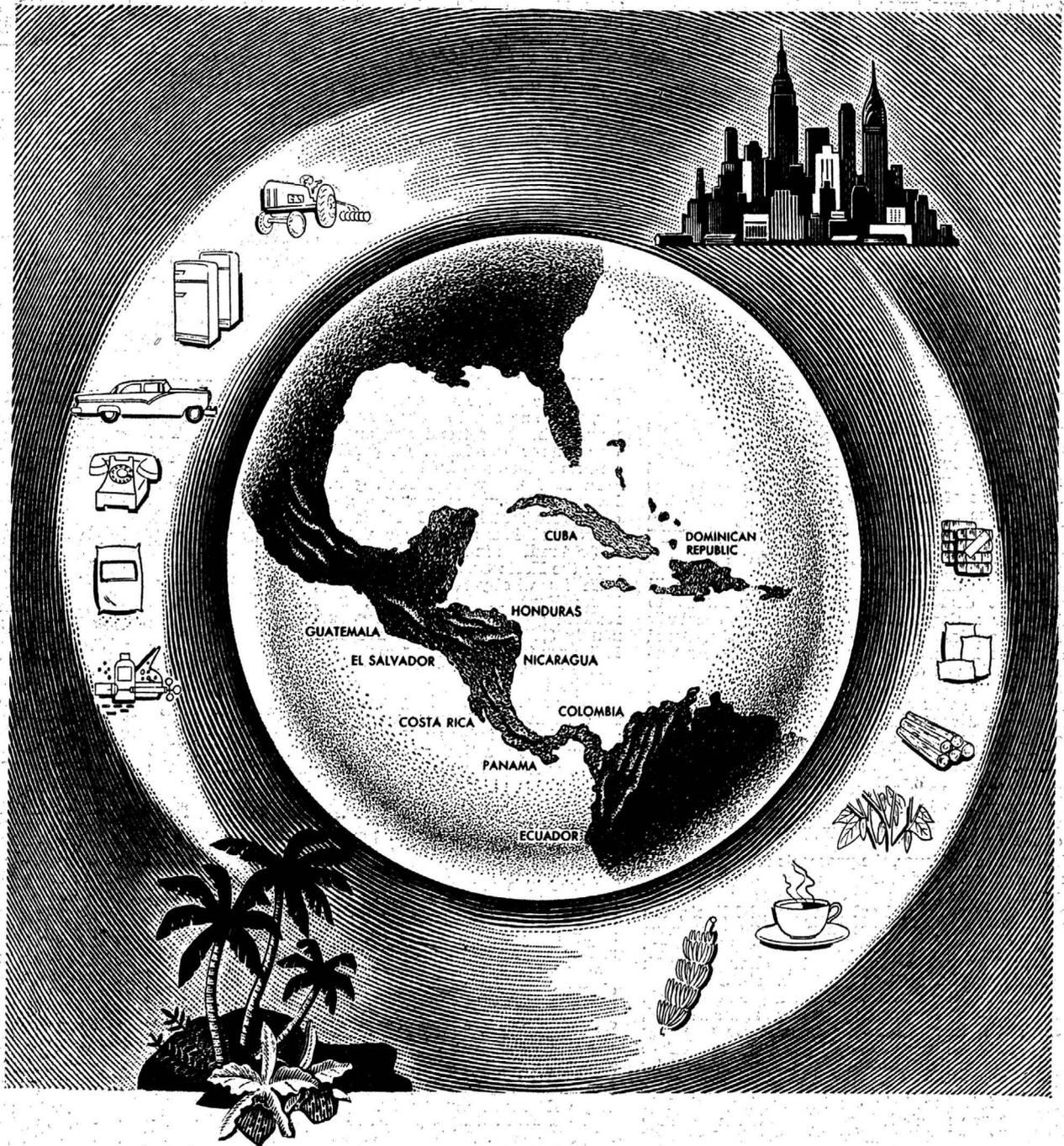
(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Phillip R. Warren is now affiliated with Reynolds & Co., 39 South La Salle St. He was formerly with Arthur M. Krensky & Co., Inc.

Joins Nelson Burbank

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Paul F. Dudley has been added to the staff of Nelson S. Burbank Co., 80 Federal Street.



THIS FREE WAY OF LIFE STRENGTHENS THE AMERICAS

A new concept is sweeping the Western Hemisphere . . . *Interdependence between the Americas!* Men of goodwill are eagerly seeking new opportunities to bring all Republics into a Living Circle of trade and communication. Working together they are establishing a sound multi-crop economy, developing wasteland into rich farms to supply both local and world markets. Scientific farming, modern machinery, fertilizers, power and transportation are aiding the workers to produce more abundantly, while better housing, schools and hospitals enrich and dignify their lives.

The vital crops that flow to Northern markets earn dollars for manufacturers: tractors, refrigerators, telephones, railroad equipment . . . hard goods that flow south to increase every country's potential. These enlarge employment and local government revenues—raise the whole standard of living. This is the free way of life in action . . . the combined effort of friendly peoples, that strengthens the Americas and guards against communist infiltration.



United Fruit Company has been serving the Americas usefully for 58 years—reclaiming wasteland, stamping out disease, developing human skills, helping by research, new techniques and transportation, to increase the production and sale of bananas, sugar and other crops, and expediting communications.

United Fruit Company

80 Federal Street, Boston 10, Mass.

Continued from page 68

have a favorable effect upon mutual savings bank deposits. Past experience shows that the gain in deposits was materially slowed down only in pronounced and prolonged recessions when people drew upon savings to offset lower personal incomes.

Although corporate bond financing will contract because of reduced business spending upon new plant and equipment and inventories, savings banks should find ample outlets for new funds in the mortgage field. Changes in interest rates on mortgages tend to lag behind the general trend of interest rates, so that relatively attractive mortgage yields will probably continue to be available for some time to come. Savings banks who so desire will be in position to increase their mortgage ratios by switching from United States Government obligations, in view of the sharp advance in the prices of Government securities that has accompanied the reversal in the trend of interest rates.

The high quality of savings bank assets, the healthy ratio of surplus to deposits and the large proportion of insured and guaranteed mortgages held, place mutual savings banks in a particularly strong position to face an economic readjustment. Public recognition and appreciation of these factors of strength brighten the prospects for mutual savings banks.

HON. IRVING M. IVES U. S. Senator from New York

Shortly before the second session of the 85th Congress convened on January 7th, one of my colleagues made a remark which sums up the prospects for the weeks that lie ahead, insofar as the U. S. Senate is concerned.

"This," he said, "will be the session of rackets and rockets."

The rackets he referred to, of course, were those exposed during the past year by the hearings of the Senate Select Committee on Improper Activities in the Labor or Management Field — the so-called McClellan Committee, of which I have the honor to be Vice Chairman. The first legislation I introduced in the Senate last Thursday, January 9th, consisted of four bills designed to eliminate some of the abuses the Select Committee has uncovered. I shall discuss these more fully in a moment.

As to "rockets," I don't think there can be any doubt that this session of the Congress will spend a great deal of its time seeking means to strengthen our national defense program, particularly with respect to missiles, and to bolster our educational system so as to increase the supply of American scientists. As a member of the Senate Committee on Appropriations, and as a Senator who has consistently opposed budget cuts at the risk of our national security, I fully expect to make a contribution to this effort.

As to the prospects for enactment of labor legislation during the current session, it is necessary to begin with the observation that only one amendment to the Taft-Hartley Act has been approved by the Congress since the law was passed in 1947. The subject has been so controversial that acrimonious stalemate has been the order of the day.

In this session, however, the prospects for action seem to be much better. During the 83rd Congress, under my Chairmanship, and through the 84th Congress under the Chairmanship of Senator Paul Douglas of Illinois, the handling of billions of dollars in pension and welfare funds was investigated thoroughly, and a bill to require the registration, reporting and disclosure of such funds now awaits final action by the Senate Committee on Labor and Public Welfare. This is a prime example of important legislation in the labor-management field, involving as it does the protection of close to thirty billions of dollars now amassed in pension and welfare funds, which seems likely to be acted upon, at least by the Senate, during the present session.

I had also introduced, in the last session, a bill to eliminate the "no man's land" of jurisdiction between the national Labor Relations Board on the one hand and state labor relations agencies on the other. As matters now stand, the fact that the NLRB does not take jurisdiction in certain cases does not automatically turn over the case to a state agency; on the contrary, the case may fall exactly nowhere.

This is an extremely important matter because many improper activities have occurred in view of the fact that the particular employer involved had no access to either NLRB or a comparable state agency. For example, this "no man's land" includes 126 local transit companies which serve 129 cities with a total population of more than fifty million people; it includes the entire hotel industry, and taxi-cab companies. Testimony before the Select Committee has shown a number of instances in which employers either were victimized by racketeers who called themselves labor leaders, or entered into collusive agreements with them, in the absence of proper state or federal supervision resulting from this lack of jurisdiction. I would certainly be most disappointed if we failed to get action this year on legislation to correct this situation.

I have also introduced bills to insure democracy in labor organizations by guaranteeing union members the

right to a secret ballot; to prevent misappropriation and misuse of union funds by putting teeth in present requirements that unions file financial and other reports with the Secretary of Labor; to eliminate abuses resulting from so-called "stranger" picketing, and to extend criminal liability for certain unfair labor practices to middlemen retained by employers in labor disputes, as well as to employers and representatives of employees. It is rather early to tell what will come of these bills during this session; a number of other labor bills have also been introduced, and as previously noted, the entire area is charged with controversy. But I am hopeful that the extremism which has prevailed too often in the past will be set aside this time in the interest of a judicious effort to correct the evils which have arisen in labor-management relations, without doing violence to the traditional rights of labor or management.

The Labor and Public Welfare Committee, of which I am a member, also has before it numerous proposals to expand science instruction in this country and to make it possible for more qualified young men and women to pursue higher education in the sciences. Russia's recent scientific triumphs have so stimulated interest in this subject that I think we can look rather confidently for affirmative Congressional action in this field. I was a sponsor in the last session of a bill to establish federal loans and loan guarantees, which would help qualified high school graduates to meet their college expenses, and I certainly expect to support any workable legislation we can devise in this field—so long as we don't get into federal control of educational policy.

On the whole, I feel that the people can expect plenty of action from this session of the Congress, and particularly in the areas suggested by my colleague's reference to "rackets and rockets."

WALTER L. JACOBS President, The Hertz Corporation

If the general business outlook for 1958 were as good as that for the car and truck renting and leasing industry, then one could safely predict a continuation of the upward business trend and an optimistic future. The outlook for the Hertz Corporation and its industry is indeed excellent.

In 1957 the vehicle renting and leasing industry had a record gross of approximately \$460 million, a substantial increase over a volume of \$384 million in 1956. In that same year the Hertz Corporation, together with its wholly-owned subsidiary, Hertz Rent A Car System, Inc., realized gross revenues of approximately \$128 million, an increase of 17% over the previous year.

The growing public acceptance of car and truck renting and leasing is a major factor in the bright outlook for the future, and for major organizations in the industry it has made our business practically recession-proof. The fact is that this industry began its real growth cycle during the depression years in the early 1930's. It is historically true that in prosperous times, such as those the country is presently enjoying, the car and truck rental and leasing services are in great demand; and in times of depression or recession, the slackening off in the use of our services for pleasure or non-essential purposes is offset by the increased use of rental automobiles by sales-minded industries to get their salesmen and representatives into the field and the increased inclination on the part of many businesses to lease trucks and cars in order to reduce their capital investment.

While Hertz is the pioneer in its industry, and the oldest and largest organization of its kind, there are currently more than 2,100 companies in the United States engaged in car or truck rental or leasing, or both. Industry growth in 1957 was largely attributable to the increased volume of established companies, however, rather than an increase in the number of companies engaged in the business. In 1958 competition undoubtedly will increase markedly.

In the new year the effects of expansion abroad, such as that jointly announced last October by the Hertz Corporation and American Express Company, and increased activities in the car and truck leasing field should be reflected in a growing volume for the industry.

With the establishment of Hertz American Express International Ltd. to conduct car rental business outside the United States, there exists for the first time an international organization with the facilities and the personnel to render service abroad of a caliber equal to that in the United States. With this improved and more widely available service, expansion abroad appears to be inevitable.

As for car and truck leasing, the advantages of these services have only begun to be realized in many fields of potential business. Even without a decline in general business conditions, the outlook for this part of the industry is better than it has been for some years.

The passenger car rental business, with which the industry started, has been on a continuing increase and there is no present indication that it will not continue in the same direction in 1958.

Thus, despite the fact that some economists have predicted some decline or peak and valleys for business in 1958, the car and truck renting and leasing industry is looking forward to the year with considerable optimism.

HON. JACOB K. JAVITS

U. S. Senator from New York

In light of the declared policy of the U. S. S. R. to challenge us in the technical and economic fields, United States foreign economic policy will be one of the major issues facing us in the year ahead.



Hon. Jacob K. Javits

Our total foreign military, economic and technical assistance programs represent about 1% of the aggregate economic strength reflected by our Gross National Product of \$439 billion at current rates. To muster our country's full effort in the cold war struggle, we must materially expand our efforts in the following fields: overseas private investment; technical assistance from business, information and education from business sources; trained personnel for work overseas; higher education facilities for engineers and scientists; and tourism. The policies of American business abroad need to be closely coordinated with our international policy objectives. All of this calls for much greater effort from business in the public interest than ever before.

American business should reevaluate its position relative to the defense of our country and the values for which it has struggled so long and which are now being seriously challenged by the war potential of the Soviet Union. For years, American businessmen have taken for granted that we are the leaders of the free world, certainly in business and economics. Now the Russians are making a deadly serious bid to take that leadership away from us.

The reality of Soviet ICBM capability in the immediate future is jarring us out of the complacency that has caused business generally to favor budget and tax cutting over foreign military and economic assistance needs has caused pressure for an enhanced protectionism in international trade.

Considering the size of the job that must be done in the interests of national survival and the free world, thoughts of a tax cut must be laid aside in this emergency. It is estimated that the Soviet Union is spending approximately 25% of its Gross National Product for national security purposes. We are spending less than 10%. Business should back these expenditures so essential to our survival, not discourage them. There is no business as usual in our national security requirements today. We should remember that it is the Russians who are forcing their people to live in poverty for the sake of defense. From now on it is they who will pay the heaviest penalties for increased expenditures.

U. S. foreign policy efforts are seriously limited and hampered by the absence of adequate participation in them by the private economic system representing by far the greatest part of America's production and economic strength. The vitality and productivity of the American private economy was the answer in war as it must be now. American business must and I am sure will meet the challenge.

CHARLES C. JARCHOW

President, American Steel Foundries

American Steel Foundries' sales for the fiscal year ended Sept. 30, 1957, increased to \$123,000,000 from \$117,000,000 in the 1956 fiscal year. Net income for the year amounted to \$8,008,000, the second largest in the company's history, being exceeded only by 1956.

Earnings in 1957 were adversely affected by increases in labor and material costs that could not be offset by increased selling prices. Also, we redesigned one of our major product lines which made necessary substantial initial costs in starting regular production. Start-up costs at a recently constructed plant of one of our subsidiaries also contributed to the small decrease in earnings. These extraordinary costs are to be expected in beginning regular production of new products and in commencing operation of new facilities.

Sales of regular products increased \$6.5 million, all of which was in railway products. These increases in railway products caused our shipments to other than railroad customers to be 38% of our total shipments as compared with 40% in 1956. Ten years ago only 10% of our shipments was to other than railway customers.

The relatively high rate of freight car building during the entire fiscal year made possible the continuance of a satisfactory level of operations in this area of our business. Currently, however, carloadings are down and there is no severe car shortage. As a result, freight car purchases are lagging, and our backlog has decreased to a point that we will have to reduce our operations.

Two factors will influence the course of future railway equipment purchases. One is the general economic activity of the country and the other is the relaxation of the obsolete regulatory control on rate making and other restrictions on railroads by Federal and state regulatory bodies. The relief from discriminatory regulations recommended by the President's Cabinet Committee in the public interest was proposed in bills introduced in Congress in 1957 and it is expected that they will



Charles C. Jarchow

Continued on page 72

Continued from page 70

again be presented in 1958. Also, Congress knows that it is in the national interest to keep our railroads healthy, since they would be a vital asset in time of war. If there is an improvement in these factors, the railroads will step up their purchases.

We are strong advocates of programmed freight car procurement and we believe that there is an increased awareness of the benefits of such buying by the railroads. This would permit the car building shops to operate on a more uniform basis and, in turn, would make possible better operating efficiencies in our own shops and eliminate the costly wide fluctuations that result from spasmodic buying.

Shipments of industrial chain in the earth-moving and construction industries should be accelerated in 1958 by the nation-wide plans for highway construction which were not started to the extent that was anticipated in 1957. We expect operations in this and other areas of the chain business to be good in 1958.

The hydraulic machinery, machine tool and pipe-coating operations should be satisfactory also.

We continue to pursue our diversification objective and the substantial earnings being derived from steps already taken indicate that a firm base has been established.

On the basis of present plans, plant additions in 1958 will be the largest in the company's history and are expected to amount to \$11,000,000. This is approximately \$6,500,000 more than the anticipated provision for depreciation and amortization in 1958. Plant additions for the past fiscal year amounted to \$8,795,000. The largest capital expenditure in 1958 will be for two new steel wheel plants and an increase in capacity for the manufacture of roller chains and sprockets. For the most part, the balance of capital expenditures will be directed toward cost reduction projects and new processes.

Our business in the first quarter of the 1958 fiscal year will be good. We expect that business in the remaining three quarters in product lines other than railroad will be good, but the extent to which we have a good fiscal year depends largely on the rate of purchasing by the railroads. We are optimistic and believe they will buy in sufficient volume to make 1958 a satisfactory year.

HON. WILLIAM E. JENNER

U. S. Senator from Indiana

The year 1958 will be one of economic readjustments. Last year's "tight money" situation has eased. Business demand for capital leveled off in the last quarter of 1957, making available more funds for mortgage credit.

The Federal Reserve Board has reduced the discount rate. Whether this was temporary—a means of refinancing the government debt at a time when the Treasury's cash balance was low and the debt at the legal ceiling—or a recognition of increased unemployment, we shall see.

Unemployment has increased partially because of the leveling off of business expansion, the higher wages, and conversion to automatic machines. But I believe this is temporary.

There is absolutely no reason for the government to increase spending for any reason at this time.

I believe the most important step which Congress can take, in the coming session, is to provide the money needed for new weapons out of savings in Federal spending. There is a vast area of saving available to us by adoption of a simple policy—take the Federal Government out of all those activities it is not supposed to carry in our Constitutional system.

I would have Congress set to work at once to lop off every function now carried by the national executive which should be returned to the states. I would have Congress carry out the recommendations of the Hoover Commission to take the Federal Government out of all areas that are better left to private business. I would also take the Federal Government out of all activities which compete with private non-profit agencies in education, welfare, research, art, and every other field.

That means, of course, that we must make adjustments in the flow of tax revenue. The Federal Government used to spend about one-quarter of the tax funds spent by state and local governments. Now the roles are reversed. The Federal Government spends many times as much as all our state and local governments put together.

Of course I do not mean that we should let the Federal Government collect huge taxes and dole them out to the states. I mean that Congress should re-examine our tax system and reserve to the states the revenues they need to maintain our Constitutional Federal-State relationships.

I repeat. The most important step Congress can take, to strengthen national defense, is to cut Federal spending. Congress must divest the Federal Government of all responsibilities except national defense, foreign policy, and those few activities which no single state or interstate compact can carry out.

This policy will strengthen our national security, strengthen our economy, and preserve high employment on a sound basis. Politically it will enable Congress, the people and the press to see what our Federal Government is doing, and to tell the government where it should go.

B. BREWSTER JENNINGS

Chairman of the Board,
Socony Mobil Oil Company, Inc.

The oil industry enters the New Year with its outlook less bright than in most recent years. We at Socony Mobil look for an increase in domestic demand in 1958 of only 2.6%, and total demand for U. S. crude oil and products no higher than this year.



B. Brewster Jennings

There seems little doubt the oil industry is temporarily overbuilt both as to producing and refining capacity. As a result competition is increasingly keen, with prices being shaved in a number of markets. It may be some consolation that, as the highly competitive nature of the industry becomes so obvious, the ground is cut from under the charge that the oil industry is a monopoly. While we can hardly expect a respite from that hackneyed charge in an election year, it should get less than the usual mileage in the existing circumstances.

O. M. JORGENSEN

Chairman of the Board, Security Trust & Savings Bank,
Billings, Montana

Despite the fact 1957 has been dubbed a year of recession, nevertheless, it must be admitted, a year of substantial business. Not as good, perhaps, as 1956, yet substantial. Gross national product still remains high. We might interpret the sharp stock market drop in late summer and fall as indicative of the recession continuing at least through the first half of 1958. Nineteen fifty-seven is distinctive for a number of things—tight money, stock market break, Sputnik, declining industrial production and employment, lack of steel orders, slump in metals, the predicament of our railroads, increase in interest rates, the growth of savings, slump in home construction.

Nineteen fifty-eight may not measure up to 1957, yet not a great deal behind, depending on the second half. The downward trend in business will continue during the first half, with further unemployment. It is expected six million automobiles will be manufactured this year and near a million new homes. Corporate dividends will decline somewhat from the record 1957 high. Farm income will increase slightly (livestock prices have increased substantially in 1957). Some wage increase can be expected, with greater resistance to new wage demands. Steel will be in plentiful supply. The cost of living will rise a little. Credit may ease a little but mortgage funds will still remain tight. There will be no tax cut for business this year, thanks to Sputnik. Government spending will continue high. The cold war will continue which is preferable to a shooting war. Russia has made some gains and appears to be sitting in the driver's seat, all of which seems to have given too many of our citizens a bad case of jitters. We'll be hearing much about missiles during 1958.

In the Midland Empire of Montana, with Billings as the hub, we depend a great deal upon livestock and farming. Agriculture plays a big part in our economy. Favorable moisture conditions prevailed during 1957, resulting in excellent crops. Range conditions were good so livestock is wintering well. To date we have enjoyed an open winter. What kind of year we will have agriculture wise in Montana will depend on the amount of moisture we get.

The Great Western Sugar Company will again mill more than one million 100-lb. bags of beet sugar. This is the biggest year in the history of the mill. We have harvested the largest crop of sugar beets.

The oil industry still contributes substantially to our economy. Three modern refineries are operating to capacity. Pipelines carry both crude oil and refined products great distances. Many communities are served with natural gas. A lot of money will be spent in the Williston Basin this year. Exploration and drilling in Montana will be slow the first half. Results in central Montana have been disappointing. Much of the activity this year will be in developing present discoveries. Shell is the leader. Daily oil production in Montana is 80,000 barrels which is about double the production previous to the Williston Basin discovery. Nineteen fifty-eight will be about on the same level as 1957.

We look for an increase in tourist business during 1958. Montana is a fine vacationland what with Yellowstone and Glacier National Parks and the many fine dude ranches.

The one distressing note in the economy of our Midland Empire is the downturn in construction; however, some pickup is becoming evident.

So for 1958 another year of no mean proportions, not as good as 1957 and possibly will be referred to by many as a year of recession. Perhaps it is a good thing to be cautious and perhaps tighten our belts a little. Perhaps credit has been a little too easy which has aided us in spending faster than we can make it. Our economy in 1958 will still be in high gear. Ahead of us is another interesting year with high prices, high wages, high taxes and missiles. Inflation still continues to be a threat.

THOMAS ROY JONES

President, Daystrom, Incorporated

Electronics is, unquestionably, the nation's major growth industry both in terms of current performance and future prospects. During 1957, total industry sales amounted to more than \$7 billion, over 15% more than the previous year. By 1965 the industry, as a whole, is expected to account for \$10 billion in sales, a goal which it seems certain will be achieved. To do so requires an annual sales increase of less than half the 15% gain of last year.

At the present time it appears that the economy of the nation may be due for a slight adjustment during the coming year. How this might affect the electronics industry can best be gauged by considering the diversity of the industry.

Radio and television receivers comprise a sizable portion of the electronics market thus making the industry directly susceptible to consumer buying attitudes. It is interesting to note that in this area of consumer product output there is a measure of balance; in 1957 radio production increased 9% while television receiver production dropped 12%. During the current year any soft spots in this area can be offset by the larger share of industry sales accounted for by the government. Last year this amounted to fully 50% of industry sales. There is little doubt that spending on this order by the government will continue or increase during 1958 because of increased emphasis on missile development and the increasing use of electronics in more conventional weapons for which greater accuracy, easier control or safer navigation are required.

It is in the area of electronics for industry that rapid strides can be expected during the coming year and in future years. It is also in this area that the public is least informed as to the possibilities for electronically controlled processes in the chemical, petrochemical, steel and power industries, among others. Ultimately, such equipment will have far-reaching effects on our standard of living by improving and increasing output per worker and by justifying capital expenditures for new production equipment.

Currently, industry accounts for approximately 18% of electronics sales and the possibilities for the broad use of electronic systems are tremendous. We have only begun to scratch the surface here with the adoption of data logging equipment and certain types of systems by a comparatively few companies. It is only recently that electronics manufacturers have become able to offer industry advanced systems for operation on a continuous basis.

Up to the present time, equipment has been subject to frequent breakdowns because of the nature of its basic components. Years of research and development now make it possible to provide reliable equipment designed primarily around the transistor. 1958 will see the first use of a completely transistorized digital computer or "brain" to be installed as part of a plant-wide electronic system at a new electric power plant. It is expected to be the first of many such installations and is the forerunner of reliable, highly accurate systems capable of controlling an entire process from raw material to finished product.

Because of its varied make-up and the many fertile areas open to electronics, we can look forward to new advances in the technology of electronics during the coming year and be assured of its long-term growth.

DWIGHT P. JOYCE

Chairman of the Board and President
The Glidden Company

The Glidden Company anticipates an upward trend in both sales and profits during the latter part of 1958.

This is so even though results for the first quarter of the fiscal year were lower. We believe the current business downturn is temporary.

Generally speaking, the outlook for our diversified operations is favorable. This is especially true of our paint division which set new records for both sales and profits in fiscal 1957, with consumer products accounting for virtually the entire sales increase. Sales volume of industrial finishes and coatings was maintained at 1956 levels, in spite of a decline in production in certain industries, particularly durable goods. The highly satisfactory performance in both phases of Glidden's paint business was made possible by the sale of new products and a substantially expanded distribution pattern.

The most significant development in Glidden's paint division during 1957 was the progress made on water-reducible emulsion coatings. We have solved many of the technical problems involved in the industrial use of emulsion coatings and during the year the Ford Motor Company began to use these coatings in certain structural parts. Work is continuing with Ford to develop more extensive applications for these finishes.

Glidden's emulsion work has also led to the development of a new Spred Satin which will be introduced to consumers during 1958. Without impairing the outstanding qualities of the present product, which revolutionized interior painting and sparked the do-it-yourself painting



Thomas Roy Jones



O. M. Jorgenson



Dwight P. Joyce

Continued on page 74

Continued from page 71

Recovery of Sterling And World Trade

grain and cotton. In all cases, except grain, cotton and refined sugar, the brokers who are members of the markets may sell for sterling the commodities dealt in, even though these commodities may have originated in the Dollar Area and have cost the United Kingdom dollars. These markets thus play an important part in providing a bridge between the dollar and non-dollar worlds. The importance of the facilities provided by these markets is shown by the fact that in 1956 nearly \$1.3 billion worth of commodities was sold through these markets to countries outside the Sterling Area against payment in sterling or foreign currency. Not all of these transactions involved dollar-costing commodities, but the amount of such commodities was substantial.

There is one further aspect of which I need perhaps not remind this gathering, and that is the use that can be made of sterling for settling a wide variety of invisible transactions such as shipping and insurance payments and the other traditional facilities provided by the City of London.

To sum up this part of my talk: While sterling is not yet formally convertible it has now recovered a large part of its prewar usefulness as a means of making international payments. Residents of North and Central America not only have full convertibility of sterling into dollars at the official rate of exchange, but can also pay sterling freely to any part of the world. Persons in the rest of the world (outside the Sterling Area) can use sterling freely for any purpose not only amongst themselves but also to make payments to the Sterling Area. They also enjoy a significant degree of convertibility at official rates through the operation of the London commodity markets. Sterling Area residents have, under United Kingdom regulations, full freedom of transfer within the Sterling Area and are increasingly able to make payments abroad on a fully non-discriminatory basis. If full advantage were taken of all the facilities available, sterling could be used to settle nearly 70% of world trade. Precisely what proportion of world trade is actually conducted on a sterling basis is not known, but the best estimates available point to this proportion being nearly one half.

Use as Reserve Currency

The other international aspect of sterling is its use as a reserve currency. It is here that the greatest change has taken place in the position which existed before the war. As I mentioned earlier, the wartime increases in sterling balances left them at a level far in excess of the gold and dollar reserves, and it has been this change in the United Kingdom's external capital position which has presented successive United Kingdom Governments with their greatest difficulties in the external field. The problem has been to find means of strengthening the external capital position of the United Kingdom and so consolidate the position of sterling, without, at the same time, restricting the increased investment in British industry on which our future position as a trading nation depends. Though the means used for this purpose have differed from time to time, the achievement of this basic objective has been a major point of policy for all postwar British Governments — no matter what their political complexion.

The importance of doing this

stems not only from Britain's position as the centre of a large trading area but also from the very structure of the British economy. It is perhaps unnecessary for me to stress in this forum the United Kingdom's dependence upon foreign trade, but the bulk of its foodstuffs and an increasing part of its industrial raw materials have to be imported from abroad, and Britain pays for these by its exports of manufactured goods and the provision of services in the fields of trade and finance. In proportion to national income, the volume of the external trade of the United Kingdom is over five times that of the United States. Because of its dependence on international trade, the effects of changes in the ex-

ternal value of its currency upon the internal price structure are much greater than would be the case with a country less dependent on foreign trade. Britain itself thus has a vital interest in the maintenance of a stable external value of the pound.

When thinking of the position of sterling, the world at large sometimes tends too often to think of what are often referred to as the United Kingdom's "biennial crises" and too little about British achievements both internally and externally. It is true that since 1949 there have been payments problems of varying degrees of magnitude, usually in the summer and autumn when the pound is, in any case, seasonally under pressure.

But on only one occasion were these crises accompanied by a heavy deficit on current account — that was in 1951 when the current account deficit was just over \$1.1 billion. In 1955 there was a relatively small deficit of \$220 million and in the current year when, as you know, the pound has come under heavy speculative pressure in August and September because of rumors of changes in European exchange rates, the United Kingdom is likely to have a substantial current account surplus. The size of this cannot yet be estimated but we do know that in the period from July, 1956 to June, 1957 the United Kingdom's current account surplus, despite the adverse effects of Suez upon its balance of payments position,

was nearly \$600 million. To complete the picture I might perhaps add that in the period from the end of 1949 to June, 1957, the United Kingdom had current account surpluses in five and a half of the seven and a half years, totalling some \$3.7 billion, and that the current account deficits in the remaining two years were \$1.3 billion, giving a net surplus of nearly \$2.4 billion.

I think you will agree that this is a not unimpressive performance, particularly when it is remembered that the United Kingdom's normal invisible income, i.e., income from investments, shipping, etc., fell drastically as a result of the war and now pays for barely 10% of its

Continued on page 75



GUARDING 5 BILLION FLIGHT MILES

"On final approach," radios the pilot. Down goes the landing gear for another happy landing. Special petroleum lubricants and fuels — pioneered by Texaco research — play an important part in the 5 billion passenger miles flown each year. During the past 22 years more scheduled revenue airline miles in the United States have been flown with Texaco Aircraft Engine Oil than with all other brands combined. A typical example of how Texaco research cooperates with industry.



THE TEXAS COMPANY

TEXACO

Progress . . . at your service

Continued from page 72

movement, Glidden research chemists have materially improved the durability, appearance and decorating characteristics of this pioneer rubber-base paint. In addition, the product will be attractively packaged with a metal foil label for increased shelf display appearance.

While our paint division may not surpass its record for 1957, it should do very well during the coming year.

In our Durkee Famous Foods Division, 1958 will be a year of consolidation and improvement. We have recently entered into a long-term lease for a modern, one-story building in Bethlehem, Pa., to house our new coconut and condiment operations. During 1958 we intend to greatly intensify this phase of our business, which will involve the addition of bulk seasonings and coconut to our regular line of shortenings and other edible oil products sold to bakers, and candy and food manufacturers.

Operations of our Chemurgy Division have been intensified, and construction has started on a new \$4,000,000 protein plant in Indianapolis. Promine, Glidden's trade name for this soybean-derived edible protein, is an entirely new product and there are no other natural or synthetic proteins which have comparable chemical and physical properties and cost advantages. This product, when incorporated in staple foods, builds up protein levels to considerably higher nutritive standards and imparts many desirable physical characteristics to such products. Already in use in a number of food products, its evaluation by leading food companies has stimulated a great deal of interest, not only because of its nutritional values, but also for use as a coating, thickening and gelling agent to improve the quality of many existing food products.

RG Lecithin, another product of our Chemurgy Division, continues to find national distribution and acceptance. The product is a dietary food supplement produced from edible soybean oil.

Our Southern Chemical Division is beginning to reap the benefits of its intensive research efforts of the past several years. New products such as geraniol—a synthetic terpene aromatic of great value to the perfumery industry—and synthetic laevo-menthol, an important flavoring ingredient, are indications of the growth potential of this division. All of these developments are expected to lead the division into still further activities in terpene aromatic chemicals during 1958.

Our Chemicals-Pigments-Metals Division expects completion of its new \$30,000,000 Adrian Joyce Works at Baltimore by mid-year. These plants, the most modern and newest titanium dioxide facilities in the country, should enable this division to show substantial improvement. Moreover, lower prices on the metals used in the color pigments manufactured by this division are expected to produce more realistic profit margins for the coming year.

As evidenced by the foregoing, Glidden's research and development activities have been broadened considerably. Our newly-created central technical staff has undertaken a thorough evaluation of our present and future programs, and our 1958 budget for research and development is 20% greater than that for 1957.

FREDERICK R. KAPPEL

President, American Telephone and Telegraph Company

Growth of the Bell System in 1957 was very large although the rate of growth was not as fast as in 1956. Earnings for the year are about \$13 per share of A.T.&T. stock, or approximately the same as in the two previous years. The average number of shares outstanding in 1957, however, is more than 6 million larger than in 1956 and some 13 million more than in 1955.

The System added nearly 3 million telephones in 1957 and more than 52 million are now in service. Long distance conversations were up 7% over 1956. Today 91% of all our telephones are dial-operated and the dialing of long distance as well as local calls is growing rapidly. Some 5 million customers can now dial directly to many far-away points without the assistance of an operator, and 15 million can dial directly to nearby points.



Frederick R. Kappel

To provide the new facilities needed for growth and modernization the Bell companies in 1957 expended some \$2.5 billion for construction. One of the important events of the year was the inauguration of service between Hawaii and the mainland over a 2,400-mile submarine telephone cable. This triples the number of voiceways previously available by radio and greatly increases the dependability and ease of service. The first transatlantic telephone cable, opened about 15 months ago, is already so heavily used that we are going ahead with a second one to be ready in 1959.

To help finance construction the System obtained about \$1,150,000,000 of new capital in the past year. Most of this was raised through the sale of debt issues, and was, of course, in addition to the more than \$500 million obtained in the fall of 1956 through the offering of A.T.&T. stock to share owners.

Looking ahead, although 1958 growth and construction may be somewhat below 1957, we expect they will still be very large and that much new capital will be required. Accordingly, at a special meeting to be held Jan. 15, A.T.&T. share owners will be asked to authorize a \$718 million issue of convertible debentures, and to authorize also a new employees' stock plan under which

seven million shares would be available for offering to employees during the next several years.

The long-term outlook is that telephone services must be widely expanded to meet all the needs of our fast-growing country. Under these circumstances we foresee the need for continuing heavy construction which will require new capital in the range from a billion to a billion and a half dollars a year. The first and clear necessity is to have earnings that will assure the success of such a program. Only on that foundation can the needs of the nation be met as they should be. Bell System earnings, which are currently at the rate of 6.7% on capital, in our judgment definitely should be higher and we shall vigorously pursue our efforts to convince regulatory commissions that the level of earnings should be raised.

A. G. KAHN

Chairman of the Board, Union National Bank, Little Rock, Ark.



Alfred G. Kahn

As we reach the turn of the year, business prospects in Arkansas are a bit more uncertain than usual. In addition to the general easing of activity in both wholesale and retail lines, this state was cursed during the autumn by almost incessant rains which caused very large losses to our cotton farmers. Although cotton is no longer of the vast importance to the state than it was a few years ago, this will unquestionably reduce the total buying power available here during 1958. But frankly the one important question is whether the present correction, which is following the last several years of upsurge, will be allowed to run its course and thereby lay a healthy foundation for a fresh advance in activity. It seems doubtful whether we still have the moral or political backbone to permit it to do so. If we resort to political nostrums or expedients to soften or

shorten it unduly, it will be unfortunate, if not disastrous, because then, as I see it, we would be doomed to steady unceasing inflation.

ESTES KEFAUVER

U. S. Senator from Tennessee

The most serious economic problems the United States faces for 1958 are recession and unemployment. Of course, these problems are overshadowed by the greater problems of defense and foreign policy. Although it is not generally agreed as to how serious a recession the American economy is facing for 1958, it is generally agreed that signs point toward an economic downturn. Production has been retarded decisively, buying power has lessened, and unemployment is growing. Some competent authorities even predict that unemployment will assume the proportions of between four and five million by mid-1958. Our Secretary of Commerce, Sinclair Weeks, informs us that we are in for "an adjustment" which will permit a "breather that will be good for our country." These pious statements, although encouraging, are at the same time frightening. Rather than words and slogans, what should be furnished by the Executive Branch is positive leadership and programs to fight the downturn.

In order to meet our defense deficiencies and regain our proper leadership in the world, I am prepared to vote expenditures in the neighborhood of \$40 billion mentioned by Secretary of Defense McElroy. However, in my opinion, this stepped-up program will not halt the depressive tendencies in the economy. Guided missiles and related weapons, while fantastically expensive do not seem to require much employment—especially in the development stage from which we have not yet emerged.

The Federal Government is committed by the Employment Act of 1946 to take the steps necessary to the maintenance of full employment. Thus far in the present recession there has been a marked laxity on the part of the Administration to furnish the leadership necessary to fulfill this obligation. All we have seen thus far is a slight relaxation of the highly discriminatory tight money policy. As we enter this recessionary period, we should not sacrifice the public welfare merely because of a short-sighted desire to balance the budget for the next fiscal year. If our debt ceiling is too low, it should be raised openly and directly.

It may be that some tax adjustment will be necessary. I would support, not a tax reduction which would result in less income, but a change in the tax structure. A reduction in federal taxes on small businesses and small personal incomes could have a counter-inflationary tendency. Even other tax readjustments might be necessary to give our economy a boost.

The Eisenhower-Benson farm policy of scarcity must be reversed. Under this policy, every year larger and larger numbers of our farm citizens have been driven to the cities. One of the greatest adjuncts that we could make to our foreign policy would be the use of our great productive capacity of foods. I will support legislation to reverse this ruinous agricultural policy.

The great depression of the '30's did not end until our heavy industries began operating at near peak production. The ending of the present recession will be brought about by retarding the decline of production in these industries. In my view, one of the prime causes of the present recession is the way that the larger industries are pricing themselves out of the market. The recent price increases for steel and other items, in the face of declining demand, very well illustrate this point. I am satisfied that the managers of these great industries must

assume responsible leadership if the economic downturn is to be retarded at an early date. A general reduction in prices by our heavy industries would produce immediate benefits.

At this time it is unthinkable that we should have a stalled economy. The time has arrived for the Congress to supply the leadership necessary to show the world that American Democracy can continue to progress without painful periods of unemployment and depression.

J. W. KEENER

President, The B. F. Goodrich Company

The American rubber industry may expect business in 1958 to equal, or exceed, 1957 totals.

The United States will probably consume about 1,500,000 long tons of new rubber in 1958, compared with the 1955 high of 1,530,000 long tons and 1957's estimates total of 1,480,000 long tons.

Of the new rubber consumed in the United States in 1958, about 64.5% will be domestically produced man-made rubber, compared to 63.5% in 1957, the previous peacetime high.

World consumption of rubber in 1958 will probably set a new record of 3,200,000 long tons, excluding the use of man-made rubber in the Soviet bloc, about which little is known. This compares with world usage of 3,153,000 long tons estimated for 1957.

Man-made rubber will account for about 42% of the total world 1958 rubber consumption (excluding Soviet man-made), compared to 40% in 1957.

Production of tree rubber is not expected to exceed 1,900,000 tons for 1957 or in 1958, and there is little possibility of an increase before 1960.

The remainder of the world demand must be supplied by man-made rubber. Privately financed expansion of American man-made rubber facilities, following purchase from the Government by industry in 1955 and 1956, has assured ample production capacities in this country.

Our nation's capacity for production of man-made rubbers should increase to 1,700,000 tons by the end of 1958. This compares with 1,372,000 capacity at the beginning of 1957 and 1,220,000 in 1956.

Construction of new man-made rubber plants in England and West Germany is nearing completion while new plants in France and Italy are expected to begin production in 1958, and synthetic rubber plants in Japan, India and the Netherlands are presently receiving serious consideration.

At the beginning of 1957, the man-made rubber producing capacity of the free world, outside the United States, was 150,000 long tons. Current expansion programs indicate that the rest of the free world will be capable of producing 240,000 long tons of man-made rubber during 1958 and will have capacity for producing 350,000 long tons by the end of next year.

In 1956 and 1957 the free world outside the United States showed a greater proportionate increase in the use of man-made rubber than did the United States.

The free world, excluding Soviet man-made rubber, is using 70,000 more tons of man-made rubber in 1957 than it did in 1956, while the United States increase in use over 1956 is estimated at 63,000 tons.

Excluding the Soviet bloc, the rest of the world is using 1,265,000 tons of man-made rubber in 1957. This is about 133,000 more than in 1956.

Nineteen hundred and fifty-seven world crude rubber consumption will decline about 17,000 tons. This marks the first year since 1952 (when Korean war crude rubber consumption controls were in effect) that world crude rubber consumption has declined from the previous year.

Continuing high prices of crude rubber, in addition to the expansion of man-made rubber producing capacities in the United States and western Europe, are responsible for the sharp increase in man-made rubber consumption.

JOHN S. KEIR

Chairman of the Board, Dennison Manufacturing Co.

1958 appears to be a year when problems of foreign policy and defense will be paramount. This has the effect domestically of determining whether increased Government spending will offset reduction of industry spending for plant and equipment.

Both consumer and business attitudes on spending seem waiting for some signal which will determine the course to be taken. Meanwhile shrinking payrolls are taking the edge off the public's buying power.

The paper and allied products industry felt the beginning of the present downturn over a year ago. One result of this situation has been the reduction in or closer control over inventories. It may be expected that a considerable degree of inventory replacement will be required. This plus the ever developing new uses for paper products can make for a sustained demand in the year before



John S. Keir

us. It would be easy to moralize on the condition that

Continued on page 76

Continued from page 73

Recovery of Sterling And World Trade

imports compared with some 30% before the war. The surpluses were achieved not by increasing restrictions on imports, which the United Kingdom has been continuously relaxing since 1951, but by the large and consistent increase in exports following the United Kingdom's export drive.

Despite these large surpluses on current account, there has not, however, been an equivalent increase in the reserves. This is because holders of sterling balances have been using their balances to meet their own development needs and also because the United Kingdom has itself been playing its part in the foreign investment field (perhaps even almost beyond the limits of what it could really afford).

Consequently the United Kingdom Government considers it important for these trading surpluses to be increased if sterling is to meet all the responsibilities placed upon it, and we are directing our policies to that end.

Increasing the Reserves

In particular it is essential that there should be an increase in the United Kingdom reserves in order to provide an adequate backing for the large and growing volume of transactions conducted in sterling. While there has been some improvement in the ratio of reserves to short-term liabilities as compared with the position after the end of the war, nevertheless experience has repeatedly shown that sterling can come under heavy speculative pressure at times of political crisis or of other uncertainties, and that in such circumstances heavy temporary losses in reserves can occur. It was in order to demonstrate clearly their determination to resist these pressures and to maintain the value of sterling that the United Kingdom Government took steps last December to reinforce the reserves by, in effect, mobilizing the Government's holdings of United States securities and by both drawing dollars and obtaining a \$730 million stand-by from the International Monetary Fund.

Domestic Stability

I have dealt at some length with the United Kingdom's external position. It would have been impossible for it to have made such progress as it has, had it not at the same time pursued an internal policy aimed at internal stability. While like many other countries in the world the United Kingdom has had setbacks and has not achieved all it had hoped for in this field, its policies have not been without success. I will not weary you with many statistics, but since 1948 the money supply in the United Kingdom has increased less than in any other important nation in the world. It increased, in fact, by only some 13% compared with a corresponding increase of 25% in this country. This was not achieved at the expense of industrial stagnation since in the same period industrial production in the United Kingdom increased by about the same amount as in this country.

Like so many other countries in the world, the United Kingdom has a problem of rising prices and wages. This is not the occasion to debate whether this is caused in the United Kingdom by what has come to be known as "cost-push" inflation or one of "demand-pull." But both types are an equal source of danger and if allowed to continue unchecked, could endanger the stability of the currency and therefore the whole position of sterling in world trade. The British Government is well aware of this danger and its atti-

tude towards it was defined by the Chancellor of the Exchequer at the recent Annual Meeting of the International Monetary Fund when, speaking of the internal measures just taken in the United Kingdom, he stated:

"The only other thing I would say about these measures is that I am confident that they will be effective. They will be pushed to the lengths necessary for that purpose. If inflationary pressures inside the economy, other things may alter, other aspects of policy may have to be adjusted, but the strain will not be placed upon the value of the pound sterling."

It is too early as yet to see the full effect of these policies internally. But their external effect has already been demonstrated

by the improvement in the United Kingdom's reserve position during October.

I have tried in the course of this paper to set out the steps taken since the war to re-establish the position of sterling, both as a currency of payment and as a reserve currency, and the importance of sterling to the United Kingdom itself. A strong and stable pound is, however, of importance not only to the United Kingdom but also to the whole world, since all countries have an interest in an expanding world trade. World trade is now four times as great as before the war and nearly 70% larger than in 1948. Sterling has played an important part in facilitating this increase and it is difficult to see how the large postwar

expansion of trade could have been so great if sterling had not been available for making the day-to-day payments required for its settlement. Nevertheless, the increase in international reserves has in no way kept pace with the increase in trade. It is no part of my purpose to discuss what is known as the problem of "international liquidity," though this is a subject to which Governments will probably need to give serious consideration in the months and years to come. I would merely say that since the war the international liquidity position has been materially assisted by the existence of sterling as an international currency, and that the United Kingdom is determined to continue to make its contribution

to a further growth in world trade in the future by keeping sterling strong and by making it increasingly usable.

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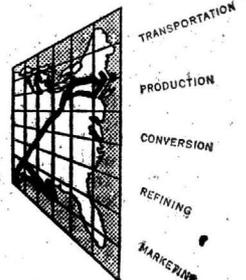
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Continued from page 74

makes for Government spending for missiles, foreign aid and military materiel as the major means to crank up business volume once again. But advances in science and technology most often applied to military purposes are not waiting for the world to develop human organization fully able to meet the new challenges. The efforts of human beings to catch up with themselves on all fronts—political, social and economic—seem to be shaping the trends in a tumultuous world.

JAMES M. KEMPER, JR.

President, Commerce Trust Co., Kansas City, Mo.

We are completing a prosperous year in our area, as are many of the banks in the country. This has been the result of the tightness of money, which has greatly increased our gross income. It is our feeling that we have now reached a point where we will not be able to appreciably increase our gross income, and we are aggressively pursuing a program of adjusting our expenses, and developing additional account relationships.

Our trade territory has been blessed fortunately, with good weather conditions, contrary to our experience during recent years. This should produce a considerably better agricultural situation in our part of the country and has already brought with it some optimism on the part of not only farmers in the area, but also general business.

We continue to have a gratifying situation here in the construction industry and this has done a great deal to stabilize general business conditions. I believe the influence of highway construction programs proportionately has been greater in our immediate area than in some other parts of the country.

We look for a continued readjustment in general business conditions which, of course, are dependent upon all-over conditions, but having already gone through a period of readjustment due to drought conditions over the last five or six years, it is our feeling that perhaps we will not have as intense a readjustment as some parts of the country.

D. S. KENNEDY

President, Oklahoma Gas and Electric Company

The business outlook for 1958 for the Southwest in general and for Oklahoma and western Arkansas in particular appears quite bright. In spite of national reports of leveling-off in such activities as housing and certain types of manufacturing during the latter part of 1957, home construction actually increased in and around Oklahoma City in the last half of the year. Some of this housing is in anticipation of the additional employees who will be needed for new industrial and commercial projects.



Donald S. Kennedy

During November, Western Electric Company commenced operations in its pilot plant in the Willow Springs industrial district. They will train approximately 1,000 key personnel during construction of their \$35 million plant in a new industrial district bordering the Rock Island Railroad in southwest Oklahoma City, where modern crossbar equipment will be manufactured. The plant site embraces 210 acres and is expected to employ four or five thousand persons initially. Many new office buildings have been completed in the downtown area during 1957 and several are under construction during 1958. In the latter class is the new Southwestern Bell Telephone Company building and a six-story addition to the OG&E general office building.

Construction of the CAA facilities at Will Rogers Field is progressing rapidly and it is expected that they will be completed toward the end of the year. Tantalum Defense Corporation commenced operations at its new Muskogee plant as the year closed, and construction of the Callery Chemical Corporation \$35,000,000 plant there is going forward. Both ladies' and men's garment factories are presently being located in central Oklahoma and western Arkansas.

Our company expects to spend approximately \$35 million in new electric plant during 1958. A substantial portion of this will be required for completion of a 177,500 kilowatt generating unit at Horseshoe Lake Station, 20 miles east of Oklahoma City, and also upon the 240,000 kilowatt generating unit at the Mustang plant, 10 miles west of Oklahoma City. This latter unit, which will be the largest present unit in the Southwest, is scheduled for completion in the spring of 1959.

Oklahoma had greater than usual rainfall during 1957 and water supplies appear adequate for the foreseeable future.

There has been a definite and steady trend of population shifts from the farms to the cities and the suburban areas around the large cities of Oklahoma and western Arkansas. Despite the loss of farm population, the state of Oklahoma has actually increased in population during the past ten years. In Arkansas, Ft. Smith, the largest city served by the Company, conducted a special census in 1957 which gave them a population of 60,000. This represents an increase of 25% during the past seven years.

OG&E has doubled in size during the past seven years.

Forecasts indicate that it will again double its present size within the next seven or eight years. This is substantially faster than the average rate of growth of the electric utilities, which has been at about 10% compounded in recent years. OG&E has confidence in the future of its service area as evidenced by its willingness to invest the huge funds necessary to keep pace with the ever-increasing demands for electric power. We indeed anticipate that 1958 will be another banner year in this area.

S. M. KENNEDY

President, Consolidated Foods Corporation

As we enter the New Year it is increasingly apparent that our country's economy is experiencing a period of leveling-off and adjustment. It is very difficult to pinpoint the extent or the duration of this temporary economic decline, but most authorities agree that the situation does not call for alarm or drastic counteractive measures. Instead, the consensus of opinion is that business, basically, is strong, and that it will weather the current economic storm and emerge with renewed vigor and strength. Many economists feel that mid-1958 will mark the beginning of this new business resurgence.

In any event, this is not the time for pessimism. Far from it! Instead, progressive management will use this period to realistically reassess its future objectives and the courses of action necessary to obtain them. Emphasis will be on positive planning . . . planning which will assure increased production and maximum sales at a profit.

I'm certain that this type of thinking will motivate the course charted by most members of the food industry in 1958. Our industry will continue to place increased emphasis on methods designed to achieve these goals. Paramount among these steps will be insistence on the further reduction of operating costs, the improvement of sales and distribution methods, and greater personal efficiency. Closely integrated with these policies will be activities which will give added emphasis to intensified industry cooperation, for it is through such coordinated efforts that every member of the food family can obtain the operating economies required to provide a fair return on invested capital.

Proper implementation of the foregoing plans will accomplish much towards easing the food industry over any rough spots in our 1958 economy. However, we can also rely on two "natural" forces to help keep our industry healthy. First among these is our peoples thorough appreciation and enjoyment of good food. Proof of this lies in the fact that they are spending an increasing amount of their total income for food. Even in times of stress, the food budget is one of the last items cut. Because of this, our industry can expect continued large volume food purchases in 1958.

Another factor operating in our favor in this country's rapidly expanding population — a population which is growing at the rate of 8,000 persons a day. Obviously, this vast increase creates additional demands for food — demands which will help keep our industry in a favorable economic condition.

To sum up, I feel that the food industry can face the new year with optimism. True, we will have problems . . . but they are no stranger to us. I'm certain that positive planning by the food industry, complemented by the favorable forces operating in our behalf, will help us reach greater sales and profits in 1958.



S. M. Kennedy

ALLEN S. KING

President, Northern States Power Company

Northern States Power Company had another record year in 1957 but one in which the rate of growth was a bit slower than in prior years. Total kilowatt-hour sales increased about 7.5% over 1956, compared with an average 8% annual rate of growth since 1948. Kilowatt-hour sales to manufacturers for the first 11 months of 1957 increased 7% over the same period of 1956, which compared with an average annual increase of 7.3% since 1948. It is evident from these figures that our own territory has not yet experienced the leveling off process being noticed in other parts of the country.



Allen S. King

The steady upward rise in business activity of the past several years began to lose momentum in the last half of 1957. The economy of our service area, though still on a very high plateau, is showing cross-currents of business activity with some industries declining while others are still advancing.

For 1958, we look for some slowing down in activity, particularly in the first part of the year. In our own operating area, we anticipate a slightly lesser rate of growth in kilowatt-hour sales in 1958 than in 1957. The number of residential customers will increase but in lesser numbers than in 1957, reflecting the shrinkage in new housing starts in 1957. Our company added about 15,000 residential customers to its lines in each of the years 1956 and 1957, exclusive of territorial acquisitions, but we estimate that in 1958 about 12,000 additional residential customers will be connected to our lines. The surge in the construction of shopping centers and office buildings has tapered off and no big projects are foreseen for 1958. However, industrial activity as a whole

in the NSP area will not be as greatly affected by changes in the national economy as in the steel and auto centers.

Looking into the future, we see no signs of any pronounced weakness in the economy of our area or in the United States. Our planned construction expenditures express our faith in the dynamic future of our service area. Estimated construction expenditures for the three years 1958, 1959 and 1960 will total \$170 million. Our planning is based on a long-term trend basis because commitments must be made for large items of equipment three years or more in advance of operation. We anticipate the long-term growth trend in kilowatt-hour consumption to average about 7% each year, which means a doubling in the next ten years.

Electric generating units now scheduled include two 156,000 kilowatt generating units, the first to go into service at the High Bridge plant in St. Paul in 1959 and the second at Black Dog plant south of Minneapolis in 1960. The estimated cost of these two units is in the neighborhood of \$50 million. In addition to these generating units, we will be making substantial expenditures for transmission, distribution and other facilities to get power and natural gas to the customers in our service area.

Looking further into the future, NSP has entered into contract arrangements with the Atomic Energy Commission for the construction of an atomic power plant project, which is being undertaken by NSP in cooperation with 10 other midwest utility companies. This contract with AEC will permit the company to proceed with the project of building a 66,000 kilowatt boiling water reactor of advanced design. Preliminary engineering and design work for the project has been in progress for some time in cooperation with Allis-Chalmers Manufacturing Company, Milwaukee, who are prime contractors for the plant. The schedule calls for completion of the plant by June 1962.

Northern States Power Company is making these very substantial capital expenditures for the future because we are confident there will be a steady growth in the economy of our area.

ALLAN P. KIRBY

President, Alleghany Corporation

The outlook for 1958 seems to me to be favorable for a good business year. If the unfavorable factors are not too severe in the first half of the year, I feel quite sure that the second half will make the whole year as satisfactory as the year 1957. This period of declining car loadings which is, of course, disturbing, is not conclusive nor by any means indicative that we are going through anything that even looks like a depression or serious recession. We have, of course, seen a rather disappointing Fall season and the figures soon to come may be still more disappointing. We probably are facing a few months of hesitation, uncertainty and readjustment and it will, no doubt, during that period, require more salesmanship and real effort to obtain nearly the same volume and profit results as in 1957. Barring an epidemic of strikes in the Spring, when quite a number of wage contracts come up for renewal and also barring unfavorable international developments, it would seem that, with the benefits which should be realized from the easing of the money factor, there is no reason why 1958 results, business-wise, should not, as I have said, equal the 1957 record.



Allan P. Kirby

ROBERT P. KOENIG

President, Cerro de Pasco Corporation

The near term outlook for copper, lead and zinc seems likely to witness a continuation of the buyer's market which began with the decline in copper prices during the second half of 1956 and was followed by price reductions in lead and zinc early in 1957.

The substantial drop in the free-world price of copper from over 50c a pound in London early in 1956 to the current level of approximately 22c has resulted in lowered among efficient producers and operating deficits high cost producers. In order to help correct the over-supply position brought on by lowered demand, Cerro de Pasco along with certain other free world producers have effected production cutbacks. Whether these efforts will act in the aggregate to spur demand for the metal in the world market will depend in part on the action of other world producers, on the tempo of world business generally, and more particularly on the level of the requirements of principal copper users, notably the automobile, utility and building industries. What happens to these industries in 1958 will have an important bearing on the year's demand-supply curve as it relates to copper.

In the case of lead and zinc, declines in each case of approximately 3c per pound during the interim since April, 1957, have brought these metals to their lowest levels in more than a decade. The net effect among United States producers has been the unleashing of a concerted drive for relief of the domestic industry through increased tariffs on lead and zinc. Falling Congressional approval of such a course through mid-1957,



Robert P. Koenig

domestic proponents of governmental aid next sought relief through the Tariff Commission, which is expected to issue its recommendations during the current month. Should these pressure moves culminate in the imposition of increased tariffs on lead and zinc, it is not unreasonable to suppose that at present levels of world consumption, the world prices for these metals will fall.

Should this happen, the Administration will be under renewed pressure for additional palliatives from the self-same interests. Meanwhile, the United States—a net importer of lead and zinc—will have forfeited the friendship of other free world producers of these metals, before whom we have continued to pose as an advocate of liberal trade.

The near-term picture as applied to lead and zinc is thus difficult to decipher and the difficulty is compounded by the possibility of governmental intervention in the form of increased barriers to trade with such friendly countries as Canada, Mexico, Peru and Bolivia.

As regards the longer term outlook for nonferrous metals, it seems to me a virtual certainty that world consumption will continue to grow, though not always at the same pace, since world demand will reflect the onrush of modern industrial civilization. Whether the next cyclical upswing in this mounting demand curve will make itself felt before the close of the current year none can foretell. On the inevitability of its coming, however, we of Cerro continue to press forward our long-range exploration and development programs.

MILTON KNIGHT

President, The National Bank of Toledo, Toledo, Ohio

The chief subject of real concern which I see not only in 1958, but in other years to come, is the uncontrolled inflation which results from the continuous wage-cost-price spiral. Practically 100% of our problems with balancing the Federal Budget, inability to reduce taxes, tightness of credit, maintenance of municipal facilities, inadequacy of depreciation reserves, shortages of working capital, inability to compete in world markets, and even shrinking domestic markets, can be directly attributable to this spiraling abscess in our economic foundations. Hard-won control of monetary inflation at the Federal level will not be truly effective so long as this more insidious type of inflation continues. Other than the above brief comments I would say that 1958 would be a good time to keep your powder dry.

R. C. KOONTZ

President, Diebold, Incorporated



Raymond C. Koontz

Looking ahead for the year 1958, I believe it will be an uncertain business year, however, for the people who exert themselves, it will be profitable.

RALPH N. LARSON

President, The Morris Plan Company of California

Nineteen hundred and fifty-seven was a year of the highest earnings for most companies engaged in the granting of consumer credit. In recent months there was a decline in retail sales financing and some increase in the volume of direct personal and business loans. The passing of the calendar year does not necessarily mean any change in this trend which commenced in mid 1957. The leveling off period with some decline in business production could well be viewed with optimism. It was long anticipated, has now arrived, it is running its course, and its ending date, although still undetermined, should not be far distant in comparison to the length of time of the past upward swing. All the positive factors that existed a year ago have not disappeared. This leveling off will strengthen these factors; efficiency will increase as competition for employment increases; many younger businessmen will learn some competitive factors in business, and that the stock market can go down as well as up. Before 1958 is out, with some business lessons well learned or re-learned, with confidence restored in our future potential for economic development at home and abroad, and with the added impetus of increased defense and other Federal spending, we can expect a resumption of the upward cycle. Except for extreme distress cases, most people borrow to buy things only when they can see their way clear to repay. The restoration of confidence in the future will cause an increase in the demand for credit. As there should be no shortage of money to



Ralph N. Larson

Continued on page 78

**Ship and Travel
Santa Fe**

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Continued from page 77

be lent in this field, certainly 1958 will be one of the best years for consumer credit lenders.

ROBERT H. LEVI

President, The Hecht Company

It is now fairly generally accepted that the economy as a whole is in the beginning stage of a downward adjustment that may equal or exceed those of 1948-9 and 1953-4, although there is less agreement on the duration of the decline and the timing of the upturn expected to follow. The declines in retail sales which normally follow a drop in disposable personal income were quite moderate in the previous recessions and sustained the general level of business to the extent that the recovery was prompt. This was the result of a general feeling of confidence on the part of consumers.

There is considerable evidence, however, that international problems and domestic crises have created a more unsettled state of mind in the general public at the present time, and this lack of confidence will probably cause a greater drop in consumer purchases. I, therefore, anticipate a decline in department store sales in the first half of 1958 in the neighborhood of 3 to 4% below 1957. As is usually the case in sales declines of this size, however, the impact on sales of durables will be somewhat more severe than on soft goods volume, which should decline only slightly. The latter half of the year, of course, is much more important to total department store volume. If the expected pickup in business in the Fall of 1958 materializes, it is quite possible that sales for 1958 will equal 1957.

Although small declines in volume frequently may result in greater effects on profits, only modest effects may be expected at the present time. The department store industry has not indulged in inventory excesses, and the slight decline in overall activity should enable the trade to buy advantageously for its customers in the Spring of 1958. Vigorous action may be required to restrain the creeping cost inflation which has raised the fixed level of department store costs, but capable managements should be successful in keeping their costs commensurate with their volume of business.

The hard money policy in effect during 1957 has caused some slowing up in the planning and construction of shopping centers in outlying areas, but the expected easing of the credit situation and the improvement in business in the Fall should stimulate renewed activity in this field.

JOHN F. LILLY

Chairman of the Board

St. Louis County National Bank, Clayton, Mo.

The year 1957 has been a good one for banking. On the other hand, the present outlook for the year 1958 presents a number of uncertainties which could mean that the banking industry may not enjoy as profitable business as that of the past year. It is still too early to get a clear picture, but there are evident a number of signs which give cause to call for some new planning and some change in our thinking. Seemingly the business boom has stalled, and we are entering a period of readjustment.

One of the more important changes has been the decline in expenditures for new plant and equipment as many industries find themselves with overcapacity, and others have deferred plans because of the uncertain outlook. Furthermore, there has been a downward trend in residential construction during the last two years and there does not appear to be any immediate change in the offing. These may be offset somewhat by higher expenditures by Federal, State and municipal governments on public projects. Increased Federal defense expenditures will not be felt until late in the year.

Such changes will affect the demand for credit. Commercial bank loans reached a peak in the middle of 1957 and have been declining since. Even in the final quarter of the year, when they should normally increase, the trend has continued downward. Most companies are in the process of working down inventories to more healthy levels, and this, too, will reduce the demand for loans.

If we do experience a continuing deflation in business, along with an easier monetary policy, interest rates are likely to fall. The extent will be determined by the length and duration of the adjustment. Steps have already been taken by the Federal Reserve to make money less tight, in an effort to ease the situation.

The weight of opinion seems to be that this adjustment will run its course by the middle of 1958 and that business will be on the upturn during the latter half of the year. If this course develops, the results for 1958 may approximate those of the past year which could mean a satisfactory year for banking.



Robert H. Levi

ROBERT J. LEVY

Chairman of the Board and President
Standard Gas and Electric Company, Incorporated

Forecasting is a difficult business and generalizing has added hazards. However, it is my view that the Electric Utility Industry will continue to make sound progress during 1958. In view of the current recession in business I would anticipate a slight decrease in industrial sales with, however, a modest increase in sales to commercial customers. Industrial sales should not, however, decline commensurately with the business indices and I would expect the decrease in this category to be less than 2%. Commercial sales should register some small increase as more buildings are air conditioned, usage per customer increases and additional commercial structures are completed.

The clue, however, to net profits will lie as it usually does in residential sales. The steady growth of these sales each year has been a very heartening factor. I think 1958 will witness a continuation of this trend with, however, a somewhat lower rate of growth. Finally, I would anticipate that most well managed companies will maintain approximately the same net profits as in 1957 with some small gains and some small decreases. Companies in the industry should be able to maintain current dividend payments.

The only obstacle to growth of earnings remains in company relationships with the State Public Utility Commissions. The trend towards political treatment of rate applications is, in the judgment of those of us in the industry, unfortunate since it has a tendency to inhibit the necessary expansion of facilities to take care of long term growth. For, despite temporary business recessions, the outlook over the years is for greatly increasing electric power consumption.

HOMER J. LIVINGSTON

President, The First National Bank of Chicago,
Chicago, Illinois

The significant development in business during 1957 was the leveling out of the strong expansionary movement which characterized the economy in 1955 and 1956. Sharply divergent patterns were evident throughout the year, and in the last quarter there were definite indications that business activity had lessened in important areas of the economy.

The year ended with total production of the nation's factories and mines at new lows for the year, employment declining and unemployment rising, personal income falling, and evidence of some hesitancy by consumers to spend freely. Business spending on plant and equipment turned down, and inventories were reduced moderately.

The trend of declining business evident at the end of 1957 will carry forward at least into the early months of the new year. However, there are some economic factors of strength which will be helpful in moderating the decline. Among these factors are the following:

(1) Consumers usually buy two-thirds of the aggregate output of goods and services of our economy. Although the buying behavior of the individual is difficult to forecast, we do know that in the aggregate a large share of consumer spending is far food, housing utilities and transportation. By their very nature, the purchase of these items cannot be sharply curtailed, nor indefinitely deferred. Consequently, if the current business decline is not severe and personal incomes are reduced only slightly, the aggregate volume of consumer spending is likely to be maintained rather close to present levels.

(2) Spending by the Federal Government, especially for defense, is likely to rise. This demand for goods and services by the Federal government will be augmented by increased outlays by state and local governments. Such spending by the states, municipalities and other local agencies has been rising steadily in the postwar period. This trend will undoubtedly continue in 1958.

(3) Total outlays for new construction of all types, which continued to rise throughout 1957, should continue at a good level during 1958.

(4) Reasonably sustained consumer spending and an increase in expenditures by Federal, state and local governments suggest that inventories ultimately will be depleted to such an extent that new orders will be necessary and production consequently stimulated.

In time, these factors of strength in the economy will reassert themselves and business will resume its upward trend. In the circumstances outlined above, the eventual threat of a renewal of inflationary pressures seems probable. While the Federal Reserve monetary authorities are constantly concerned with these matters, management, labor, and all segments of the economy must assume their share of the important responsibility of maintaining a stable price level.



Robert J. Levy



Homer J. Livingston

KENNETH C. LONG

President, The Dayton Power & Light Company

The Dayton Power and Light Company was fortunate in being able to meet the economic changes of 1957 as they unfolded. The huge construction and rehabilitation program of the postwar years put the company in a position to move with changing conditions. When future needs were deferred we were able to modify additional expansion without impairing present services or growth.

DP&L's 1957-58 construction program initially totaled a little more than \$80 million. It has been pared to \$64 million. This modified construction program will still keep us well ahead of customer requirements. 1957 was not only a year of re-appraisal in view of prevailing trends, but the company in addition realized the fulfillment of some of its most important projects. A new Service Building at the south edge of Dayton was completed and all departments were moved into their new quarters. The old service building on Monument Avenue was completely renovated and is now known as the Engineering Building. These expenses will, of course, be non-recurring, and, in addition, greater efficiency will be obtained and outside rental eliminated.

DP&L's financing program in 1957 was carried out as per schedule. On February 8 the company sold 328,630 shares of common stock from which it realized nearly \$14 million. On November 6 the company sold \$25 million of first mortgage bonds.

The November sale of bonds, pointed up the continuing problem of higher costs. The cost of this money to the company is slightly more than 5%, while bonds issued in 1954 cost slightly more than 3%. This increase, as well as other rising costs, are reflected in all elements of our operation including wages, materials, and supplies.

This cost problem has been particularly acute in our gas operations with the result that we have been obliged to seek further gas rate increases. One of the sizable non-recurring expenditures in 1957 was the preparation of the Dayton gas rate case.

Two important features in the past year for DP&L was the purchase of the municipal electric and water systems of the village of Sabina, and the Arcanum Gas Corporation which serves the villages of Arcanum and Ithaca.

We see nothing but good reason for long-term optimism in the years ahead. Our total revenue for 1957 will be about \$77,500,000. This is an increase of \$3,500,000 over 1956. In the last few months of 1957 there has been a definite upturn in net earnings.

We are pressing ahead on the rehabilitation program at the Frank M. Tait Generating Station. We have allocated \$18 million to complete the installation of two new 130,000 kilowatt generators. We are about to complete the purchase of approximately 1,000 acres along the Ohio River near Manchester as a site for the company's third generating station. The future needs of our customers will continue to be the prime consideration in our construction decisions.

F. HAROLD LOWEREE

President, Monumental Life Insurance Company

The outlook for 1958 in the field of life insurance is, I believe, very good. The rate of growth of ownership of life insurance is naturally tied in rather closely with the health and vigor of the economy in general. The present lower rate of business activity, in my opinion, will be of reasonably short duration. Business activity now is being affected to some extent by a growing resistance on the part of consumers toward increased prices. The savings of the American public are at an extremely high level, and this buying power, matched against need for increased protection, should result in expanded sales of life insurance in 1958.

Even now some form of life insurance is owned by only about 70% of the population, 63% being insured by the life companies. Of those owning individual life insurance, approximately 85% own less than \$5,000. Of all male adults, 34% own no individual life insurance at all and 40% own less than \$5,000. Ownership of life insurance per family is still less than one-and-one-half times family annual disposable income. The present upward trend of the ratio of life insurance owned and life insurance premiums to disposable income will, I believe, continue throughout 1958.

Two of the most important factors in the progress of the life insurance companies are investment earnings and mortality. As a result of the firming of interest rates throughout 1957, the rate of net investment income (before taxes) of the life companies for that year will probably be the highest in about the last 20 years. While rates have eased considerably in the last month or so, I believe that the demand for new capital will continue to be very strong, and this, together with commitments already made by the life companies, should result in a net rate earned in 1958 that will at least equal, and probably exceed the rate earned in 1957. Assuming that we will not become involved in a major war, it is reasonable to expect that the favorable mortality trend in this country will continue. This will be brought about by



F. Harold Loweree



Kenneth C. Long

the results of medical research and the greatly broadened hospital and medical care coverage for an increasing proportion of the population.

Operating expenses of the life companies will, I believe, continue to increase in total dollars, but I believe will remain relatively constant as a percentage of added premium income.

Competition between the companies will continue to be exceptionally keen in devising new types of life insurance protection. In view of the anticipated continued vigorous growth of our population, which will require additional life insurance coverage, I believe that 1958 will be a year in which the companies can and will continue to make good progress in broadening and increasing the ownership of life insurance in this country.

WALTER T. LUCKING

President, Arizona Public Service Company

Arizona Public Service Company has experienced a rate of growth since 1945 nearly double the national average for electric utilities. We believe that this growth trend will continue in 1958.



Walter T. Lucking

We in Arizona have enjoyed unparalleled growth in nearly every phase of our economy during the past ten years. But even the most optimistic among us did not expect this growth to continue indefinitely and unabated. Recent months have seen a sharp decline in mining income in the state due to depressed copper prices—even though production has been at a record high.

However, we have experienced continued growth in agriculture, manufacturing, tourist business, private construction and in state and public works which has more than offset this decline in mining income.

We expect the same situation to prevail in Arizona in 1958, i. e., lower mining income, with compensatory increases in other fields. We feel confident that our statewide economy is built on a solid foundation—a foundation that makes us well prepared to plan and build for continued growth and expansion in the years ahead.

In line with this planning for the future, we are confident that we will have the type of community, state or nation in future years that we the people want.

Therefore, it is our responsibility to become fully aware of events taking place all around us—in our business, our community, our state, our nation and throughout the world. This will be possible only if the leaders of all components of our society accept the responsibility of keeping the people informed—and if we as individuals shoulder our responsibility to develop a genuine interest in the world about us so that we are receptive to information.

And finally, we must develop a sense of maturity that will allow us to evaluate the effects of temporary and transitory incidents so that these incidents assume their proper perspective in our long-range planning.

DONALD C. LUCE

President, Public Service Electric and Gas Company

In the last five years, Public Service Electric and Gas Company made expenditures for electric and gas additions and improvements to plant of over \$500,000,000.

Because of the continuing growth in demands for electric and gas services, the company's construction program contemplates expenditures for additions and improvements in 1958 of approximately \$160,000,000. This will be an all-time record of construction expenditures for the company, and will exceed by about \$30,000,000 the record expenditures in 1957, which approximately \$130,000,000. 1958 will be the third consecutive year in which expenditures in 1957, which approximated excess of \$100,000,000.



Donald C. Luce

During 1957, the company placed in operation 450,000 kilowatts of capacity at the new Linden Generating Station, the first 225,000 kilowatt unit in May and the second 225,000 kilowatt unit in the latter part of December, 1957. A unique feature of the Linden Generating Station is the supplying of steam to the Bayway refinery of Esso Standard Oil Co. which adjoins the Linden Station. Esso furnishes fuel oil and water in return for steam, thereby effecting substantial economies in power generation. Largely because of these features, it is expected that the station will operate at an economy which will be over 10% better than that of any large steam generating station now in service or under construction in the United States, including those with supercritical and high-temperature units.

Two additional major electric generating stations are under construction, the Bergen Generating Station at Ridgefield, N. J., and the Mercer Generating Station on the Delaware River near Trenton, N. J. The total capacity of the Bergen Station will be 580,000 kilowatts, and initial operation is planned for the early part of 1959. At the Mercer Station, the first installation will be a generating unit of 320,000 kilowatt capacity, which is scheduled for operation in 1960; and on installation of a contemplated second 320,000 kilowatt unit, the station will have a capacity of 640,000 kilowatts. Upon completion of the Bergen Generating Station and both units at

the Mercer Generating Station, the installed electric generating capacity will be 3,692,300 kilowatts, or 75% greater than the generating capacity on Jan. 1, 1957.

During 1958, the company's expansion plans contemplate the installation of 24,000 electric meters, 3,000 miles of wire, 7,000 distribution transformers, 8,000 street lights, and 11,000 poles.

More than 28,000 gas heating customers were added during 1957, bringing the total number of gas heating installations to approximately 220,000. The increasing use of gas for heating is the major factor requiring that additions and improvements be made to the company's gas properties. During 1958, the company plans to install 270 miles of gas mains and 27,000 gas meters.

Our expected supply of natural gas for the 1957-1958 winter, which will be 4,000,000 therms per day, will provide 72% of the thermal content of the estimated send-out on the maximum demand day with the remaining

28% provided by coke oven gas and other gas produced. For the year 1958, it is estimated that natural gas will provide about 92% of the thermal content of all gas sold by the company.

The company has had in operation a program for converting customers' appliances from mixed gas operation to the use of straight natural gas in those outlying sections of its territory close to the natural gas supply lines. In 1958, approximately 110,000 additional customers will be affected. By the end of 1958, more than 320,000 customers, or about one-third of all customers, will be served with straight natural gas.

Business conditions in general continue to be quite favorable in the service area of Public Service Electric and Gas Company at the close of the year. The outlook for 1958 is also favorable. This is attributable in no small

Continued on page 80

The Growth Pattern in New Jersey continues strong

What happened in New Jersey in 1957?

Industry kept right on growing, commercial establishments kept on expanding, and residential areas continued to show a year of healthy growth.

A vacuum cleaner manufacturer built another plant in the same town in which it had been operating. Many small firms merged with large nationally known companies. Ground was broken for several large industrial research laboratories. A large new asphalt refinery was built. Plants were constructed for the manufacture of baby products, surgical dressings, soup, paper milk bottles and electric wire and cable.

Large warehouses for storing steel furniture and motor parts were built. Major cities forged ahead with urban redevelopment, and shipping facilities at Port Newark and on the Delaware River were enlarged and improved.

All in all, it was a dynamic year of growth in New Jersey, where 50 of the top 73 "Blue Chip" companies in America are active. We have every reason to believe that this growth will continue into 1958—plant site inquiries so indicate.

To meet this growth, Public Service continues to enlarge its facilities. We have expended over \$500,000,000 in the last five years, and at the present time we are constructing three major electric generating stations.

**GAZWAY
WORLD MARKETS**



A-24-58

PUBLIC SERVICE ELECTRIC & GAS CO., NEWARK 1, N. J.

Continued from page 79

measure to the advantageous location of the service area between the nation's first and fourth largest cities, together with a great diversity of industry located therein, extensive transportation facilities, fine cities, excellent suburbs, and outstanding employment opportunities.

H. E. MacDONALD

President, Household Finance Corporation

In 1957 Household had its best year in volume of loans on the books and in net earnings to stockholders. Preliminary figures indicate (a) the amount of consumer notes receivable at the year end was about 7% higher than at the beginning of the year, and (b) the net income available for dividends exceeded the 1956 net income by more than 10%. We believe that Household's growth stems from customer appreciation of prompt, courteous service in prominently located and attractive offices.

We ended the year with almost 1,700,000 accounts on our books, totaling over \$575 million. The unpaid balances of these loans averaged about \$340. We now have 891 offices serving families in 613 cities in 38 states and in all 10 provinces of Canada.

During 1957, Household opened 59 new offices—44 in cities not previously served. Most of the new offices, other than those in new cities, were opened in or adjacent to suburban shopping centers. In 1958, our 80th Anniversary Year, we will continue to open additional offices wherever favorable opportunities appear and to modernize and relocate offices wherever the public can be better served.

The degree of growth in our loan account in 1958 will be determined largely by the course of general business activities. In recent months pockets of unemployment have developed incident to the adjustment of a free market economy to changing business conditions. This has occasioned some increase in delinquency and has required greater attention to collections. Our managers treat every such case on its merits, with due consideration for the welfare of the individual family.

Unemployment may increase somewhat before general business conditions improve; however, within three to six months a resumption of the upward movement in business, typical of the postwar period, is anticipated.

J. R. MacDONALD

Chairman of the Board and President
General Cable Corporation

As 1957 developed, business in the electric and communication wire and cable industry failed to live up to the optimistic expectations of continued growth which were held out for it at the beginning of the year. It was subject to the same declining tendencies as were progressively evident in business generally and activity at the year-end was at a substantially lower level than when the year started. This condition was due to a number of factors or combinations thereof including the following:

(a) All of the basic raw materials used by the industry were available in ample supply.

(b) The market prices of two of its primary metals showed substantial declines. Copper which opened the year at a producer's price of 36c per pound closed at 27c with material available on the open market at a still lower figure. The 16c price of lead which had prevailed since January, 1956 broke in May, 1957 and closed the year at 13c per pound.

(c) During the period of shortages the industry materially increased its productive capacity.

(d) The decline in business activity generally resulted in a lessened demand for wire and cable products. The tight money market also resulted in some curtailment of construction programs.

The transition from the period of short to abundant supply brought with it a lowering of price levels and intensive competition within the industry for the available business. It further eliminated the need for customers to maintain large inventories to insure uninterrupted continuance of their production schedules or construction programs.

While the cumulative effect of the above factors will undoubtedly be reflected in a fairly substantial drop in the dollar volume of sales for 1957 as compared to 1956, the physical volume of sales has held up surprisingly well. In other words, the reductions in the selling prices of wire and cable products due both to the drop in the prices of primary metals as well as the general lowering of price levels has been more severe than the reduction in the demand for such products.

Being dependent, as it is, on conditions in so many other industries and fields of activity which directly influence its operations, it is practically impossible at the present time to predict just what 1958 holds in store for the wire and cable industry. A strictly short-range appraisal would have to be on the pessimistic side. However, there is some basis for a reserved optimism so far as the somewhat longer range prospects are concerned. The adjustment of customer inventories should be completed by the end of the first quarter. A further easing

of the tight money market might well stimulate the construction field. Raw materials should continue in ample supply, and it is reasonable to hope after the adjustments of the past year prices will be somewhat stabilized. Under these conditions, and given a fair level of general business activity, the wire and cable industry can well experience a good year in 1958.

FREDERICK MACHLIN

President, The Armstrong Rubber Company

Although there is little doubt that imbalances in economic forces will adversely affect a considerable number of industries to various degrees during 1958, the tire industry is one key industry that will advance.

We expect that generally the economic "shakedown" will be mild and of the healthy variety. Early 1958 might aptly be characterized as transitional. As the year progresses and inventory adjustments are made, the economy will resume its upward surge. As we see it, in terms of Gross National Product, the level of the economy will advance over 3% to about the \$450 billion mark. With more stable prices, this advance will be slightly more in real terms.

Thus, the fluctuations in the economy will not be severe enough or of long enough duration to materially affect the basic demand for tires.

We are predicting that tire sales will show a moderate over-all rise. All areas, however, will not exhibit equal strength. The original equipment segment of the tire business may even show a slight decrease, and at best only a small increase. The vital question in the auto industry is: "What will be the action of the installment car buyers of 1957? As their 36 months payments are completed, will they re-enter the auto market or be diverted into other areas?" Many fear that the higher cost of automobiles, relatively lower prices being paid for used cars, and the resulting higher monthly payments will force many of these prospects to postpone buying new automobiles.

The replacement phase of the tire business presents a more encouraging outlook. Continued increases in vehicle registrations continue to expand the broad base of the market for replacement tires. In the past seven years, passenger car registrations have grown nearly 45%. Sales of between 58 and 59 million replacement tires will be required to meet the 1958 demands of this 55.5 million national car fleet—an increase of about 3.5% over 1957 sales.

The Armstrong Rubber Company operates almost exclusively in the replacement tire market and is in an excellent position to capitalize on the expansion of this market. The development and marketing of three new tire lines, embodying new principles of design, will stimulate the demand for Armstrong products. Also, the development of a new synthetic foam will enable us to strengthen our market position in this phase of the business.

Considering the factors relative to the national and industry outlook, we at Armstrong believe we will show advances in 1958 comparable to those scored in 1957.

Our confidence in our ability to move forward in 1958 is founded on our strong performance in 1957 and other similarly very competitive years, the belief that the business adjustment we have entered into will be mild and short-lived, and that the tire industry is basically a dynamic growth industry.

EARLE J. MACHOLD

President, Niagara Mohawk Power Corporation

"Will Upstate, N. Y. continue to grow and prosper?" As a business-managed utility serving a large part of this important area, Niagara Mohawk Power Corporation is basing its plans on the firm conviction that the answer to this question is "Yes."

Our confidence is expressed in the expansion program this company now has underway, the largest we have ever undertaken and one of the largest of any utility in the nation.

Niagara Mohawk's current three-year construction program calls for an expenditure of \$300 million. We are building new facilities which will greatly increase our capacity to provide electric and natural gas services throughout "Upstate, N. Y." The future needs of homes, farms, business and industry require this expansion.

Niagara Mohawk has just placed in operation the largest electric generator in New York State, twice the capacity of the largest generators we have previously installed.

Three others of equal size are under construction. These four new units alone will produce more firm power than the American share of the St. Lawrence Power Project which is in itself a great new power source. Niagara Mohawk is also constructing the seventh hydro-electric plant we have built since the war, and we are adding 110 miles of transmission lines that will carry power at twice the voltage of existing circuits.

We are expecting that the use of electric power in the areas we serve will be at least double in the next 10

years and that the use of natural gas will increase by over 90%.

These expectations are based on the continued development of the area we serve. Their pattern of growth has been steady and rests on a broad base of large population and highly diversified industry, business and agriculture.

There are certain basic reasons why New York leads the nation in manufacturing, commerce and markets. Such factors as geographical location, population, markets, transportation, power and water have assured consistent growth. These great assets have not changed.

Now there are added factors which will give the region a positive economic lift. These are the New York State Thruway, the St. Lawrence Seaway and Power Project and the forthcoming Niagara Power Development. These will provide a great stimulus to trade, as the Thruway is demonstrating.

Every year, the Niagara Mohawk System adds about 20,000 customers, the equivalent to a small city—and the tide of postwar youth has not yet reached maturity. People are using more power to make life and work more profitable and pleasant. The average annual use by our domestic customers has now passed 3,000 kilowatt hours per year and farm use is well over 6,000 kilowatt hours.

On a long range basis, it is evident that the factors that have assured consistent, healthy diversification and expansion in Upstate, N. Y. will continue, and that added to these are new factors that will greatly enhance the region's future economy.

For Upstate, N. Y., this means growth and Niagara Mohawk is preparing for it.

SIDNEY MAESTRE

Chairman of the Board

Mercantile Trust Company, St. Louis, Mo.

At the start of 1958 business activity is declining, and it is probable that this downward readjustment will run throughout most of the year. The business community, therefore, will be forced to deal with the problems created by a lower level of demand, declining prices and profit margins, and unemployment. The question which is uppermost at the present time concerns how far the decline will go. Up to the present time it has been moderate but there are now signs that it is beginning to have a cumulative effect. It is still too early to anticipate that a cumulative decline will result from these declining tendencies but their very existence has brought about an air of caution in the business community.

The decreased demand for goods is observable at both the consumer and the producer levels. Capital goods expenditures are now expected to contract because excess capacity exists in most industries. The monetary authorities assisted in the financing of the industrial expansion which has taken place over the last several years, but they have avoided in great part the speculative and inflationary excesses which usually accompany expansionary periods. Both because the demand for funds is likely to be less and because an easier money policy will be adopted, the conditions under which funds can be borrowed in the next year will be more favorable to borrowers. It would be a mistake, however, to anticipate that the expansion in business will be resumed. Consumers likewise are pursuing a more cautious policy. The earlier optimism about the sale of 1958 automobiles has given place to frank admissions that 1958 may be a disappointing year. According to present indications the consumer is not likely to buy in a sufficient volume to induce an industrial recovery.

These trends have already brought about some sharp declines in prices and others are to be expected. Likewise, maladjustments between prices have been observed, but it is significant to note that these maladjustments do not appear at the top of a speculative upsurge. It is probable, therefore, that the adjustments will be made with less strain upon the total economy. Declining prices and declining demand almost certainly mean lower profits. Business will, however, undoubtedly be able to adopt economy measures which will preserve some part of existing earnings.

The government is likely to provide some stimulus to industry later in 1958. It has now become necessary to embark upon an aggressive military program, and it almost certainly means an increased level of expenditures. It is equally probable that foreign aid expenditures will be increased in the forthcoming year. What is even more significant, however, is that the American Government is likely to embark upon a long-range program of military and economic aid.

One of the most significant characteristics of the post-war American economy has been the slowness with which it has moved. Many forecasters have been right in the general trend but have been wrong in timing because they have anticipated that the economy would move more rapidly than it has. It is desirable that this point be emphasized for all analysts. While it is imperative that the weaknesses within the economy be recognized, it is equally important to realize that they are developing much more slowly than they have in the past. This fact in itself may give business somewhat more time to adjust to changing trends.



H. E. MacDONALD



Frederick Machlin



J. R. MacDONALD



Earle J. Machold



Sidney Maestre

ROBERT A. MAGOWAN

President, Safeway Stores, Incorporated

Although regional areas during 1957 faced depressed sales conditions such as those in the Northwest resulting from the lumber industry's slow-down, most such setbacks have been regional in nature. But, the West is still dynamic and in over-all of volume, we expect slow and steady sales increases throughout 1958.

I don't have the wisdom to pick out the most important single developments that may occur in our industry a year ahead of time. I do expect to see better utilization of equipment which will result in much-needed improvement of productivity. I expect to see food store operators more cautious about going into shopping centers where there will be more than one food store in operation. I expect to see keener realization of the necessity for an adequate return on capital and on each dollar of sales—a re-examination of the impact of tape plans and trading stamps on those profits. I expect that resistance will increase (due to absolute shelf space limitations) to products whose only newness consists of the addition of "color."

There are dozens of other similar trends in the retail grocery business — and these are just personal views. For example, there is the question of food supermarkets entering more and more into the field of junior department stores with their vastly expanded lines. All I can say is that this might be a nice trick if we knew how to do it. We, at Safeway, however, shy away from such merchandise fields because I just don't think we can compete with merchants, like Penney and Sears, who are years ahead of us in experience in these particular non-food fields.



Robert A. Magowan

FRANK L. MAGEE

President, Aluminum Company of America

We foresee an increase in aluminum consumption over 1957 totals during the year ahead, with the present abundance of metal contributing to broadened usage in both new and existing applications. Adequate supplies of aluminum now are assured by the greatest primary and fabricating capacity in the industry's history, with Alcoa's own installed capacity to produce basic metal rated at 792,500 tons annually at the close of 1957, or 42% of the U. S. total.



Frank L. Magee

During 1958 Alcoa expects to add 20,000 tons at its Point Comfort (Texas) smelter, and to begin production at its new Warrick (Ind.) works, where an ultimate capacity of 150,000 tons yearly is planned. Alcoa's output of primary aluminum amounted to approximately 710,000 tons during the past year.

Designers and fabricators are now free, as never before, to capitalize on aluminum's many natural advantages, on its abundance, and on noteworthy technological progress achieved by the industry during the past year.

This new confidence already is being reflected in important market areas.

More and more aluminum is being designed into automobiles, with its use in passenger cars now exceeding an average of 40 pounds per unit. Some larger models utilize as much as 250 pounds of aluminum.

Residential building offers another promising market. Intensive development of new applications and distribution methods is expected to raise aluminum usage in the average new home from about 30 pounds today to 1,000 pounds by 1965. Home remodeling will consume much additional tonnage.

Alcoa's Care-free Home program, biggest market development effort in the company's history, is spurring research, development and builder education in this field. During 1957 selected builders throughout the country built 23 homes, each utilizing 7,500 pounds of aluminum, as a first-year step in this continuing program.

Applications of aluminum in the nonresidential building field are progressing steadily. Both monumental and commercial structures are employing increasing amounts of aluminum in curtain walls, windows, roofing, and interior decor.

A great new market now is growing rapidly in the highway construction field where Alcoa has advanced such aluminum applications as maintenance-free lighting standards, bridge railing, signs and chain-link fencing. All are currently being employed in the vast \$100-billion Federal highway construction program.

Packaging and containers are another promising market area. The foil packaging segment of this field used 80,000 tons of aluminum last year, and a 10% increase is anticipated in 1958. To further such uses, Alcoa, during

1957, formed the nation's first fundamental foil and packaging research laboratory as a division of Alcoa Research Laboratories.

To hasten the application of aluminum to other new and useful things for an era of better living, Alcoa announced its "Forecast" program which commissions leading designers to work with the light metal in all fields. Eight widely acclaimed items, ranging from a ball gown of aluminum metallic threads to an all-season beach house of tomorrow, already have been unveiled. Other creations are on the way with the objective of achieving "A World of Aluminum in the Wonderful World of Tomorrow."

In technical areas, Alcoa achieved a number of significant developments. One was a new aluminum-lithium alloy, marking a major break through the thermal barrier for applications of aluminum in supersonic aircraft.

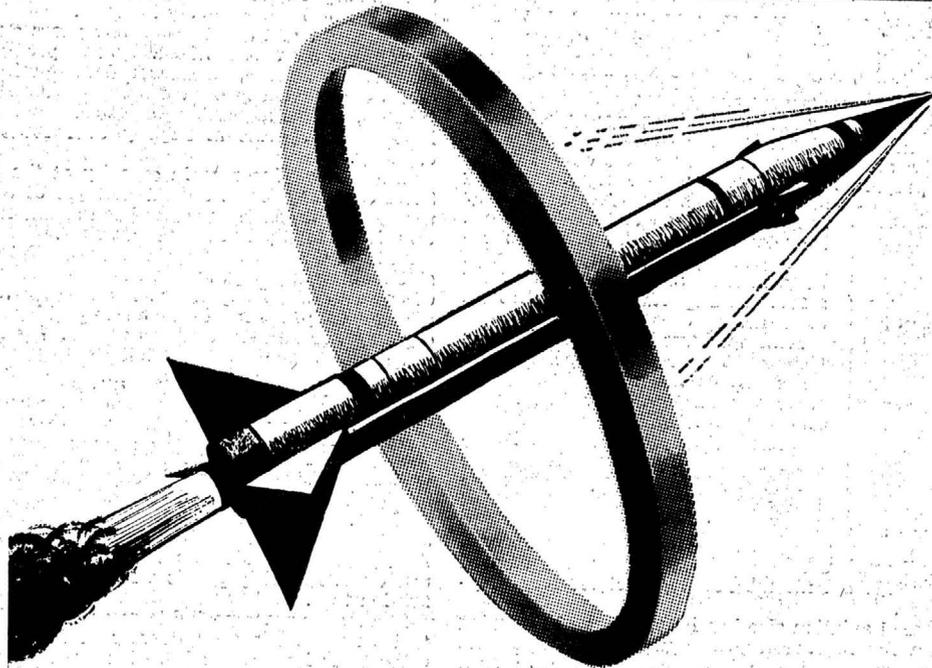
Also announced was the commercial availability of aluminum powder metallurgy products; aluminum asphalt paints in a variety of colors, extra wide sheet with unprecedented flatness, an improved extruded aluminum

flooring system for highway trucks and trailers, and high-strength nonheat-treatable alloys with excellent welding characteristics.

Avenues to further applications of aluminum also were opened by two new high temperature soldering materials which promise to reduce joining costs, a new alloy for welded structures operating at elevated temperatures, two new alloys which reduce the cost of porcelain enameling, impact extrusions clad with high purity aluminum, and foamed-plastic insulated panels for the building, refrigeration, and other industries.

Emphasis on further research and development and an aggressive and continuing sales promotion and marketing effort will characterize Alcoa's activities during the year ahead. The same trend also can be anticipated on a long-range basis, as evidenced by Alcoa's mid-year announcement that it is optioning land in the vicinity of Merwin, Pa., 22 miles east of Pittsburgh, as the future site of a major campus-type research and development center.

Continued on page 82



**Converting Minerals into New Metals
To Speed Industrial Progress
Is the Business of Kennametal***

Once design horizons were bounded by the properties of the metals that Nature provided.

Today these boundaries have been tremendously expanded . . . because an amazing array of new materials, such as Kennametal hard carbides, has been developed.

The Kennametal family of new materials includes hard tungsten carbide alloys with three times the stiffness of steel . . . compositions that wear up to 100 times as long as the hardest steel alloys . . . titanium carbides that retain their strength at temperatures that would soon destroy ordinary materials.

Kennametal compositions are making a vital contribution to missile and rocket development. Kennametal K501, a platinum-bonded carbide, for example, is used for sealing red fuming nitric acid. Seal rings of this material withstand the high corrosive conditions of such applications better than any other material, in test after test.

Kentanium, a titanium carbide, is serving in aircraft parts that must function continuously in the direct jet stream at temperatures up to 2200°F and at much higher temperatures when exposure is limited or momentary. In addition, Kentanium withstands unusual shock . . . through hundreds of cycles when temperatures soar to 2000°, drop to 300°, then zoom back to 2000° again.

These and other Kennametal grades of hard carbides are serving practically every industry—in metalworking tools, in cutter and drill bits for modern mining machines, in knives for planing wood and in many other specific applications. More recently, Kennametal developments include high purity tantalum (99.9%) in strip, foil and wire for the electronics industry and high purity columbium (99.8%) to meet exacting requirements in nuclear energy applications.

If you have a metals problem, why not consider the unique properties of Kennametal and Kentanium? If you will give us details, we will be glad to work with you. KENNAMETAL INC., Latrobe, Pa.



INDUSTRY AND
KENNAMETAL
... Partners in Progress



Continued from page 81

ROBERT T. MARSH, JR.

President, First and Merchants National Bank of Richmond, Richmond, Va.

We are starting a new year in an atmosphere which is more pessimistic than I believe to be justified. We have become so accustomed to a one-way street in business that a slight turn around seems to cause much gloom, especially in Wall Street.

I believe business generally in the whole of 1958 may be slightly under that of the excellent year of 1957. In the banking business, with the prospect of slightly easier rates and perhaps a lower loan volume, net operating earnings probably will show some decline from the banner year just ended. It is thought in many quarters that production will not be off over 3% while personal income should not decline that much, if at all. Under those circumstances, I am confidently expecting 1958 to be judged by future economic historians to have been a good business year.



R. T. Marsh, Jr.

HON. WARREN G. MAGNUSONUnited States Senator From Washington
Chairman, Senate Interstate and Foreign Commerce Committee

Finance, or, putting it more plainly, money, will be a key word in the current Session of Congress.

Not only are funds needed to keep vital Federal programs progressing and services functioning, but many segments of business and industry are now asking Congress to take a long look at financial problems besetting them, and, thus, the service they render and the people they serve. Transportation furnishes an example.

Hearings have been set by Senator George A. Smathers (D., Fla.) into financial problems confronting the nation's railroads. Smathers, who heads the Surface Transportation Subcommittee of my Senate Interstate and Foreign Commerce Committee, decided hearings were merited when car loadings plummeted 12.6% in the week ending Nov. 9, as compared to the same week in 1955, and the rail carriers cited earning figures which showed September 1957 net income down \$15,000,000 from September 1955.

Commercial aviation also has its problem of financing the purchase of new, faster, jet equipment. All possible avenues of assistance are being explored. One such avenue is mentioned in S. 1753, now pending before my committee. This bill amends the Civil Aeronautics Act with respect to reinvestment by the air carriers of the proceeds from the sale or other disposition of obsolete operating property and equipment.

Ocean shipping has its problems as well. One of the outstanding policy questions confronting my committee will be to decide what the role of the Merchant Marine will be in times of national emergencies in view of the development of atomic weapons and intercontinental missiles.

Always considered to be the fourth arm of national defense in time of war, the Merchant Marine stands in serious jeopardy. In the minds of many—including some higher government officials—a belief has arisen that it no longer will be necessary to continue the Merchant Marine in the category of the fourth arm of national defense. Actually, the question has been under serious discussion in the National Security Council. Such a point has been reached in these discussions that the Federal Maritime Board has written and asked that it be given an opportunity of discussing the subject as soon as possible after the Congress reconvenes.

I intend to give them that opportunity.

It has long been my view that regardless of other advances in weapon improvement, the Merchant Marine is an indispensable fourth arm of defense and will be required by this nation regardless of the kind of warfare which could be waged against us.

Proof of ocean shipping's indispensability to us and the importance of solving problems confronting our Merchant Marine is the consideration to be given this session to making long needed improvements to the Panama Canal. Preliminary studies by the Directors of the Panama Canal Company disclose the fact that certain improvements will have to be started immediately if the Canal is to properly handle traffic that may reasonably be expected during the next 10 to 20 years. The improvements are expected to cost up to \$20,000,000.

These improvements include the lighting of Gaillard Cut to permit night transit of certain types of vessels, to make possible the safe meeting and passing of vessels in the narrow and tortuous channel through the Continental Divide during darkness, a mooring station just above Pedro Miguel Locks to provide a small holding station for northbound ships at the south end of Gaillard Cut and the widening of certain curves and narrow sections south of the Continental Divide.

With these improvements, perhaps the Panama Canal will serve us in an increasingly important way during the next decade.

It is my firm belief that the concluding Session of the 85th Congress will do much to overcome many of the problems which now plague our business and industry.

JOHN N. MARSHALL

Chairman of the Board, Granite City Steel Company

As far as the steel industry is concerned, the most significant difference between year-end 1957 and year-end 1956 is that a year ago consumers were still rebuilding strike-depleted inventories, while today they are reducing their inventories—and may continue to do so until the second quarter of 1958 or even later.

There is little question but that the 1958 steel ingot operating rate will be well below the industry's theoretical capacity. The steel industry's huge expenditures for new plant and equipment since the end of World War II have finally brought it to a point where it can—for the immediate future—produce enough steel to meet customer requirements and still have unused capacity.

However, in evaluating 1958 steel operating rates based on a percentage of ingot capacity it should be kept in mind that the 1958 capacity total will be much higher than it was a few years ago. It is currently forecast that the industry will produce about 110 million tons in 1958, which would be equal to about 78% of its expanded capacity. That same tonnage produced in 1952, only six years ago, would have required the industry to operate at slightly over 100% of its then capacity.

The postwar increase in capacity at the Granite City Steel Company offers a good example of this—although the rate of increase here has been substantially greater than it has for the industry as a whole.

In 1946, Granite City Steel had 500,000 tons of annual steelmaking capacity, but of that total only 290,000 tons of capacity was in open hearth furnaces new and large enough to produce steel at competitive prices. Our capacity has increased steadily since. By 1959, we will have 1,584,000 tons of competitive steelmaking capacity—more than five times what we had in 1946. To accomplish this, we will have spent \$137 million on new plant and equipment in the 1946-1958 period.

The falling ingot production rate in late 1957 made the steel market appear to be a lot worse than it actually was or is. What happened was not a cut in output by steel-using industries but a reduction in their inventories of steel. Actual steel use by metalworking plants set an all-time record of about 84 million tons during 1957. And current predictions for 1958 indicate that steel use by fabricating plants will be between 80 and 84 million tons.

Steel users are expected to go on living off their inventories until the second quarter of 1958, or even later. Once their inventories have been sufficiently cut back, however, steel output at the mills will move up into line with steel fabrication.

Further easing of credit by the Federal Reserve Board is necessary to keep the current decline in business to modest proportions. I cannot help but feel that this will be forthcoming in 1958.

WALTER P. MARSHALL

President, The Western Union Telegraph Company

Western Union's revenues in 1957 exceeded the all-time record set in 1956, despite a decline in general business activity in the final quarter of the year. In the past nine years the company's revenues have increased more than \$80,000,000 to a new high of about \$260,000,000.

Growing eight-fold in 10 years, the telegraph company's business from private wire services last year reached an annual rate of \$38,000,000, and accounted for more than half the total 1957 revenue rise. The private wire field encompasses the leasing of "closed circuit" custom-built private communication systems for industry and government.

Revenues from telegraphic money order services exceeded \$18,000,000 last year, providing another all-time high in Western Union history. Millions of persons used those safe, convenient services—the fastest way to transfer money, and more than \$600,000,000 was telegraphed.

Notable among Western Union's developments in 1957, which point the way to future advances are facsimile progress, private wire services growth, automation expansion, and microwave radio beam extension. More and more Desk-Fax machines are being installed in customer offices to improve service and stimulate additional telegraph usage. With these units, telegrams are sent and received in facsimile form, by merely pushing a button, in about 32,000 business offices. Since 22,000 customer teleprinter printing telegraph machines are also in use, about 54,000 business users are connected directly with central telegraph offices.

The rapid growth in private wire services is typified by the new high-speed electronic private wire system Western Union is building for the United States Air Force. Revenues are expected to total some \$4,000,000 annually when it is in full operation. The capacity of the new system will exceed two and a half billion words

annually. The equipment will be able to "read" instructions, act on them, intercept and store communications. It will recognize, store and act upon instructions concerning message priority or urgency. The new system will literally "think" for itself.

Western Union engineers have developed specialized communications systems to meet a variety of integrated data processing needs. During 1957 Western Union engineered such systems for Liberty Mutual Insurance Company, Reynolds & Company, Boeing Airplane Company and Clark Equipment Company. Extensive research in the IDP field is being carried on to anticipate and meet the future requirements of business. Western Union has established a nationwide data processing system, using the public message network, for the automatic transmission by perforated tape of its own payrolls, equipment inventories, and other data. Basic information on the company's operations at major cities is sped to key centers for electronic processing by business machines and calculators and quickly converted to provide essential data. This makes possible better operating efficiency and more effective management controls.

Our microwave beam system was extended westward from Pittsburgh to Cincinnati and Chicago in the latter part of 1957, and is scheduled for operation early this year. It will furnish immediately 1,000 additional telegraph channels for use in general telegraph service and for leasing to industry and government. Eventually we expect to have a capacity up to 5,000 channels over the extended system.

We are just entering a new era of electronics and nucleonics, rich with the promise of new discoveries which will have a revolutionary impact on communications methods and our way of living. This new era should provide unparalleled opportunity for our nation's continued economic growth and expansion, and I am confident that the record communications business will more than keep pace with such developments.

HON. JOSEPH W. MARTIN

U. S. Congressman from Massachusetts

It appears to me that the necessary increases in defense spending have ended the possibility of any substantial tax reduction at this current session of Congress, although minor modifications of the tax laws may still be possible.

First things come first, and the first of these is to provide the money necessary for American security and freedom. We will put our shoulders to the wheel and keep ahead of Russia in our defense effort.

Our missile program is making very good progress. We will vote the funds which are needed for it.

However, we should not permit the hysteria of some people to rush us into "scare spending" beyond what is right and necessary. Despite the Soviet satellite launching, the United States remains ready and able to defeat any nation that would dare to start an attack.

Hysterical spending at this time might go so far as to threaten a tax increase. In my opinion, this could have very adverse results. It would be an unfair blow to business and industry when they are working to overcome an economic slowdown and trying to move forward again into an expanding economy. To force us into excessive spending might well be a Soviet trap.

If a combination of increased spending and diminished tax revenues should result in an unbalanced budget for fiscal year 1959, under present conditions I would prefer to increase the national debt limit rather than to increase taxes. Raising the debt limit, with a slight increase on a temporary basis, would be less of a jolt to the American economy than higher taxes. I believe this is the preferable step to take, even though I had hoped that the series of debt limit extensions of the past 25 years had come to an end with the recent balanced budgets.

Unfortunately, many of the important issues before Congress this year will be considered and debated in a bitter political atmosphere. There will be the usual fight over the Mutual Security Bill, in spite of the fact that nearly 75% of mutual security is for military aid to friendly countries which are allied with us against the aggression of the Communists. In the present tense world situation we do not want to stand alone. Strong allies are most useful to our security. The same reasons which stimulate increased defense spending are reasons for arming our allies in strategic places.

Many hours of debate in Congress this year will be devoted to the farm problem. There will be the usual clashes between advocates of public and private power. There will be quite a battle over the proposal to extend the Reciprocal Trade Agreements. I believe that they will be extended, but amendments may be attached to the bill.

The prospects are good for a postal rate increase, and there may also be a pay increase both for postal workers and classified government employees.

Legislation may be enacted to safeguard the welfare funds of union organizations.

These are a few of the principal legislative probabilities and possibilities of the Second Session of the 85th Congress. However, with so many variations of thought among the members of Congress it is impossible to make any positive predictions of what will happen this year. My many years of service in Congress have taught me that the most unexpected things often take place.



Hon. W. G. Magnuson



Hon. Joseph W. Martin



Walter P. Marshall

L. L. MATTHEWS

President, American Trust Company,
South Bend, Ind.

In reviewing the period from 1934 to 1957, we have perhaps experienced the longest cycle of progress and business expansion in our nation's history. Several short minor recessions took place during that period, but the overall picture was one of business expansion, population growth, and increased personal and public spending. This background, of course, brought about inflation and a cheaper dollar. The current cut-back, originating in the fall of 1957, and still continuing in a minor way, is a healthy sign for our national economy.



L. L. Matthews

We in the financial field should be much more concerned with uncontrolled inflationary trends than with periodic recessions. It becomes increasingly apparent that the present trend will continue for at least six months, after which a mild return to normal industrial production, and federal, state and municipal spending may be expected.

Many impressions are gained from the "man on the street", and it appears that business cycles originate from the psychological reactions of Mr. and Mrs. America. In general, the public is more thrifty minded, as indicated by increased savings during the past year. The instalment buyer is also meticulous about meeting his payments, as indicated by the consumer credit delinquency ratio.

In further support of my belief that the present recession will be of medium duration, may I refer to population increase? Statisticians tell us that in the United States, there is a birth every eight seconds. This alone forecasts an upturn in private and public spending in the years ahead. A new baby is an index of expenditures for everything from food and clothing to schools, hospitals and highways.

BALDWIN MAULL

President, Marine Midland Corporation

The commercial banking business is never static although faced by broad changes in the trend of various earning assets. Since 1946 bank earnings have been increasingly dominated by the increasing proportions of loans and mortgages as government bond holdings declined. The increasing demand for capital and credit in this period gradually found reflection in rising interest rates with the result that the earnings of commercial banks worked gradually upward.



Baldwin Maull

This time a year ago it became evident that business was likely to erode as 1957 matured, which raised prospect that loan volume might turn down and interest rates decline. Reflecting the declining tendencies for general business activity, commercial loans of commercial banks have been trending downward in recent months and there seems a likelihood that this trend will continue for some months

to come, conceivably well into or through 1958. Under these conditions it would seem reasonable to expect a tendency for bank loaning rates to decline somewhat, particularly in the prime rate areas. However, the demand for credit should remain high so that no major decline in the interest rate structure charged by banks would seem indicated. Once the present transitory period runs its course and we consolidate the progress of the last few years there should be a renewal of the uptrend in total business activity. Believing that we will gradually reach a level well above the current rate of gross national product of \$425 billion, there must be an increase in the money supply, and a greater use of credit and the loaning power of the commercial banking system must therefore take place. All of this augurs well for the long term outlook for commercial banking.

ELLIOTT McALLISTER

Chairman, The Bank of California, N. A.
San Francisco, Calif.

The year 1958 should be a reasonably good one even though further adjustments are in prospect. It should be realized that business sentiment in this country is very volatile and reacts quickly to changed conditions. At this moment business statistics show a falling off of orders, production and distribution, but these will likely change for the better after the winter months are behind us unless (1) substantial strikes develop out of the important contract negotiations due to take place in 1958; (2) the international situation deteriorates. Let us not lose sight of the fact that the government will be increasing its expenditures in connection with the defense, missile and highway programs. It seems likely that the adjustments expected will cause some shrinkage in the volume of bank credit outstanding. Cash position of business should improve during this year and money should be easier. Cost and expense control will occupy prominent positions on the agenda of most managements. Despite emphasis on cost cutting, earnings in most areas of business probably will be



Elliott McAllister

somewhat lower than in 1957 due to a profit squeeze between income and expenses. While there has been some slowing down in proceeding with plans and projects for the future, the expected size of the economic adjustment does not seem large enough to do more than cause deferment rather than abandonment of business plans for expansion and plant betterment.

THOMAS B. McCABE

President, Scott Paper Company

After 12 years of the greatest prosperity this country—or any country—has ever experienced, with demand far outstripping our ability to produce, American business suddenly is faced with the hard cold realities of a temporarily overbuilt productive machine with consumer demand showing a tendency to slacken. This situation faces us at a most critical time in world affairs, when it is imperative that our economy remain strong and that our scientific technology be materially strengthened.



Thomas B. McCabe

The question now in the mind of every statesmanlike business executive is, "What can my company do to contribute to the economic well-being of the country in 1958 and thereby strengthen the hand of our government in world affairs?" Most of us trained in the old school of the hard sale turn naturally to the familiar axiom emblazoned on our walls or indelibly fixed in our minds to which we have turned repeatedly in other periods of business difficulty: "The consumer is king." There is a tendency to relegate that concept to a secondary place when business comes easily, and profits are abnormally high. But once more we must recognize that the consumer holds the key to our prosperity in 1958. Only a slight turn of the key in the direction of lower purchases and greater savings, and we will have deflation of money and credit and a lowering of the general volume of goods and services. Restoration of consumer confidence is therefore our first and primary consideration.

A short time ago demand exceeded supply, and inflation needed to be curbed. But now the consumer must be motivated to turn the key in the other direction, and buying must be stimulated. Not only must demand be stimulated with the appeals of new products, improved qualities, better values, and more intensive merchandising but also greater emphasis must be placed on maximum efficiency of operations.

When sales came easily, business had a tendency to relax its vigilance in watching costs. All sorts of expenses and luxuries crept into the overhead. The high rate of Federal taxes accentuated this laxity. Overemployment was a contributing factor in raising wages and salaries out of proportion to increased productivity. Above all, the greatest relaxation came in the area of merchandising because sales came easily, and a sales force—like an athletic team—can remain in top form only under the pressure of the most exacting experiences of competition.

In emphasizing lowered costs we must not make the mistake of reducing research activity in either the physical or the social sciences, cutting back advertising or other sales stimulants, or curtailing product or personnel

development. Without an intensification in the use of these constructive forces, business cannot be revitalized.

I have emphasized these basic principles in business because I witnessed many evidences of their application in the paper industry during 1957, when that industry experienced a sudden readjustment because of some over-expansion of production facilities. The readjustment has been healthy and places the industry in better shape for 1958. However, costs are still too high and must be more drastically reduced if reasonable profits are to be attained.

In 1957 the paper industry was rated as running about 90% of total capacity, but this figure included an additional 6% increase in capacity which had been built that year. I believe a substantial part of the adjustment is behind us and that we are now ready for even higher levels of production in 1958. Given a little more consumer confidence throughout the economy, I think the overall paper industry can show a 2 to 3% average annual rate of gain.

I feel even more encouraged about the prospects for the sanitary paper division of the industry—the one in which our company plays such an important part.

When final figures are tallied for 1957, I am confident the sanitary paper division of the industry will have made a new production record. Growth in demand for its products has been considerably greater than that for the industry as a whole. While total paper output increased by 45% over the last 10 years, sanitary paper production moved ahead by 90%. It could well be that total sanitary paper production will again move out in front of the general economy during 1958 and may show a greater gain than in 1957.

JOHN L. McCAFFREY

Chairman of the Board, International Harvester Co.

The 1958 domestic business volume of International Harvester will depend upon the status of the three major industries of which my company is a part—the farm, equipment, motor truck, and construction equipment industries. Inasmuch as the future business prospects of each vary somewhat, I wish to comment on them separately.

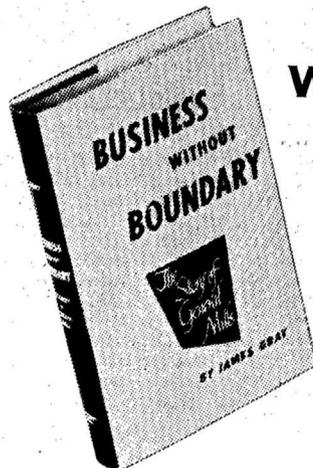


John L. McCaffrey

As it looks to us now, I believe that my company's 1958 farm equipment business in the United States will show a nominal increase over that of 1957. As the result of some increases in farm commodity prices, soil bank payments, and good crop yields, the general level of farm income has been increased slightly. Moisture conditions are generally good. Such factors always strengthen the market for farm equipment.

The continuing trend toward larger, more specialized commercial farms throughout America has brought and will continue to bring with it a demand for larger, more efficient, and more versatile farm machines. During 1958 all farm equipment companies, including my company, will place such machines on the market. And new machines always bring some increase in sales.

Continued on page 84



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Continued from page 83

At the same time, while commercial farms are increasing in size but decreasing in number, there has been a sharp increase in the number of part-time farmers and small-tract operators throughout our country. They will provide an increasing market for smaller, more specialized farm equipment products in 1958. Such equipment will be made available by most, if not all, farm equipment-producing companies.

Most farm equipment companies are presently manufacturing equipment for the light commercial or industrial market, too. At International Harvester the sale of products used in this field was one of the bright spots in our farm equipment business in 1957. Recently this line was expanded and we look for a substantial increase in the sale of these products during 1958.

I am hopeful that the government's 1958 farm program will be an improvement over that of past years. Preliminary reports indicate that this will be true.

I am hopeful, too, that the government, as well as many American industries, will step up their research programs in an effort to find new uses for farm products and to develop new crops. Some progress has been made, primarily by the formation of the President's Commission on Increased Use of Agricultural Products which was established by the 84th Congress. Through this agency a promising research program is, at long last, under way.

The need for such a program is great and the possibilities of results are unlimited. In the past five years American industry has spent more money for research than it did in the twenty previous years. It is spending at least \$3 billion annually in order to create new consumer products, to improve old products and processes, and to improve raw material uses. As a result, a large proportion of American industry's present production is of things unknown 25 years ago and, to a great degree, 10 years ago.

In contrast, however, total expenditures for agricultural research are estimated not to exceed \$375 million annually, of which approximately \$190 million comes from Federal and State Governments. This amount is only slightly over one-half of one percent of farmers' total annual product sales, as compared with three to seven percent of annual gross sales of industry.

The farm equipment industry stands ready to lend its strongest support to what the National Chemurgic Research Council and the President's Commission are trying to do in behalf of the American farmer. I am hopeful that other interested industries and organizations will lend their fullest support to this important program, too.

These, then, are the factors which make me believe that 1958 will be a reasonably good year for the farm equipment industry and for that segment of my company's business.

As for my company's motor truck business in 1958, I am confident that we will experience another good year. In fact, I believe that it will be somewhat better than 1957.

Truck transportation continues to grow as a part of the great overall transportation system in the United States. It is now a fixed method of transporting goods from door to door, from farm to market. As the population shift from urban areas to the suburbs continues, the increased use of motor trucks will continue, too.

As in past years, new and improved motor truck models and features will be made available to truck operators during 1958. Emphasis will be placed on greater efficiency and economy in truck performance. As always, this will be a stimulant to sales.

The prospects for my company's construction equipment business during 1958 are, by comparison with our farm equipment and motor truck business, less certain. Yet I firmly believe that in this line of product lie the greatest possibilities for growth of any of my company's product lines.

At the moment, the future of our construction equipment business lies heavily with the federal highway building program. Because of the many problems involved in developing a program of this magnitude, it has been slow in starting. Some, but not all, of these problems will be overcome during 1958 and, as a result, the program will pick up momentum. But it will not reach its plateau until 1959 or 1960.

For this reason, our construction equipment business in 1957 was disappointing. Many large contractors have a surplus of equipment on hand and presently are not purchasing additional equipment. We hope, of course, that this situation will change early in 1958. If so, it will brighten the prospects for this phase of our business considerably.

However, we are encouraged by another federal program which is just now getting underway, one which will eventually create a good demand for our construction equipment products. It is known as the Watershed Protection and Flood Prevention Act, a program which will be administered by the National Soil Conservation Service. It calls for channel improvements, the building of water sheds, farm ponds, terraces, and waterways, and other land forming and structure building. We are told that the yardage to be moved under the program may equal or exceed the national highway program.

A program of this kind is highly important to the future of our country. The control of water is essential to the preservation of our nation's productive lands. To do this job, equipment of a type produced by our Construction Equipment Division will be needed, both in 1958 and in the years to come.

These, then, are the prospects for the various segments of our company's domestic business for 1958, as I see them now. All in all, I believe that 1958 will be a reasonably good year for International Harvester.

L. F. McCOLLUM President, Continental Oil Company

The year 1957 was one of the great challenges to the U. S. petroleum industry. Early in the year, the industry was called upon to meet world-wide deficiencies in the supply of petroleum and its products caused by the Suez crisis. Within the space of a few short months, domestic crude oil production was boosted to an all-time high of 7.8 million barrels daily. In March, 1957, the U. S. oil industry was shipping over a million barrels a day overseas, thus enabling Europe to receive about 90% of its normal petroleum requirements.



L. F. McCollum

The problem of supplying oil to Europe had scarcely been met and solved when the industry was confronted with a new and completely different challenge. In the late spring of 1957 when the emergency shipments abroad were no longer required, supply had to be cut sharply to match domestic demand. This problem was accentuated by the fact that during the second quarter of the year domestic demand was 2% below the comparable 1956 level. In addition, domestic operations had to be adjusted to accommodate resumption of the inflow of large volumes of foreign crude into this country.

An industry as large as ours, possessing great momentum, cannot be turned around on a dime. And yet, crude oil production was curtailed from the all-time high of 7.8 million barrels a day in March to 6.8 million barrels a day in August. Refinery runs by the middle of the fourth quarter were cut below 1956 levels. Inventories of crude oil and the four major refined products, which in June were 9.1% above their 1956 level, were steadily reduced until in mid-November, they were less than 5% above their 1956 level.

In retrospect, the most significant thing to me about the year 1957 was that all of these difficult problems were met and solved within the framework of our highly competitive, free enterprise system. Even the difficult problem of rapidly increased foreign imports was handled on a voluntary basis. Where necessary, the interests of individuals and of oil companies both large and small gave way to the interests of the industry and the nation as a whole.

The year 1958 promises to be another year of challenge, although the required adjustments in operations are not likely to be as sudden or as drastic as in 1957. General business activity has been leveling off and moderate down trends are becoming increasingly evident in various segments of our economy. Domestic demand for petroleum products will probably be up 3% or less in the year ahead. Price levels for refined products are low and show no great promise of strengthening in the immediate future. The near-term outlook for oil company earnings is not appreciably better than in the third quarter of 1957 when a group of major companies registered a 5% decline in profits below 1956 levels.

Notwithstanding these problems which will face us as the new year begins, I have great confidence in both the short- and long-term future of the U. S. petroleum industry. It met great challenges in 1957 and also put its house in order to meet the new challenges of 1958. The ingenuity and vigor of the oil industry's management has been strengthened and toughened by the difficult tasks of 1957. On the basis of past accomplishments, I am confident that this industry can marshal the managerial and technological skills necessary to meet the new problems of the future swiftly and effectively, provided that it continues to operate within the framework of our competitive free enterprise system.

ROBERT McCULLOCH

President, Temco Aircraft Corporation

The year 1958 will be one of change, but a more stable year than 1957 for those aircraft and missiles companies which have followed a program of planned diversification and flexibility. The year will see further changes in military aircraft and procurement policies as part of the trend toward increasing emphasis on missile development. These changes will not create the uncertainties and confusion experienced in 1957, but will be more orderly and quite digestible by those companies whose long-range planning has been geared for such events.

Two years ago, Temco began such planning in anticipation of the upheaval of 1957, with the result that the outlook is bright for the biggest year of the firm's corporate life. I believe that 1957, which caused many companies to take a hard, second look at their capabilities, has resulted in adjustments which will put the industry in stronger condition for the coming year.

Temco's position, because of planned diversification, is strong. The company's experience at carrying on, simultaneously, a varied program of subcontracting, large-scale maintenance and modification of military aircraft, and development of guided missiles, target drones and jet aircraft of its own design, has left it in an enviable position.

Our research and development effort, conducted with increasing intensity over the past five years, will prove its success through finished products in each of four fields during 1958 . . . jet trainers . . . rocket-powered



Robert McCulloch

target drones of near-sonic speeds . . . missiles . . . and airborne electronic reconnaissance equipment. Appreciable business volume will develop from all four-volume that will be increasing at the end of 1958, establishing a continuing bright outlook for 1959 and the years to follow.

At the same time, Temco will continue its large-scale manufacturing operations for prime airframe contractors, as well as its modification and overhaul of varied types of aircraft.

Although airframe subcontracting will decline in total volume, the faith and good will of the major prime contractors in Temco's ability to deliver quality production on schedule at lowest cost leaves the company firmly established in this market. As for the overhaul and modification program, Temco has expanded into electronic refitting of aircraft for the Department of Defense, keeping apace or ahead of new developments in this field.

Controlled diversification is Temco's plan for continuing success and growth. The military markets in which we are engaged are complex rather than mysterious. Complex in their requirements of initiative and flexibility in planning and in organization, as well as experience, capability and ingenuity. While complex, they are definitely approachable and exploitable by a sound and well-developed enthusiastic organization—one with sufficient confidence in its own ability to avoid discouragement and confusion from the inevitable changes in policy, patterns and plans of military procurement . . . one that accepts sincerely the challenge of competition in progressiveness encompassing every function within the organization.

Thus, Temco looks to 1958 as a record year for sales and earnings. True, it will be a year of increased challenges, with heavy demands on individual energies and aggressiveness. But for those companies that have planned ahead and are ready to tackle problems with their sleeves rolled up, it will be a year of increased opportunities — with progress in each hour of effort essential to final success.

Inevitably, with missile procurement increasing in relation to purchases of manned aircraft, 1958 will be another year of transition for the aircraft and related industries. But for those with a combination of foresight, determination and a will to work, this can be a year of progress—and the satisfaction of a job well done toward survival of this nation.

RALPH T. McELVENNY

President, American Natural Gas Company

The outlook in the natural gas industry and in particular for our company is largely keyed to gas supplies and markets. With respect to the American Natural Gas Company system, our problem was to obtain an adequate and reliable supply of natural gas to meet current needs and have the assurance of the availability of additional supplies to meet the ever-expanding market. This problem was met when American Natural placed into operation in August 1956 its second pipeline system, the American Louisiana Pipe Line Company. This large pipeline originates in the Gulf Coast area, considered to be the greatest future source of natural gas in the United States. Within a few months after commencement of operation, the capacity of this 30 inch diameter line was increased from 300,000 Mcf to 360,000 Mcf daily.

During the year, American Natural's other pipeline subsidiary, Michigan Wisconsin Pipe Line Company, which obtains its gas from the Hugoton field of Texas and Oklahoma, contracted for a new supply of gas in the Laverne field in Oklahoma. This is presently estimated to give Michigan Wisconsin an additional volume of 40,000 Mcf daily, with excellent prospects for increased deliveries as this field is further developed.

An adequate gas supply is only one phase of our business. A stable, remunerative and expanding market is another essential ingredient. In this respect the American Natural system is fortunate in that its distributing companies operate in areas where there is a large demand for fuels for heating purposes. Natural gas is the ideal fuel for this purpose, both from the standpoint of cost and adaptability. The heating load is remunerative and relatively stable. With the large number of heating customers attached in the past few years, this class of business now constitutes a large percentage of our total load. Residential usage for purposes other than heating has shown a steady increase and this growth continued in the past year. Approximately two-thirds of the System's revenues are now derived from residential and heating customers. This gives a very reassuring backlog to our business.

Any discussion of the outlook for the American Natural system would not be complete without reference to its large underground gas storage fields, which are a very important factor in the success of its integrated operation. These storage fields, which are strategically located with respect to the major centers of demand, have a total capacity of approximately 100 billion cubic feet. The System also controls several depleted reservoirs which, as demand requires, can readily be converted to gas storage operation. The storage fields make it possible for our distributing companies to meet their winter peaks efficiently and serve the heating load at a cost to the customer substantially below the cost of other fuels. The fields also make it possible for our pipelines to function at a very high load factor, which is the most economical type of operation.

Important as gas supply and sales are to the success



Ralph T. McElvenny

of our business, it is, of course, always necessary to have adequate rates. With continually increasing costs it has been necessary for our companies, in common with other utility and pipeline companies, to seek increases in rates. With the large cost differential in favor of our natural gas in comparison with other fuels, we expect our pending rate proceedings to be satisfactorily resolved through the established procedures before the regulatory bodies.

During the past year, characterized generally by tight money market conditions, some of our companies were obliged to pay a higher cost for senior money than has been the case for many years. However, the money market has improved considerably in the past few months, which will be a favorable condition for our System and for the utility industry generally.

Although based on various barometers it appears that the pace of industrial activity may be somewhat slackening, I am confident that 1958 will be another year of growth and progress for the American Natural Gas Company system.

PAUL B. MCKEE

President, Pacific Power & Light Company

All forecasters seem to agree that there will be a tremendous expansion in our electric energy requirements as population steadily increases and greater and greater use is made of electricity for production efficiency and better living. The Pacific Northwest should share fully in this expansion. It remains a region of opportunity, blessed with many climatic and geographic advantages. Living conditions are attractive. There is a continuing migration toward the west.

Census Bureau estimates are that by 1965 there will be 1,000,000 more people in the five states in which Pacific Power & Light has electric properties.

The trend toward automation of industry, use of business machines and the steady increase in such activities as food processing and packaging all will have an impact on power demands. Forest products industries of the Pacific Northwest, for example, are moving rapidly toward integrated operations, based on sustained-yield forestry, with a high utilization of available raw materials for the manufacture of pulp, paper, hard and soft board and similar products.

Food requirements of an expanding nation will mean continued increase in the growing, processing and packaging of agricultural products. Favorable soil and climate put Oregon and Washington in a particularly good position to share importantly in the growth of the food business, which already has taken great strides in the area.

Looking ahead, it seems apparent that the development of other natural resources will continue under the stimulus of national needs. In the Wyoming areas served by our company, for example, are tremendous reserves of coal, uranium, taconite, and other resources, in addition to petroleum and gas, which will come into their own, sooner, perhaps, than many anticipate.

These are some of the reasons why power loads in the Pacific Northwest region are expected to just about double in the next ten years, as the electric industry stays in the forefront of our national progress.

JOHN E. MCKEEN

President, Chas. Pfizer & Co., Inc.

With many year-end trends pointing to down-swings for various manufacturing fields, marketing specialists are now paying special attention to those industries which continue to expand. The chemical industry is one of them.



John E. McKeen

Its sales volume should rise 5% to 10% this year—to an all-time high of well over \$25 billion. However, prices will remain close to 1957 levels because of the highly competitive conditions within the industry.

Some chemical companies may find themselves caught in the cost-price profit squeeze this year. However, profits of other firms, particularly those companies with intensive research and diversified marketing programs, will run moderately ahead of last year.

Expenditures for national defense, particularly those government programs aimed at meeting Soviet advances in science and technology, rule out any reduction in personal or corporate income taxes this year.

According to preliminary estimates, this year should be one of the most competitive for chemical markets since the end of World War II. A buyer's market will be partly due to the larger production capacity resulting from record business investment in new plants and equipment.

In contrast to major cuts planned by some industries in expenditures on new plants and equipment during the first six months of this year, chemical producers will continue a high level of capital spending both in the United States and overseas. Although total expenditures may be slightly below 1957 figures, the anticipated outlay is expected to be over \$1.7 billion, the second highest total in the chemical industry's history.

Chemical manufacturers will increase their research and development expenditures by about 4%. At this

rate, total outlays should be well above the half-billion dollar mark, another record high for the industry.

This forecast for higher sales is based on increased overseas sales, new products, population growth, and the rising level of disposable income throughout the world. Moreover, chemical products are finding increased application throughout many fields, such as the rubber, paper, textile and automobile industries. Coupled with these increased industrial uses are the expanded consumer markets for many chemical products.

The pharmaceutical segment of the industry, which has been expanding at a rapid rate throughout the post-war era, will further increase its capital spending by at least 10%—the largest upsurge in plant expansion for any part of the chemical industry. Drug research and development expenditures, which should run about 3% above 1957 levels, will help insure the continued flow of new products and stimulate pharmaceutical sales.

At present, pharmaceutical researchers are working to find agents which are effective against cancer, heart disease, the common cold, and other diseases for which there are still no cures available. Any break-through in these fields of research would prove a boon to both the public and the industry.

Through intensified research and marketing programs and world-wide capital investments, the American chemical industry this year will continue to make important contributions to better living standards, improved health and stronger national economies, and thus help bolster the democratic forces throughout the Free World.

DONALD H. McLAUGHLIN

President, Homestake Mining Company

The fixed price that gold miners receive for their product may not seem an unmitigated hardship in the eyes of the producers of base metals these days. Indeed, gold mining enterprises have enjoyed a certain stability over the past few months in comparison with the earnings from copper, lead, zinc and all other metal properties, which has been reflected in the market behavior of the few gold stocks. It is, however, merely a relative advantage, and one that is derived largely from the fact that the gold mining industry has (since 1941) been operating under adverse conditions—indeed depression conditions for them—and its low state had already been fairly well recognized and discounted.

Gold miners are apt to prosper when the general economy slackens—and particularly when base metal mining enterprises encounter bad times. Consequently, a little cheerfulness may be detected in the gold camp these days, even though the money managers have given no sign of revising the policies that have made gold mining a depressed industry since 1941.

As yet, the current recession—or incipient depression—is too young and indecisive to have had any effect on the cost of producing gold. Prices of all materials that



Paul B. McKee



D. H. McLaughlin

go into the mines are still high—higher than in 1956—as are wages paid throughout the mining industry. Consequently, profits will continue to be pinched between the rigid block of the fixed prices and the closing piston of rising costs expressed in depreciating paper dollars.

Final figures for 1957 production are still not available, but a continued decline in quantity of gold mined during the year can be expected in both Canada and the United States. In the former country, the premium on the Canadian dollar has added an additional burden on the gold producers by reducing the returns in the currency that must be used to meet payrolls and expenses.

The records for 1957 will undoubtedly show fewer gold mines in operation in the United States than in any year since the turn of the century, and an output of gold even lower than in the previous year. Curtailment of operations at porphyry copper mines that normally make a substantial contribution to the total annual production of gold will also tend to reduce the year's figures.

South African production will in all probability show an increase and make a new record, in spite of advancing costs that are resulting in the slowdown or termination of operations of certain of the older mines. The larger output from the Union is to be attributed to new production from the Orange Free State, as this great field swings into its full stride, and to the larger supplementary income obtained from uranium. These two special factors have reversed the downward trend that would ordinarily have resulted in curtailment of output in this major gold field, as higher costs cut into profits and caused the shutdown of marginal mines.

In the United States and Canada, unfortunately no uranium occurs in gold ores, and whatever profits have been won by gold producing companies from this extraordinary metal upon which atomic weapons and power so largely depend, have come from entirely separate deposits and new properties. Uranium mining, however, is a very natural activity for a gold miner, accustomed as he is to an assured price and to relief from the cares of marketing. This mixed blessing can be counted on at least for the duration of contracts with the AEC or for the period of the guaranteed price. Consequently, uranium temporarily provides the comfort of a stable market as does gold—with the same dangers to profits if inflation continues. Gold and uranium together thus make a rather attractive team that should do well in comparison with other metals in the event that a serious depression should develop.

The few gold producers that have been able to survive in these difficult years of inflation are perhaps entitled to feel that their worse troubles may be behind them, but the satisfaction that they might derive from this comforting thought is lessened by regret that their prosperity will come as trouble develops for other mining enterprises and for the economy in general.

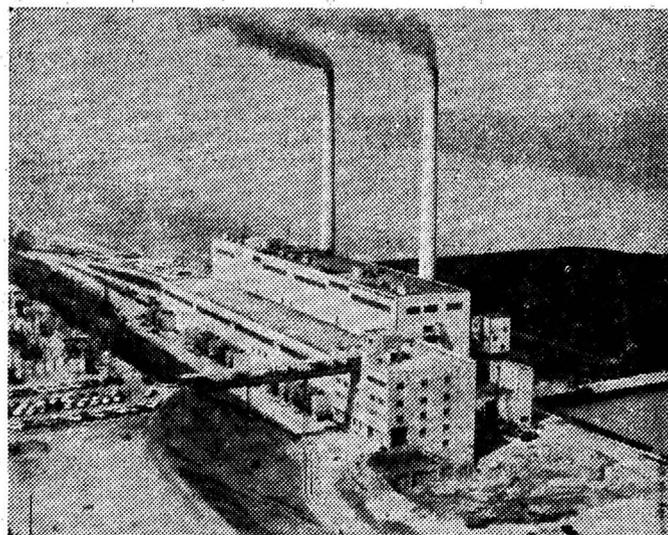
The sad thing is that the power of gold, as the basic monetary unit in international trade, is still not used wisely, particularly by the United States. If employed with proper timing, it could have been most effective in restraining the depression that may already be develop-

Continued on page 86

Bridge to tomorrow

In 1954, Wisconsin Electric Power Company embarked on a \$300,000,000, ten-year expansion program, fully recognizing that during any decade there were bound to be fluctuations in the business pulse. Now, right on schedule, this program is bridging the present fluctuation—minimizing it by providing work for steel makers, for builders of boilers, generators, turbines, pumps, power lines, transformers—and minimizing it, too, by showing faith in the future.

The expansion program is based on such solid facts as: the Milwaukee area's 8th place as an industrial center, 3rd



place as a consumer of steel, the location of 440 new industries with an annual payroll of \$63-million since 1945, the \$10-million harbor project preparing for the St. Lawrence Seaway. And the prediction of a 64 per cent increase in value added by manufacture by 1965—132 per cent in electrical machinery alone.

The Company's program includes the Oak Creek Power Plant where four units with a capacity of 500,000 kilowatts are already operating, with an additional unit of 250,000 kilowatts scheduled for completion in 1960. A bridge of power to a greater tomorrow—and Milwaukee industry has already started across.

WISCONSIN ELECTRIC POWER COMPANY SYSTEM

Continued from page 85

ing. Much good can still be accomplished and painful consequences of further inflation can still be lessened by intelligent leadership in monetary practices based on gold. The urgently needed step is restoration of the gold standard, with the already depreciated dollar made convertible into gold at a fixed price that reflects its current status, if inflation is to be checked and the subsequent adjustment made less painful. The longer this move is postponed, the more drastic the ultimate devaluations will be and the higher the price of gold in dollars and other currencies will have to be to regain convertibility and stability of prices, employment and markets.

If current policies with regard to gold are continued, it is most likely that the following events will have to occur: (1) the raising of the debt limit as Federal expenditures for defense exceed the tax returns, (2) further deficit financing and monetization of debt, (3) continued depreciation of the dollar, and (4) a truly serious depression when the excesses of the inevitably greater inflation have to be liquidated. If this doleful sequence should materialize, the times would be particularly unhappy for the gold miners. They are entitled to a little comfort, however, from the thought that eventually their losses would be more than offset by the magnitude of the revaluation and by the higher price of gold in new dollars that would then be needed to restore balance—provided of course ore reserves in their mines lasted that long.

A higher price for gold immediately, with the Treasury's so-called "gain" utilized to reduce debt, would do a lot to correct these evils. It would surely be the right solution, not merely for the gold miners but for the welfare of the country at large, provided it were accomplished by restoration of domestic as well as international convertibility of currencies and gold, and other disciplines of the gold standard. Without proper adjustment of the gold-dollar ratio to existing obligations expressed in paper currencies and to the world's supply of monetary gold, any attempt to restore the gold standard would be futile. With such adjustments, this important step could be taken with minimum strain on the existing order. It would be expected to provide a stable basis of international prosperity that would bring new hope to the world.

Without restoration of the gold standard, attempts to achieve convertibility of currencies are meaningless. Units of monetary value, unless defined as quantities of gold, have no international authority; and definitions in terms of gold have meaning only when free conversion of the currencies into gold gives such monetary units significance. Without such firm ties to gold, the currency of nations will still be subject to the control of the money managers, whose judgment, however sincere and earnest, is not likely to escape from political and economic pressures that push toward increased inflation as irreversibly as the direction expressed in the second law of thermodynamics. The practical difficulties of bringing about these changes are formidable but by no means prohibitive.

The time when a start should be made is already long overdue. Unfortunately, there is still no one high in the government's councils who appears to favor such action; and it will likely have to come as before when forced by harsh circumstances. The time, however, may be nearer than many think.

FRANK McLAUGHLIN

President, Puget Sound Power & Light Company

Significant changes during 1957 in the basic economic environment of this country—"Sputniks" and other developments in the world picture—have caused clouds of uncertainty to appear on the 1958 horizon. However, it is felt that these should be regarded as challenges to be met head-on in the traditional American Way. Certainly there is no occasion for any "whistling in the graveyard!"

It is our firm belief that a higher destiny lies ahead for the U. S. A. The same goes for the electric utility industry, whose outlook is for continued growth. Proof of this is that the private utilities are planning to spend around \$4 billion annually during the next several years for new construction, as against \$3.7 billion in 1957. Puget's construction expenditures were \$27 million in 1957 and around \$30 million is estimated for 1958. These are all-time highs. Ample electric power is indispensable to the economic progress and security of the nation, or any section of it, and to the well-being of the people wherever they dwell. During recent years the dramatic changes in public attitudes have been manifested by a deep-seated desire on the part of the people in the Puget Sound-Cascade region for an era of cooperation in power. This public view has resulted in various forms of cooperative approaches to the region's power problems—with the Puget Sound Utilities Council being in the forefront. A very recent outstanding example of a power partnership arrangement here in the Pacific Northwest is the joining together, through long-term power purchase contracts, of four major electric utilities (including Puget) and a large aluminum company to enable the financing and completion of the Chelan County Public Utility District's 775,000-kilowatt Rocky Reach hydro-electric project, now under construction on the Columbia River, near Wenatchee.



Frank McLaughlin

Puget has pursued a vigorous course of action to provide an adequate future power supply at the lowest possible cost. Through its own new hydro generation (22,000 kilowatts installed in 1957 — 98,000 kilowatts scheduled to be available in 1959 and 60,000 more by 1960)—long-term agreements with the Chelan and Grant County Public Utility Districts, and other resources, the company expects to have sufficient power available to serve a projected peak demand of around 1,000,000 kilowatts in the middle 1960's.

The long-term trend of Puget's load growth (averaged around 10% annually for the past 25 years) is anticipated to be steadily upward, consistent with recent performance. This load growth potential stems from the company's serving one of the most economically promising sections of the country, whose population increased 74.2% in the 15 years ended 1955, and is authoritatively forecast to rise by 60% in the period 1955-1965. Also buttressing Puget's indicated growth are highly "electric conscious" consumers, whose present average annual home use is about 7,600 kilowatt-hours, or nearly two and one-half times the national level. Another major contributing factor is the continual strengthening and broadening of the area's industrial base through the expansion of existing industry and the attraction of new ones. Among the latter are: oil refineries, an oil pipeline from Canada, natural gas, the production of the Boeing commercial jet transport, folding cartons and formaldehyde. In the planning stage are plants for manufacturing sulphuric acid and electronic control equipment for airplanes and guided missiles. An abundant supply of fresh water, together with its tidewater location, gives Puget's area an enviable position in securing new industry.

Along with its growth prospects, Puget possesses certain ingredients which make for stability of revenues. In a general economic decline the company is less vulnerable revenue-wise, as around 58% of total revenues are derived from home use, and also because Puget serves a well-balanced decentralized area covering 3,200 square miles, which includes 270 medium-sized and small communities and adjacent rural areas. In other words, the company does not have "all of its eggs in one basket."

It appears that 1958 will be another year of growth and progress for Puget and the electric utility industry. There are many reasons which justify absolute faith in this country's future. Our great nation possesses unequalled sources of strength. Of course, due to one cause or another, there will be temporary adjustments, now and then, in the country's long-term pattern of growth. But, so what? Our national economy is basically solid, resilient and dynamic—it is not "going to pot!"

A. H. MEADOWS

Chairman of the Board, General American Oil Company of Texas

The immediate outlook for the petroleum producing industry will obviously be affected by two basic factors: supply and demand. It is no secret that inventories of crude have been extremely high, due largely to excessive imports from the Middle East during the first three quarters of 1957 and, to a lesser extent, because demand was lower than expected. If the Administration's Voluntary Import Program can produce the desired effect on the supply problem, and if demand through the winter months holds at indicated levels, the statistical position of crude producers should be sound.

But of particular importance on the demand side of the ledger will be the course of the domestic economy as a whole. There seems to be no doubt now that we are experiencing a mild recession. Some corrective measures, e.g. loosening credit, have been taken and more are likely. It is probable that the FRB Index of Industrial Production will not drop much more than 5% below current levels. Conceivably, the decline could be less. Even a moderate easing of economic activity generally, however, would be felt in the Spring and Summer demand for petroleum products.

Over-all crude production in 1958 will probably be about the same as 1957, but gross revenues on the average should be a little higher. In our own case, we expect net earnings for our fiscal year ending June 30, 1958, to be at least equal to the previous year. Our views run something like this: although we are not particularly optimistic over prospects for the industry in calendar 1958, we are substantially less pessimistic on the whole than others.

The outlook for Canada is a little more complicated. The rate of new discovery there is currently running ahead of the U. S. rate and is increasing more rapidly than consumption outlets. But again, the expanding economy of Canada should prove to be a mitigating factor over the long pull. Fargo Oils Ltd., with a cushion of cash reserves, may well capitalize upon the short-term trend to enlarge its position in Canada to advantage.

Looking past the next three or four years, we feel that the outlook for crude producers in both the U. S. and Canada is very bright indeed. The present set of well advertised problems should turn out to be a blessing in disguise for well financed companies such as General American and Fargo. The time to make progress is when everyone else is looking the other way.



A. H. Meadows

ADRIAN O. McLELLAN

President, Merchants National Bank and Trust Company, Fargo, N. D.

The economic outlook for 1958 in the Red River Valley section of the State of North Dakota at this time would indicate a continuation of the levels of the last half of 1957. The economics of the area are primarily based on agriculture. Crop returns as a whole in 1957 could only be listed as fair. Returns on cattle have been fairly good; but due to a good supply of feed, fewer cattle have been moving to the market than a year earlier. This should result in heavier marketing of cattle in the Spring and Summer of 1958, which should improve the cash flow to farmers at that time.



Adrian O. McLellan

A slight increase in borrowing is expected by both business and farmers. Farm land prices continue to rise as farmers seek to expand the size of their farm units, and in turn farm mortgage debt will no doubt increase. The operators of smaller farming units are finding it more and more difficult to make a profit in their farming operations.

Heavy fall rains should have provided sufficient moisture to give spring crops a good start.

There appeared to be a cautiousness on the part of consumers in the area in the last quarter of 1957, although the final two weeks before Christmas witnessed a heavy buying spurt, which merchants state brought annual sales in many lines up to the 1956 season level.

Housing construction may be down in 1958, but commercial construction may hold up and highway construction and civic improvements should be up considerably. New industries are showing increased interest in the Red River Valley area due to its economic stability during the last half century, even during the depression.

As far as can be determined at this time, 1958 should be as good a year as 1957, and could possibly be better if there is any improvement in crop production and prices.

B. H. MERCER

President, Fidelity & Deposit Company of Maryland

FIDELITY (generally referred to as honesty insurance) Nineteen fifty-eight will be an off year in the three-year premium cycle but over the 12-year period that this coverage has been written on a three-year term basis there has been a gradual leveling of the fat and lean premium years so that the "normal" decrease in 1958 should be less pronounced than in any previous off year. But, there is every reason to believe there will be no decrease but rather some increase in this line.

The development which warrants this opinion is the widespread public interest evidenced throughout the past year in employee dishonesty and how to safeguard against it. Underwriters of honesty insurance have always advertised their product but public interest in embezzlements was for the most part confined to the unusual or spectacular news items which made the headlines. However, throughout 1957 the real significance of honesty insurance was highlighted. Staff written articles which appeared in many newspapers from coast to coast and in magazines such as "Newsweek" and "Time" emphasized the vast amount which embezzlers take (estimated between \$500 million and \$3 billion annually) and the crippling and sometimes catastrophic results to their employers. Much space was devoted to the question of why employees steal, the comparative ease with which it is accomplished and the fact that it often goes undiscovered for several years. One fact to which the writers devoted much comment is that the average embezzler is a high-type employee and usually an outstanding citizen in his community. These and many other aspects of the multi-million dollar annual steal were covered even more fully in feature articles which appeared in "Fortune," "Life," "Nation's Business," "Iron Age," "American Weekly," etc. The message thus conveyed so forcefully will, in my opinion, cause many top executives to take a new look at the advisability of carrying adequate honesty insurance.

We have already noted an increase in new policies sold—that is, to concerns which had never before carried this type of coverage. My considered opinion is that new sales and orders to increase present limits of honesty insurance will continue high throughout the year.

SURETY

As contract-bond premiums represent a large percentage of total surety volume, the outlook for that line parallels to a large extent the outlook for the contracting industry, particularly in the fields of heavy construction and public building.

While leading economists and other experts differ widely in some business predictions for 1958, they seem to be generally in accord that public construction for 1958 will at least equal that of 1957 and many foresee a 5% to 7% increase. U. S. Labor and Commerce Departments forecast a billion dollar (slightly over 7%) increase in public construction, over half of which will go into the federally aided interstate highway program.

All of the data now available supports the opinion that contract bond writings for 1958 will exceed by at



B. H. Mercer

least a small margin the 1957 volume in that line, hence an increase in surety premiums can be forecast with reasonable certainty.

GENERALLY

Losses are definitely on the increase and in our field, as elsewhere throughout the economy, expenses continue to rise. Paradoxical as it may seem practically all of our rate revisions in recent years have been downward rather than upward. Some lines can no longer be written profitably at current rate levels and in these categories reasonable rate adjustments must, in my opinion, be made if our industry is to continue the high caliber of service expected by our clients, our agents and the public.

ROBERT G. MERRICK

President, The Equitable Trust Co., Baltimore, Md.

I do not believe too much in prophecy of any kind, let alone financial prophecy, but if I were asked to "take a guess" I would say that the economy is going to move sideways through most of 1958, with the chance that the charts will show some sharp little declines rather than sharp increases from the sideways plateau.



Robert G. Merrick

Insofar as the banking system is concerned, 1958, should be another good year from the standpoint of earnings and growth in capital funds, although it may not equal the record year of 1957. The general business picture will probably reflect itself in a moderate decline in the demand for loans. The fall in government bond yields which started in November, 1957, immediately after the authorities indicated a change in monetary policy by reducing the rediscount rate from 3 1/2% to 3%, will probably also be followed by a moderate decline in loan rates.

Bank overhead and operating expenses might stabilize to some extent in 1958, but most certainly will not move to a lower level. Hence even moderate declines in interest rates and volume of loans will result in lower net earnings for the banking system unless these factors are offset by substantial increases in deposits, which have shown little tendency to rise in the past two years. Large increases in deposits will probably occur only if the government embarks upon a program of deficit financing. This seems at the moment to be a distinct possibility, although the Federal budget picture is one of confusion, indecision and conflicting opinions.

The number of banking firms in the United States, following an almost uninterrupted pattern of many years, will continue to decline through mergers and consolidations. Capital expenditures by the banking system for modernizing facilities, equipment and acquiring new branch locations, which have almost doubled since 1946, will probably continue at a slower pace, inasmuch as these requirements appear to be fairly well taken care of for the present.

In brief, the year 1958 should bring the banking system moderately reduced earnings unless deposits expand substantially, greater liquidity through reduced loans and increased values of investment portfolios; and a little more increase in liquid capital from retention of earnings not used for capital expenditures.

CHARLES B. MESSENGER

President, American Institute of Finance, Inc.

Naturally blessed with enthusiasm and optimism, and having for years capitalized on these qualities in business, Americans generally do not take kindly to pessimism or even to moderation. To speak conservatively of the future of common stocks was to be almost unpatriotic in 1956 and early 1957.

Not only the lay public but most professional investment managers believed until recently that major business cycles were no longer possible or acceptable—that the sideways movement in security prices since 1955 represented only a rolling readjustment phase, after the manner of 1951-1953. They held, and many still hold, the view that after further backing and filling we shall take off on a new move to much higher prices.



Charles B. Messenger

The Institute is not going to preform an opinion as to just where a sound bottom for the market averages may be reached. The absence of margin speculation in the 1955-1957 top area has clearly helped to forestall the kind of panic break which characterized the market action of late 1929. But only time can answer the question as to just how this second major postwar readjustment is going to develop. History indicates, unfortunately, that the odds favor a much severer correction in both stocks and business, after the excesses credit-wise in the long postwar boom, than anything now being mentioned.

High grade bonds—obviously the prime beneficiaries of easy money policies—still yield as much as good common stocks. It seems to us, therefore, that it is only common sense to advise holding the minimum portion of common stocks dictated by the investor's particular portfolio requirements.

In that position of security, the conservative investor can observe the development, mild or massive, of the correctionary phase of the great postwar boom of 1949-1956. Even if overall business volume holds fairly high, shrinking profit margins under intense competition,

along with a declining dividend trend, should afford ample opportunities in 1958 for gradual accumulation of sound equities at attractive long-term levels.

RUSSELL J. MIEDEL

President, Hunt Foods and Industries, Inc.



Russell J. Miedel

Although we recognize that there are some factors that could cause upsets in our economy in 1958, we feel that public confidence will act as a catalyst—to fuse the strong aspects of our economy so that we can hold the line and make progress in our business at home and in world affairs, as well.

We feel this public confidence will be sustained if business leaders, together with leaders in other fields, do not become overly cautious and thus create an "atmosphere of uncertainty" which would place the nation in the position of struggling against doubt instead of building with hope.

D. C. MINARD

President, The Trane Company



Donald C. Minard

Industry-wide sales of air conditioning equipment for 1958 will probably continue at the current rate with the possibility of a moderate increase. On the basis of current market figures, it is expected that the level for 1957 by year end will be up about 4% over record 1956 sales totals.

Key factors in the outlook for 1958 include:

(1) The rate at which new buildings will be constructed. Many of these buildings will be air conditioned. Current reports indicate that the construction industry in 1958 will equal or slightly improve 1957 levels.

(2) The extent to which existing buildings will be air conditioned. According to our studies, there are indications that modernization programs will continue and possibly show a slight gain in existing buildings in 1958—and hand-in-hand with modernization goes air conditioning.

(3) The degree to which the weather will influence certain segments of the industry. In the past, the weather has been a strong influencing factor in the sales of package air conditioning equipment. On the other hand, sales of air conditioning equipment for use in big buildings or industrials, which represent a large proportion of Trane totals, are less subject to weather changes, resulting in a more stable market.

Taking into account the effects of these three points, industry-wide air conditioning sales are likely to hold current levels with the possibility of a moderate increase.

While there probably will not be any outstanding surge in total air conditioning sales, Trane enters the year with a good backlog and is likely to show a moderate gain in shipments.

We expect to see more and more air conditioning

equipment go into existing multi-story office buildings next year. As in the past, the competitive factor remains—and owners of large buildings are air conditioning in order to attract and hold first class tenants.

We have been watching the industrial field closely for some time now and believe that a trend toward factory air conditioning is materializing. We believe that a greater percentage of new factories will be air conditioned in 1958.

We've seen a trend develop in the office building field. We believe that a similar trend to air conditioning is occurring where the same basic reasons for air conditioning exist and are becoming more widely recognized.

Included in 1957 Trane sales were 3,250 tons of refrigeration for the Martin Company guided missile plant at Orlando, Fla., and 2,500 tons for the new factory at Skokie, Ill., for the Teletype Corporation, a subsidiary of Western Electric Company.

There are indications today that the trend toward factory air conditioning is growing faster in the Southern part of our country where the return on the investment in equipment is realized on a greater number of days during the year. A case in point is the 12-acre W-K-M manufacturing plant, a division of American Car and Foundry, near Houston, where 2,225 tons of Trane refrigeration are air conditioning 500,000 square feet of manufacturing and office space.

Industry-wide shipments of self-contained air conditioners for use in the small commercial field—shoe stores, dress shops, restaurants—fell off sharply during 1957. However, Trane reported an increase in this field and this market should in 1958 be of about the same size as the preceding year.

Schools, religious buildings, apartments and hospitals are expected to represent an increased market in 1958. Estimates range from a three to five percent increase in construction activity in these fields where the use of air conditioning is becoming more widely accepted.

While residential starts for 1957 will total about 975,000, down 10% from 1956, predictions are for about a 5% gain during 1958. There is general agreement that with this expected increase in housing construction, residential air conditioning should show some increase during the next 12 months. Coupled with the 35 million existing one-family homes, the market is vast. Today less than 2% of these homes are centrally air conditioned.

The residential field is expected to become an important segment of the air conditioning industry. As a consequence, Trane plans to enter this field for the first time in 1958. Trane has been active in providing baseboard and convector heating products for residences for some time but will broaden its air conditioning and heating lines to include home cooling and furnace manufacture in the months ahead.

Other fields showing promise include air conditioning in the transportation field—city buses, commuter trains, subways. Main-line trains and inter-city buses have been air conditioning for some years.

Mechanical refrigeration in the transporting by rail of perishable food commodities is another growing market while special heating and cooling devices in the stepped-up guided missile and atomic energy programs will be of increasing importance during 1958.

Continued on page 88

TISHMAN REALTY & CONSTRUCTION CO., INC.

460 PARK AVENUE, NEW YORK

OWNERS AND BUILDERS SINCE 1898

Continued from page 87

HON. JAMES P. MITCHELL

Secretary of Labor

The New Year brings with it a major challenge to the domestic economy and especially to management and labor. That challenge, put very simply, is to shift from an expanding economy, dominated by investment demand and inflationary pressures, to a more steady economy in which the consumer's level of living will be raised by the full utilization of all our workers and of our huge industrial capacity.

During 1957 we achieved new peaks in output, employment and income as the result of a boom which, for its duration and size, broke all previous peacetime records. With labor and facilities relatively scarce, it was to be expected that some businesses would expand too rapidly and some prices and wages increase at a faster pace than basic economic conditions warranted. Through much of 1957 the economy continued to make important gains over earlier years. Our population grew sharply—we added 3 million persons, or about as many as live in Maryland, or Kentucky, or Washington State—but purchasing power and consumer activity kept pace. Our living levels were fully maintained, although it became clear as the year drew to a close that wage increases had lost a large part of their value to many workers because of price rises.

The inflationary pressure began to subside in late 1957, largely because demand was no longer ahead of supply. One of the major forces pushing the economy upward—the expansion of plant and equipment, almost exclusively for civilian purposes—had reached a peak and was beginning to edge downward, especially affecting the durable goods centers. In addition, necessary shifts in defense procurement were affecting employment in some aircraft centers. As a result, although over-all activity has remained near the remarkable all-time high, unemployment has recently been rising more than seasonally.

In some cases, the die is already cast for some months to come. Unemployment will, unfortunately, rise during the winter months, and at a faster rate than it generally does. But there is no reason for a long and serious problem to emerge. Income, purchasing power, and savings are all so high that the American consumer—who takes about two-thirds of our total production—will continue to buy very heavily, if properly attracted by prices, styles, and quality of merchandise and services. In addition, of course, Federal programs both for defense and for highways are exerting a strong sustaining influence, as are state and local outlays for schools, hospitals, and other facilities necessary to catch up with our expanding population. Beyond that, we can look for some new strength in 1958, in the home building industry and its related industries.

The change in the economic climate has already affected the price picture. It may also result in more difficult wage-bargaining than in the recent past. There is no patented solution to the problem of how to make and distribute real economic gains in the context of a stable dollar. It will require much goodwill and much level-headed thinking by businessmen and workers—who, in both cases, are citizens first. Given the understanding of their problems, they can work them out, I am convinced, amicably and to the benefit of all.

IRWIN L. MOORE

President, New England Electric System

Business activity in the New England area as elsewhere in the nation leveled off considerably in 1957. There were few businesses that did not feel the profit squeeze of inflationary pressures and even many of those whose gross was up found that their net income was down. New England Electric, facing higher labor and material costs, higher taxes and a far-below-average water year, was still able to record an increase in net but this increase was not enough to compensate for the increased number of shares outstanding. Consequently, our net per share was three or four cents lower than in '56.

With a confused business picture and the present complications in international relations, it is difficult to predict future results with any degree of accuracy. Our kilowatt-hour sales to residential and commercial customers in 1957 were up 6% and 7.5%, respectively, over the previous year, while industrial sales were down about 1.5%. Undoubtedly the reduction in home building, shortage of mortgage money and higher interest costs, were contributing factors to the lesser rate of growth in sales to residential customers. Monetary changes in the late fall may improve this situation.

Unless we have a severe business recession which appears unlikely in view of probable stepped up government expenditures, we would expect that our electric and gas sales to residential and commercial customers would continue to increase in 1958 but perhaps at a slower rate than has been our experience for the last few years. It seems reasonable to expect that the industrial pick-up which has been forecast for late in the year should improve our industrial sales. Consequently our budgets forecast an increase in revenues for 1958. On

the other hand, inflationary trends continue and we expect that the costs of labor, material and supplies, and taxes will be up.

A major problem we must work out in 1958 and one to which we shall give a great deal of attention concerns the obtaining of more realistic rates commensurate with present-day costs of service.

Most businesses are in a position to increase almost over night the price of their product when they find higher costs and taxes make it impossible to show a fair rate of return on their investment.

We are not that fortunate in the utility industry where we must obtain permission from regulatory commissions before changing the rates for our services. Usually this means prolonged hearings and many months pass before the increase can be passed along to electric and gas customers.

In view of our experience in 1957 and the outlook for 1958, further applications for rate increases will undoubtedly have to be made in order to maintain our rate of return at fair levels.

R. W. MOORE

Chairman, Canada Dry Ginger Ale, Inc.

Any analysis of prospects for the soft drink industry for 1958 should logically begin with an evaluation of how the industry fared in 1957, and the reasons therefor. Last year was a very good year in our field, bringing generally increased sales and earnings to the industry leaders. Among the factors operating in our favor were: continuing national prosperity, increased population, normal summer weather in contrast to the previous cool summer, and improved pricing. For Canada Dry, it was a record-breaking year in which we attained new peaks in both sales and earnings.



R. W. Moore

We anticipate further growth for the beverage industry in 1958. Purchasing power will remain high, since many wage contracts call for automatic increases regardless of the present partial recession. The constantly growing population provides a built-in assurance of greater beverage consumption, and the continuing trend toward realistic soft drink pricing gives assurance of a healthy earnings picture.

We are not deeply concerned over the present turn of the business cycle. Our industry has a strong defensive quality about it, which is particularly beneficial to those producers like ourselves who offer a diversified line appealing to all tastes. We would be among the last to be affected, should the slowdown be prolonged. Aside from that, however, we believe there are good reasons to expect an economic upturn in the latter half of the year.

Our planing for the year is based upon the expectation that competition in the soft drink industry will be intensified. With our recently decentralized organization, we will be able to meet competitive challenges more effectively than ever before, with the support of increased advertising and promotional campaigns. Last year a major part of our sales gains were derived from our newer products, notably the "flavors," such as orange, cherry, root beer, etc. Our development of the flavor line is still in a relatively early stage, but these products have attained a sales momentum which we are confident will increase in the current year as we widen their distribution.

The alcoholic beverage field, in which we are also active, scored appreciable gains last year, and is likely to enjoy continuing increases. This market has been somewhat selective in the respect that certain product types such as Scotches, straight whiskeys, cordials and vodka have attracted steadily increasing demand. In our own case, these patterns of demand correspond with the product lines we have to offer. This operated to our benefit last year, and should continue to do so. Our domestic products such as bourbons and cordials, marketed under the Canada Dry trademark, attracted growing public acceptance during the year. We are confident that they will show further gains in 1958.

JOHN A. MOORHEAD

President, Northwestern National Bank of Minneapolis, Minneapolis, Minn.

As we enter 1958, business has turned down from the highest level of the past year. Though there are many stabilizing factors in the economy, further decline must be expected. Business inventories and outlays for plant and equipment will decline. There will be more unemployment. But personal income and consumer spending should remain high. Expenditures by government will rise—both at the Federal and at the State and local level. The decline in business should be moderate and we may reasonably expect an upturn in the third or fourth quarter of the year.

In the Ninth Federal Reserve District, the principal area served by Northwestern National Bank of Minneapolis, the backbone of our economy is agriculture which together with a wide diversification of economic activity, including many new industries, gives the region a degree of stability not enjoyed by the more highly industrialized sections of the country.

We are fortunate in this district to have had in the

past season one of the largest crops in our history with cash income of the farmer running 3% higher than a year earlier. The benefits of the large crop will carry into the New Year in marketing and processing and in feeding of live stock, and should prove a sustaining factor in the general prosperity of the region.

Despite some increase in unemployment and some exceptions to the rule, over all business remains good and we expect that the economy of our area will continue at a high level, probably only a little below that of recent months, during the first half of 1958, with a good possibility of an upturn in the second half.

WILSON MOTHERSHEAD

President, The Indiana National Bank of Indianapolis, Indianapolis, Ind.

During most of 1957, the Nation's Monetary Authorities attempted to contain inflationary pressures through maintenance of a "tight" money policy. Even with the tight reins held on credit expansion, final statistics for the year 1957 probably will show that new records were established for production, incomes, and consumption.

Nevertheless, the effects of discouraging credit expansion are evidenced by the fact that much of the "steam" seems to have been removed from the inflationary boom. As stated by one Federal Reserve spokesman, "Inflation no longer is the dominant factor in the Nation's economy." New orders have begun to lag and the unfilled orders backlog has grown substantially smaller in recent months. The Federal Reserve Board's Index of Industrial Production reflected declines in the Nation's output throughout most of 1957 (although the average of the index for the year 1957 probably will be slightly higher than that for the year 1956). Furthermore, these declines seemed to have gathered momentum in the closing months of 1957.

In any event, the Federal Reserve banks lowered the discount rate to 3% from 3½% last November. So far the effect of the change in the rate has been more psychological than real. Although a pronounced decline occurred in the yields of interest-bearing securities, particularly United States Government securities, very little change has occurred basically in the demand for and the supply of credit.

From the over-all credit point of view, a decline in 1958 in the demands by industry and commerce for credit may be partially offset by greater demands from municipalities, and state and local governments. This source will need funds to meet increased expenditures in 1958 for roads, schools, and other needed facilities. Considerable lip service is also being given to the probability of increased competition for credit from the U. S. Treasury, however, some adjustment will first be necessary in the debt ceiling before much expansion can occur here.

Demands for bank credit will continue relatively high well into the year 1958, but borrowing from the Federal Reserve banks may not be so heavy or so frequent as in 1957.

It is quite probable that a change will occur in bank rates sometime during the first quarter of the year. However, the adjustments in the rates on loans outstanding will not be immediate, consequently the affect on bank earnings will be delayed. Therefore, if business conditions show improvement in the last half of 1958, bank earnings should remain near the record level reported for the year just ended.

R. L. MURRAY

Chairman of the Board, Hooker Electrochemical Co.

The year 1958 will be characterized by very keen competition throughout the chemical industry and a continuation of the cost-price squeeze. Nevertheless, modest increases in sales and earnings over the corresponding figures for 1957 is possible, particularly if a pickup in general business occurs during the second half of the year. The chemical industry will be faced with a multitude of problems and difficulties, but also there will be available many opportunities for improvement and progress. The final results for any one company will depend largely on how its management handles these problems and opportunities.

Although the results of the past year and the depressed economy at present are disturbing, we in our company have such faith in the future growth and prosperity of our industry that our long-range planning continues to be aggressive. It may be expected, therefore, that most companies within the chemical industry will maintain or even increase their expenditures for research and development in 1958 and beyond. Capital expenditures, on the other hand, are expected to be considerably less in 1958 following major expansions during recent years. Plans five and 10 years ahead, however, still call for heavy capital appropriations even though some stretch-out in timing now seems likely.

With more capacity available than is required to handle the most optimistic 1958 sales forecasts, incremental sales will show good profit margins and will be an important factor in offsetting higher costs and im-



Wilson Mothershead



Irwin L. Moore



John A. Moorhead



R. Lindley Murray

proving over-all earnings. Aggressive sales effort will be the order of the day.

There seems no question but that further increases in labor costs will take place during the coming year and will be a major factor in the cost-price squeeze. A much firmer attitude of resistance to labor's demands on the part of management is expected. Those companies who are able to handle their labor problems successfully and without work stoppage will necessarily benefit at the expense of their less fortunate competitors. We may expect a continuation of energetic cost reduction and efficiency improvement programs with the further elimination of fringe expenditures and the conservation of time and money in the operation of our businesses.

A very important aspect of 1958 will be the emphasis placed on the development of sales of new products resulting from the expanded research effort of the past several years. Some of these new chemical and plastic products which may replace or supplement other materials, or even create entirely new articles of commerce, may very well be responsible for substantial increases in sales volume. Such increases should offset possible decreases in sales of many of the older and more staple products.

It might be expected that severe competition for sales in the face of production capacities in excess of current demand would produce weakness in the price structure. This undoubtedly, will be true in some instances, but we believe every effort should be made to gear prices to costs recognizing that the cutting of prices does not necessarily result in increased sales volume. We look for a firmness in the general price structure of chemical products as well as a few price increases.

Those chemical companies who are able to attain modest increases in sales, and who are reasonably successful in controlling costs, may be able to show moderate increases in earnings.

CLARENCE J. MYERS

President, New York Life Insurance Company

Most life insurance companies enjoyed another excellent year in 1957. With the industry featuring new policies carefully designed to meet modern needs, sales of insurance to U. S. residents totaled an estimated \$66 billion, an increase of \$11 billion over 1956. Both ordinary and group insurance participated in the increase, the former topping 1956 by 27% and the latter by 13%. Purchases of industrial insurance, which totaled \$6.3 billion, declined slightly below last year's volume. This, however, reflects the fact that industrial insurance, which involves primarily weekly premium collections by agents, is giving way to ordinary insurance.



Clarence J. Myers

As a result of the high level of sales in 1957, insurance in force increased to \$456 billion by the year-end, a gain of more than 10% over 1956. Some \$265 billion of this total is held under ordinary policies and \$132 billion under group contracts. Industrial policies now account for \$40 billion, and about \$19 billion is represented by credit insurance issued to borrowers to protect beneficiaries in case of death before repayment. It is estimated that there are now approximately 109 million policyholders in the United States.

The end result of life insurance shows up in benefit payments, and these also reached a new record high in 1957, a total of \$8.7 billion. Approximately \$6.7 billion of these payments were under life insurance and annuity contracts, and the remaining \$2 billion under accident and sickness policies. It is worth noting that the benefits of life insurance are not confined to payments on death of the policyholder. Quite the contrary, about \$4 billion, or 60% of the benefit payments made under life insurance policies, were paid to living policyholders in the form of matured endowments, annuity benefits, policy dividends, and other benefits.

As I indicated at this time last year the immediate outlook for life insurance depends to a considerable extent upon the economic outlook. We at the New York Life believe the economy will be less buoyant in 1958 than it was in 1957. There is increasing evidence that American business enterprise is catching up with its capacity requirements, and in some industries there is probably excess capacity at the present time. This has caused plant and equipment expenditures to level off, and most economists believe that a modest decline in such expenditures will occur in 1958. The backlog of orders in manufacturing has been declining for several months and so have new orders. However, we think the business adjustment that now seems to be developing will not interfere appreciably with the sale of insurance.

Although we in the life insurance business are proud of the \$456 billion of coverage now in force, the fact remains that most Americans are not adequately insured. The untimely loss of the family bread winner still imposes great economic suffering on many American families every year. Our own sales goals here at the New York Life are higher for 1958 than for 1957, and this is probably true of most other companies. Further increases in insurance in force, in assets, and in benefit payments are anticipated this year.

Finally, a few comments on investment earnings seem to be in order. In 1957 the life insurance companies are estimated to have earned an average rate of return of 3.74% before Federal income taxes. Now for a number of years new funds have been invested at rates well in excess of 3.74%, and although market rates of interest have declined substantially during the last two months, they probably will average out for this year

well above the rate the companies earned on their assets in 1957. Hence, the return on life company investments should rise again this year, thus continuing a trend that has contributed significantly toward reducing the cost of life insurance to the public over the last decade.

EDWIN P. NEILAN

President, Equitable Security Trust Company

Nineteen hundred fifty-eight is a year of more than usual uncertainties. Increases in both Federal and local government budgets may require additional tax burdens at a time when both business and consumer confidence is limited. Levels of business activity, which a few years ago would have been hailed as extremely satisfactory are now regarded with fear and uncertainty. Constantly increasing costs of living coupled with shortened work weeks and increased unemployment have created sober realization on the part of many citizens that 1958 may be a year of stabilization in which we adjust facets of our national production which are out of line. As a result many business men feel that business will not pick up until late 1958. There is a grave suspicion that high wages in the automobile industry may be pricing the product beyond the reach of the average new automobile buyer. Leaders of labor need to consider more seriously the fact that the ultimate consumer pays all costs and without sales production wages are not possible.



Edwin P. Neilan

Uncertainties and fears of increased Russian influence throughout the world, as a result of their satellite successes, may well induce political spasms which may unbalance the budget and can endanger the nation's solvency. Sober consideration of the need for better educational foundations and discipline in both grammar and high school instruction is imperative to institute changes necessary not only for the immediate future but for our long range survival. Educational discipline, like many other necessary disciplines, is difficult in a democracy.

The Delaware area has been disturbed by low prices for broilers which leave little or no profit for the producer. Increased taxation, including the first State Corporate Income Tax may well slow the industrial growth of the State although the fundamental economy is sound and well diversified. The year 1958 will determine whether or not the population increase of recent years is a stable population built upon the sound earning background of the chemical industry or whether recent additional industrial facilities tend to accentuate fluctuations in employment to the point where the volume of sales and services can be affected. Major construction of mid-town buildings and of through highways provides strong support to local employment, particularly since the housing industry plans to increase the number of units built during the coming year. Even though the level of the national economy may well diminish by as much as five percent, it looks as though the Delaware area should maintain levels equal to 1957. Consumer credit is in good condition and delinquencies are few. Business loan demand remains high and deposit growth

has not kept pace with the increased business activity. There seems to be a general opinion that although the nation may face slightly lower levels of activity, the Delaware area will enjoy another good year.

JOHN L. NEUDOERFER

President, Wheeling Steel Corporation

Present indications are that the first months of 1958 will witness a slow tempo of operations in the steel industry with a quickening pace in order volume and steel production in the latter half of the year.

During the first six months of the year the industry's customers should have worked off the greater part of their inventory. That fact, combined with an anticipated improved market for products using steel, should contribute to markedly improved conditions in the third and fourth quarters.

Because of the rapid expansion in the steel industry in recent years, the operating rate as a percentage of capacity production is no longer a reliable indicator. For example, 80% of capacity in 1958 will produce five million more tons of steel than the same 80% rate in 1957. Of more significance is a comparison of annual output of steel in terms of tons produced.



John L. Neudoerfer

GEORGE A. NEWBURY

President, Manufacturers and Traders Trust Company, Buffalo, N. Y.

It is instinctive for a free economy to test its underlying strength from time to time. The tens of thousands of individuals who have the primary responsibility for and financial interest in our multitudinous business enterprises are constantly alert to detect factors affecting their businesses, either favorably or unfavorably. After a long period of booming business they are understandably principally alert to danger signals. This tends toward conservatism, which feeding on itself produces the testing period.

If the test establishes the basic soundness of the economy, business moves forward again. On the other hand, if weaknesses appear, there is certain to be a period of greater or lesser length and severity, depending on the extent of the weaknesses disclosed, during which the needed correctives are worked out. This happened in 1929 when major underlying weaknesses were uncovered. More recently it occurred in 1949 and 1954 when no fundamental weakness was disclosed and the economy suffered only the minor inconvenience incident to the testing period and then moved ahead with strength and confidence.

It is my judgment we are again in such a testing

Continued on page 90

For defense if necessary, or, more hopefully, for peaceful probes into space, the age of the missile is here.

AMPHENOL ELECTRONICS CORPORATION has been designing and building precision electronic components for missiles for over 10 years. Missiles now in use and the mighty monsters now nearing production incorporate reliable connectors and cables from AMPHENOL. AMPHENOL is proud to be associated with this industry of such importance to all of us.

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Continued from page 89

period. It is further my judgment that the test will disclose no great underlying weakness in our economy. If such weakness exists, it has not been disclosed statistically. Neither have the multitude of business analysts who are constantly studying the economy pointed to any such basic weakness.

It is, therefore, my opinion that some time during the second quarter of the year, or certainly no later than the third quarter, we may expect business again to be moving ahead with confidence.

JOHN A. NORTH

President, The Phoenix of Hartford Insurance Cos.

The short-range outlook for business in the fire, marine and casualty insurance field would appear to promise about the same characteristics as those which dominated the last quarter of 1957. In general, these characteristics seemed to include most predominantly the following:

(a) High loss ratios in both automobile and compensation lines;

(b) A tight market for automobile business in particular;

(c) Some leveling off of fire loss ratios, but at a figure too high for profit;

(d) A larger-than-normal premium increase due to higher insurance to value being sold on property and the beginning of rate increases on liability risks—mostly automobile;

(e) Expense factors still too high due to inflationary influences, likewise evident in loss adjustments;

(f) High jury verdicts in third party liability claims where insurance is involved.

Of course, there are many other influences which affect our business results as a whole but the above-named seem to be most influential.

The stock market during the last quarter of 1957 deflated portfolio values although dividend income held up well and should continue to do so in the first half of 1958.

Broad, comprehensive policies are now too cheap and, unless revised and re-rated, they will become more and more potent as loss breeders.

The longer view, say, beyond six months, is difficult to forecast. There is evidence, however, that studies now being made will result in some restrictive measures, particularly in contracts with so-called "give away" provisions. Rate increases being gradually acquired, state by state, should be reflected in more adequate premiums in certain classes of business by late 1958.

Companies are making some important progress in surveying expense controls. The incorporation of budgets in expense operating items, wider use of electronic data processing, and some marketing improvements, should begin to favor expense ratios. Considerable research is likewise being performed on various items which affect expenses indirectly, if not directly, such as, rating procedures, bureau organization, loss expense billing, and many others.

It would seem optimistic to expect better underwriting results just by turning the calendar but, by the end of 1958, improvements now taking place should show up in those figures. A leveling off of premium income is a possibility and that would relieve the pressure on the unearned-premium-reserve climb. A real test will be evident as we work off the increase in business in force acquired in 1957 and see whether our earned premiums will produce more profitable results.

C. F. NORBERG

Pre-ident, The Electric Storage Battery Company

Because batteries are essential items to a broad cross section of the American economy, the fortunes of the battery business follow closely the curve of business in general.

Hence, the close of 1957 found industrial battery sales influenced by the general business decline which marked the latter half of 1957.

Others have discussed many times the reasons for this decline. Hence, there is no need for me to repeat them, except to say that I believe important factors in the decline have been and still are inventory reductions and stretch outs.

In my opinion the downward trend will continue at least into the second quarter of 1958, or until inventories are brought into better balance. In the second half of 1958, however, I look for a revival in demand for goods of many types. This revival



C. F. Norberg

will result partly from completed inventory reductions, but more importantly from easier credit policies and the impact of a change in the direction of our defense activities.

Hence, in our own company at least, we look for an upturn in the second half of the coming year. We believe it will be of sufficient proportions to make 1958 on balance an acceptable year both for our industry and our company in sales and profits.

To emphasize the intimate manner in which batteries are associated with the nation's economy, let me cite a few of the essential services they perform. They provide power for industrial and street trucks, submarines, mine locomotives and tram cars; they are used to crank diesel engines in locomotives, to actuate railway track and

signal circuits, and to power lighting and air conditioning in railway passenger cars. They provide current for starting, lighting, ignition and other electrical services in automobiles, trucks and buses. They energize vital circuits in airplanes. They operate telephone system and electric utility relays, and are used to control the reactors in atomic power plants. They are an important power source in guided missiles. They light the way of the hunter, the woodsman, the fisherman, and the householder. They save lives in emergencies when other power sources fail.

Late in 1957 we consummated a merger with Ray-O-Vac Company, a leading manufacturer of flashlights and flashlight batteries. This means that for the first time in this country, both wet and dry cell batteries are being manufactured under the unified control of a single company. This brings us into a growing mass consumer market and further diversifies and strengthens our overall business. A good deal of that strength derives from the immunity of the dry cell business to cyclical changes and the ups and downs of general industry. We expect to experience the benefits of this acquisition this year.

It is precisely because batteries are essential in so many industrial and consumer uses that we believe the current slowing down in orders will be relatively temporary.

The largest single market for storage batteries by far is the automobile. It is still too early to forecast accurately passenger automobile production in 1958, but it probably will be somewhere between 5.5 and 6.0 million units. On that basis, our original equipment business should be good.

The replacement demand for automotive batteries is even more important than that for original equipment. Current high automobile production comes on top of several years of peak registrations, until today there are about 65 million cars and trucks on the nation's highways. Thus far there has been only a minor slowdown in orders for automotive batteries, and in view of the record registrations of recent years, which add to the replacement potential, 1958 should be a good replacement sales year.

The industrial division of our business offers opportunities for 1958 and beyond which are not limited by quantity alone. In the next twelve months we expect to feel the full impact of several new products developed and announced in 1957. In addition, new uses for batteries are constantly evolving. As we intensify our research and broaden its scope, we may look for other useful new products to emerge.

CHARLES F. NOYES

Chairman of the Board,
Charles F. Noyes Company, Inc.

For over 40 years I have contended that New York City real estate is the best of all investments. Incidentally, I had 20 years training before this 40 year period because, as of January, 1958 I will have completed



Charles F. Noyes

60 consecutive years exclusively as a real estate broker. In my book there is no substitute for experience and because of this background I submit the following reasons for recommending real estate, properly purchased through qualified brokers, as the very best of all investments for income and profit and particularly Downtown real estate.

(1) Real estate is the basis of all wealth. Everything we have stems from the earth and the earth is real estate—yes, our minerals, coal, oil, our wood, our pasture land upon which our cattle graze, and the ground upon which our vegetables are grown; again, real estate is the basis of all wealth.

(2) The value of investments is the income yield. Rents are the basis of income value with real estate. With a merchant, large or small, rents must be paid first, and the same condition exists be the tenant a corporation, large or small. Billion dollar corporations are no longer an exception and on the New York Stock Exchange and the American Stock Exchange the shares of over 2,000 companies are listed and most are well managed and in many cases their bonds, debentures and often preferred stock as well as common stock are dealt in with a ready market. These corporations, generally speaking, are well managed and have probably contributed more than any other factor to the unparalleled growth and expansion of our country. Personally, I thoroughly believe in well selected securities traded in on both Exchanges and particularly when obtained through a well known investment Trust with strong management or top Exchange firms having a top analytical department and purchased with their strong recommendations. My point here is that rent, the basis of real estate investment, must be paid first by every tenant and usually monthly in advance, and this rent charge comes as a prior charge before payment of bank loans, profits, and of course, interest on bonds, mortgages and security issues.

(3) Downtown real estate appeals to me for investment, particularly south of Fulton Street, because there is not another city in the world as important as New York City and there is no island in the world that compares with Manhattan Island. This island, built on rock, narrows from Fulton Street south to an apex at the Battery and surrounded by deep water not an inch can be added.

I have always commented favorably on the fact that our leading banks were the first to see the wisdom of owning their own buildings so as to obtain their loca-

tions and business homes permanently. Significant is the fact that 12 out of the 13 of the largest banks in New York City own their home buildings and very recently Bank of Montreal purchased the former First National Bank Building at 2 Wall Street, opposite Irving Trust Building, adjoining Bankers Trust Building and near the home of J. P. Morgan & Co., who own 15 Broad Street, one of the finest office buildings in the Financial District, giving them the ownership of the entire block from the Morgan corner at Wall and Broad to Exchange Place. Many real estate experts feel this is the best located property in the Financial District. Another purchase announced a while ago was that of 37-39 Broad Street, 9-story banking building erected originally by Lee Higginson & Co., then sold to the Public National Bank and Trust Company who merged with the Bankers Trust Company. This building has been purchased by the Bank of America of San Francisco.

One of my early friends in New York was the late ex-Governor Alfred E. Smith. To have known Al was to admire him and treasure the friendship. He was a wonderful personality and his ability was never questioned. We will all remember how he confused his opponents at times by stating—"Let's look at the record"—and then Al would talk from the record and quote facts.

The 1956-57 record that should convince one that New York City real estate, properly selected and recommended by a competent reliable real estate broker, is the best of all investments. We have a study showing 1956 and 1957 (to November 30th) "High and Low" prices and December 2nd, 1957 "Bid" price statistics of five representative groups of stocks listed on the New York Stock Exchange. These five groups include Oils, Steels, Coppers, Retail Stores and Textiles. Every stock listed on the Big Board was to the best of knowledge included and I believe the information is accurate.

The figures indicate that as of December 2, 1957 the five groups of investment stocks referred to above have declined by 35.5% over the average price that prevailed for the year 1956 and for 11 months of 1957. Real estate on the other hand, if well selected and purchased through reliable and experienced real estate brokers, is worth more today than it was on Jan. 1, 1956. Furthermore, it is an investment commodity and if carefully managed and supervised grows in value as business improves and as our city and country grow. It also has certain tax advantages due to depreciation and is a definite hedge against inflation and always can be financed through mortgage loans for 5, 10 or 15 years for 60% of its value and at a low and fair interest rate.

A year ago I predicted that the building being erected by Uris Brothers on the former Produce Exchange site and known as TWO BROADWAY would be a phenomenal success. This has proved to be the case. It is the largest building next to the Chase Manhattan Bank that is being built or has been erected in the Financial District. It covers a plot of 73,000 feet, offers tenants nearly 60,000 feet of space on a floor and contains a total of 1,300,000 feet of rentable area. It will be the finest building that Uris Brothers have erected up to the present time and will be completed early in 1959. The sensational renting of the building indicates that it was approximately 50% rented before the Produce Exchange building was demolished, and today, before foundations have been completed, the building is approximately 70% to 75% rented, and it looks as if the building would be 100% rented before steel is set.

The Erwin S. Wolfson building at ONE HUNDRED CHURCH STREET, 19-stories and penthouse, on plot of 54,000 feet, will be completed in July and this building is approximately 90% rented. It will contain 800,000 feet.

ROBERT L. OARE

Chairman of the Board
Associates Investment Company

It would appear that we can look forward to a slight upward trend in the nation's economy by year-end 1958, but at a much lower rate than in recent years. General business activity for the first six months, however, may move only sideways or possibly a shade downward. As a result, certain areas or industries as in the past, will no doubt experience a period of readjustment while the economy of the country as a whole should be holding up quite well.

Since the business of Associates Investment Company is primarily concerned with developments in the automobile industry, we are encouraged with prospects in 1958 of total new car sales very close to a 6.0 million level. This would result in 1958 being almost identical with the 5.9 million registrations recorded in 1956, and while 1957 figures are not yet complete, the eventual total should be approximately the same as for 1956.

In talking about the future for automobile financing, one must consider the two major components of total automobile sales which are; the replacement of obsolete models and the potential growth in the total car population.

Replacement demand is dependent upon two factors, the average age at which cars are scrapped and the number of what might be termed "over-age" vehicles on the road. About 16 million cars or approximately 30% of all automobiles in use today are more than seven years old. For the past decade, an average of about 7% of the total automobile population never returns to the registration rolls each year. Based on approximately 55.0 million automobiles presently on the roads and



Robert L. Oare

highways of the nation, it would not be unreasonable to find replacement sales in the neighborhood of 3.8 million cars in 1958.

The balance of 2.2 million to make up the total estimate of 6.0 million in sales next year should develop from growth sales. The principal source for growth sales is new family units being formed. Net additions to total passenger cars in use are also expected to result from sales to existing households, and to new drivers without an automobile as well as to business and government agencies. There has also been an upward trend in multi-car ownership. As our nation's standard of living continues to improve, an increasing number of families will be in a position to purchase and maintain more than one automobile.

Another contributing factor in recent years to the movement of new cars has been a general easing of the terms of financing time sales. We believe that lending institutions generally have recognized the need for the abatement of this trend; however, ample credit will continue to be provided to all qualified users on a sound basis.

The Associates organization is looking forward to the maintenance of its position in 1958, its 40th year of operation, as one of the nation's three largest independent automobile finance companies.

CHARLES S. OFFER

President, Budget Finance Plan

The year 1957 proved to be one of mixed emotions in regards to business and we, in the Consumer Finance business, were probably in a better position to feel the pulse of the public than any other industry. This is due to the fact that our business is dependent upon the financial position and earning power of the average working man. His efforts, in all phases of endeavor, give us an opportunity to appraise not only what is happening at present, but also to fairly accurately predict what is going to happen in the future.

As the result of an appraisal of future conditions which we thought would exist during 1957, we curtailed credit by the elimination of what we term marginal risks and worked more towards quality of accounts rather than quantity. We felt that the demand would still exist with the quality borrower as a result

of the overall tight money situation. The elimination of marginal risks brought about substantial decreases in outstanding receivables; but the demand by the quality borrower was not in quantity to offset the decline. In looking for the cause, we found that the quality borrower displayed some uncertainty as to his future earning power. He had already experienced material reductions in overtime pay as well as large cut-backs in employment in plants in which he worked. This general feeling of uncertainty as to his future earnings developed and, as a result, he was reluctant to over-extend his future indebtedness. I believe this condition will carry over into 1958 unless steps are taken by the Government to step up the housing program and find other substitutions for the cut-back in employment due to reduction in defense spending.

In my opinion, a great deal of the problem is psychological and the Government could provide a needed shot in the arm to rebuild confidence in the public. If this does come to be, and I am sure it will, I look towards 1958 as being a better year than 1957. Although money should ease up the early part of 1958, I believe the real gains will be made in the latter half of 1958; but the demand will lag behind the supply.

ROBERT W. OTTO

Chairman of the Board, Laclede Gas Company

During 1957 the American gas industry added about a million new customers to its rapidly expanding lines. Currently the industry is providing service for 31 million customers in homes, businesses, industry, schools, churches and hospitals.

The year was our greatest to date—but we have become used to setting new records. The 1957 volume of gas consumption totaled more than 74 billion therms, a 2% gain from the year previous and more than 2½ times the volume of 1947.

Both utility and pipeline companies are confidently building for the future. They are expressing their confidence in specific terms with current construction expenditures of \$2 billion a year, 97% of which is earmarked for natural gas facilities. For the four-year period beginning last year and ending in 1960, industry-wide expenditures will total \$8.7 billion, compared with \$5.3 billion spent in the period 1953-56 and \$4.7 billion in 1949-52.

Today the gas industry is serving three out of every four of the 170 million persons in the United States. By the end of 1967, 10 years from now, indications are that we will serve four out of five, including allowances for the increased population at that time.

This dramatic rise is a reflection of a kind of revolution in the American standard of living. Increasingly the public has demanded comfort, convenience, economy and

dependability. The gas industry has moved ahead consistently because we have been willing and able to find new and better means to supply these demands.

I would like to call attention to the fact that Laclede Gas Company, the utility I serve as chairman of the board, has doubled its plant investment since 1949 and more than doubled sales of gas, in therms, since 1950. During the fiscal year which ended in October Laclede spent more than \$12 million for construction, almost one-eighth of its total previous plant investment. And we expect this construction rate, including main expansions and for the further development of underground storage, to continue for at least the next four to five years. This story is being repeated in gas utilities all around the country.

It would be unrealistic to paint a picture of unqualified success and good fortune without pointing out some of the problems—local and national—which the industry faces. In the broad view there are those of keeping up our gas reserves, achieving a better balance between summer and winter load demands, increasing storage and transmission facilities and dealing with tight money, rising costs and the ever present specter of inflation.

Proved recoverable reserves of natural gas in the United States totaled 237.8 trillion cubic feet at the beginning of this past year. This was a net gain of 14.1 trillion over the previous year, the greatest annual gain since official estimates were first published by the A.G.A. in 1945. Consumption of natural gas for 1956 was 10.9 trillion cubic feet, also a record.

Experts have estimated the ultimate recoverable natural gas reserves in the U. S. at almost 1,000 trillion cubic feet. Much of this lies beneath the waters off the Gulf Coast, where drilling is more complicated and costly. And it is well to bear in mind that only one well in every nine drilled contains gas, and only one in 40 proves profitable to operate.

To balance our winter peak sales, the result of millions of new househeating customers, the industry has devoted a great amount of research to the development of superior gas air conditioning equipment. During 1957, these activities were doubled. The A.G.A. research branch demonstrated to two experimental units—the Swiss open cycle sorption system and an improved adsorption system—and it expects to exhibit a third, the free engine-compressor unit, this spring.

About 21,000 miles of transmission pipeline and mains were added in 1957 to the intricate network stretching to every corner of the country. This brings the total mileage to 545,700—200,000 greater than it was 10 years ago. Within the next 10 years it should spread to more than 750,000.

To attract the capital needed during this period of record expansion the gas industry must be able to prove to investors that, as in the case of other industries, gas utility and pipeline investments reflect what is happening in the business cycle generally. Only if this is true will investors provide us with their dollars in phase with our needs.

The real business of the gas industry if the future will be to find ways and means of keeping gas in plentiful supply for all who desire it, and to insure a continuance of its present highly favorable competitive position. I am confident that the year 1958 will see outstanding progress toward these goals.

FRANK PACE, JR.

Chairman and President, General Dynamics Corp.

Successful launching of the Atlas intercontinental ballistic missile, delivery to the Navy of the third nuclear powered submarine, USS Skate, six months ahead of schedule, and entry into the controlled thermonuclear reaction field were the news highlights of General Dynamics Corp.'s 1957 divisional activity. From the corporate point of view, one of the most significant events was the merger into the corporation of the new Liquid Carbonic Division (formerly corporation) on Sept. 30.

Financially, General Dynamics appeared headed for the best year in its history, with sales for the first three quarters at an all-time high of \$1,133,182,305, up 58% over sales for the corresponding period of the previous year, and net earnings of \$32,089,954, up 54% over earnings for the first three quarters of 1956.

During 1957, the corporation's Convair Division experienced the fruition of 11 years of intensive missile research and development in the successful launching on Dec. 17 of the Atlas, America's first intercontinental ballistic missile. Atlas, which is under development for the Air Force, is currently in pilot production by Convair-Astronautics.

Pleased with early flight tests, the Air Force ordered into limited production at Convair-Fort Worth the versatile B-58 "Hustler" supersonic bomber. The B-58 flight test program, in which the bomber exceeded 1,000 miles by very substantial margins, included successful drops of the bomber's detachable "pod."

Volume production of the Air Force F-102A Delta Dagger jet interceptor and TF-102A proficiency trainer continued, and these aircraft were placed in active operation with more than 20 Air Defense Command fighter-interceptor squadrons during the year.

Simultaneously, F-106A Delta Dart jet interceptor production got under way for the Air Force, and the first flight of the initial production aircraft occurred Aug. 31. Also under development at Convair is the F-106B jet interceptor. Like the F-106A, it is powered by the powerful Pratt & Whitney J-75 engine and is designed to fly at even greater speeds and altitudes than the F-102A.

New orders were announced for the Convair 880 commercial jet transport, as production began at San Diego on the 615-MPH luxury transport. First flight of the 880 prototype is scheduled for January, 1959. Transcontinental, the new Argentine airline, and Real Aerovias of Brazil, each ordered four model 880s, 30 of which had been purchased earlier by Trans World Airlines and 10 by Delta Air Lines, Inc.

Meanwhile, production of the Metropolitan 440 twin-engine piston commercial transport continued at San

Continued on page 92



Frank Pace, Jr.



Charles S. Offer



Robt. W. Otto

AMERICAN NATURAL GAS COMPANY

A NEW JERSEY CORPORATION

MICHIGAN CONSOLIDATED GAS COMPANY • MILWAUKEE GAS LIGHT COMPANY

MICHIGAN WISCONSIN PIPE LINE COMPANY • AMERICAN LOUISIANA PIPE LINE COMPANY



AN INTEGRATED NATURAL GAS TRANSMISSION AND DISTRIBUTION SYSTEM
WITH MORE THAN HALF A CENTURY OF SUCCESSFUL OPERATION—SERVING
MORE THAN A MILLION CUSTOMERS—CONTINUING ITS EXPANSION PROGRAM

Continued from page 91

Diego. In June, Eastern Air Lines took delivery of the 1,000th twin-engine transport produced by Convair for military, commercial and private customers since the initial Convair-Liner 240 was delivered in 1948.

Volume production of Terrier supersonic, surface-to-air, anti-aircraft guided missiles, continued for the Navy and the Marine Corps at Pomona, Calif., where Convair development of advanced missiles is also under way. During the year, the USS Gyatt was commissioned the Navy's first guided missile destroyer and it joined the cruisers USS Boston and USS Canberra as Terrier-equipped units of the Sixth Fleet.

Delivery of the atomic powered submarines Seawolf and Skate to the U. S. Navy, and of two conventional submarines to the Peruvian Navy, set a postwar production record in 1957 for Dynamic's Electric Boat Division in Groton, Conn.

The Skate, the "first assembly line atomic sub," was completed six months ahead of schedule.

After traveling 20,000 leagues or 60,000 miles, the Electric Boat-built Nautilus became the first nuclear submarine to be refueled. The new reactor charge was installed at the division's wetdock. The Nautilus spent five days under the polar icepack in November.

1957 marked the year that the United States established its role as a world leader in nuclear transportation with three atomic submarines, each built by Electric Boat Division, on active service.

Skipjack, first of the super-fast shark-shaped nuclear submarines, is being rushed to an early 1958 launching date. Work has also begun on its sister sub, Scorpion.

The largest submarine ever built, the nuclear powered radar picket Triton, is also slated for launching in 1958.

The Navy Department has also designated Electric Boat designer and constructor of a revolutionary atomic powered hunter-killer submarine.

At the corporation's General Atomic Division in San Diego, experimental work on controlled thermonuclear reaction has begun. Under a joint \$10,000,000 contract with a group of Texas utility companies, this first, large-scale, private program is jointly sponsored by the Texas Atomic Energy Research Foundation.

During 1957 General Atomic moved ahead on the construction of a complex of new laboratory buildings, including a number of auxiliary buildings for thermonuclear work, for a training, research and isotope production reactor and for a linear accelerator.

Other major events during the year were the participation of the San Diego Gas and Electric Co. in the division's fission power reactor work and the announcement of the division's intention to proceed with the building of TRIGA, one of three reactors designed to use the new inherently safe General Atomic solid homogeneous, uranium-zirconium hydride reactor core.

During the year Canadair Limited, the corporation's major Canadian subsidiary, announced development of the Canadair Liner, a huge commercial turbo-prop aircraft, and the Canadair Trainer, a side-by-side basic jet training plane capable of modification to an executive aircraft.

On-schedule deliveries of the CL-28 submarine-destroyer airplane to the Royal Canadian Air Force and of Sabre VI jet fighters to the German Air Force were recorded, and construction was proceeding on the CL-44 turbo-prop transport for the RCAF and the T-33 jet trainer.

The Canadian RAT, an amphibious, tracked, articulated vehicle, capable of transportation over almost all types of terrain in all kinds of weather, proved itself under rigorous trials.

Canadair's nuclear facility delivered to Atomic Energy of Canada, Limited, the Canadian Government's atomic agency, a Canadair built and designed pool test reactor and a spectrometer. A sub-critical reactor is scheduled for installation at the University of Toronto.

Employment and payroll increased more than 20% at Stromberg-Carlson in 1957 for the second straight year, as the division entered new fields of electronics and communications.

One of the highlights of 1957 was the introduction of the world's fastest electronic printer, developed in conjunction with the Haloid Company. It can print the output of electronic computers at 4,690 lines per minute, five to ten times faster than present electromechanical printers.

Stromberg-Carlson was awarded 53 patents by the U. S. Patent Office during the past 12 months. A total of 120 patent applications was filed during the year, and 373 were pending at the beginning of 1958.

Also during 1957 the Electronics Center and new Administration Building were opened, more than doubling Stromberg-Carlson's space in Rochester.

The corporation's newest division, Liquid Carbonic, is continuing a broad expansion program that includes construction of six new production plants and expansion of several existing facilities. The corporation's oldest unit, the Electro Dynamic Division of Bayonne, N. J., also carried out an intensive program of building maintenance and general plant improvement. An expanded product development program aimed at broadening the product line was also executed successfully.

FRANK R. PALMER

President, The Carpenter Steel Company

A comparison between Carpenter's sales for the calendar years of 1957 and 1956 would be most deceptive, and would fail to reveal the growing prosperity of the earlier year and the growing recession in the current year. The expression "rolling recession" has been coined to describe the fact that different industries have their peaks of boom and recession at different times. In discussing affairs at The Carpenter Steel Company, it must be realized that we are talking about the specialty steel industry, and many things we say will not apply to other types of business.

Specialty steels had a rather substantial recession in 1954 at which time shipments at Carpenter got down to approximately 60% of capacity. Beginning late 1954 and through all of 1955, our activity was on a steep up-grade, reaching capacity in early 1956. During the calendar year 1956 there was a very slow and gradual increase, reaching a peak in the spring of 1957—at which time we were actually shipping in excess of 100% capacity.

Beginning in April of last year, shipments slid off at a rapid rate; and by November and December our operations were again back in the neighborhood of 60% capacity.

To understand why the specialty steel industry experiences such wide fluctuations, one must realize that our market (the metalworking industry as a whole) has a strong tendency to accumulate inventory during peak operations, and then liquidate this inventory as soon as business starts to slacken. Thus, they tend to buy more than they are using at the peaks, and considerably less than they are using in the valleys. Every effort is being made to correct this condition, but current events prove that these efforts are only partly successful.

Inflation has affected the specialty steel business just as it has affected most other products. Wages and the cost of raw materials have climbed rapidly during the past three years, and these have been partially offset by the increased prices of the products we sell. This inflation spiral is nothing less than a plague to industry, its workers, and the public at large. Inflation is an indirect, but powerful, ingredient in the causes that have led up to our present slow rate of operation. Inflation does no one any good and it does a lot of people harm.

We look for 1958 to reverse the trend of 1957. That is, we anticipate that volume will start at about its present level and gradually work upward so the fourth quarter should be the best of the year. If the recovery could acquire sufficient impetus by election day, it is quite possible that 1958 might turn out to be a "mirror image" of 1957 on Carpenter's sales chart.

Our operations at the Bridgeport plant are about ready to get underway. Starting from scratch, it is expected that production at Bridgeport will gradually be increased throughout 1958.

ROBERT G. PAGE

President, Phelps Dodge Corporation

In the copper industry the year 1957 was characterized by a persistent decline in price—a continuation of the trend which began in 1956. Paradoxically, 1957 saw world consumption at a record peace-time level.

The explanation for the decline in world price during a period of record world consumption may be found in the record-breaking expansion of productive capacity during the last three years. Most of this expansion in productive capacity was initiated during the Korean War but production did not begin to come from the expanded facilities and new projects until late 1954 and, partly due to strikes in 1955, did not make itself felt as excess supply until 1956. In March 1956, the price of spot copper on the London Metal Exchange had reached the abnormally high price of 54½ cents per pound. Near the close of 1957 the price in London was down to 22½ cents per pound.

The comparative figures of Free World production and consumption for 1957 and 1956 are as follows:

	1957 tons	1956 tons
Production	3,020,000	3,015,000
Consumption	2,935,000	2,821,000
Excess crude production	85,000	194,000

Although Free World consumption was at a new high level in 1957, the year saw a modest decrease in consumption in the United States as well as an inventory adjustment accentuating its effect. Domestic copper consumption in 1957, including net deliveries to the Government stockpile, is estimated at 1,360,000 tons. In 1956, domestic copper consumption, including net deliveries to stockpile, was 1,454,000 tons. The decline in apparent copper consumption was about 95,000 tons or about 6.5%. The drop in actual consumption was probably not as large as indicated, as some of the apparent decline was probably due to reduction of stocks of copper products in the hands of consumers.

Production of copper in the United States in 1957, based on the Copper Institute reports for the first eleven

months, is estimated at 1,220,000 tons, a decline of 53,000 tons from that of 1956.

Abroad, consumption was at an all-time high, reflecting not only a high level of use but a substantial increase in manufacturing for export to this country. The comparative figures of foreign production and consumption for 1957 and 1956 are as follows:

	1957 tons	1956 tons
Production	1,800,000	1,742,000
Consumption	1,575,000	1,367,000
Excess crude production	225,000	375,000

Practically all of the excess of foreign production over consumption was exported to this country as well as part of that counted as foreign consumption. Imports of fabricated and semi-fabricated copper products have increased substantially in recent years as a result of reductions in import duties under the several GATT agreements. Undoubtedly the pressure on imports of copper and of fabricated and semi-fabricated products will lead to attempts to secure adequate tariff protection for both.

As a result of the slow but persistent increase in stocks and the concurrent decline in price some reduction in output by domestic and foreign producers has occurred. This reduction has been in the form of voluntary curtailments, mainly by domestic producers, and closings of some marginal producers.

Curtailed production in the United States, on the basis of published statements, has been about 150,000 tons of copper per annum. Curtailment of production abroad is on a much lesser scale. Although the curtailment of production at the established mines will be offset somewhat by increases in production from new properties which have not yet reached their maximum, it is hoped that an approximation of balance between supply and demand will be attained early in 1958.

For the immediate future domestic consumption will go pretty much as durable goods production in general goes. It is apparent that new capital expenditures by business will decrease early in the year. It is hoped that increases in other segments of the economy will serve to maintain copper consumption in the early part of 1958 at least at present levels.

MELCHIOR PALYI

Nineteen hundred fifty-eight promises to be the year of the century's greatest battle between the Bulls and the Bears.

Several signposts ahead are clearly discernible. The Federal Reserve may and will push the interest rates down and may inflate the currency by another billion, or so, of bond purchases. The municipalities will go further in debt in order to put up new constructions. The federal government will throw in a few additional billions in military expenditures, foreign aid, domestic subsidies, credit guarantees, or what have you. By hook or crook, the prosperity must be bolstered or at least the depression smoothed. But something will be missing, by whatever name it goes.

Paradoxically, wages will rise even in the face of 6,000,000 or more unemployed. Retail prices, rents, and service charges are likely to inch upward—for a while—despite weakening raw commodity values, sharpening competition among manufacturers, and hardening consumer reluctance to buy.

What does all this portend? No panic, no run on the banks, no wholesale liquidation either of inventories or of debts is in the cards. A more or less orderly, though painful, retreat from positions and dispositions pushed too far forward and upward, yes. A "selective depression," if you please, and a revaluation of expectations. We cannot add to the total of well over \$500 billion of net private and municipal debts—all debts other than those of the federal government—25 to 45 billion dollars annually for several years in a row without reaching a point where creditors as well as debtors began to wonder. We cannot invest every year \$30 to \$40 billion dollars in new plants and new pieces of equipment, each of which produces more at lower cost per unit of output than its predecessor did, without running into excess capacities, overextended inventories and competitive price-cuttings.

The saturation began to show up in 1957. In 1958, the economy is bound to feel the full impact of the forces which an overall disequilibrium of the basic supply-demand relationships generates. That is what it is—an imbalance that calls for a halt in the rate of expansion, but by no means for a standstill.

Massive expansion for the sake of fictitious tax advantages, for the benefit of countering labor costs, for the utilization of excess cash in the till, or for the sheer love of expansion—may run into the implacable law of diminishing returns.

There will be no shortage of money for investment, or of purchasing power for consumption, in 1958. But the bullish "spirit" of the boom, the motive force of speculative engagements, the chimera of Perpetual Inflation, will be deflated, if they have not been already. Which is as it should be. Call it a confidence crisis if you wish; but remember that this type of deflation denotes the public's confidence in the dollar sign and in the fun-



Frank R. Palmer



Robert G. Page



Dr. Melchior Palyi

damental stability of the contracts which carry it: bonds, mortgages, bank deposits, insurance policies, and so on.

The price for restoring the confidence in the dollar consists in losing confidence in the boom. Fiscal and monetary shots-in-the-arm may revive it—very briefly. The same holds for an act of international appeasement that would be proclaimed to be the door to the Paradise of Eternal Peace.

W. A. PARISH

President, Houston Lighting & Power Company

The Texas Gulf Coast region enters 1958 in an excellent state of economic health. The area's vast supply of natural resources together with its natural advantages continues to spur industrial growth and to bring about accompanying gains in population and business activity.

Business indices for the 5,600 square mile segment of the Gulf Coast served by Houston Lighting & Power Company show a general pattern of growth, with a limited number of soft spots appearing. Department store sales, bank deposits, consumption of electric power and natural gas, total freight tonnage and new automobile and truck registrations are all substantially ahead of comparable figures for the previous year.



W. A. Parish

In common with the national picture, the area has experienced a drop in the rate of new home construction. The growth during the first 10 months of 1957 of 11,748 in the number of residential customers served by the company was 27.5% less than for the comparable period of 1956. It should be pointed out, however, that this lower rate of growth was sufficiently high to make the City of Houston rank fourth in the nation in new home building during the first half of 1957. It is believed that the current level of home building will be at least sustained during 1958.

General rains of the summer and fall season, ending the long drouth, have revitalized the area's agriculture and livestock industries, and are expected to lend additional impetus to its further development.

For the Texas Gulf Coast, and the entire state, the year 1958 appears to hold promise of continuing and substantial gains.

HOWARD P. PARSHALL

President, Bank of the Commonwealth, Detroit, Mich.

That which has happened is history, and cannot be changed. The year 1957, overall, will come close to equalling 1956; in fact, when all the figures are in, the Gross National Product may exceed 1956 by 3% or less.

However, most businesses in the last two or three months of 1957 have been operating at a pace somewhat under 1956.

We are still in the same relative position now that we were a year ago; namely, there are no shortages existing, either in goods or services. In other words, there exists at the present time, for all practical purposes, no backlog of orders of any note. Our economy then in 1958 will be geared principally to replacement, that is, filling present needs for goods and services. So far as the writer can see, there is just one outstanding "bullish" factor, and that is the fact that the Federal

Government and the municipal governments i. e., states and cities, will probably spend five billion more in 1958 than they did in 1957.

In our own particular business, banking, we will show good earnings for the year 1957. They will be up over 1956 by 5 to 10%. Deposits nationwide in banks will not show a large increase, perhaps up 3 to 5%. The year 1958 will not produce increased deposits in any substantial amount, and earnings may be down somewhat as compared to 1957, due to the increased interest rates that banks will be paying on savings; and to the fact that the Federal Reserve money managers have, at least for the time being, softened interest rates. This was accomplished dramatically by the lowering of the rediscount rate by the 12 Federal Reserve Banks in the nation, starting Nov. 14, 1957, from 3½% to 3%. These same banks increased the rediscount rate from 3% to 3½% in August, 1957. We simply quote this in order to call attention to the abruptness with which the Board of Governors of the Federal Reserve System can change their policy. The lowering of the rediscount rate in November had a marked effect on government and municipal bonds—prices rising substantially in all lists and consequently yields declining. Actually no new money has been instilled into the banking system by the Federal Reserve except the United States Government Bills that the Federal Reserve Banks have been purchasing of late in increased quantities.

For the Detroit area, the writer believes that 1958 will be somewhat under 1957, due to the fact that we look for automobile production to be down approximately ten percent.

From our present knowledge, the writer believes that our Gross National Product will, in 1958, be less than in 1957, but not by a wide margin—say 5% down.

HON. WRIGHT PATMAN
U. S. Congressman from Texas

It is amusing, in a way, to read the present crop of articles blaming the recession on "the business cycle" and on an "immutable law of economics." Not many months ago some of the same writers were giving credit to the Eisenhower Administration, for what was then a business boom.

The truth is, I believe, that business cycles are neither certain nor inevitable. On the other hand, the country is not depression-proof. The so-called "automatic stabilizers" enacted in the New Deal years have been oversold; they can prevent setbacks from snowballing, but not correct maladjustments. These "stabilizers" ought to be strengthened, but I see little immediate prospect that they will be.

What seems more likely is that some of the stabilizing safeguards will be weakened, as for example, in the Financial Institutions bill (S. 1451) which has passed the Senate and is now pending in the House. This bill raises ceilings on commercial bank lending on unliquid or risky security, such as real estate and consumer installment paper, and places a loophole in the Federal usury law which will make exploitation of the new ceilings attractive. Commercial bankers are making an all-out drive for this bill—with Administration and Federal Reserve backing—though bank capital and surplus to deposits has fallen well below the traditional 10% minimum, and are at the same time demanding reductions in required reserves—aiming at an eventual 10% ratio. Present FDIC "C" reserves, which amount to about \$1.44 per \$100 of deposits, are adequate for isolated failures, but could hardly cope with the difficulties likely to arise in a general recession.

How did the business slump come about, and what are the prospects for Federal action? Without benefit of the President's budget or the State of Union message, at the time of this writing, I view the matter about as follows:

For several years big business industries have been increasing prices and profits. Fortunately, until recently, these industries have put most of the increased profits into expanded capacity, but the trouble now comes with the reduced level of investment.

Prices—One way the gap might be filled is by price reductions, but I would not expect a substantive decline. Big business industries do not like to reduce prices. Besides, falling prices can have a bad effect in causing both business and consumers to postpone purchases. One exception is the "price" of money.

Monetary Controls—The public has also been "oversold" on what they can do. You can choke a steer to death, but you can't put life back into him by loosening the noose. In the present situation, I doubt if the boom was choked off by tight money; however, the high price of money has choked off demand for construction of homes, schools, roads, and all the state and municipal projects. Interest rates should be brought down.

Defense Spending—The \$2 to \$3 billion increase being discussed is not impressive as a pump-primer. Congress



Hon. Wright Patman

will appropriate all that is needed but will balk at stockpiling mule collars, and the like, as a means of pump-priming.

Tax Reductions—Prospects are cloudy, but my best prediction is no substantial change. Smaller corporations are carrying a disproportionate burden of the corporate income tax—considering tax shifting abilities—and the transportation tax also places a discriminatory burden on small business. Adjustments should be made, but whether the Administration, Congress or big business leaders will see the long-run implications is doubtful.

Foreign Aid—If substantial increases are made, the Administration will have to give more specific information about how the money is to be spent than it has in the past. There is agreement on technical assistance to underdeveloped countries, but a growing objection that past foreign aid drains our limited physical resources. Aid should be planned toward developing raw material supplies, especially minerals, which can be used in trading with us.

Small Business—Despite the drop in plant expansion, such investment is expected to continue at above \$33 billion a year; and an even greater rate of domestic expansion is needed. The slump would be largely cured if we could establish capital banks for small business, so that smaller firms might have access to equity capital and long-term loan funds.

MUNDY I. PEALE

President, Republic Aviation Corporation

The fast-moving technological, political and international changes now taking place make it especially difficult to chart the business outlook for the aircraft industry for 1958 in exact dimensions, but it seems to me that the significant prospects are:

- (1) A return toward stability starting slowly and gathering momentum toward the end of the year.
- (2) A continued high dollar volume in sales, marked, however, by fewer aircraft unit deliveries, an increased percentage of the total military expenditure going to missiles, and increased deliveries of new turbojet and propjet transports.
- (3) A strong possibility of a continuing low ratio of earnings to sales. How low this will be depends on the industry's ability to cope with rising costs and on whether new restrictive government procurement directives, now under consideration, are imposed.
- (4) Sharp and widely varied increases in research and development, holding promise for significant long-range advances in the industry.

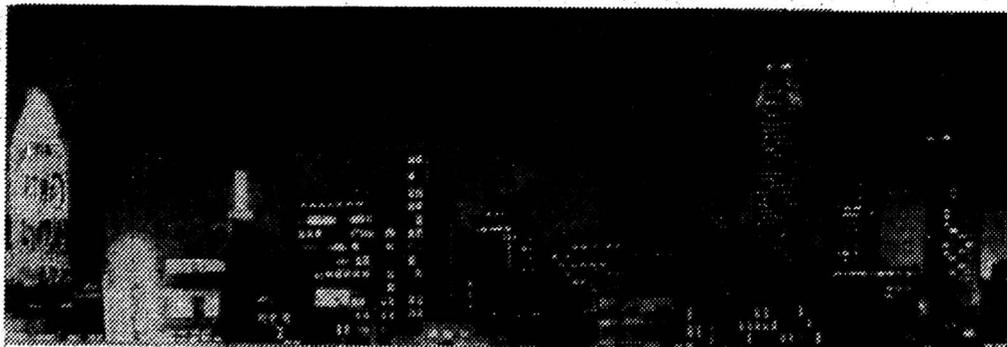
Although most signs point to a halt to many of the disruptive developments that beset the industry in 1957, the results of those developments—the contract cancellations, schedule stretchouts, limits on progress payments and the ban on overtime—threaten to color the aircraft



Mundy I. Peale

Continued on page 94

MEXICO on the march!



Mexico City with 4,000,000 inhabitants, is the fourth largest city in the Western Hemisphere, twelfth largest city in the world.

Mexico has been making remarkable progress during the past few years in its industrial and agricultural development. National production has been steadily increasing at twice the population growth. The generation and consumption of electric power have also been increasing at record rates—about twice the world average.

Many opportunities exist for foreign investment in friendly partnership with Mexican private capital. Lower taxes,

ample labor and an abundant supply of raw materials in the Central Zone of Mexico—served by the Mexican Light and Power Company—combine with an expanding market in a climate of modern industrial development.

Already contributing to Mexico's economic progress, along with Mexican private enterprise, are many great firms from other countries. They make good company for other industries seeking favorable opportunities to expand.

The Mexican Light and Power Company, Limited

A privately-owned utility serving Mexico for over 50 years.



Continued from page 93

and missile picture, especially during the opening months of 1958.

Russian technological advances and the pace set by the Reds in production of both manned and unmanned aerial weapons—highlighted by their achievement in putting a satellite into orbit last fall—are the most compelling facts affecting the American industry. These dramatic developments certainly have awakened the American public, and consequently a stepped-up program of defense development and production is in the making with new and wider Congressional support. Because the industry sells four-fifths of its entire product to the defense agencies, this reversal of 1957's extraordinary reduction in the U. S. weapons program is most significant.

Another important factor is the approaching obsolescence of existing utility aircraft, resulting in an increasing backlog of orders for jet and propjet transports. At the end of the third quarter of last year approximately \$3.8 billion out of a \$14.4 billion backlog in the industry was for commercial orders. Although it is expected that manned aircraft production for the military probably will be restored at least to the level of the programs that existed before the 1957 cuts, increases in research, development and production of missiles will be a key factor in anticipated sales of \$10-billion-plus for the industry. By the end of 1958 missile deliveries are expected to exceed 35% of total military sales, and missiles will make up at least half the backlog of all military orders.

The influence of inflation is a significant factor in keeping the industry's dollar volume high, despite smaller employment and fewer units of production, and is a continuing problem. Last year the price index of aircraft materials averaged 152.0 compared to 109.2 in 1950. Despite cuts in overtime last year, the industry's average hourly and weekly employee earnings were higher than the year before.

T. S. PETERSEN

President, Standard Oil Company of California

The oil industry, along with the rest of the nation's business, did not experience as much growth as was originally anticipated for 1957. Increase in domestic petroleum demand was relatively small last year, compared to 3.5% in 1956.

Indications are that this "plateau" is only temporary as far as the oil industry is concerned and growth patterns of the past 10 years will tend to be resumed as time passes. Indications are that the industry can expect demand for its products and services to increase by as much as 3% in the year to come, as compared to 1957.

Recent loosening of credit and the accepted need for increased national defense spending should have a stimulating effect on the economy later in the year.

In view of the extremely large investments of the past few years, coupled with sizable spare capacity in all phases of operations relative to 1958 requirements, there has been a reduction in the rate of oil industry capital expenditures. We cannot tell as yet whether this reduction will continue into 1958 or whether the expansion will be resumed on the scale of the last several years.

The industry's principal problems for 1958 (and for many years to come) will be to continue planning for and financing a high rate of growth; to improve techniques, and to resolve political questions, in order to continue satisfying the country's growing petroleum requirements in the years ahead.

B. F. PITMAN, JR.

President, Pitman & Company

The signs suggest that 1958 will be as confusing as pieces of a puzzle in a Waring mixer. Skirmishes between two powerful forces are already occurring and a battle royal, which promises to have a profound effect on our economic life, is developing.

In a free enterprise system, violation of economic laws generates its own corrective. Hence, readjustment influences have been struggling to moderate the maladjustments caused by years of a politically impelled forced draft boom. The effects of these corrections are becoming increasingly painful as they adversely affect more and more people. Deflationary forces for the moment seem to have an edge, but Congress, attuned to the wails of articulate minority groups, will soon be pulling all the Keynes and New Deal economic stimulants out of the hat. To repel or divert the potent economic forces, inexorably moving toward a readjustment, may require larger doses of economic narcotics than have heretofore been administered.

Up until comparatively recent years, the business cycle has been almost unchallenged as an inevitable—albeit distressing—phenomenon. The effectiveness of full employment statutes with "built in" social devices, to cushion the dips, and the widely accepted theory that the government will prevent a recession, are, it appears, about to be tested.

There are too many imponderables to make predictions regarding the outlook for 1958, with any assurance. Nevertheless, a few probabilities may be cautiously suggested. Money rates, forced down by diminished demand for funds, may decline even more as a result of political action. Various pressure groups should find Congress holding the purse strings loosely. Despite superficial support of national frugality, expenditures, both essential and non-essential, are almost certain to mount, perhaps astronomically. The budget will be unbalanced and the already discernible rumblings from Washington suggest that by 1959 it may resemble a seesaw with a fat man on one end and a midget on the other. A spending spree, implemented by deficit spending, characteristically gains momentum.

Faced with a multiplicity of uncertainties, what is the outlook for stock and bond prices? That is the \$64 question. Almost certainly they will be mixed—some up, some down. The overvaluation in many stocks (notably the growth type), so apparent to the sophisticated, has already been corrected to some extent. The market price of a stock in the long run has been related to future earnings and dividends. More importantly perhaps, it should also be related to the future value of money. If and when inflationary forces again get the upper hand, a flight from the dollar of unpredictable proportions will again be resumed. A reappraisal of the price of stocks, in terms of an eroding dollar not tied to gold, should develop. Fixed income securities could again be disarmingly prosaic, contrasted to the enticement of equity securities, real estate, and other tangibles that to a limited extent afford protection against the deliberate debasement of our money by the politicians.

Insofar as bonds are concerned, the following excerpt from the May, 1956 monthly letter of The First National City Bank affords a clue: "... The future of interest rates depends more than anything on confidence in the value of the dollar. . . . If the saver can trust the future value of the money he is lending he will be satisfied with a moderate return. If he loses faith . . . he will demand exorbitant rates . . . or denude the market of loan funds by fleeing to equities. . . ."

C. W. PLANJE

President, Gladding, McBean & Co.

Generally speaking, it is my belief that the general level of business will be down somewhat for the first six to eight months of 1958, with a partial recovery being evident in the last quarter. This appraisal is based upon a general lowered volume in the steel industry which we believe to be occasioned by lower demands. This is particularly true in construction, for the volume of work presently in the architects' offices is considerably lower than it has been over the past two years. There is some indication that residential construction will be improved by approximately 6 to 8%, but I do not believe that this development will completely offset the lowered volume in commercial and industrial work.

Construction for plants and facilities will be noticeably lower as present projects are nearing completion. The general trend for industry appears to be a decreased rate of expenditure for capital improvements. With the volume in industry generally at a lower capacity a more active competitive situation will develop which undoubtedly will result in static or reduced pricing. The year 1958 should be relatively good as compared to general standards, but may be somewhat disappointing in light of results achieved in 1955, 1956 and 1957.

ABE PLOUGH

President, Plough, Inc.

The outlook for the drug industry for 1958 appears very favorable.

In recent years the industry has experienced a strong upward trend in sales and earnings. Substantial gains were made in 1957, and there are several basic factors which point strongly to further gains in 1958 and following years.

The population of the United States and the world is increasing rapidly, and the greatest growth is taking place in the youngest and oldest age brackets. People in these brackets are, of course, the largest users of drug products.

Combined with this increasing number of consumers is a truly remarkable flow of new products being developed for man's health and comfort, and new products are emerging from the laboratories today at a faster rate than ever before in history. Basically, then, we are producing an increasing number of products which are necessary to the well being of an increasing number of people, and the result must be increased sales for the drug industry.

These sales will be produced by an industry whose plant and equipment are among the most modern in the country. This has come about because the sales and earnings outlook for the industry has been almost continually favorable in recent years, thus encouraging management to readily invest in plant expansion and modernization.

This continuing plant modernization, along with satis-

factory price structures, has resulted in favorable profit margins in the past and there is every expectation that reasonable profits will be made on future increased volume.

It is important, too, that funds for research, plant expansion and modernization have been readily available. Investor attitude has been such in recent years that common stocks of drug companies have sold at reasonable price times earnings multiples despite low dividend payouts, thus allowing sufficient earnings to be retained for growth, and when outside financing has been required, it has been available on favorable terms.

While the outlook for the over-all economy looks good for the long run, it should be remembered that the drug industry contains certain recession-resistant characteristics that should not be overlooked. Among these is the obvious fact that the purchase of needed drugs and remedies will continue long after the purchase of automobiles, new homes and refrigerators has been curtailed. Also, in poorer times there is a tendency toward self medication, which has an effect on over-the-counter drug sales. And, from the financial standpoint, there is the fact that the drug industry is better able than most to control costs in times of declining volume.

Thus the combination of growing population, modern plant facilities and an increasing flow of important new products suggests that 1958 will be another year of growth and progress for the drug industry.

L. T. POTTER

President, Lone Star Gas Company

Lone Star Gas Company, with a successful operating experience of more than 48 years, offers an excellent example of the Southwest's continuing business and industrial growth. In a single decade our company has more than doubled its annual operating revenues and its property, plant and equipment account, and has almost doubled its customer count.

The company's 1957 operating revenues exceeded \$100 million, while 1948 operating revenues were \$49 million. The property, plant and equipment account increased from \$155 million in 1948 to \$360 million in 1957. The customer count increased from 459,539 in 1948 to 803,000 in 1957, making Lone Star the nation's ninth largest gas utility in terms of total customers directly served.

During this period Lone Star has increased its pipeline mileage from 10,994 to 18,839. This consists of 8,040 miles of transmission and gathering pipelines transporting gas into 10,799 miles of distribution mains making up company-owned distribution systems in 455 Texas and Oklahoma cities, towns and communities.

We look with optimism to 1958. The Southwest continues to be one of the Nation's fastest developing areas and we expect our company's growth to continue at its current rate of 25,000 to 35,000 customers annually.

Anticipated peak customer demand for gas is 8% above last winter's maximum demand figure. In this connection, the company's gas reserves position is excellent, with additional reserves in adequate amounts being connected to the System as they are developed.

Four underground storage reservoirs, having a total capacity of more than 50 billion cubic feet of gas, further insure dependable supply. A fifth unit, to be added in 1958, will boost total capacity to almost 53 billion cubic feet.

Pointing up increase demand in other areas of the Nation, Lone Star, on Dec. 27, began delivering gas to Natural Gas Pipeline Company of America under terms of a 20-year contract. Gross revenues from 1958 sales to Natural of an average 35 million cubic feet of gas daily will be on the order of \$2 million. Daily deliveries in 1959 will average 50 million cubic feet. Starting in 1960 and continuing for the duration of the contract, daily deliveries will average 80 million cubic feet, with corresponding increases in gross revenues. This gas will be marketed by Natural in the Chicago area.

The company's recently-discovered reserves of more than 400 billion cubic feet of gas in the Fashing (Edwards lime) field of Atascosa County, Tex., 100 miles South of Lone Star's integrated transmission network, will be purchased by United Gas Pipeline Company under terms of a 20-year contract. Gross revenues accruing to our company from sale of natural gas and condensate from the field will be on the order of \$4 to \$5 million annually, based on anticipated daily delivery of 50 to 65 million cubic feet of gas. Deliveries to United are scheduled to start in July, 1958. United will market the gas in the San Antonio area.

At the national level, the gas industry has expressed its confidence in the future by earmarking construction expenditures totaling \$8.7 billion for the four-year period ending Dec. 31, 1960, compared with \$5.3 billion spent in the 1953-56 period.

The industry currently provides service for a record 40 million customers in urban and rural homes, business, industry, schools, churches and hospitals throughout the nation.

Sales, revenues and proved recoverable reserves reached all-time highs in 1957.

The industry must, however, continue its excellent selling job. Selling the advantages of gas as the world's finest precision fuel remains one of our most important jobs. Basic to this task are the continuing coordinated efforts of the research laboratories and appliance manufacturers to make gas appliances and equipment the safest, most efficient, most economical and most modern units available to the American consumer public.



T. S. Petersen



C. W. Planje



Benj. F. Pitman, Jr.



Abe Plough



L. T. Potter

FREDERIC A. POTTS

President, The Philadelphia National Bank
Philadelphia, Pa.

When asked about the outlook for banking, today's commercial banker is apt to answer with another question: "What's ahead for business?" Certainly the temptation to do so is stronger now than it has been for several years. In the case of asset positions and gross income, the near future for banks will be affected more significantly by the demand for business loans than by any other factor. In addition, net income results during the coming year will be heavily dependent on operating costs—largely salaries and wages—changes of which undoubtedly will be related fairly closely to general business activity.

As is described in detail elsewhere in this issue, the 1958 picture for total business is decidedly mixed, if not altogether confusing. Early statistical arrivals from the year-end continue to indicate that we are at the beginning of an economic readjustment. The probable scope and duration of the downswing, however, remain in doubt and dispute. An attitude of caution seems warranted by such recently apparent developments as a reduction in employment and working hours, commodity price softness, eroding order backlogs, declining industrial production, cutbacks in capital spending, and lower aggregate income figures. But on the other hand, an opposite prospect is now presented by the possibility of significantly higher defense spending, and some continued rise in state and local government outlays. Moreover, one of the safest bets possible is that any tendency of over-all business to persist, sharply downward will be met with an aggressively easy monetary policy.

All things considered, my inclination is to expect a continuation of the rolling readjustment, but not beyond next autumn, and not involving any serious drop in output, employment, or income. On that basis, the outlook for commercial banking is an unexciting "not much change." A fair amount of retraction in loan volume already has been experienced in the failure since last summer of loans to move up at a seasonally-normal rate. Further moderate adjustment seems probable between now and next spring or summer, so that roughly at the time of the anticipated business turnabout later in the year, loan portfolios of the banking system should easily be capable of considerable expansion. Aside from a moderate contraction of demand for money, the situation probably will be affected by additional relaxation of monetary policy. It seems rather likely that one result of the combined developments will be a further decline of short-term interest rates during the next few months. For the year, as a consequence, bankers may find it difficult to maintain income on a par with 1957, although no drastic cuts in profit need be contemplated at this time. In fact, the Federal Reserve System might well decide to produce conditions of monetary ease by lowering cash reserve requirements rather than by open market operations alone. Such a move, long recommended by many on the grounds of equity and modern reality, would offset some part of the effects of lower interest levels.

DONALD C. POWER

President, General Telephone Corporation

Though many business forecasters are predicting somewhat lessening activity for 1958, we at General Telephone have no such inclination. We feel that the general progress of our nation will continue to forge ahead; perhaps not as rapidly as in the past few years, but still definitely forward. Our nation is not geared for retrogression.

In our particular operation, we are not in the least pessimistic. We feel certain that General Telephone will advance appreciably in the year 1958, and we've planned some \$200,000,000 in plant expansion for the year—one of the highest expansions in our history.

Our reasons for feeling so optimistic about the future are rather simple. First, General Telephone operates for the most part in non-urban and suburban areas. These areas are growing rapidly and every prediction is for their continued expansion for years to come. Our expansion will naturally follow. Of this expansion we are certain, for we recently closed a ten-day merchandising seminar, conducted by the Harvard School of Business, which was attended by most of our operating company presidents and top executives from all sections of the country, and each of these reported in the same vein for his particular territory, regardless of what section of the country he represented. America is expanding in the non-urban areas, and we are going to expand with it. The plans for each of our operating companies call for this and many of them find that they are still hard put to supply facilities for current demands.

Another bright prospect in our future plans is the completion of the new plant for Automatic Electric Company, in Northlake, Ill. This manufacturing division has doubled its capacity in the new plant, and provided additional facilities for General Telephone

Laboratories. With increased capacity, we have been able to supply the independent telephone companies with more equipment, and we have been able to plan production for diversified industries in which our switching components are finding more and more acceptance.

Some of our other companies are also adding to this diversification with the production of the Electronic Secretary, an automatic "message taking" device; the Electronic Sentry, an automatic warning device, and others. Our merchandising of telephone special services, of colored telephones and of multi-telephones in the home, increases our telephone revenues and also calls for additional equipment, thus further building up our expansion program.

GWILYM A. PRICE

President, Westinghouse Electric Corporation

Sales billed of Westinghouse products will reach the highest peak in the company's history in 1957, approximately \$2,000,000,000, and are expected to be even higher in 1958. The increased billings next year will result from the over-all steady growth of the electrical industry, from an expected modest increase in sales of consumer products and from the increasing emphasis on electrical and electronic components in defense equipment, particularly missiles.

Although most economists have predicted a slight decline in industrial production, particularly in the first half of 1958 and a continuing decline in capital expenditures for expansion by industry, nevertheless, it appears that total output of goods and services will show a slight increase over this year's record.

In this economic climate, American business will face major problems in 1958, including greater pressure on earnings because of rising costs of labor and material. Even with expansion in industry slowing down, business will still face the problem of integrating additional capacity into the economy, and the threat of over-capacity in some industries promises intense competition for new orders.

However, optimism for the electrical industry in 1958 is based on an expected increase in total kilowatt-hour sales to more than 600 billion, an increase of almost 8% above record 1957.

Sales by the electrical manufacturing industry in 1958 will be bolstered by backlogs and orders from the electric utilities for the heavy electrical generating equipment needed to meet this continuing growth, as well as new orders for distribution equipment to support the large quantities of generating equipment installed in the past three years.

In addition, steady demand is expected for electrical machinery in industry, since this equipment plays a fundamental part in developing more efficient production methods and cost reduction.

Over-all, the industry's backlogs for the end of 1957 will probably be approximately \$10,000,000,000.

The Westinghouse share of the heavy apparatus business, plus a substantial backlog, will result in a moderate increase in sales of this equipment in 1958. However, new orders may be below 1957, the second best year in

the company's history for bookings of apparatus products. Prospects for improvement in the consumer products field are hinged to a modest increase in residential construction and the continued rise of personal consumption expenditures even though the rate will not be as rapid as in the past several years.

Consumer acceptance of radical new designs in appliances helped to reverse a year-long slump in appliance sales in late summer of 1957 and since then sales have shown gains over comparable months of 1956. Westinghouse anticipation of a small increase in sales in this field is based on widespread acceptance of new lines, and added volume expected from a complete new line of high fidelity equipment.

In the atomic power field, Westinghouse expects continued rapid growth. Company billings this year will nearly double those of 1956, and at the same time backlogs are expected to be higher. Much of this backlog is for the nation's atom-powered Navy, but a build-up can be expected in the commercial field also, even though it will take some time before atomic power will be able to compete with other electric power installations.

HON. JOHN PRINGLE

Member, Jamaica Legislative Council

Tourism in Jamaica, the island's third largest industry and second largest dollar earner, had its most successful year in 1957 both from the standpoint of expansion through increased capital investment in hotel development and allied services, as well as from the number of tourists visiting the island.

The outlook for 1958 continues to be optimistic, based on new hotel construction and the number of confirmed reservations backed by deposits during the winter tourist season. As yet the present economic leveling off in the United States and Canada has not had any appreciable effect on the tourist industry in Jamaica. This may be considered due in some extent to the momentum it has picked up in the last two years, as well as to the formation of the West Indian Federation this month. It is expected that the Federation will provide both added stimulus and authority to enable individual islands through their own government to enact their own favorable legislation to attract new capital and industry.

I predict there will be a \$100 million boom in the resort industry in the British West Indies during the next five years. Jamaica, the largest and most developed island in the area, by virtue of stable government and central position in the Caribbean, can be expected to get a lion's share of this investment.

This month, for instance, the island's tallest hotel, the 100-room Casa Montego, built by the Casa Blanca Properties, Ltd. at a cost of \$1,500,000 in Montego Bay, will open on Jan. 31. It is the forerunner of a series of three hotels to be built by Casa Blanca Properties Ltd. in fashionable Doctor's Cave area of Montego Bay, which are expected to provide 1,000 additional beds in that section of the island alone.

At the rate at which hotel construction and resort

Continued on page 96



Frederic A. Potts



Gwilym A. Price



Hon. John Pringle

THE SEARCH THAT MUST CONTINUE

Gas distributors, industries and the consuming public have a common interest in being assured of a dependable future supply of natural gas.

The growth in the use of natural gas has been tremendous; interstate natural gas pipelines are now transporting over 3 trillion cubic feet of natural gas annually and trillions more are consumed intrastate.

Producers must search for and develop more than 12 trillion cubic feet of natural gas annually merely to maintain existing reserves of natural gas. Such a tremendous task requires proper incentives and freedom from burdensome Federal regulations. Congressional leaders, the Federal Power Commission and all branches of the natural gas industry—including the distributing companies—recognize this fact.

Proposed legislation, which will accomplish this important objective, is the Nation's best assurance of a continuing progressive natural gas industry.



PANHANDLE EASTERN PIPE LINE COMPANY

120 Broadway, New York 5, N. Y.

Producer, processor, transporter, supplier of natural gas, serving industries and utilities in 12 states.

Continued from page 95

development is taking place, it is safe to estimate that by 1960, Jamaica should have 10,000 beds, to take care of an annual visitor-arrival total of 250,000 persons. In 1956, Jamaica added 321 more beds at a cost of \$1¼ million and entertained 161,386 tourists—an increase of nearly 39,000 or 32% over the previous year's figure of approximately 122,000. In 1957 just over 900 beds were put in at a cost of about \$5 million. Final figures covering the total number of tourists to this island last year are not available at this time, but indications are that the annual total will be increased.

The remarkable activity in the hotel industry derives from the increasing number of long-stay visitors, which has had a steady percentage rise since 1953. I expect the rising trend to continue, for Jamaica is now enjoying tremendous popularity as the Caribbean vacation land and the Jamaica Tourist Board is making a successful effort to build Tourism into the island's No. 1 industry in terms of investment and revenue.

The value of the existing investment in hotels in Jamaica is now estimated at \$26½ million, and the figure is expected to increase considerably when all the projected development takes place. The income accruing to the island from tourism is also increasing steadily. It was estimated in 1956 to have reached \$24 million, making tourism the third largest industry in terms of overseas earnings and the second largest dollar-earner (after alumina and bauxite).

With the Tourist Board working to double the tourist trade by 1960 and with hotel development keeping pace with this increase, my opinion is that the business outlook will remain bright for Jamaica in 1958 and onwards — a circumstance that should mean greater prosperity for the island in the foreseeable future.

H. G. PYLE

President, The Central Bank Co., Lorain, Ohio

The general view that a free economic machine can continually move upward when free men and groups of free men may make free and uninhibited decisions should in itself convey a word of caution toward over-optimism as well as over-pessimism.

Excluding major world conflict, our economy and our high standard of living is assured to us over the longer term by the same principals recited above. However, we must realize, that with the major indexes turning downward, that over-pessimism is easy to acquire and not easy to dispel.

In my opinion, we are in a continuing rolling readjustment which started in 1956, continued through 1957 and may well go through 1958. However, I feel, that there is nothing of such serious consequence, in view of the many cushions and safeguards that have been provided, for us, through our experience with recessions in the past, that would make this pause generally nothing more than one of economic health rather than one of pessimistic doom.

We American people have been imprudent at times where certain divisions of our economy have been over-stimulated by easy credit and influenced by public psychology of permanent inflation. The important and independent Federal Reserve credit policy has been used very ably in the current circumstance. It is one of our important economic safeguards in helping curb those tendencies toward credit excesses, which in the past, have caused our most troublesome and prolonged problems.

The one fairly positive factor in our present economy is that of anticipating a larger role in our Gross National Product on the part of national, state and local governments. No doubt, schools, roads and other public improvement programs will increase from 1957 levels. Recently lower municipal and U. S. Government interest rates will help stimulate this activity. The armament program by our Government will no doubt be revised upward involving drastic changes in types of offensive and defensive weapons. It is entirely possible that the debt limit may be increased along with necessity of possible deficit financing.

Business plant and equipment expenditures after reaching a peak in 1957, has turned downward and might well be off-set by Government spending.

Business inventory accumulation will probably be a minus factor during 1958; especially with consumer purchases slowing relative to prior years and also because of the sobering influences of possible lay-off or shortened work week. Consumers generally, will not, in my opinion, be as free in this purchase of items in the three important classifications of durables, non-durables and services in this environment.

Residential construction expenditures, in my opinion, will not provide much more stimulus in 1958 than it did in 1957, since potential buyers will be more cautious in making new commitments under the influences of possibly less income.

Under these conditions, credit should ease through liquidation of loans as well as initiated ease by the authorities. The stock market could be somewhat lower with first-half earnings not making good comparisons with the same period in 1957.

In general, 1958 should be a reasonably good year for efficient producers. It is my view that 1958 will be a year of pause in which a firmer base will be built for future growth in providing a standard of living for our rapidly expanding population.

In Lorain County we are favored relative to this general pause, in that we will enjoy the start of production

in 1958, by a large automobile assembly plant involving a large number of new jobs. We are also favored by efficient plants in steel tubing, earth moving equipment, chemicals, shipbuilding, trailers among many others. The Lorain County position in the general economic picture is one of optimism.

HON. DANIEL A. REED
U. S. Congressman from New York

It is perhaps premature to comment on fiscal matters in advance of the public release of the President's budget message for fiscal year 1959. However, I believe that sufficient information is available with respect to that proposed budget to permit certain observations. It is my expectation that projected expenditures in the neighborhood of \$74 billion in 1959 will exceed Federal revenues realized during the period even though revenue estimates contained in the budget might indicate a budgetary balance. The current economic adjustment that is occurring indicates that budgetary receipts for fiscal year 1958 will fall short of original projections and that we will at best realize a very narrow surplus if not an actual deficit in the current fiscal year. In view of the fact that estimated expenditures in 1959 will probably be exceeded by the Federal



Hon. Daniel A. Reed

spending proposals for 1960 and 1961 fiscal years the prospect of sustained deficit financing looms as a distinct possibility in the absence of effective efforts to curb non-essential spending. It is necessary that the private citizens of our nation conscientiously join with their elected representatives in scrupulously applying a criterion of absolute essentiality in determining the need for government goods and services.

The military strength of our country is vital to our continued existence as a nation. But military strength cannot be attained in the absence of economic strength under our free enterprise system. Therefore, it is necessary that we continue to pay careful heed to our nation's fiscal and economic postures. Such study may suggest that we resort to courageous and sound tax reduction so as to increase the level of economic activity. An examination of our fiscal history demonstrates that reduced levels of tax rates have in the past provided significantly increased levels of governmental receipts because of the stimulating impact lower taxes have had on economic incentives. As a consequence, I am definitely not ruling out the possibility of tax reduction that would encourage industrial expansion, technological progress, and increased individual productivity. It is through economic advancement of this sort that our American workers can realize a more bountiful life and that we can most respectively overwhelm our totalitarian communist adversaries.

Neither panic nor profligacy will produce national strength. We must with courage and resoluteness work diligently within the framework of our free enterprise system to strengthen our nation and thereby assure its bountiful future.

HENRY H. RAND

President, International Shoe Company

The shoe industry will finish the year of 1957 with a slight increase in dollar sales. Since shoe prices were up a bit, the usual automatic guess is that the increase was primarily due to a price rise.

However, in recent years there has been a big upturn in the sales of cheaper casual types of footwear, and this change in the product mix has had the effect of offsetting price increases so that dollar gains and unit gains were in fair balance. This appears to have been the case in 1957.

There seems to be more than the usual number of people who are looking into 1958 through dark-colored glasses. I do not see the full year that way at all.

The economy moved a little too fast in 1957 and inflationary pressures became pretty strong. This has led to a leveling off in the last quarter that will no doubt continue into the first quarter of 1958. An occasional pause of this sort is a good and necessary thing in our complex economy. These slight sideways movements are what prevent our former boom and bust cycles.

But there seems no justification for some of the more pessimistic predictions for 1958. Certainly there are always a lot of "ifs" in any prediction and if all of the bad things happen and none of the good things happen, then there could be a downturn.

But a cold analysis of facts and figures show that total consumer income and total consumer spending will be up again in 1958. We sell a consumer product and our main job is to get our share of that consumer dollar.

Every industry should confine its economic forecasts to those segments of the economy which affect their growth. A drop off in industrial expansion will adversely effect some shoe retailers in some locations, an increase in defense spending will favorably effect other retailers in other locations. But if total net consumer expenditures are up, then total retail shoe sales should be up, unless we surrender a share of our market to others who serve different consumer needs.

Among the "ifs" on the 1958 industrial horizon, one

of the biggest is found in the more than usual number of wage contracts up for renewal in many industries. Labor-management relations face a big test. Either a wave of big strikes or concession of wage increases without compensating increases in productivity will put a severe strain on the economy.

The current situation is reminiscent of the Winter of 1953-1954. At that time a cut in defense spending was supposed to set off a "psychological recession." But when the years totals were in, they showed that the consumer had gone right on spending and had spent us into a pretty good year.

In economic forecasting far more words are used about business spending and government spending than about consumer spending. Yet business and government combined spend only about half of what the consumer spends.

Every segment of the economy affects every other segment, but as long as consumer confidence continues, as long as the consumer buys, mild adjustments in either business or government spending will not create more than a ripple on the total economy.

Yet business leaders through over emphasis on some of the adverse factors in the economy could create the sort of psychological reaction which should result in a consumer hesitancy to buy, which could quickly create a very serious slump.

The effect on consumer spending of minor cuts in government or business spending is relatively slow to be felt, but anything akin to a "buyers' strike" quickly results in inventory retrenchment at retail, wholesale and manufacturing levels which pyramids unemployment and sets off recession.

The reason that the so-called recessions of 1948-49 and 1953-54 were so slight in the consumer goods fields were two fold. First, although there was some spotty unemployment, wage rates continued to rise and take-home pay per week went up. Second, consumer confidence and consumer spending never faltered.

This will be the pattern in the Winter of 1957-58 and as the year of 1958 progresses there should be a gradual return to the growth cycle which has been almost continuous since the war.

EVERETT D. REESE

Chairman of the Board, The Park National Bank of Newark, Newark, Ohio

Whether or not the Federal Reserve policy of restraint was responsible for the downturn in business, the fact exists we are in a recession of some kind. Whether it is to be a long and lasting one and how deep it will be is to be found out later. If the downturn lasts for sometime and is too deep, it can be assumed that the Federal Reserve will continue to reduce the rediscount rate and also actually add to the supply of money. Although by the announcements from the Federal Reserve they feel they operate in only one phase, they have acted in the belief that their actions are effective. Even announcements from the Federal Reserve today are affecting people's actions.

We have been living, and seemingly will continue to live in an era where the natural laws will not be allowed to run their courses to natural conclusions. There seems to be almost unanimous agreement that such a course is desirable. This is more evident when money is made easy than when the brakes are put on; however, there was quite general backing up of the Federal Reserve in its tighter money policy. There was a great contrast in this comparison with the previous time they tightened money. If we are going to have a managed money economy it is to be hoped that the people will be willing to stand periods of tight money as well as periods of easy money. Disaster would follow if control of money means only making it easy.

There does not seem to be a real pessimism on the part of the public generally, but there has been a sobering of ultra optimistic thoughts about the future. Competition is very keen and will have a restraining effect upon unlimited capital expenditure unless these can be thought to be productive in a very short period of time.

It is not human to live and be concerned only with the present. Most people are thinking ahead of present conditions and can become unduly alarmed by the increasing unemployment; however, undue pessimism has not yet become evident. Christmas business generally seemed to be very good, which meant people were willing to spend money quite freely. Clearing transactions in many cities of the country in December were higher than in December 1956.

Whether we will face the test in 1958 or not is a question, but if the fears of many in this country are correct that Russia has made great advances comparatively in the field of science, we may have to temper our emphasis on consumers goods and concentrate on defense and offense materials. We have not heard recently the phrase "butter or guns," but it may have to be given real consideration in 1958 or 1959, or at sometime in the future. If it is necessary or becomes necessary, delaying it does not solve but accentuates the problem.

It has been a long time since all of the people of this country have been challenged to make sacrifices for the continuance of our great system of individual liberty and freedom. Great leadership will be necessary to make this challenge effective. Freedom and liberty have always been purchased at a high price and the continuance of them is likely to again call for a very high price.



H. G. Pyle



Henry H. Rand



Everett D. Reese

RICHARD S. REYNOLDS, JR.

President, Reynolds Metals Company

The rate at which demand for aluminum has been increasing during the past decade is the clearest evidence of the vigor and growth potential of our industry. Reynolds' marketing studies offer further evidence that this rate of growth will continue over the next decade and more.



R. S. Reynolds, Jr.

Our experience also indicates that the demand for aluminum goes off proportionately less than that of other major competitive materials during periods of economic decline. But in a period of rising business activity, it increases at a much more rapid rate than the general economy. Current expansion programs of the industry recognize these characteristics of the market for aluminum.

It is noteworthy that, despite the substantial lower unit output of several of our industry's major customers, total usage of aluminum during 1957 will be off only slightly from the levels of 1956. The consensus of economic forecasts for 1958 indicate a slight decline of business during the first half and some improvement in the second, with volume for the full year at or about 1957 levels. Under these conditions, Reynolds Metals Company's sales should be higher in 1958 than in 1957, which is expected to be the company's record sales year.

D. A. RHOADES

Vice-President, Kaiser Aluminum & Chemical Corporation

Although in 1957 there has been some surplus of aluminum over and above the immediate demand requirements, in our estimation the aluminum industry over the next several years will parallel its rapid expansion in the 12 years since World War II, but on a vastly larger scale.

Aluminum is a relatively new and almost universally useful basic metal which, in a very few years, has already overtaken metals which have been used for literally hundreds and thousands of years. Because of its wide applications, both present and potential, we believe that aluminum is on the threshold of its greatest era of growth.



D. A. Rhoades

Basically, we are confident that the aluminum industry will continue to grow faster than industry in general, and by 1965 will be double its present size. As a fully integrated producer, operating approximately 27% of the nation's primary aluminum capacity, Kaiser Aluminum is in an especially strong position to meet this future market growth. Our \$400-million expansion program, all of the main elements of which are nearing completion, places our facilities in better balance between primary production and mill fabrication.

In addition, the new aluminum center our company has built at Ravenswood, W. Va., combining primary aluminum production with adjacent sheet, plate and foil rolling facilities, is ideally located within a 500-mile radius of 70% of the U. S. aluminum market. It is also especially well situated with regard to sources of power and the flow of raw materials on an all-water based transport route.

Start-up of the first potline of the Ravenswood reduction plant in November, 1957, marked the first use of the Ohio Valley's great reserves of coal to provide the electrical power for the production of primary aluminum. For most of 1957 our Ravenswood rolling mill has been producing light gauge sheet and foil from reroll stock; in the first quarter of 1958, its "hot line" facilities for rolling sheet and plate from metal coming from the adjacent smelter will be placed in operation.

The present availability now makes aluminum more attractive than ever to several of the nation's mass markets. The total consumption of aluminum in the United States for 1957 is estimated at slightly under 4 billion pounds. By 1965 we estimate that this figure will more than double—that the total consumption will be 8.4 billion pounds.

Of this 8.4 billion figure, our market researchers predict that the largest single users of aluminum in 1965 will be the building industry, 1.6 billion pounds; the electrical industry, 1.4 billion; and the transportation industry, 1.3 billion pounds. Included in the transportation category is the automotive industry, which is currently using an average of about 45 pounds of aluminum per car, with some 1958 models incorporating well over 100 pounds. By 1965, we conservatively estimate that the average usage of aluminum in all cars produced will be in the neighborhood of 95 to 100 pounds, and this estimate does not include certain major aluminum components which if adopted would raise the average considerably more.

We also foresee tremendous growth in the applications of aluminum in the field of consumer durable goods, presently taking about a half-billion pounds, and in the container and packaging industry. Led by significant new developments in the economical manufacture of aluminum cans, the container and packaging market is expected to more than double by 1965.

The history of our industry indicates that any broad expansion in the application of aluminum, coupled with an abundant supply of metal, provides an infinite number of opportunities for the fabricator to produce new

and useful products. The present supply is already a powerful stimulant to new developments, enabling more users to take advantage of the technical progress steadily being made.

Basic economic factors are present to make 1958 a year of advance for the aluminum industry. What we do not have is a "crystal ball" to forecast the psychological factors in the mind of the consumer, who really makes the market. During the year ahead we will still further intensify our efforts in research, sales, advertising and promotion to expand the present uses of aluminum and to concentrate on new applications to serve mass markets.

This kind of across-the-board market development has been largely responsible for the aluminum industry's growth in recent years, and we believe that it will play an equally important and even more productive role in the future.

HON. A. WILLIS ROBERTSON

U. S. Senator from Virginia

The Congress in 1953 must keep constantly in view the supreme problem of our day—the conflict between Constitutional Liberty and Communism.

This problem, it becomes increasingly evident, involves endurance. There is no assurance that the Communist leaders will not resort to weapons of mass destruction to eliminate or terrify those who will not accept their system but the probability is that they will reserve the use of force for a time when our guard is down or when we have handicapped ourselves by the strain of excessive preparedness.



Sen. A. W. Robertson

We shall be in danger, on the one hand, if we fall behind in the race to produce the most effective weapons now known and to conduct research to discover even more effective instruments in the future. We shall be in dire peril, on the other hand, if we undermine our economy by these efforts and make it appear to the world that our system of capitalistic free enterprise is not adequate to meet modern needs.

Translated into practical terms, this means that it is highly important for us to end the current fiscal year without a deficit and to provide a balanced budget for fiscal '59 even though appropriations for defense must be increased. Our problem is not one of financing a "crash" program of brief duration, but of adopting a plan which can be followed as long as it is necessary to assure the safety of our nation and the integrity of other nations which share our ideals and look to us for leadership.

Defense appropriations must be given priority over both domestic spending and foreign economic aid. We must step up the production of nuclear weapons and missiles to carry them, but not at a pace that would invite waste and extravagance, and we must look for other military items that can be reduced to offset a part least of this increased cost. No new program of non-defense spending ought to be approved, in my opinion, unless there is overwhelming evidence offered not only as to its desirability but also as to the necessity for undertaking it now rather than at a later date.

The outlook of a few months ago for a Federal budget

surplus of possibly \$1.5 billion next June already has been altered to indicate a deficit of at least \$1 billion. Even if the current downward trend of business is reversed in the latter half of 1958, as many economists have predicted, an increase of as much as \$2 billion in defense spending might mean a substantial budget deficit for fiscal '59.

Obviously the hope of individuals and of corporations for substantial tax cuts in 1958 must be deferred again and our people must be persuaded to accept a program of economic austerity.

Winning acceptance for such a program is not a job that the Congress can do alone. It must have the all-out support of the White House, evidenced in the President's State-of-the-Union and Budget messages. It will need the support also of Chambers of Commerce, of Civic Clubs, of Labor organizations and of local leaders who shape public opinion.

KINSEY M. ROBINSON

President, The Washington Water Power Company

One thing all can be sure of through 1958 and for many years to come—an increasing demand for electric energy throughout the Pacific Northwest. Turn where we may, to industrial use, to the vast potential in air-conditioned and well-lighted stores and offices, to street and highway lighting, or to electrical living in the home or on the farm, the curve for electric power points toward infinity.



Kinsey Robinson

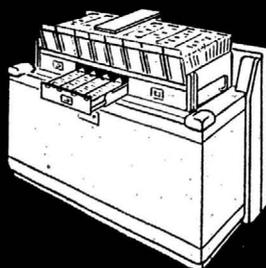
This ever-widening horizon in the use of electricity presents two well-known aspects which challenge the resourcefulness of management. One has to do with power supply, a gigantic race in plant construction to keep ahead of consumer needs for power. A slight leveling off in the nation's economy in 1958 should not greatly affect the increased output of electric energy, estimated at a growth rate of 6% annually. Nor should the coming of natural gas to the area seriously retard electrical increase.

In the next 10 years it will require nearly \$1,000,000 a day (a total of \$3 billion) to build power dams and transmission facilities that are needed to provide for the loads anticipated by 1968. Therefore, the year 1958, considered a mere stepping stone, can be viewed with optimism. Investor-owned utilities, plus other non-Federal agencies, have approximately 4.6 million kilowatts of hydro-electric power just completed, under construction, or definitely licensed for construction. Another 4.6 million kilowatts is credited to the Federal Government. This vast amount of new power forecloses the possibility of power shortage in the immediate future, and offers encouragement to increased residential, commercial and industrial usage.

The other aspect of our power problem involves a greater usage by the consumer, the immediate objective being more speedy public acceptance of electrical devices now on the market, as well as those yet to come. It is said that at least 50% of future household uses of electricity are not yet released from the factory. Where the U.S.A. expects the average household to use around 7,700

Continued on page 98

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Advertisement for Chas. F. Noyes Co. Inc. featuring a rooster logo and the slogan "All around the town". The ad lists various real estate and commercial services across the country, including locations in New York, Pennsylvania, Ohio, and other states. The company is located at 42 Broadway, 295 Madison Avenue, New York, N.Y.

Continued from page 97

kwh. by the year 1973, several utilities in the Pacific Northwest already have exceeded the 8,000 kwh. mark, and expect to reach an average household usage of 10,000 kwh. by 1965.

Thus, the electric industry in the Pacific Northwest, with a long record of aggressive merchandising, and with a new spirit of cooperation between Federal and non-Federal agencies in the development of power supply, anticipates a continuing and firmly marked upward trend.

MARY G. ROEBLING

President, Trenton Trust Company, Trenton, N. J.

I believe that business in the local banking field will be relatively normal during the year 1958. At the time this is written the Delaware Valley in which our institution is located is experiencing the growing pains that came to an area that has shaken off the swaddling clothes of the earlier decades and is experiencing a growth that has been described as phenomenal. Between Trenton and Philadelphia, between Trenton and New York there is still some building and much planning for the return of Spring weather to start the hammer and the carpenter, the grumbling of the bulldozer and renewed activity of the multitude of small businesses dependent on the building trade.



Mary G. Roebling

The income of our people is large, their delinquencies for borrowings in fair percentage of the National levels. They are enjoying the fruits of their labors in the form of houses, conveniences, food, clothing and recreation. Certain spots are vulnerable and must be reckoned with. Many of our people are not affected by stock market gyrations, nor the ups and downs of municipal bonds. Just as long as their savings bonds are redeemable and their insured savings deposits are safe, they are continuing to place their savings where they earn for them reasonable interest or dividends.

Employment is not what we should like it to be, but as the weather permits and road work begins, when the New Jersey Levittown starts to dig and level ground, sewers are installed, many goods and services will be given the tonic effect of employment.

Our retail stores seem to have counters filled with desirable merchandise and a throng of buyers. I am not anticipating much disturbance with the credit situation just so long as our merchants buy well, manage excellently, scrutinize their charge accounts and continue to believe in the growth of the area.

As far as I can observe our manufacturers are not overbuilt, nor is there much excess of inventories. They are living up to the slogan: "What Trenton Makes, The World Takes."

We are one of a group of splendidly operated banks in this section of the Delaware Valley. Our real estate loans are in excellent condition, our investment portfolios improved and loans ample and their integrity follows a normal course. The year of 1959, in my opinion is the year to watch—rising costs will be felt to a degree that considerable purchasing resistance may follow.

The officers and employees of our bank are very mindful of their responsibility to the community needs. They are the first to be sensitive to changes in neighborhood buying, on attitudes toward the future. They are the real barometers of business. When families and merchants are disturbed, it is time to sense something wrong.

I am an ardent believer in our American way of life. It can be disturbed, but never disrupted to any great degree permanently. I believe 1958 will be a year of testing the morale of many of our people, but with the courage and native intuition that is ours we shall hurdle the obstacles that beset us as did those who went before.

1958 will be a normal year for those in the Delaware Valley who are not easily frightened but go about our business with confidence that means will be found to keep men and women in their jobs at reasonable wages, to the end that buying power will be restored where lacking.

GEORGE ROMNEY

President, American Motors Corporation

For 1958, we already have reasonable indications that domestic production and sales should approximately parallel 1957 results, with further sharp increases in sales of compact and small cars a certainty.

On the other hand, there are also indications that sales and production of U. S. built cars have fallen relatively below our national economic growth. Factors retarding this growth could become a serious threat to national economic and military strength.

Sales of about 6,000,000 passenger cars for 1957 are indicated—5,800,000 being domestically built cars and approximately 200,000 being imported cars. This will make it the fourth best year to date.

All indications point to the most successful year in American Motors' history in 1958. Rambler production through December is up 48.3% over the same period a year ago, and through January, 1958, it is up 66.1%. Wholesale Rambler sales through December are 56% above the same period a year ago, and

retail sales are up 30.6% despite a fall inventory shortage.

With introduction this month of the new 100-inch-wheelbase Rambler American—the only U. S.-built small car — our sales should be considerably higher than in 1957. Our sales goal is 3% of the market—or 180,000 cars — and our present travel rate without the new Rambler American is about 165,000 cars a year.

Significantly, sales during the first three months of the 1957 model year were at an annual travel rate of 5,800,000. In other words, October-November-December sales a year ago indicated that 1957 sales would be what they are going to be.

All theories, pros and cons, are accurately reflected in actual sales results. Similar results are available for the first three months of the 1958 model year. Actual sales during the first three months of the current model year are practically identical with those for the same three months of the previous model year. Barring unpredictable cataclysmic developments, this would indicate 1958 sales of about 5,700,000 domestically built passenger cars. However, 1938 could see additional sales of about 350,000 imported cars.

Domestic car production in 1958 should approach 5,800,000 units. Significantly, 1958 will be the second year in which domestic car sales will exceed domestic car production. The only other year in which this occurred was 1956. At that time annual sales exceeded annual production because of the heavy inventory carry-over from 1955. In 1958, however, the excess of domestic sales over domestic production will result from imports that will nearly double exports.

Domestic sales that exceed domestic production warrant careful consideration, particularly when coupled with the failure of automobile production and sales to keep pace with increases in Gross National Product, population growth, car scrappage and the number of new licensed drivers. The following facts indicate the industry is lagging, relatively.

In 1950, Gross National Product was \$285 billion, population was 152 million and there were 62 million licensed drivers. Between 1950-1955, annual car sales averaged nearly 5.8 million. Through 1955, sales of imported cars were insignificant. For the 1956-1958 period, sales of domestic cars will average only slightly above 5.8 million. Meanwhile, population has increased 13% to 172 million, licensed operators to 81 million, a one-third rise, and unadjusted dollar value of Gross National Product has risen 54% to an estimated \$439 billion in 1957. As a result of increasing car essentiality, multiple car ownership has increased nearly 30% since 1950.

Why, in the face of these growth factors have automobile sales not only leveled in the past few years, but leveled at the average of the half-decade beginning in 1950? I believe a major reason is because the industry as a whole has not offered products with the sales stimulus that would be provided by appropriate attention to changing consumer needs and desires.

It is also a reason why I believe it is a mistake in 1958 to attach all of the customary importance to the level of domestic car production as a barometer of total national economic activity. The rapidly increasing sales of American Motors' compact and small cars, together with the sharp and consistent rise in foreign car sales, indicates that the lag in domestic car production and car sales is partially due to fundamental changes occurring in automobile use and demand.

The wage-price spiral, national disparity between agricultural and industrial prices, excessive reliance on monetary controls, failure to consider let alone make necessary changes in national labor and economic policies, inadequate highways and parking facilities are among additional factors responsible for the failure of automotive production and domestic sales to keep pace with national economic and population growth. Nevertheless, my prediction does not reflect belief in the negative voices that are contributing to the current economic uncertainty. It is based on the belief that in 1958 our basic national economic strength will overcome the calamity howlers and that Americans will not panic in responding effectively to the Communist challenge.

It is very important that our current national soul-searching result in the early solution of the factors retarding expansion of domestic car production because they also threaten the nation's future economic and military strength.

J. P. ROUTH

Chairman of the Board, The Pittston Company

The outlook for the bituminous coal industry in 1958, of course, is dependent upon general economic conditions of the country during that year and how far or deep the present recession will extend. Certain segments of the bituminous coal industry, such as, the coals produced in southern West Virginia, Virginia and Kentucky, will also be dependent upon the extent of the present export market or, in another way of putting it, how much of this export market will shrink during the year 1958.

To hazard a guess I would feel that perhaps, unless present economic conditions turn for the worse, the production and consumption of bituminous coal will be somewhere between 2% to 5% less than 1957's estimated production of approximately 485 million tons. This is taking the bituminous coal industry as a whole, and while it is unlikely that the production and sale of coal from the southern coal fields of Virginia, West Virginia and Kentucky will increase, as it did in 1957 although the tonnage of the

industry as a whole decreased, it is nevertheless quite likely that this segment of the industry will do relatively better than the industry as a whole.

A good deal will depend also upon the production of steel in 1958 as the steel producers are the second largest users of bituminous coal, in their case, metallurgical coal for coking purposes. The utilities, of course, are the largest users of coal, and I believe their expansion will continue, perhaps not quite as rapidly as in the past few years, but their demands for coal again will increase. On the other side of the picture, of course, general industry, if economic conditions are bad, will naturally use less coal than in the years 1956 or 1957. The railroads and the domestic market for all practical purposes can be considered as no longer important consumers of coal, and it is to the electric industry, the steel industry, general industry and exports upon which the future production and consumption of bituminous coal is dependent. The long term outlook, of course, for all these is good, and with the development and the growth of this country and also of the free countries of Europe as the years go by, more and more energy will be required. I think it is pretty well established that the proportion of this energy produced by coal will continue to increase due to higher prices of both gas and oil. Atomic energy will not be a competitor of serious nature for at least 10 to 20 years, and there is a good deal of doubt if it ever will be. While some atomic energy plants are already finished and in production, for the most part they are in reality pilot plants, and the amount of electricity they produce is a very insignificant part of the total amount of kilowatts now being produced.

Since the near fatal accident due to an explosion in a plutonium plant in Winscale, England, and in another recent incident of attempted sabotage to one of the important elements going to the plant at Oak Ridge, many people are again taking a look at atomic energy and whether plants of this nature should for the present be built relatively close to cities. In the case of the accident to the plutonium plant in Winscale, England, an order was ready to be issued to evacuate 200 square miles, and eventually all the milk within this area had to be destroyed. In the case of the sabotage to the element going into Oak Ridge, it was said that the whole plant might have been destroyed if it had not been discovered in time.

Accidents have always happened and always will, and people who are unstable mentally will always be running loose and be a potential danger for sabotage. The possible catastrophe and potential danger from an explosion or sabotage in an atomic energy plant is so great that these plants can not be insured without the aid of government insurance, and if this were added to the cost, together with the increasingly expensive problem of getting rid of atomic waste, it does not seem likely, at least for a long time, that atomic energy will be a competitor of either coal, oil or gas. There is a very definite trend to insist that, if we are to experiment with atomic energy, the pilot or experimental plants be built in the desert until such time as we know more about their cost and more about the inherent dangers if a serious accident should take place in one of these plants.

Thus the only real competition that I can see in the future for bituminous coal is either oil or gas, and it is more than likely in view of the greater progress and the greater opportunities still available for automation in the coal industry that of these three basic fuels, gas and oil are much more liable to increase in price than bituminous coal over the next 10 years. I am, therefore, very optimistic about the long term future of bituminous coal although we naturally may have setbacks from time to time, as may be the case this year, particularly if the economy goes down further than it seems at present.

D. J. RUSSELL

President, Southern Pacific Company

A nation-wide decline in business during 1957 was reflected in the railroad industry. For Southern Pacific, freight car loadings were off more than 6% during the year, with the decline accelerating in the last quarter of the year. Despite this, Southern Pacific net income was comparable to that of 1956. This showing is due principally to two factors: A long-term capital improvements program which is helping to offset higher costs, and an increasing diversity in the company's operations.

For the first 11 months of 1957, Southern Pacific reported net income of \$50,278,452, the equivalent of \$5.56 per share, compared to \$51,387,086 or \$5.68 per share for the same period of the preceding year.

Earnings were, however, less than 3% of the railroad's investment, far below an adequate rate of return. And for the railroad industry as a whole, 1957's unsatisfactory earnings point up the necessity for drastic action to remove some of the weaknesses which handicap the industry.

Foremost among these is the need to permit transportation companies greater freedom to diversify. Railroads, highways, pipe lines, airways and waterways together give this nation a transportation system second to none. But under present archaic regulations, efficient utilization of the components of this system is severely handicapped.

There must be freedom for carriers of all kinds to compete in transportation generally. Freedom to do so would erase much duplication of facilities, and result in im-



Donald J. Russell



George Romney



Joseph P. Routh

proved service and lower cost of operation, with the ultimate benefits shared by shipper and consumer alike.

At Southern Pacific, we have broadened our services to meet the need of the shipping public. We have expanded highway operations, increased our piggyback service, and built pipelines along our right-of-ways. But we are still prevented by outmoded restrictions from entering all the services the public needs. At a time when a shipper needs the most efficient combination of services possible, it is ridiculous not to permit a single company to offer him those services.

The artificial restraints under which we operate have tended not only to depress earnings below a satisfactory level, but have also inhibited the flow of investment capital into the railroad industry. And this, in turn, has hampered the railroads in providing the improvements necessary to meet today's needs.

At Southern Pacific we have spent \$1 billion on capital improvements in the 12 postwar years for our transportation system and its solely-controlled affiliates. One hundred twenty-five million dollars was spent in the year just concluded, for such items as 86 new diesel units, making it possible to operate all our trains with diesel power; approximately 5,000 new freight cars; completion of a petroleum products pipe line between Richmond, Calif., and Fallon, Nev., and construction of two units of a "push-button" freight car classification yard at Eugene, Ore.

But we would have spent even more on improvements if the funds had been available for investment. And we are firmly convinced that, for all railroads as well as SP, their future strength depends upon a vigorous, continuous improvement program to enable them to meet the needs of an expanding economy.

Speaking again for Southern Pacific, our long-term prospects are, we believe, favorable. The eight-state territory we serve is continuing its expansion and, while we anticipate no immediate upturn in business in this first quarter, we believe the latter part of 1958 will show an improvement, particularly if housing construction should begin to swing upward again. Our system is, from the standpoint of equipment and load-carrying capability, in the best condition it has ever been. And, granted freedom to do so, we are sure we can meet the challenges of the future.

FRANK C. RUSSELL

President and Chairman of the Board,
The F. C. Russell Company

A close analysis of current conditions on the part of the best economists indicate that 1958 can be a year of prosperous gains and, even more important, a year of opportunity for every business. Some industries have experienced minor spotty depressive trends, but this can be attributed as a temporary adjustment of a complex situation that has been in a stage of development due, mainly, to the exceptionally rapid economic growth since the last war.



F. C. Russell

In some areas of industry, admittedly the supply currently is exceeding the demand, but it has not and will not reach the proportion that can be considered reasons for negative thinking or, worse still, for an attitude of panic.

Business can and will advance in 1958 provided we return to the basic formula that has made this nation great. This means, merely sound and

methodical thinking on the part of management and creative selling on the part of marketing organizations. Now is the time, actually, to make things happen and not sit back waiting or expecting them to happen.

A fantastic market is available with an all-time ability to purchase in spite of the upward temporary trend in unemployment. Further, the current markets are interested, more than ever before, in products which will bring about a higher standard of living. This is apparent in every line of commodities.

The public's attitude has gradually shifted to quality and a demand for sound value per dollar of expenditure. The current adjustment in our economy precludes shoddy merchandising methods and price cutting. This method of approach is becoming a very risky business.

We are seeing more and more evidence of competition weakening in all lines of business where they have substituted price cutting for quality and improved sales and service techniques.

In our industry, 1958 is the springboard to a mature accelerated growth that is forecast to continue through the next ten years. The population growth plus the desire for better living standards in itself support these forecasts.

The market for the Prime Window, Combination Window and Door Industry, including companion products such as Sliding Glass Doors, Garage Doors, and Electronic Garage Door Operators is conservatively estimated at \$1.3 billion for 1958.

The F. C. Russell Company fully realized that this could mean the greatest expansion program in our history. We have developed new products for our line which will enable us to bid for a great share of this tremendous, new construction and modernization market and we have geared ourselves for a 50% increase in sales volume during the next 12 months. We have every reason to believe that it can be accomplished.

We have spent a great deal of time re-evaluating our approach to the over-all market and have already launched a program of intensified coverage and an expanded sales staff. It is our intention to maintain quality plus, emphasizing the need for intensified selling on the

part of a rejuvenated sales team. Most important, however, is an attitude of aggressiveness and again it is not our intention to wait for things to happen, but intend to put forth every effort to make them happen.

Business as usual is a thing of the past. It is management's responsibility to think straight, set sights high, and to develop a sales organization who know how to sell, who want to sell, are enthusiastic about the business, the product and the future.

Good will ambassadors and order takers are obsolete and have no part of a future that can be as great to us as we as individuals and corporations wish to make it.

R. E. SALVATI

President, Island Creek Coal Company

The many forecasts of economic activities for 1958 give belief to the fact that for many industries, including bituminous coal, 1958 will not be as good as 1957 from the point of sales, production, or profits. When compared to recent years such as 1954 and 1955, 1957 constitutes an excellent year by any standards for American industry.



R. E. Salvati

The same applies to the bituminous coal industry. However, since most of us, in true American tradition, constantly aspire for each year to be better than the previous one, the unlikelihood of attaining this goal in 1958 is inclined to reflect itself as an attitude of pessimism.

Actually 1958, as with 1954, could be one of the most important pivotal years for the American coal industry. In 1954 the industry hit a low which brought into recognition the importance of technological improvements in order to increase production per man per day, and sales programs engineered to the maintenance of a stabilized market price with a reasonable profit on investment. 1955, 1956, and 1957 reflect the wisdom of the decisions reached in that important year. 1958 will also be a year of great decision and will, in effect, bring about a separation of the strong from the weak. The large, well-financed, professionally managed company will accentuate its recognition of the fact that even in a year of reduced sales and production its long-range planning cannot be ignored; that profits and progress go hand in hand; and that shortsighted selling and a lessening in customers' services can only mean a weakening of the company and the consuming markets for coal.

It is my personal belief that in 1958 many companies not equipped with modern know-how, and who are not conscious of the many services that must follow a product to the market place, nor willing to acknowledge that the customer is always king, will suffer materially and fall by the wayside. Meanwhile, however, the stronger companies, from both determination and necessity, will have expanded their knowledge; will have put their

houses in better order; and by so doing, will emerge as the bulwark of a strong, virile, and market-conscious industry.

HON. LEVERETT SALTONSTALL

U. S. Senator from Massachusetts

This is a most welcome opportunity for me to offer a few comments on our economic outlook through the pages of this distinguished journal.

For the past several weeks I have attended the hearings of the Senate Armed Services Preparedness Committee on our missile and satellite programs. It is quite apparent to those of us on the Committee, as I am sure it is to all informed citizens, that we face very heavy responsibilities in the years ahead in the field of military hardware and the needs of our security. There is little question that the necessity for accelerated missile and rocket development, as well as the maintenance of balanced military forces throughout the world, will place a heavy burden on our economic resources.



Leverett Saltonstall

Defense spending will be higher in fiscal 1959 than it was in fiscal 1958 and will, in all probability, continue at an increased level for several years thereafter. This may involve many adjustments on the economic front and will require us to look carefully before starting new programs of government. Certainly it dims the prospect for reduction of taxes or reduction of our national debt.

As for our nation's economy, I am confident that under the sound policies of the present Administration, we will continue to move forward. The economic policies of the Administration, and its keen desire to continue raising the standard of living for all of our people will stimulate us to good economic health.

Thoughtful businessmen and the Secretary of Commerce have in recent weeks stated that whatever mild adjustments we are now experiencing will be more than offset by a substantial upturn later this year. There are many reasons in support of their views.

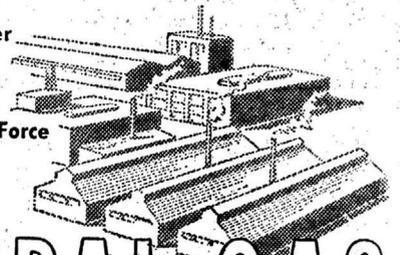
Of equal importance with the maintenance of strong defense policies is the maintenance of a strong economy. All of us have a hand in this task. If we analyze the pattern and history of Communist aggression, including the statements of Lenin in the early 1920s, when he said that Russia will never meet the United States on the battlefield but will spend us into bankruptcy, we become fully aware of the importance of economic strength as well as military strength.

If there is one message which I may leave with you it is this: We must have a strong military defense but

Continued on page 100

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AMERICAN CANCER SOCIETY

Continued from page 99

equally we must continue to build our overall national strength. Our war with Communism is waged on all fronts. We must always think in terms of a strong nation economically, productively and militarily and a strong people morally with confidence in themselves.

DAVID SARNOFF

Chairman of the Board, Radio Corporation of America

For the third consecutive year, business volume of the Radio Corporation of America exceeded the billion-dollar mark, reaching an estimated total of \$1,180,000,000. This represents an increase of about 5% over 1956.

While profits earned in the first nine months of 1957 showed a small increase over the prior year, the softening of general economic conditions in the fourth quarter and the highly competitive situation in the radio-TV industry now indicate that profits for the full year will be slightly below 1956.

Dividends to stockholders declared for 1957 amounted to \$23,917,000 (preferred \$3,153,000; common \$20,764,000). This equals \$1.50 per common share. The number of outstanding common shares is approximately 14,000,000.

RCA employed a total of 80,000 persons, 7,000 of them overseas.

Government business accounted for 23% of RCA's total volume in 1957. The current backlog of Government orders is about \$250,000,000.

During 1957, the company invested approximately \$35,000,000 in capital improvements. Manufacturing and broadcasting facilities were expanded in various parts of the country to meet the growing requirements for the Corporation's products and services at home and abroad.

In the latter part of 1957, a subsidiary finance company—the RCA Credit Corporation—was organized. It will aid in financing products sold or leased, primarily in the field of industrial electronics.

Based on present indications, we believe that in 1958 the total volume of business in the electronics industry will exceed the 1957 volume.

RCA Achievements in 1957

The Radio Corporation of America continued its leadership in technological research and development in 1957. Among its major accomplishments were these:

- (1) The first fully automatic system to launch and guide missiles to their targets was turned over to the Armed Forces and tested successfully.
- (2) The first commercial method of recording and transmitting color television programs by means of magnetic tape was demonstrated publicly, and orders for this new system have been accepted for delivery in 1958.
- (3) An experimental electronic highway system was devised by scientists of RCA Laboratories, in cooperation with the State of Nebraska, to increase driving safety. This may lead eventually to full automatic control of highway traffic.
- (4) A new method was devised to transmit facsimile by "bouncing" high-frequency radio signals from ionized air particles created by the passage of meteors through the upper atmosphere. An experimental system was used to transmit still images nearly 1,000 miles without relays.
- (5) A new ultramagnifier which quadruples the enlarging power of RCA's electron microscope was developed and will be put into commercial production early in 1958. It increases direct magnification from 50,000 to 200,000 times, and photo-enlargement capability from 300,000 to more than 1,000,000 times.

NBC Progress

The National Broadcasting Company—a service of RCA—moved forward on all fronts during 1957, capturing a larger share of the viewing and listening audience and increasing its business volume over 1956. It was the first network to announce plans for comprehensive use of magnetic tape television—in both color and black-and-white—a plan that will facilitate program schedule regularity in every section of the country. In the field of public service, the network began supplying the nation's educational television stations with the first live programs produced expressly for them on a nation-wide basis.

NBC-TV entered the fall season with an exciting schedule in which better than half the regular nighttime presentations consisted of new programs. In addition, the network scheduled more than 100 "specials," the largest number ever undertaken in a single season. Color programming was expanded 67% above the previous fall season to provide at least one hour of color every day and as much as 4½ hours on some days.

Color Television

During the year, there was significant improvement in the quality of both transmission and reception of color television to a point where the color picture received in the home now exceeds the expectation of even color's strongest advocates.

The public bought more color receivers under the stimulus of increased programming, improved quality, and nation-wide "Carnival of Color" promotions. Starting in Milwaukee, these "Carnivals of Color" spread to New York, Los Angeles, San Francisco and other cities. They are currently boosting sales in Balti-

more, Washington, Harrisburg, Albany, Buffalo, Atlanta, Cleveland, Minneapolis, Los Angeles, and other prime market areas.

While the sales of color sets have not as yet attained the desired volume, there is encouraging evidence throughout the country that a mass-market status for color TV is close at hand.

Electronics for the Home

RCA also continued to lead in black-and-white television sales through 1957. Our line of receivers was strengthened with a new combination television-hi-fi console, two TV consoles with hi-fi sound systems and a new low-priced table model.

Because of the mounting interest in hi-fi and other factors, Americans spent more than ever in 1957 to enjoy recorded music in the home. RCA Victor's leadership in the hi-fi field was strengthened by advances in factory-assembled high-fidelity instruments and stereophonic sound.

Again this year RCA Victor won the largest share of national record sales and increased its business markedly over 1956. There was a gain in jazz and popular albums, and sacred music sales doubled during the year. All of RCA's tape recording for home use went stereophonic.

Sales of radio receivers advanced substantially, assisted by such recent innovations as the tiny transistor radio and the three-way portable which may be used indoors or out.

Electronics for Industry and Science

A new RCA Industrial Electronic Products organization was set up to bring new ideas and services into the most rapidly expanding and potentially significant area of electronics. In the automated industries, electronics will play a key role. In scientific research, electronics opens the door to new discoveries. In medicine, electronics provides a unique tool for research and teaching. Progress was made on all these fronts during 1957.

The first major installation of RCA's electronic data-processing system was demonstrated by the Army in Detroit. This giant electronic "brain," largest of its kind in the world, is helping to reduce from months to minutes the paperwork involved in handling the Army's huge inventory of tank and automotive spare parts at bases around the world. During 1957, RCA data-processing systems were purchased by New York Life Insurance Company and The Travelers Insurance Company, Hartford, Conn., for the high-speed handling of large quantities of paperwork.

Significant strides were made in the development of closed-circuit television systems. The most extensive compatible color installation for medical use—at the Walter Reed Army Medical Center in Washington—was demonstrated publicly by the Army in November, and a similar RCA system was purchased by the University of Michigan Medical School.

Installation of the first state-sponsored educational closed-circuit TV system was begun by RCA in the Conley Hills Elementary School, Fulton County, Ga., for the Georgia Department of Education, as a laboratory for studying the practicability of state-wide teaching by TV.

The nation's largest television system for handling complex railroad freight operations automatically was installed by RCA at Southern Railway's Inman Yard, Atlanta, Ga., and a similar installation is planned for the new Elkhart, Ind., yard of the New York Central.

Transistors designed by the semi-conductor Division of RCA have become key parts of such devices as portable radio receivers, computers, the Data-Link air traffic and weapons systems, satellite launching equipment, and miniature military transceivers. RCA tubes were developed during the year for many new commercial and military applications. Special tubes were designed for use in guided missiles. An all-glass, 21-inch color television picture tube for receivers and a new and improved image orthicon picture tube for color television cameras are in production.

In world-wide communications, more than 220,000,000 words were channeled through the RCA Communications network's 86 overseas radio circuits which serve 66 countries. This represented better than a 10% increase for the year in service to commercial, governmental, press, and personal correspondents. Teleprinter exchange service was extended to 33 countries, and leased channel service to air lines, ship lines, and other users increased over 1956.

Receivers at the RCA Communications Center at Riverhead, Long Island, were the first in the United States to pick up the signal of Russia's first satellite as it began to circle the earth on Oct. 4, 1957. RCA engineers manned the Center on a 24-hour basis in order to broadcast to the world the news that the Space Age had arrived.

RCA International Sales continued to expand its world-wide market for consumer products, industrial electronics and telecommunications systems. The first color TV station outside the United States went on the air in Havana, Cuba, with RCA equipment. A French aircraft manufacturer ordered 38 RCA weather radar systems, and a Canadian airline ordered 34 of the units. The Burmese Government went on the air with two powerful new RCA transmitters.

Electronics in Defense

During the past year, RCA's continued pioneering in electronic research, engineering and manufacturing resulted in the production of many new systems and devices for the Armed Forces.

An outstanding contribution to defense was RCA's development of the first completely automatic system for firing an air-guiding anti-aircraft missiles to their targets—the Talos Defense Unit. The system's first firing

was successfully carried out earlier this month, and the unit is now undergoing evaluation by the U. S. Army. One of the most comprehensive electronic defense weapons ever devised, it represents perhaps the closest approach yet to true "push-button" warfare.

A force of more than 2,700 RCA specialists and technicians at the Air Force Missile Test Center at Cape Canaveral, Fla., plan, engineer, install, maintain and operate the electronic and optical equipment for tracking many different types of missiles and recording their performance in flight. As a part of the corporation's activities in this critical area of defense, RCA developed the free world's most accurate instrumentation radar, the first designed especially for use on guided missile ranges.

Important contributions were made in the more conventional but equally vital fields of military television and radio communications.

The RCA "Telemite" television camera, small enough to fit in the palm of the hand, will enable tactical commanders to watch combat action over large areas.

An RCA closed-circuit color television system was installed at the new underground headquarters of the Strategic Air Command in Omaha, Neb., to give the commanding general and his staff instantaneous flight data, air intelligence, weather forecasts, and other information essential to SAC's worldwide operations.

A new RCA long-range airborne radio system was successfully tested during the dramatic nonstop round-the-world flight by B-52 Stratofortresses of the Strategic Air Command in January, 1957.

Electronic Research

In this era of swift technological progress, research is vitally important as a source of new knowledge, new products, and new services. The scientists of RCA Laboratories achieved outstanding advances during 1957 in basic and applied research.

A new high-speed switching transistor called the "Thyristor" was developed for use in electronic computers and automatic controls. The device is perhaps the closest approach yet to an ideal electronic switch, and is a marked advance over any previous tube and transistor switching devices.

New compound materials were developed which promise to push back the "heat barrier" that now limits performance of transistors and diodes at high temperatures, leading to new compact electronic equipment for military and civilian use.

A high-speed printing system is under development for recording the output of electronic data-processing systems and for potential use in important areas of communications. The system includes a new RCA "thin-window" tube which translates coded information into letters and figures for direct printing on "Electrofax" paper at speeds greater than 100,000 words per minute.

A thin-screen amplifier was developed for brightening x-ray images by 100 times for direct viewing in certain medical applications. The device promises both to facilitate the work of the medical specialist and to reduce exposure of the subject to x-ray radiation.

In addition to these and other specific contributions, RCA's research and engineering organizations are participating in new projects extending the frontiers of science and technology. One of these is the "Model C Stellarator," which RCA and Allis-Chalmers are building. This complex research device is to be used by Princeton University for the Atomic Energy Commission in exploring methods of harnessing for peaceful use the power of the fusion process which takes place in the H-bomb.

The Future

The electronics industry has grown in the past quarter century from virtually no place to fifth place among American industries. Its total volume for 1957 is approximately \$12 billion. We believe it will be double this amount ten years from now. There are four broad fields in which the industry will expand most rapidly:

1. **Color Television.** The practical experience we have gained in our pioneering efforts with color television to date has confirmed our belief that the future growth of television as a profitable business largely depends on color. As we see it, this applies not only to the manufacturing and sales end of the TV business but also to the programming and sponsored advertising of TV broadcasting.

2. **Automatic Systems.** Versatile electronic systems, applied in the fields of data-processing and computing, communication, and automatic control, are becoming increasingly important in defense as we advance into the age of missiles and space exploration. They are also essential to the operation of our complex industrial processes.

3. **Electronic Components.** Electron tubes, electronically-active materials, solid-state components, and transistors will be in growing demand as electronic applications expand. These components are the basic building blocks of home entertainment and appliances, broadcasting and communications, and navigation and guidance systems.

4. **Nuclear Research and Atomic Power.** Electronics supplies instruments and equipment essential to nuclear research and development, as well as the instrumentation and controls needed in applying atomic power to industrial and private use.

As 1957 comes to a close, mankind has taken the first concrete steps in the conquest of outer space. With earth satellites and missiles now realities, electronics and the technology of space propulsion form the keystone of our defense structure. The electronics industry, therefore, faces a vastly expanded role and a new and dramatic

Continued on page 101



David Sarnoff

Continued from page 43

Eisenhower's State of The Union Message

is not the stamina of our enormous engine of production. Our problem is to make sure that we use these vast economic forces confidently and creatively, not only in direct military defense efforts, but likewise in our foreign policy, through such activities as mutual economic aid and foreign trade.

In much the same way, we have tremendous potential resources on other non-military fronts to help in countering the Soviet threat: education, science, research, and, not least, the ideas and principles by which we live. And in all these cases the task ahead is to bring these resources more sharply to bear upon the new tasks of security and peace in a swiftly-changing world.

IV

Eight Items Requiring Action

There are many items in the Administration's program, of a kind frequently included in a State of the Union Message, with which I am not dealing today. They are important to us and to our prosperity. But I am reserving them for treatment in separate communications because of my purpose today of speaking only about matters bearing directly upon our security and peace.

I now place before you an outline of action designed to focus our resources upon the two tasks of security and peace.

In this special category I list eight items requiring action. They are not merely desirable. They are imperative.

1. Defense Reorganization

The first need is to assure ourselves that military organization facilitates rather than hinders the functioning of the military establishment in maintaining the security of the nation.

Since World War II, the purpose of achieving maximum organizational efficiency in a modern defense establishment has several times occasioned action by the Congress and by the Executive.

The advent of revolutionary new devices, bringing with them the problem of overall continental defense, creates new difficulties, reminiscent of those attending the advent of the airplane half a century ago.

Some of the important new weapons which technology has produced do not fit into any existing service pattern. They cut across all services, involve all services, and transcend all services, at every stage from development to operation. In some instances they defy classification according to branch of service.

Unfortunately, the uncertainties resulting from such a situation, and the jurisdictional disputes attending upon it, tend to bewilder and confuse the public and create the impression that service differences are damaging the national interest.

Let us proudly remember that the members of the Armed Forces give their basic allegiance solely to the United States. Of that fact all of us are certain. But pride of service and mistaken zeal in promoting particular doctrine has more than once occasioned the kind of difficulty of which I have just spoken.

I am not attempting today to pass judgment on the charge of harmful service rivalries. But one thing is sure. Whatever they are, America wants them stopped.

Recently I have had under special study the never-ending problem of efficient organization, complicated as it is by new weapons. Soon my own conclusions will be finalized. I shall promptly take such Executive action as is

Continued on page 103

Continued from page 100

challenge. The American electronics industry is equipped and ready to meet this challenge.

We believe that today, America leads the world in electronic research and engineering—in new materials, components and systems. America also holds the No. 1 position in the production of electronic goods for industry—computers, controls, communications and automated devices.

The task before us now is to retain our leadership in electronics and certain other fields of technology, and to regain leadership in those fields where the advantage may have been temporarily lost.

As in other critical periods in recent history, the Radio Corporation of America—a leader in the electronics industry—is prepared with both scientific talent and production facilities to contribute substantially to our national security.

HENRY B. SARGENT

President, American & Foreign Power Company, Inc.

Demand for electric power in Latin America in 1958 is expected to continue the rapid growth of recent years. Any temporary slackening in economic activity which may result from lower commodity prices and reduced



Henry B. Sargent

demand for Latin American exports will have no appreciable effect on the long-term factors of industrialization, population growth and rising living standards which have necessitated continual expansion of electric power supplies. As a result, construction expenditures of the American & Foreign Power Company System, serving 11 Latin American countries, are expected to exceed the approximately \$84 million spent in 1957 for property improvement and expansion. Estimating 1958 construction expenditures at \$100 million, the Foreign Power System, alone, should spend between \$40 to \$50 million on materials and equipment of the United States manufacture. Most of the remainder will be expended for local labor and materials.

The largest portion of Foreign Power's construction expenditures in 1958 will be made in Brazil and Cuba, where the company's most important investments are situated, but construction of additional power facilities will be required in most of the other countries served to keep up with the ever-growing demand. During 1947-1957, expenditures for expansion and improvement of the company's properties totaled about \$500 million, with at least 40%, or \$200 million, of this representing purchases of materials and equipment manufactured in the United States. This, of course, represents only the direct impact of our expansion program on sales of equipment of United States manufacture. The availability of additional supplies of electric power can be expected to result in additional sales of electrical appliances and machinery and equipment for new industries far in excess of our own dollar expenditures for new facilities.

During the next five years, the Foreign Power System expects to spend about \$500 million on construction, or double the annual rate for the previous 10 years. This expansion program, of course, is predicated upon continuing cooperation from the governments of the countries served, particularly in the matter of obtaining adjustments in rates for electric service, where needed, to compensate for rising costs of operation. In some instances, outmoded rate structures will need to be revised so that our associated companies will be able to attract the new investment capital required for their expansion programs.

There is a growing realization, throughout Latin America, that the production and sale of electric power must be placed on a remunerative basis if the industry is to obtain from local and foreign investors the large sums that are continually needed to finance essential construction requirements. Important steps toward this end already have been taken by several countries, and legislation is pending in others which would revise the basis for establishing electric power rates, so that they will reflect the increased costs of producing electricity and of servicing invested capital resulting from inflation and currency depreciation.

A notable development in 1957, and one which holds promise for the future, was the first financing achieved by Foreign Power in many years in U. S. capital markets. This was the sale of \$52.2 million of its debentures, with Metropolitan Life Insurance Company and the Export-Import Bank taking the largest portion and other institutional investors taking smaller amounts. It is hoped that this financing will be the forerunner of increasing participation by private and institutional investors in supplying the large amounts of capital required to meet the needs of the rapidly-expanding electric power industry in Latin America.

Foreign Power and its subsidiaries look forward with confidence to a long period of rapid economic growth for the Latin American countries they serve. We firmly believe that the friendly and progressive nations in that area provide some of the most promising growth opportunities available anywhere for knowledgeable investors who are not disturbed by the occasional and temporary economic and political difficulties affecting individual countries. The experience of the majority of long-term investors in Latin America has been good—particularly those who have secured diversification by spreading their investments over a number of countries. The result is that more than \$7 billion of private U. S. capital is now at work in Latin America, produc-

ing mutual benefits for the investors and for the people of the recipient countries.

ROBERT W. SARNOFF

President, National Broadcasting Company

Network television faces its most important job in 1958 as a moving force in the nation's economy.

The economic uncertainties of the year ahead make it more vital than ever that a high level of production be sustained. And television, with its matchless ability to move goods from factory to consumer, can play a primary role in stimulating sufficient consumer demand to keep the economy strong.



Robert W. Sarnoff

The networks are in good fettle as they approach this assignment. Their power as a national advertising medium is at its greatest. More people are spending more time watching television than ever before—a recent Nielsen survey showed that the average home watched television 7% more than during a corresponding survey period in 1956.

Television also continued its business growth. This growth was made possible by the increased popularity of the programming and a broadening of the network's area of service to advertisers. Clients with institutional objectives, and others needing special exposures to tie in with seasonal marketing campaigns, were among the advertiser groups who increased their use of network television.

A network's product is its programming. And the national audience figures show that the product never had wider popularity. Mary Martin in "Annie Get Your Gun," an NBC color "special," attracted 60,000,000 viewers, 1957's largest audience. The General Motors 50th Anniversary Show on NBC and the Edsel Show on CBS, were other examples of special programs that drew peak audiences. In the week-to-week programming, new high-powered attractions were added to the established favorites—with NBC's "Wagon Train" and ABC's "Maverick" among the season's top newcomers.

The networks have expanded their programming in the educational and cultural areas. Coverage of the year's major news stories—such as the Middle East crisis, integration, the NATO conference, satellites—was swift and thorough. Series like "Project 20," "See It Now," "Twentieth Century" and "Outlook" provided Americans with background and perspective on current events, issues and personalities.

As it begins its second decade, television is already firmly established as a national communications service and as a unique and effective tool for the advertiser. In addition, color television is moving forward. When it hits its full stride, it will spark a fresh cycle of growth for the industry.

Technical developments during the year are other signposts to the industry's future. During the year just ended, NBC announced plans for the era of magnetic video tape. This development, which offers a swift and practical way for the high-quality recording of programs—both in color and black-and-white—will give the medium wider scope and utility and improve still further the service that networks can offer the public and the advertiser.

During the year, a 180-mile link between the United States and Cuba, using the "scatter-propagation" system, went into action as the first permanent over-the-horizon TV inter-connection and sped the day of live exchanges with other lands across the seas.

In terms of new service to the public and advertiser, in terms of new growth at home and abroad, in terms of new technical advances, television can look at 1958 with a sense of confidence and high hope.

Continued on page 102

Glickman
CORPORATION

Louis J. Glickman,

Chairman

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Continued from page 101

WALTER A. SCHLECHTEPresident, Old National Bank in Evansville,
Evansville, Ind.

At the beginning of 1957 nearly all economists and business analysts were predicting a high level of business activity. Their projections have been confirmed—it was a very satisfactory year, in spite of declines in many areas during the last few weeks.

This slowing down in tempo (or mild recession) is fairly evident at the moment and no one can say with certainty how long it will last or how much worse it will get. My guess is that this tapering off process will continue and perhaps cause some headaches—but it has a long way to go before it could be considered disastrous. I do not believe that will happen.

Still, we will have much to reckon with this year and that goes for those of us in the banking field, too. For many years gross earnings of banks have been increasing, and while net earnings have also trended upward the percentage of profit on capital investment has not followed. As a matter of fact, in the past several years net return on total capital investment has constantly declined because operating costs and taxes moved upward as fast or faster than gross revenues. Savings interest and salary costs are two important factors in bank operating costs that are definitely fixed and difficult to reduce. Branch expansion programs, parking facilities, many free services, etc., all have contributed to these higher costs in recent years.

Now with all business indicators pointing downward, there is every reason to believe that there will be some contraction in loan volume, together with lower interest rates and bond yields. Under these circumstances it is not difficult to forecast the probability of lower net earnings.

During 1958 I believe many banks will be in a profit squeeze. Bank managements are faced with a real challenge. Healthy earnings, of course, are of paramount importance to insure a bank's future growth and to give assurance of continuing ability to properly service the commercial requirements of its community. The problems in our business are not insoluble, but there is just no room for complacency. It will not be easy to change our sights rapidly enough to maintain profit margins which, even at best, are much less in the banking business than most other industries. However, there are many things management can do in controlling costs and development of new areas of service—stepping up operating efficiency and utilizing new methods and procedures.

Even though the overall picture is not quite as bright as it has been in recent years, well managed banks that are alert to conditions should be able to develop further opportunities to be of service to more people and successfully meet whatever other challenges may be facing us in the future. The profit line on our operating charts may wiggle from time to time, but certainly no major decline in banking activity or earnings is suggested for 1958.

ARTHUR J. SCHMITT

President, Amphenol Electronics Corporation

Nineteen fifty-eight will be a better year than 1957 for the electronics industry although the improvement will not be immediately apparent. It is my belief that after several months of activity at the present level, electronics sales will turn sharply upward and carry 1958 sales perhaps as high as 15% over 1957.

A major reason for this advance will be the increased government expenditures on missiles, aircraft and associated ground support electronic equipment. It has been estimated that 23% of each defense dollar is now spent on electronics and that this percentage will increase in 1958. As this is written, Federal defense spending in the fiscal 1958-59 year is anticipated to be \$40 billion.

Commercial and industrial use of electronics in automated production equipment and in electronic data processing systems will be other factors in sales growth during 1958. More and more companies are discovering the enormous advantages of automation. Despite high initial costs, savings in labor and greater accuracy of products make automation a worthwhile investment in many industries, including our own electronics industry where there can be no compromises with quality or reliability. Electronic data processing is based on the electronic computer. Sales of this equipment in 1957 were estimated at \$500 million. Sales of \$3 or \$4 billion by 1960 have been predicted by industry sources.

In our own segment of the electronics industry—the manufacture of electronic components—we anticipate a vigorous year! Radically new designs will move out of research and development and into production. My own company plans to market at least a dozen new connector designs of major importance during the coming year. If 1957 was a year of challenge to designers, 1958 will be a year of challenge to production.

Electronics has been America's postwar miracle in-



Walter A. Schlechte

dustry. Its rapid growth rate can't be stopped, even if desired. And as the industry of America's future, its continued expansion is of vital concern to all of us.

MALCOLM A. SCHWEIKER

President, American Encaustic Tiling Company, Inc.

American increased its sales approximately 14% during 1957 over 1956 with a proportionate increase in net profits. This improvement was due to new products, increased advertising, broader sampling, and maintenance of high quality. The increased sales and profits were in the face of lower residential construction, increased wages, material costs and average unit selling prices for 1957 being 5% less than in 1956.

The large increase in the demand for tile in 1955 and 1956 brought new factories into production some of which, however, were not completed until the latter part of 1956 and the beginning of 1957. The additional productive capacity insures the user of ceramic tile that an ample supply is available for prompt delivery to meet current building requirements as well as the increased rate of residential construction expected in the near future to meet the population increase. Notwithstanding the drop in low priced housing construction, it appears that the physical quantity of tile sold in 1957 will be only about 10% below 1956, which was the largest year in the sale of ceramic tile.

American has been operating its manufacturing facilities at full capacity during the latter part of this year and present indications are that this rate of operations will be continued well into the new year.

It appears that 1958 will be a good year for the ceramic tile industry as a whole unless unemployment would increase to a very high point and remain there for an extended period thereby reducing the potential buyers for the purchase of new homes and also slow down hospital and school construction. When final figures are available for 1957 it will probably be found that the ceramic tile industry will have increased its share of the building market. American expects to at least maintain in 1958 its 1957 share of the ceramic tile market.

The current rate of school, hospital construction and the building of homes by owners, has been an important stabilizing factor in the building industry and the entire economy, particularly during the last half of the year. The drop in residential construction has been chiefly in the reduction of the number of units built by large low cost housing builders. The largest markets for the ceramic tile industry are in the school and hospital fields and in homes built by owners.

The potential as well as the actual market for tile is being broadened by decorators and architects by greater use of ceramic tile in the larger homes, in stores, service stations, commercial buildings, food factories, bottling and brewing plants. New hospitals and schools will continue to be an important market for ceramic tile during 1958. Alert architects recognize ceramic tile as an excellent medium for an imaginative contemporary design and as a source of vibrant color for the exterior facings of buildings.

During the period in which the construction of small homes has declined, tile contractors have again turned to promoting renovation work. However, several months usually lapse while the contractor is adjusting to the changing market. It appears that much progress has been made along this line and renovation work has contributed greatly to the improvement of the volume of sales in the entire ceramic tile industry during the latter part of 1957 and is expected to continue in 1958.

JOHN A. SCHOONOVER

President, The Idaho First National Bank, Boise, Idaho

The uncertainty which prevailed regarding the general business outlook several months ago has now changed into a certainty that business is on the way down, and the questions that are being asked are how long this recession will last and the depth that it will reach.

Certainly all of 1958 will be a year of retrenchment and adjustment. The inefficiencies which have grown into our economy, and the careless practices and waste which have become habitual will to a great extent be eliminated in the striving to gain back the position of earnings held in the past years.

In my opinion, this recession will be a bit worse than the one in 1954. The number of unemployed will very likely run in excess of five million persons. We should, however, be commencing to pull out of it in a satisfactory manner by the Spring of 1959. The Federal Reserve Bank will be using all of its available weapons to counter the effects of the recession. Credit will be made more plentiful, short-term rates will be lower, and mortgage money and funds for capital expansion will soon again be actively seeking investment.

Home building—because of some pent-up demand, as well as more liberal mortgage credit—will probably experience a satisfactory year during 1958, having to some degree already undergone its own readjustment.

Big industry, of course, will feel the recession more keenly than others; and perhaps this is understandable,



M. A. Schweiker

because big industry and big labor, with their ruthless rounds of wage and price increases, have been the ones most responsible for this recession by pricing themselves out of the market. Buyer resistance is more dominant now than for many years.

Agriculture, having been forced to abandon wasteful practices several years ago, will go along in a fairly satisfactory manner. This is particularly true of the livestock industry, although dairying and a few other branches of agriculture are doing very well. The farmer is the forgotten man in the American economy. It is disappointing that American big business understands so little of the farm problem, with even a very prominent national newspaper referring to farm adjustment payments as "handouts."

A so-called solution which seems to have gained some popularity of late is a recommendation by some economists that farmers switch to big-scale operations or quit. They certainly have picked an odd time to suggest such a procedure, just when the lines of unemployment in the cities are getting uncomfortably long. Do they want the farmers also to stand in the lines?

How better could they contribute to juvenile delinquency, of which there is so little on small farms where the children have their odd jobs of work to do and where they are kept busy.

All I can say is that if they get sufficient of the farmers into the lines of the unemployed in the cities, the same economists will want them to be sent back to the farms under any conditions.

What the farmers need is fair treatment and to receive appropriate protection in an economy that gives protection to industry, labor, and almost every other segment of business. The farm organizations representing agriculture are largely to blame. They are all pulling in different directions, so how can Congress or the Administration know what the farmers want or should have in the way of equalization.

From January, 1952, until the present time the farm parity ratio has gone down from about 108% to 81%. Does American industry not realize that all farmers—small, as well as large—are their best customers. The farmer is never a hoarder. When he is in the money he spends it for new machinery, new fences, or new buildings, or to fix what he has. The farm depression which started six years ago finally has begun to tell on the operations and profits of industry. The best hope for a quick comeback from the present slide is for the farm organizations to get together on their proposals and to insist that the Department of Agriculture serve the farmers sympathetically and aggressively. Then we will probably not hear any more claptrap about getting farmers off the farm.

Since the Twelfth Federal Reserve District has experienced this recession a bit sooner than other districts, it has been observed by qualified persons that the Twelfth District will probably recover a bit before the nation as a whole.

FRANCIS P. SEARS

Chairman of the Board

The Columbian National Life Insurance Company

It is quite evident that we are now in a period of recession and it is generally thought that there will be at least 4,000,000 unemployed by the end of next February.

With so many unemployed, it is unlikely that wages will increase much except where binding contracts have already been made, but even in those instances, if there is a lesser demand for the goods produced, it is likely that on account of curtailed hours or fewer employees, the total cost of production will not rise. I do not expect that many serious strikes will occur in 1958; for example, with the steel industry operating at only 70% of capacity, a strike might be welcomed as a way of reducing inventories.

This attitude might readily apply to the automobile industry and the depression in the building industry and may well cause the fantastic wage costs there to decline.

I do not expect there will be an increase of \$11 billion in consumers' expenditures in 1958 as predicted by one of our life insurance companies and I feel for the first half of 1958 consumers' expenditures may be less than in the same period in 1957, but I am pleased to note that there has been less borrowing by consumers than in the past two or three years and more savings.

Naturally, I consider the purchase of life insurance is the best type of savings and so I feel confident that the volume of new life insurance produced in 1958 will compare very favorably with 1957. I cannot refrain from pointing out again what I call the "magic of life insurance"—That the investment of \$500.00 in life insurance by an accepted young man at once establishes for him an estate of \$25,000, which can be kept intact for life by such a small annual payment.

I do not expect any increase in business activity during the next few months but I do expect a good increase at least after Labor Day. The Federal Administration will want to make a good showing at the approach of the early November Election Day and can easily cause a big increase in Federal employment and expenditures at that time.

Of course, all our expectations for 1958 assume that there will be no major war during the year. Such a calamity would upset everything, but it is unbelievable that any nation would risk starting it.



Francis P. Sears



John A. Schoonover

Continued on page 103

Continued from page 101

Eisenhower's State of The Union Message

necessary and, in a separate message, I shall present appropriate recommendations to the Congress.

Meanwhile, without anticipating the detailed form that a reorganization should take, I can state its main lines in terms of objectives:

A major purpose of military organization is to achieve real unity in the Defense establishment in all the principal features of military activity. Of all these one of the most important to our nation's security is strategic planning and control. This work must be done under unified direction.

The defense structure must be one which, as a whole, can assume, with top efficiency and without friction, the defense of America. The Defense establishment must therefore plan for a better integration of its defensive resources, particularly with respect to the newer weapons now building and under development. These obviously require full coordination in their development, production and use. Good organization can help assure this coordination.

In recognition of the need for single control in some of our most advanced development projects, the Secretary of Defense has already decided to concentrate into one organization all the anti-missile and satellite technology undertaken within the Department of Defense.

Another requirement of military organization is a clear subordination of the military services to duly constituted civilian authority. This control must be real, not merely on the surface.

Next there must be assurance that an excessive number of compartments in organization will not create costly and confusing compartments in our scientific and industrial effort.

Finally, to end inter-service disputes requires clear organization and decisive central direction, supported by the unstinted cooperation of every individual in the defense establishment, civilian and military.

2. Accelerated Defense Effort

The second major action item is the acceleration of the defense effort in particular areas affected by the fast pace of scientific and technological advance.

Some of the points at which improved and increased effort are most essential are these:

We must have sure warning in case of attack. The improvement of warning equipment is becoming increasingly important as we approach the period when long-range missiles will come into use.

We must protect and disperse our striking forces and increase their readiness for instant reaction. This means more base facilities and stand-by crews.

We must maintain deterrent retaliatory power. This means, among other things, stepped-up long-range missile programs; accelerated programs for other effective missile systems; and, for some years, more advanced aircraft.

We must maintain freedom of the seas. This means nuclear submarines and cruisers; improved anti-submarine weapons; missile ships; and the like.

We must maintain all necessary types of mobile forces to deal with local conflicts, should there be need. This means further improvements in equipment, mobility, tactics and fire power.

Through increases in pay and incentive, we must maintain in the armed forces the skilled manpower modern military forces require.

We must be forward-looking in our research and development to

Continued on page 105

Continued from page 102

THOMAS W. SEFTON

Vice-President, San Diego Trust & Savings Bank, San Diego, Calif.

San Diego County, on the basis of its 1950-1956 population upsurge, is percentage-wise ranked as the fastest-growing metropolitan area in the nation. It recorded a net population increase of 270,300 between April 1, 1950, and July 1, 1956, a larger numerical gain than that reported for any 29 states, including Georgia, Missouri, Connecticut, South Carolina, Oregon and Kansas.

To support its expanding population, the San Diego area is luring new industries in increasing volume, while many manufacturers already located here are enlarging their operations and facilities.

For example, Convair-Astronautics, a unit of General Dynamics Corporation, this year will occupy a \$40 million facility where it will produce the 5,000-mile-range Atlas intercontinental ballistic missile and its scientists will continue working to push back the frontiers of space knowledge. General Atomic, another General Dynamics division, will soon occupy a new \$10 million laboratory facility where it will carry out nuclear research and development projects of an advanced nature, including work aimed at controlling thermonuclear energy for peacetime uses.

These operations are typical of the kind which are attracting some of the world's foremost scientists to San Diego. The projected establishment of a La Jolla branch of the University of California as a scientific school and the construction of a new center for the Systems Division of Daystrom Inc. will add to the community's increasingly scientific character.

While San Diego's manufacturing build-up has been rapid, the period ahead promises even larger gains. The city is setting up a 400-acre industrial park for light manufacturing and warehousing operations. This tract is near the Astronautics facility and a 50-acre research park in which four companies have located since its opening a year ago.

By next summer, this seaport community will have its new \$10 million tenth avenue terminal in full operation. This will be one of the world's most modern and efficient port facilities and will permit continued growth in the utilization of this port by shipping interests around the globe.

The climate of advanced learning in San Diego is challenged for excellence by the truly remarkable climate conditions which bring the area sunshine, and invigoratingly mild and healthful weather the year around.

Little wonder then, more and more outside firms are joining San Diego's happy family of such nationally-known concerns as Solar, Ryan Aeronautical, Rohr Aircraft, Convair, Stromberg-Carlson's Characteron branch, Langley Corporation, San Diego Gas and Electric, National Steel and Shipbuilding, Cohu Electronics, Electro-Instruments, Non-Linear Systems Inc., and Cubic Corp.

While there has been some evidence felt locally of the general readjustment of the economy, this has been more in the nature of a slowing down of the phenomenal growth rate rather than slackening in a static picture. The impact of the increase in defense spending will be felt strongly in this community. The ingress of industry presages well for future diversification of the area.

MERRILL E. SHOUP

President, Holly Sugar Corporation

To make a proper appraisal of the beet sugar industry for 1958, it is necessary to consider the Sugar Act of 1948, as amended. The Act is administered by the United States Department of Agriculture and controls the import volume of sugar, the acreage planted of domestic cane and sugar beets, the sugar sales volume and consumers' prices, so the beet sugar industry is to some extent insulated from general business cycles and trends. In theory, the Sugar Act should have a stabilizing effect which would create neither extreme lows nor peaks of earnings, and this probably would be true if we were operating in a stabilized economy.

Many general business trends do directly and materially affect production costs and the distribution of beet sugar. It is generally accepted as a fact that increased production in the beet sugar industry lowers unit costs, but these economies have reached their limits, insofar as our industry is concerned, since expansion is now curtailed by terms of the Sugar Act to participation in the consumption growth factor for sugar, a helpful but slowly operating phenomenon. The constantly increasing demands by labor for pay hikes, greater fringe benefits and shorter hours have become a real problem to a seasonal industry, and it is apparent that the total government tax take (Federal, State and local) will rise and it is now readily apparent that any hope for tax relief in 1958 is out.

Although the so-called "sound monetary policy" of the government appears to have retarded what could have been a serious inflationary period and possibly increased money supply, we do not anticipate any substantial cut



Thomas W. Sefton

in interest rates, due to the fact that the demand for loanable funds probably will remain strong.

Our industry, again, due to the control of price effected by government, is not as free as are other industries to pass cost increases on to the consumer. Production and sales volume will probably approximate, or even be somewhat greater in 1958 than in 1957. It is my expectation, however, that continuing high, and probably increased, costs, which the industry will probably not be permitted to pass on fully to consumers, plus continuation of depressed by-product returns, will hold profits down in 1958.

HERBERT L. SHUTTLEWORTH, II

President, Mohasco Industries, Inc.

Despite the noticeable decline in business activity in 1957, the carpet and rug industry achieved a total sales volume, both on a yardage and dollar basis, which closely approximated the record levels established in

1956. In 1957 the industry sold 112 million square yards of carpeting valued at \$560,000,000 and in 1956, 112 million square yards valued at \$580,000,000.

While business activity is expected to remain mildly depressed for the year 1958, particularly for the first six months, the carpet and rug industry should continue during 1958 at near the high level of operations experienced in the years 1956 and 1957.

Why, at this time of considerable business uncertainty, is there this favorable outlook for an industry which for many years was considered to be in a decline?

One important reason is the statistical evidence of a continuing improvement in the position of the industry in the last decade. Total annual volume has shown

Continued on page 104



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ROME CABLE

C O R P O R A T I O N



Merrill E. Shoup

Continued from page 103

worthwhile gains both on a yardage and dollar basis, and the per capita consumption of carpets and rugs has shown an encouraging increase, thus, reversing a trend which had continued almost unabatedly since the turn of the century.

Of more importance is the expectation of a continued high level of activity in 1958 in the construction and modernization of homes, in the relocation of families, and in the formation of new family units, coupled with a high level of disposable income. 1958 sales will benefit not only from current strength in these factors but from their past strength as well.

But even more important to its favorable outlook is the industry's continuing effort to increase the overall effective demand for its products. Its advertising is stressing the persuasive functional benefits of carpeting—its warmth, its quietness, its safety, its beauty, its comfort, its ease of maintenance. The development of fundamentally new manufacturing techniques and new materials, the modernization of plant and equipment, and the decentralization of operations are effecting substantial cost savings and making available quality carpeting to a large segment of consumers who previously could not afford it. To the same end, the industry is making available an effective program of consumer installment credit. Its adoption of new man made fibers possessing added quality features, such as soil and stain resistance, is substantially increasing the floor areas where carpet can be effectively used. The creation of new coloring and design effects, new weaves, and textures by the industry is placing added emphasis on carpeting as a decorative medium.

Earningswise, the industry should effect only a slight improvement over its 1957 performance. The promising outlook volumewise, the possibility of a softening in wool prices, and savings from more efficient operating techniques, will be substantially offset by increased competitive forces, particularly those arising from increased foreign imports.

In summary, the outlook for the Carpet and Rug Industry for 1958 is favorable.

JOHN H. SIECKMANN

Chairman of the Board,

Mercantile Trust & Savings Bank, Quincy, Ill.

Corporate dividends flowing to investors in this community will in 1957 slightly exceed the 1956 total.



J. H. Sieckmann

Favorable crop weather in this territory throughout the year, will top the 1956 agricultural income by a slight margin.

Employment remains at a steady level and retail net is expected to compare favorably with 1956, both as to volume and profits.

Consumer debt is still rising and bank deposits, especially savings, remain in an ascending curve.

Recurring world economic shocks and their inherent imponderables, are, in our opinion, a psychological depressant on business sentiment that portends a leveling-off of the national goods and services figure for at least the first half of 1958.

THEODORE H. SILBERT

President, Standard Financial Corporation

Prognostications on the 1958 outlook are generally no sounder than the premises from which they are drawn. Some economists start from capital spending, others start with government spending. But since consumers account for about two-thirds of the Gross National Product, any declines in consumer purchases will be reflected in every business sector.

One of the strong indications of consumer sentiment lies in consumer credit. We know—and anyone who has ever done research in this field knows—that when consumers expect to be worse off, they pay cash. This is true for two out of three cases. Again, consumers expecting less income, usually rush to pay off their obligations. This is also true for two out of three cases. Credit purchasers usually are consumers expecting income increases and business prosperity.

Has there been any indication of a shift from credit to cash buying? There has been some—but very little. The number of consumers who have shifted from credit to cash buying of durables is small compared with the steadily rising number of families using instalment credit to purchase at least one kind of durable.

For every cash buyer of a new car in 1954-55 who had used credit to purchase the car traded in, there were four former cash buyers who shifted to credit. In 1957, the proportion went up to five to one. Other durables—furniture, refrigerators, washing machines—show the same trend.

This trend is significant in evaluating the 1958 outlook, for consumer credit is likely to play a key role in consumer buying in the near-term future.

The capacity of instalment debtors to borrow in order to purchase durables, is in large measure dependent upon their income prospects, and upon the proportion of income not already "committed" to relatively fixed out-



Theodore H. Silbert

lays—such as mortgage payments, rent, life insurance, etc. In the aggregate, this proportion has held close to one-fourth of disposable personal income since 1954, and about the same proportion as in 1939.

The relatively low level of family formation indicated for the years immediately ahead will tend to slow the growth in number of families using instalment debt. But this will be offset by the continued high rate of births and the trends to individual home ownership, suburban living, and other forces which boost pressures for individual ownership of a lengthening list of consumer durables at an early stage in life cycles.

Furthermore, with the growth in nonliquid types of financial saving (home ownership, life insurance, retirement programs, etc.), resources become less accessible, and a larger share of current income is "committed"—so that borrowing to buy big-ticket items may become more general even in the higher income brackets where it is not widely used.

Some observers expect the 1958 model automobiles to be "very attractive merchandise." Furthermore, a substantial portion of the four million consumers who purchased cars on credit in the peak year of sales, 1955, have recently or will shortly complete their payments on the typically 30-month or 36-month auto instalment plan. These factors will provide a strong stimulus to new credit sales of autos and other durables.

The indications so far are that the consumer is still buying strongly. The 1957 retail sales volume was a whopper, and no evidence has appeared to indicate that the consumer will stop or even slow up. If this continues, then 1958 will be a banner year.

HON. H. ALEXANDER SMITH

U. S. Senator from New Jersey

Faced with a record budget in this election year, Congress will be particularly sensitive to demands for economy in government. In fact, to judge by my mail, public concern over federal expenditures has increased,



H. Alexander Smith

rather than diminished, since the orbiting of the Russian Sputniks. People accept the necessity for a larger defense budget in order to strengthen our security against the Russian threat, but they do not want the emergency used as an excuse for relaxing restrictions on federal spending.

Such public interest is natural and proper, for Congress should constantly be reminded of its responsibility to maintain careful scrutiny of the budget and to eliminate waste, inefficiency, duplication and fat of any kind. I am hopeful that an important step toward stricter Congressional control in this area will be taken during this session with the passage of S. 1585, to establish a Joint Committee on the Budget. This bill, which I co-sponsored, stems from a Hoover Commission study which emphasized the need for more thorough review of executive operations as a basis for the decisions of Congress. The measure passed the Senate on April 4, 1957, and is now before the House Rules Committee.

Efforts toward economy in government will of course continue even though there can be no hope of any general reduction in federal spending this year. At the same time, we must never forget that the budget is not merely a sum of money to be extracted from the taxpayers: it represents the implementation of specific programs and policies designed to maintain our national security in the first year of the Sputnik Era. Mindful of this, we must not exercise the "meat-ax" approach which seeks wholesale reductions in appropriations without consideration of the policy determinations which make those funds necessary. This would be false economy of the worst kind. It will cost us dearly in years to come if we do not face up to the inescapable facts of our world situation, which make continuing high-level expenditures for defense and technological advance vital for our security.

A favorite target for the "meat-ax" approach is one in which I am particularly interested: namely, our Mutual Security Program which, at a cost of approximately \$4 billion, would represent about 5% of the contemplated \$74 billion budget. This program is especially necessary now because, with the growing missile standoff between Russia and the West, Soviet emphasis has insidiously shifted to economic penetration and subversion of the underdeveloped countries. This fact is graphically illustrated by the State Department's recently-published figures on Sino-Soviet foreign economic aid, which show that over the past two and a half years Russia and Red China together have supplied a total of \$1.5 billion in aid to Yugoslavia and the nations of Asia and Africa. Over the same period, our aid to the same countries has amounted to a lesser figure: namely, \$900 million.

As President Eisenhower told the NATO Council in December, "The time has now come for an enlarged and cooperative effort to advance the development, trade and well-being of the less developed countries of the world." The President has already outlined the general program needed for this effort. We must maintain and gradually increase our technical assistance program, and we should appropriate the full amount of \$625 million authorized for the long-term Development Loan Fund which Congress established last year. We should also continue the lending authority of the Export-Import

Bank. I strongly urge the extension of the Reciprocal Trade Agreements legislation for another five years. In addition, I believe, we should stimulate the growth of private investment overseas by expanding the economic reporting of our consulates, encouraging favorable attitudes toward foreign investment among the peoples of the underdeveloped countries, and adjusting our tax levels to provide a more reasonable approach to taxation of returns on overseas investments.

Such a program, when coordinated under United States foreign policy, should give us the initiative in the global struggle with Communism by helping the underdeveloped nations to attain a position of strength to resist this new threat of economic penetration. Failure to take such steps through any false standard of economy might relegate us to a perilous position on the sidelines, watching powerless as the Soviets spread their web of economic subversion. Such a position would be inconsistent with the stand we have taken throughout our history for the ideal of freedom, independence and self-determination for all mankind.

It is my conviction that our attitude should be one of positive confidence in the ultimate resources and ability of the American people to uphold this faith.

EDWARD D. SMITH

President, The First National Bank of Atlanta, Atlanta, Ga.

The leveling off of business, which is apparent in other sections of the country, is also being felt in this area, though we believe to some lesser extent. Particularly, the Atlanta trade area is fortunate because of the wide diversification in its industry and commerce. Being widely diversified, the turndown in one industry, or even one group of industries, does not have as heavy an impact on our economy as is the case in many other communities. Strength in one area of business tends to carry Atlanta through periods of weakness in others.

Generally, we expect Atlanta, Ga., and the Southeast to follow the national pattern but with less percentage-wise decline than nationally, in slack times, and with growth, in expanding times, at greater than the nation as a whole. This is because we still lag behind in per capita income—but have been consistently pulling up closer to the national average, a trend which we expect to continue—and because much of our industrial capacity is new and more efficient than that in some other sections of the country.



Edward D. Smith

ELWYN L. SMITH

President, Smith-Corona, Inc.

From all indications, 1957 will do down as another record-making year for the typewriter industry.

For the 10 months of 1957 typewriter sales by U. S. manufacturers totalled 1,257,000 units, of which 715,000 were portable typewriters, 372,000 manually operated office typewriters, and 170,000 electric office typewriters.

On the basis of these figures, we estimate sales for the full year may have totalled as much as 1,550,000 to 1,600,000 units. This would compare with 1956 sales of 1,362,000 which was also a record year for the typewriter industry.

Most dramatic increase of all will be in portable sales. We anticipate that volume reached and perhaps exceeded 950,000 units, which would compare with industry sales in 1956 of 719,000 units, and in 1955 of 579,000 units. The portable industry's performance is truly impressive when you consider that two previous years were also record highs.

The long-range outlook for the typewriter industry is excellent. We believe that the economic problems affecting the nation today are primarily of a temporary nature, and that the latter part of 1958 will see a resumption in the upward trend of our economy.

In the past the sale of business machines has been tied closely to the general state of the economy, and there seems little reason to believe that the situation immediately ahead will differ substantially from the past experience. The market for business typewriters is somewhat lower today than it was at this time last year, and this situation may continue until the middle of the year.

A particularly bright spot in the picture is the strong demand for portable typewriters which we believe will continue in 1958. At present Smith-Corona's portable operations are running at a capacity level and we feel confident that we can continue to operate quite satisfactorily in this field in the period ahead.

The favorable outlook for the portable industry, both short-range and long-range, reflects the fact that the market for portables is essentially a growth market. It is estimated that students in the top grammar grades and at the junior-high, high school, and college levels account for more than half of all portable sales, and this market is expanding rapidly.



Elwyn L. Smith

Continued on page 105

Continued from page 103

Eisenhower's State of The Union Message

anticipate and achieve the unimagined weapons of the future.

With these and other improvements, we intend to assure that our vigilance, power, and technical excellence keep abreast of any realistic threat we face.

3. Mutual Aid

Third: We must continue to strengthen our mutual security efforts.

Most people now realize that our programs of military aid and defense support are an integral part of our own defense effort. If the foundations of the Free World structure were progressively allowed to crumble under the pressure of communist imperialism, the entire house of freedom would be in danger of collapse.

As for the mutual economic assistance program, the benefit to us is threefold. First, the countries receiving this aid become bulwarks against communist encroachment as their military defenses and economies are strengthened. Nations that are conscious of a steady improvement in their industry, education, health and standard of living are not apt to fall prey to the blandishments of communist imperialists.

Second, these countries are helped to reach the point where mutually profitable trade can expand between them and us.

Third, the mutual confidence that comes from working together on constructive projects creates an atmosphere in which real understanding and peace can flourish.

To help bring these multiple benefits, our economic aid effort should be made more effective.

In proposals for future economic aid, I am stressing a greater use of repayable loans, through the Development Loan Fund, through funds generated by sale of surplus farm products, and through the Export-Import Bank.

While some increase in Government funds will be required, it remains our objective to encourage shifting to the use of private capital sources as rapidly as possible.

One great obstacle to the economic aid program in the past has been, not a rational argument against it on the merits, but a catchword: "give-away program."

The real fact is that no investment we make in our own security and peace can pay us greater dividends than necessary amounts of economic aid to friendly nations.

This is no "give-away."

Let's stick to facts!

We cannot afford to have one of our most essential security programs shot down with a slogan!

4. Mutual Trade

Fourth: Both in our national interest, and in the interest of world peace, we must have a five-year extension of the Trade Agreements Act with broadened authority to negotiate.

World trade supports a significant segment of American industry and agriculture. It provides employment for four and one-half million American workers. It helps supply our ever increasing demand for raw materials. It provides the opportunity for American free enterprise to develop on a worldwide scale. It strengthens our friends and increases their desire to be friends. World trade helps to lay the groundwork for peace by making all free nations of the world stronger and more self-reliant.

America is today the world's greatest trading nation. If we use this great asset wisely to meet the expanding demands of the world, we shall not only provide future

Continued on page 107

Continued from page 104

Smith-Corona's leadership position in the portable field will have an important bearing on its future performance, and so will Kleinschmidt Laboratories, a subsidiary of Smith-Corona specializing in the field of printed communications. Kleinschmidt is a prime supplier to the Signal Corps of teleprinters, reperforators, and page printers, currently doing an annual business of about \$14 million. The outlook is for continuation of this level of operations, with some increment likely, reflecting initial efforts to introduce its product lines to the commercial field.

It is our considered view that the immediate period ahead is a time for strengthening research, become more effective marketing-wise, and improving productive facilities and methods. We recognize that maladjustments have occurred in our economy, but we are confident that they can and will be corrected in a reasonable period of time.

FORREST M. SMITH

President, National Bank of Commerce, of San Antonio, San Antonio, Texas

Business in the San Antonio area during the past year has been generally good and the sales volume of Christmas goods, at this writing, has a good chance of reaching a new dollar record. The rains have come, creating good range conditions and the resulting scarcity of livestock for restocking has advanced prices very beneficially. Crops have been only fair, with climatic conditions reducing production of both cotton and other farm products.

While business profits have been generally satisfactory, they are lower in many lines on account of increased operational costs. The earnings of our bank, while good, will not measure up to those of 1956, because of increased expenses, the greater portion of which are represented by higher interest rates paid on public funds and savings deposits. We expect 1958 to be another prosperous year with the volume of business still high but profits possibly not equaling those of 1957.

The Washington authorities, we believe, have done an excellent job in controlling the money supply. While we are of the opinion that money will be more plentiful in 1958, deferred demands for funds will to a large degree use up this supply. While we expect some easing of interest rates in 1958, we do not think they will drop to their former levels anytime in the near future.

W. CORDES SNYDER, JR.

President, Blaw-Knox Company

Let me say at the outset that the management of Blaw-Knox has sound reasons to expect that 1958 will be another good year for the company.

In making this appraisal of our prospects for the coming year, we are mindful of the negative trends in certain areas of the economy and recognize that the demand for some Blaw-Knox products will depend on the rate of activity of particular industries.

On balance, however, our assessment of the total market potential for all of our products lends confidence in a continuing high level of sales for 1958. This confidence is reinforced by the existence of a backlog of unfilled orders at year-end approximating the amount on the books at the end of 1956. We have had no significant cancellations of orders, and our long lead-time business in heavy capital equipment is progressing satisfactorily into its various phases of production.

The markets for Blaw-Knox products fall into four major categories. An examination of prospects in each of these areas may further illuminate our reasons for expecting another good year.

For the metallurgical industries, the outlook is quite good in the field of mill machinery. Here we expect stable operations, supported by a good order book and the continued placement of orders for mills. Strength in demand in this area, we believe, rests chiefly on the cost-conscious efforts of the steel and non-ferrous industries to achieve more efficient production through faster, more flexible mill equipment.

By contrast, the outlook for casting and fabricated products for metallurgical uses must be viewed from shorter-range, since such items tend to be purchased on an as-needed basis. Hence, the tonnage output becomes the principal yardstick for our sales forecast in the steel and non-ferrous industries. While current demand is not as strong as it was a year ago, we believe that the overall market requirements for 1958 will be at a reasonably healthy level.

Another substantial market for Blaw-Knox products is the field of highway, public works, and general construction. Here our prospects have a number of favorable overtones, including a step-up in the pace of the Federal highway program. While this program has been slow in getting off the ground (only about \$330 million was spent in 1957 on the Interstate Highway Network), authoritative estimates place expenditures at about \$1¼ billion for 1958, with gradual increases from



Forrest M. Smith



W. C. Snyder, Jr.

then on. In addition, other road and street expenditures are expected to average \$3.5 billion annually after this year, while airfield construction is forecast at another \$½ billion a year. Blaw-Knox is fully prepared to take advantage of the opportunities in this market.

The chemical, food, and nuclear processing industries comprise a third market for our products and services. Here Blaw-Knox provides both equipment — such as evaporators, gas cleaners, and pressure vessels of all types—and engineering and construction services, including complete design and procurement for plants. While the outlook for such a broad and complex market will naturally have a number of variations, the overall prospects indicate the probability of a net improvement over the company's performance in 1957.

Finally, Blaw-Knox products reach a market comprising the public service, utility, and general industry categories. These include communications equipment, castings for general industry, industrial grating, power piping systems, and power plant accessories. While some of these will be sensitive to the operating rate of particular industries in 1958, we believe that the essential diversity of these lines will provide a stabilizing effect on our operations for the coming year.

In summing up, I can say that Blaw-Knox will face 1958 with an awareness of the hard realities in the economic picture and of the competitive pressures that will place a premium on the best possible cost performance. We face it, nonetheless, with confidence in the company's ability to achieve a good year and with faith in the essential health of the nation's economy.

ROGER P. SONNABEND

President, Hotel Corporation of America

The hotel industry with one of its most successful last quarters under its belt for 1957 and an expected strong first quarter in 1958, should see a mild recession in the second and third quarters of 1958. This will be the same general setback suffered throughout most of our economy during the last part of 1957, but traditionally there is a lag between the general economy and hotel activity.

This lag is accounted for by the fact that slower periods of business cause increased sales and meeting activity which boost hotel revenues, and plans for many functions are usually made well in advance when times are good and carry into poor general business periods. It is during the poorer periods that cutbacks are made for forthcoming months, thus delaying the impact on the hotel business.

The last quarter of 1958 should come back strong, keeping profits for the year at least the equal of 1957. At the same time, throughout 1958 we can look for increased supply costs though the rate of increase should be less than during the past several years.

In the case of HCA, we look forward to continuing steady growth as we have experienced since the company was formed from the old Childs Company in 1956.

The company, as formed in 1956, consists of the Hotel Division, Childs Restaurant Division, Louis Sherry Division, Fred Fear Foods, and Recipe Foods, Inc. Each of these divisions has progressed substantially, but the most dramatic progress has been made in the hotel area. A long-range program of physical improvements has brought each of the properties to peak condition.

Late in 1956, the Hotel Division started an expansion program into the motor hotel field. This program moved into full swing in 1957 with the acquisition of one operating property, starting construction on three others and the announcing of plans for several more. In original estimates, HCA figured to have between five and eight motor hotels in actual operation by the end of 1958. Actually, six will be in full operation by late 1958 and



R. P. Sonnabend

Continued on page 106

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Citizens State Bank Bldg.
CApitol 4-6091

Cable Address: "Dredging," New York

Continued from page 105

four to six other units will be under construction, well ahead of the original schedule. Currently in operation is the Queen City Motel in Bangor, Me., while units under construction include Charterhouse Motor Hotels and Lodges in Kittery, Me., Washington, D. C., Chestnut Hill, Mass., and units due for construction in early 1958 include Annapolis, Md., Portland, Me. and Waltham, Mass.

The highlight of 1957 was the acquisition of the Kenmore and Braemore Hotels in Boston, bringing to seven the number of hotels in the HCA group. Along with the Somerset, HCA now dominates Back Bay Boston hotel and restaurant facilities.

Also during 1957, the Childs Restaurant division was able to record gains through complete modernization of many of its units. Outstanding of its modernization efforts was the complete reorganization of the famous Childs unit on the Boardwalk in Atlantic City from an outdated facility to an up-to-date profitable and attractive restaurant.

Looking to 1958, HCA will aggressively carry forward its plans for the motor hotel field and for expansion of hotel properties. Construction is planned to begin early in 1958 on a \$7 million deluxe hotel in New Orleans' French Quarter. Also, several other well-known hotels in this country are being considered for possible acquisition, and the company will continue with development of plans for a new hotel in London, England.

Hotels presently in HCA's Hotel Division include: Hotel Roosevelt in New York City; The Mayflower in Washington, D. C.; Hotel Cleveland, Cleveland; Edgewater Beach Hotel, Chicago; and the Someret, Kenmore and Braemore in Boston. HCA also owns The Plaza in New York, but this hotel is under lease to the Hilton Hotels Corporation until 1960.

HON. JOHN SPARKMAN

U. S. Senator from Alabama

A look ahead at 1958's economy reveals factors not nearly so favorable as those in force when 1957 opened. Factors tending to darken 1958 economically are:

(1) The continuing farm depression, especially among family-sized farms. There are a few bright spots in the farm picture but farm economists predict another tough year with farm prices averaging about the same as 1957, farm exports falling, farm costs increasing, and farm indebtedness rising.

(2) Small business failures continuing at the highest level since the 1930's.

(3) The housing industry still trying to recover from the slump caused by the Administration's tight money policy.

(4) The highest number of unemployed since the recession of 1953-54.

(5) An all-time high in the cost-of-living index. In spite of these and other danger signals, a depression is not inevitable in my opinion. Economic safeguards instituted in the middle and late 1930's will continue to help stabilize our economy. Bank deposit guarantees, unemployment compensation, social security payments and old age pensions are among these.

Among the later programs which will help stabilize the economy are Federal highway construction, Federal assistance to hospital construction, Federal assistance to National Guard and Armory construction, and Federal aid to waterway development.

In addition rather large national defense spending, somewhat higher than in the immediate preceding years, is anticipated during 1958 and, too, we still have some operative farm support programs.

These combined stabilizing factors could give us an economic upswing in 1958. However, this upswing is possible only if the Administration will take a few necessary, sensible steps:

(1) It is highly important that the Administration loosen its tight money policy.

(2) Vitally important to our future is the establishment of a coordinated and workable program to overtake Russia in scientific development—a program needed for both economic and psychological reasons. This nation must regain the lead, re-establishing confidence at home and abroad.

Much can be done legislatively to prevent any serious slump. Specifically there are a number of ills in the small business field that could largely be eliminated by passage of such legislation as measures to: (1) extend the benefits of rapid depreciation to purchasers of used industrial equipment; (2) liberalize requirements on payment of estate taxes; (3) grant an option to corporations to be taxed as partnerships, provided the corporations do not have more than 10 active stockholders; and (4) provide reasonable sources of credit to small business. I hope such legislation will help slow down the present alarming number of small businesses failing each month.

One of the weakest supports in our economic structure is the way our programs to help the aged have not kept pace with the cost of living. Legislation is needed to fit existing pension programs with payments somewhat more in line with the cost of living.

A better housing program is needed for our aged. With each passing year the proportion of our aged population to the total increases considerably. If we fail to legislate in behalf of the aged, we may see our economic structure begin to crumble.

Briefly, then, I see no real depression in 1958 because of (1) existing economic safeguards, (2) increased defense spending, and (3) the expanding roads program.



Sen. John Sparkman

GEORGE SPATTA

President, Clark Equipment Company



George Spatta

Clark Equipment's business in 1957 will be down somewhat in sales and profit compared to 1956. We expect an increase in 1958 equal to 1956 levels or better. We are generally optimistic.

PHILIP SPORN

President, American Gas and Electric Company

Nineteen hundred fifty-seven continued the record of growth in the electric utility industry despite less favorable developments in the general economic climate. The increase in electric generation over the preceding year was 6% in the first half, 4% in the second half, and 5% for the full year. This, on the whole, is a remarkable performance. Energy sales in 1957 will total approximately 561 billion kwh as against 530 billion kwh in 1956. Of this, residential sales of 147 billion kwh will show an increase of 13 billion kwh, or 10% over 1956 sales, and industrial sales of 285 billion kwh will show an increase of 7 billion kwh, or 2½% over the 1956 figures.

Under these conditions the industry was obviously confronted with no serious problem in meeting all the requirements imposed upon it. As a matter of fact, the reserve margin in 1957 has been close to 22 million kw, or about 20%, with a generating capability at the end of the year of 135 million kw and a December peak demand of 113 million kw.

The outlook for 1958 is somewhat more difficult to project than in recent years because of the unclear state of the 1958 economic climate, but as of the day this is being written, Dec. 31, it would appear reasonable to expect a gross national product in the coming year of \$440 billion as against a probable 1957 figure of about \$435 billion. With this background, the following performance figures can be anticipated: total generation 666 billion kwh, an increase of slightly under 5%; total sales 587 billion kwh, representing the same percentage increase; total peak demand 122 million kw, an increase of 8%; and total capability 151 million kw, an increase of 16 million kw over the 1957 figure of 135 million, or 12%. The latter will be brought about by some of the planned increase in capability in 1957 slipping to 1958, owing to the delays in construction caused by the 1956 steel strike.

This increase in capacity, combined with the smaller growth in demand anticipated in 1958 owing to an expected continuation of the 1957 industrial letdown, will result in the reserve margin coming up to nearly 24%. This will enable the entire industry to be in a better reserve condition than it has been at any time since 1945. This will be reflected in more economical generating results throughout the industry. These increases in efficiency will continue in 1959 and 1960 as the programs of capacity additions under way for these three years are completed and make possible the exploitation of more efficient new capacity. These additions are now scheduled to reach a figure of about 45 million kw, with total electric capacity installed by the end of this period reaching a figure of almost 172 million kw.

The year 1957 saw the completion at Shippingport of the largest commercial atomic reactor in the world, this being a so-called pressurized water reactor with a total electrical output of 60,000 kw. In referring to Shippingport as commercial, it needs to be understood it is commercial in the sense that it is a complete, fully engineered power system installation and that it is capable of operating, as it undoubtedly will, with a high degree of continuity and will supply its full complement of capacity to the system of the utility to which it is connected. It is not commercial in the sense of being competitive with more conventionally generated power.

But Shippingport, as will a number of other reactors to be placed in service in the period 1959-1962 (there are none scheduled to come into service in 1958), represent an important milestone on the long road to bringing about commercially competitive atomic power. The role of atomic power will thus in the years to come continue to be developed, but on a prospective, rather than on the immediate, competitive basis.

The AGE System in 1957 will have had a system input of 23.5 billion kwh for an increase of 4% above 1956, and sales of 21.4 billion for a corresponding increase above the previous year.

While these are typical industry figures, 1958 will show some very unusual increases in load on the AGE System. Thus it now appears that net system input in 1958 will reach a figure of 27 billion kwh for an increase of close to 15%; maximum one-hour peak demand will go 4,800,000 kw for an increase of 21.5%; generating capability will increase to over 5,500,000 kw for an increase of over 20%; and reserve capacity will reach a figure of close to 750,000 kw, up 15%. These increases will be the result of the particularly spirited growth in the residential load and the large increase in demand



Philip Sporn

resulting from the coming into production of the aluminum loads in the Ohio Valley and a number of very significant electro-metallurgical loads in the same general area.

All of the new capacity to be placed in service on the AGE System in 1958 will operate in the general zone of 2,000 pounds per square inch pressure and with temperatures, both initial and reheat, of 1,050 degrees. Unit sizes of boiler-generator combinations will be of the order of 235,000 kw each. In 1959 there will be put into service the considerably larger and more efficient units now being constructed, with a 450,000 kw unit at the Philip Sporn Plant and another similar unit at a new plant location in Sullivan County, Indiana, on the Wabash River, to be known as the Breed Plant.

In the atomic field, it is expected that the AGE System will continue its study and research on reactors and reactor systems through its continued participation as one of the principal members of Nuclear Power Group, Inc., and through its participation on behalf of its three largest companies (Appalachian Electric Power Company, Indiana & Michigan Electric Company, and Ohio Power Company) as a member of the 14-company group known as East Central Nuclear Group, which has recently made a proposal for a new atomic project involving research and development on an advanced natural uranium, heavy water moderated gas cooled reactor. The research and development work on this project is to be carried out by East Central Nuclear Group, and the eventual construction of a prototype will be carried out by Florida West Coast Nuclear Group, a cooperating group in Florida, consisting of Florida Power Corporation and Tampa Electric Company. Assuming the successful carrying forward of the research program, the reactor thus produced should represent, at the time it goes into service, now estimated as some time in mid-1963, the most advanced instrument for the economical generation of electric energy by nuclear fission. If this will still not be competitive, it will be well along the road to becoming so in high-cost fuel areas such as Florida. For the AGE System, located in one of the most productive coal regions of the United States, coal will continue for a long time to be the fuel that will make possible the further expansion and development of the System as one of the most efficient energy supply systems in the United States.

BERYL W. SPRINKLE

Economist, Harris Trust and Savings Bank, Chicago

The economy is currently in the downward phase of a business recession. The recession began several months ago and has gathered momentum in the past few weeks. Inflation is no longer the economic problem of the day.

The current reduced rate of monetary growth suggests the business trend will continue down for at least several more months. The composite behavior of economic data that lead the business cycle also support this conclusion: If monetary policy becomes less restrictive, and if the surplus of the Federal budget is reduced—and both appear likely to occur—we may see an upturn at some point during 1958. As yet, however, these two major stimulants have not begun to operate.

An analysis of potential changes in spending suggests the present recession will be mild. The trend of private spending is somewhat weaker

at present than was true in the 1953-54 downturn, but Government spending is likely to provide greater support than in the previous business dip. The weakest area now appears to be business spending for plant and equipment as well as inventories. Excess capacity of industry plus declining profit margins are bringing downward revisions in plant and equipment outlays and the decline is expected to continue throughout 1958 with a drop of perhaps 10% for the total year. Bank loan trends strongly suggest that inventories are being liquidated at the present time. This liquidation is likely to carry well into 1958, but should not be a depressant throughout all of next year.

In contrast to the 1953-54 trend of Federal spending, which sagged \$13 billion in one year, Federal spending will begin rising in the next few months and is likely to rise moderately throughout much of 1958. State and local outlays will be up perhaps \$3 billion next year. Although the American consumer is presently displaying restraint, total consumer spending in 1958 is expected to edge slightly above 1957 outlays. The strong uptrend in consumer outlays on services will offset declines in purchases of durable goods.

An important stimulant in 1958 will be the trend in residential housing. Vacancy rates are currently quite low, indicating that demand for housing is strong. As more credit becomes available, a significant increase in housing starts will occur. The main factor accounting for the sag in housing starts during the past two years has been the combination of rigid rates on FHA and VA mortgages and the rising trend in interest rates on competing types of investment. As other rates decline, more money will be channeled into home mortgages.

Although unemployment will probably be at a postwar high next year and corporate profits will decline noticeably, it appears probable that 1958 will record the second highest level of economic activity in our history.

Continued on page 107

Continued from page 105

Eisenhower's State of The Union Message

opportunities for our own business, agriculture, and labor, but in the process strengthen our security posture and other prospects for a prosperous, harmonious world.

As President McKinley said, as long ago as 1901:

"Isolation is no longer possible or desirable . . .

The period of exclusiveness is past."

5. Scientific Cooperation With Our Allies

Fifth: It is of the highest importance that the Congress enact the necessary legislation to enable us to exchange appropriate scientific and technical information with friendly countries as part of our effort to achieve effective scientific cooperation.

It is wasteful in the extreme for friendly allies to consume talent and money in solving problems that their friends have already solved—all because of artificial barriers to sharing. We cannot afford to cut ourselves off from the brilliant talents and minds of scientists in friendly countries. The task ahead will be hard enough without handcuffs of our own making.

The groundwork for this kind of cooperation has already been laid in discussions among NATO countries. Promptness in following through with legislation will be the best possible evidence of American unity of purpose in cooperating with our friends.

6. Education and Research

Sixth: In the area of education and research, I recommend a balanced program to improve our resources, involving an investment of about a billion dollars over a four year period. This involves new activities by the Department of Health, Education and Welfare designed principally to encourage improved teaching quality and student opportunities in the interests of national security. It also provides a five-fold increase in sums available to the National Science Foundation for its special activities in stimulating and improving science education.

Scrupulous attention has been paid to maintaining local control of educational policy, spurring the maximum amount of local effort, and to avoiding undue stress on the physical sciences at the expense of other branches of learning.

In the field of research, I am asking for substantial increases in basic research funds, including a doubling of the funds available to the National Science Foundation for this purpose.

But Federal action can do only a part of the job. In both education and research, redoubled exertions will be necessary on the part of all Americans if we are to rise to the demands of our times. This means hard work on the part of state and local governments, private industry, schools and colleges, private organizations and foundations, teachers, parents, and—perhaps most important of all—the student himself, with his bag of books and his homework.

With this kind of all-inclusive campaign, I have no doubt that we can create the intellectual capital we need for the years ahead, invest it in the right places—and do all this, not as regimented pawns, but as free men and women!

7. Spending and Saving

Seventh: To provide for this extra effort for security, we must apply stern tests of priority to other expenditures, both military and civilian.

This extra effort involves, most

Continued on page 109

Continued from page 106

HAROLD E. STASSEN

Special Assistant to President Eisenhower

1958, as I see it, is quite certain to be a year of vigorous world-wide competition between the systems of freedom and the system of communism, without a world war. It will be a year in which the United States will successfully launch highly developed scientific satellites to orbit the earth and send back a wide range of significant reports which will be available to laboratories everywhere. It will be a year in which the United States missile program will demonstrate that it is substantial and effective, and the current tendency to underrate the U. S. military position will be corrected.

On the assumption that the economic dip in the early part of the year will be met with more liberalized credit at somewhat lower interest, overall activity will move upward in the second half of the year and the final quarter will show a higher gross national production than any previous final quarter in time of peace.

If peace is maintained, as I believe it will be under President Eisenhower's leadership, and if some easing of tensions occur, the investment of capital in the less developed countries will likewise move upward in the latter part of the year and the volume of world trade will be high.



Harold E. Stassen

HANS STAUFFER

President, Stauffer Chemical Company

The year 1958 is likely to be a difficult and challenging one for the chemical industry, raising problems of a nature and magnitude not faced by chemical company managements for a good many years.

Present indications are that 1958 will be the most competitive year of the past decade. The pressure on profits will be intensified. Transportation costs will continue to rise; costs for maintenance materials and new plants will be higher; new demands for wage increases seem certain. As a consequence, chemical managements will have to be alert to develop policies to cope with what might be termed the "new" business conditions which will exist.

Actually, it might be more accurate to refer to the present and anticipated business climate as "old" rather than "new." During the first half of the year, at least, there should be a "return to normalcy." A continuance of the boom we have experienced in recent years cannot be expected. Executives must prepare for the kind of challenging business conditions and rugged competition familiar to managements in the past. Continued progress will demand a realistic adaptation to and reshaping of economic and technological circumstances.

In the case of the chemical industry, research can play a vital role in a period of change and transition. Research can provide new processes which are more efficient or are based on different and cheaper raw materials. Research can also provide new products to replace obsolete or highly competitive products—or to establish new product lines which lend stability to sales and earnings. For example, the chemical industry has become more than just a supplier of a few processing chemicals—such as dyestuffs for textiles. It is now a basic producer of the textile fiber, the dyestuffs, the entire components of many fabrics. Chemical research has made comparable strides in the pharmaceutical industry. Chemical makers no longer provide merely a few solvents to extract drugs from herbs or roots; rather, they synthesize the complete medicinal—the antibiotics, the sulfa drugs, the tranquilizers. The same pattern is being followed in the production of metals. Not too long ago, chemical manufacturers supplied only a few special chemicals for metal treatment. Now, especially as far as the new metals such as titanium, zirconium and columbium are concerned, the processing is almost completely chemical, and both the raw materials and the refined metals are products of chemical reactions.

Thus, chemical horizons are still broad and bright. A temporary lull in the pace of plant expansion can be expected. A leveling in the sales curve of some chemicals may be anticipated, and more rugged competition, because of the vastly larger productive facilities now in place, is certain. The chemical industry, and indeed the nation, will have to learn to cope with over-capacity. New opportunities to meet new needs are still before us—for new and better plastics, high energy fuels, more effective medicinals, improved fabrics and many others.

It seems certain that the laurels of history will go to those chemical managements which had the confidence in 1958 to plan for an expanding and dynamic future.



Hans Stauffer

JOHN A. STEEL

President, Pacific National Fire Insurance Company

For the second consecutive year, the fire and casualty insurance industry has suffered critical underwriting losses. The severity and length of this crisis in our business is unprecedented. Consequently, in viewing the coming year it is with a sense of urgency that we consider certain factors.

The largest single cause of our difficulty is the effect of inflation upon our operation. Every phase of our business expense has continued to rise—salaries, loss adjustment, rent, equipment, etc., and most importantly, the cost of replacement or repairs to property and higher awards for personal injuries. These costs to us have risen much faster than our premium charges which are regulated by every state. We must file elaborate statistics based on years of experience before such increases will be granted. The coming year will see concerted efforts to correct the serious rate inequity in our operation—meaning higher premiums for everyone.

The next problem which is not only one of great importance to us but to every American is the continued mass murder on our highways. Again, our rates cannot keep up with the constant rise in death and disability. Far more effective measures must be taken before this frightful toll will be cut. Meanwhile, this economic waste, which was over \$7,000,000,000 in 1957, will cause automobile rates to go ever higher.

Although practically every company in the industry began an intensive drive last year to cut expense and to underwrite on a more conservative base, 1958 will see a complete reappraisal of our business methods. These dark days have shown up more clearly than ever before the need to streamline the whole process of marketing, underwriting and service facilities. Only through such savings can the so-called "old line companies" survive the competition of the "over the counter" writers. There is no doubt that we can find many areas of expense which can be curtailed if we objectively seek it.

A trend which will undoubtedly pick up momentum this year will be the race of the fire and casualty writers to get into the life field; many companies have already purchased life affiliates or have worked out an arrangement of mutual assistance. The reason for this development is a realization that the life industry has had a very stable, profitable growth for decades. It is not subject to the violent changes of the property field. Another factor, undoubtedly, is the recognition that life insurance



John A. Steel

Continued on page 108

UNITED CARBON COMPANY

CRUDE OIL

NATURAL GAS

SYNTHETIC RUBBER

CARBON BLACKS

EXECUTIVE HEADQUARTERS
CHARLESTON, WEST VIRGINIA

SALES OFFICES
NEW YORK · AKRON · CHICAGO · BOSTON · LOS ANGELES · MEMPHIS

Continued from page 107

can be added to the sales kit of fire, casualty, and auto, and that an increased sales potential is thereby available. To protect their present market, several life companies will seek fire and casualty affiliates.

The year 1958 bids fair toward being a most interesting period. Some effect should be felt from higher rates which have been promulgated in various states. This will have to be gauged constantly, however, as recent economic and political developments indicate continued deficit spending and inflation. Final underwriting results for 1958 must be an improvement over the past two years if the industry is to fulfill its role in the economy. Experience in the past two years has led to careful diagnosis of our ills, and our industry should be a more aggressive and efficient group than ever before.

HERMAN W. STEINKRAUS
President, Bridgeport Brass Company

The non-ferrous industry, in which we are active both in the production of copper and brass as well as aluminum mill products such as sheet, rod, tube, and extrusions and wire, has gone through a rather hectic period during the past year and a half.



H. W. Steinkraus

In early 1956 there was an apparent shortage of ingot copper and ingot aluminum. In the case of copper the price skyrocketed until it reached a figure on the London market as high as 55 cents. Aluminum, while its price went up only moderately, became in such short supply that long-term contracts had to be signed in order to get a share of the new production.

By the end of 1957 this picture has changed. As to copper, the price began to tumble in the summer of 1956 and has not yet reached a stable price. Today the American producers are holding at a price of 27 cents

whereas there are sales being made by custom smelters at around 25 cents, and on the London market some sales as low as 22 cents. This lower price has had both good and bad effects. The good effect is naturally that of bringing copper into a range where products made from copper are again in the price range where customers can afford to use brass, bronze and copper. On the other hand, the lack of a stable market still means that hand-to-mouth buying is taking place, and small orders are having to be run over and over again by the mills at much higher costs than normal quantity runs would cost.

In the aluminum field, while ingot prices have gone up, vigorous competition has set in on commercial extrusions, irrigation aluminum tubing, aluminum tubing for furniture, etc., so that many of the smaller companies in the extrusion business are being pretty hard pinched.

We in our company believe that the liquidation of inventories on the part of our customers has gone so far that even though there might be a slight recession in business during the first half of 1958, the necessity of replenishing their inventories may result in a somewhat larger volume of business for us than we have been experiencing in the recent past because it will be necessary for customers to build up inventories again.

The hand-to-mouth buying of the past year or so, when it comes to an end, will mean that the customers will not only have to buy their current needs but build up some inventory as the delivery promises become more stretched out.

My personal belief is that 1958 will be an over-all good year for our business. There has been a great deal of pessimism sounded off recently, but I believe that fundamental factors in our economy are such that we should plan for a good volume of sales in 1958, even though it may not be quite as big as one or two recent peak years.

JACK I. STRAUS

Chairman of the Board, R. H. Macy & Co., Inc.

I would distinguish between the immediate period—the next few months—and the longer-term prospects. The economy appears to be undergoing a period of downward adjustment. Judged by the behavior of retail business, the adjustment has been mild, and we expect it to be of short duration. We expect that retail sales during the first half of 1958, for the country as a whole, will be about even with, or possibly slightly under, last year's sales level. During the latter part of the year, we anticipate that expansionary forces in the economy will again prevail. We foresee a gradual rise over the next several years in disposable income, and thereafter an accelerated rate of increase, based largely on future population increases for the nation. This is important to a large department store organization such as ours having stores in some of the fastest growing areas of the country, such as California, New Jersey, New York.



Jack I. Straus

The past five years or so have been a period of "catching up," for the retail industry, as retail facilities have been expanded to match the increase and geographic movements of the population. I believe that the peak of this catching up phase has been passed for the present, but the continued further growth of population will sustain resumption of active retail expansion. We

have plans for four branch units, to be opened in 1959 and 1960.

The retail trade has always been characterized by intensive competition. Uncomfortable as this may seem at times for retailers, it is a healthy condition for the economy. Faced by new competition, the department store business as a whole is reacting to the challenge and is justifying its reputation for service and reliability which loom increasingly important in the consumer's mind.

HON. ARTHUR E. SUMMERFIELD
Postmaster General of United States

In 1958 the Post Office Department will continue to improve the mail service. We expect to introduce new methods and new machinery to do so as rapidly as funds are available.

We believe the Congress will increase postage rates on first, second, and third class mail in 1958 so that the actual users of the mails will pay more of the costs and the huge losses now approximating \$700,000,000 a year will be reduced.



A. E. Summerfield

NORMAN R. SUTHERLAND

President, Pacific Gas and Electric Company

A comparatively high level of business, despite considerable spottiness, should prevail in 1958 in the northern and central California territory served by Pacific Gas and Electric Company. The prospect of continued large population growth and a moderate increase in personal income are key factors in this outlook.



N. R. Sutherland

The population of the 47-county area in which PG&E provides service is expected to increase by 230,000 persons, an increase of 3.4% over 1957. This growth would make the total population in the area an estimated 6,250,000 persons, about one-third greater than at the time of the 1950 census.

Personal income is expected to reach a record level, up about 4% from 1957. This would be the smallest annual percentage gain since 1954, but it should exceed the percentage gain nationally. Retail sales

and bank debits are expected to record moderate gains in line with the greater level of personal income.

Investment by industry in new plant and equipment is expected to be somewhat smaller than in 1957 but it will continue to be substantial and diversified. Some recovery in residential construction and a backlog of demand for highways and other public works also will have a favorable influence on business in the area. Farm cash income for California as a whole is expected to be nearly \$3 billion.

It is estimated that 53,000 new single-family homes will be built in our service area in 1958. This figure is about 1,000 more than the number of homes built in 1957. Construction of multi-family dwellings is estimated at about 6,500 units. The recovery in housing will not be sufficient to offset the decline of the past two years, however, and the non-residential portion of the construction industry will continue to be the most important influence on lumber production, construction trade employment and related elements of the area's economy.

Pacific Gas and Electric Company will intensify its advertising and sales promotional program in the coming year. The prime objective of the PG&E program is the creation of sales opportunities for local merchants. For 1958 it is aimed at producing sales by local dealers of more than 750,000 gas and electric appliances in 19 major categories, not including small appliances.

The demand for electricity and natural gas is expected to continue to increase. PG&E will spend approximately \$180 million this year for construction of new facilities to serve future demands. This sum, although large, is less than the approximately \$215 million invested in new plant in 1957.

A total of 685,500 kilowatts of new capacity will be completed during the year in five hydroelectric and two steam-electric installations which are under construction. These system additions will push PG&E's total generating capacity over the five million kilowatt mark, to a total of 5,219,000 kilowatts, and will raise the total number of generating plants to 76. Included is the developmental Vallecitos Atomic Power Plant of 5,000 kilowatts capacity which was recently completed.

A major project to be started about March will be the addition of the first of two new 325,000 kilowatt generating units at the existing Pittsburg Power Plant. These units are twice the size of the largest existing units on the PG&E system. They are planned for completion in 1960 and 1961, respectively, and will increase the generating capacity of the plant to 1,310,000 kilowatts. This will be as much power in one station as the entire PG&E system had in 59 hydroelectric and steam-electric plants in prewar 1939.

Work now in progress to expand the capacity of the company's Super Inch main, which transports gas from New Mexico and Texas fields, will be completed, bringing the design capacity of the line up to 950 million cubic feet daily. An application for delivery of an addi-

tional 75 million cubic feet of gas a day to PG&E is pending before the Federal Power Commission.

To help meet growth in gas demand in the decade of the 1960's, PG&E plans a \$330 million, 1,300-mile pipeline from Alberta, Canada, to the San Francisco Bay area. Authorization is being sought in Canada for the export of gas for which a Canadian subsidiary of PG&E already has purchase agreements.

By the end of 1958 the company's post-World War II expenditures for new construction will be approximately \$2 billion, of which more than \$1,300,000,000 will have been financed by the sale of securities. We are making steps through rate increase applications and by other means to insure that our earnings will enable us to continue to compete successfully in the investment market for funds for expansion.

HON. JOHN TABER

U. S. Congressman from New York

I am not a pessimist as far as 1958 is concerned. I believe, from a commercial standpoint, that business and farming are going to have a good year. I recognize that we probably will have a low point in the depression sometime in January or February but after that I expect to see the whole picture improve.

With reference to the Legislative situation, I look for no great amount of new legislation to be considered and adopted by Congress. I would expect that there might be some increase in the provision for research activities in the Armed Services and perhaps for guided missile operations. At the same time I would like to see the Army, Navy and Air Force tighten their belt on the things that do not need to be done and I would not look to see the total requirement for the Armed Services go up as much as the items for guided missiles and research because I believe we will be able to cut down on some of the other things that are not essential.

There has been considerable agitation about the training of scientists. I am not as impressed with the statements that there is a need for a lot more scientists as some people seem to be. For instance, I know of electronic concerns that have had to cut down and reduce their operations and as a result have had to eliminate the employment of a number of their top scientists. These are men with very broad experience and good records. These same people, and there are 40 in one bloc, have been unable to find employment this side of the Rockies.

When these things come to a head, it is going to be necessary for thinking people to look at the whole picture before they make a leap in the dark. Other items that are not absolutely necessary should be left out of the appropriation bills this year and we should try in every possible way to bring that about. We should get rid of the restrictive legislation which prevents Congress from obtaining the information which is needed to put the different Departments of the Government back upon a need basis and I am in hopes that the Congress will realize that that is necessary.

PAUL E. TALIAFERRO

Executive Vice-President,
Sunray Mid-Continent Oil Company

Man-made obstacles pose a graver threat to the oil industry in the coming year and the years ahead than the barriers which nature has placed in the oilman's way. Specifically, some of these man-made problems include



Paul E. Taliaferro

Federal control over natural gas; constant harassment of the industry through governmental investigations; repeated attacks on percentage depletion; threat of restrictive legislation by the government, and the divided front within the industry itself on issues such as oil imports.

Long accustomed to battling the barriers of nature, oilmen still must face such obstacles as the occurrence of oil in out-of-the-way places; the need of drilling wells to much greater depths; the problem of finding and developing oil in advance of actual need; and the high cost of carrying this reserve producing capacity.

Despite these natural and man-made obstacles, the industry should enjoy a continued growth in the years ahead as a result of forthcoming patterns in the American economic and social scene.

Population increase alone will play a vital role in the industry's growth since our markets will increase accordingly. Population-wise, our nation is adding nine cities the size of Tulsa each year.

Also, the multi-billion dollar highway construction programs, the development of suburban areas with their shopping centers, and the staggering increase in the number of automobiles are other spurs to the industry. Moreover, oil companies are developing more uses for oil products in such areas as petrochemicals.

A requisite of this continued growth is a continuous flow of risk capital. This risk capital will require capital recovered through depreciation and depletion, retained net income after taxes and dividends, and the balance from stocks, bonds or loans.

Continued on page 110

Continued from page 107

State of the Union Message

immediately, the need for a supplemental defense appropriation of \$1.3 billion for fiscal year 1958.

In the 1959 budget, increased expenditures for missiles, nuclear ships, atomic energy, research and development, science and education, a special contingency fund to deal with possible new technological discoveries, and increases in pay and incentives to obtain and retain competent manpower add up to a total increase over the comparable figures in the 1957 budget of about \$4 billion.

I believe that, in spite of these necessary increases, we should strive to finance the 1959 security effort out of expected revenues. While we now believe that expected revenues and expenditures will roughly balance, our real purpose will be to achieve adequate security, but always with the utmost regard for efficiency and careful management.

This purpose will require the cooperation of Congress in making careful analysis of estimates presented, reducing expenditure on less essential military programs and installations, postponing some new civilian programs, transferring some to the states, and curtailing or eliminating others.

Such related matters as the national debt ceiling and tax revenues will be dealt with in later messages.

8. Works of Peace

My last call for action is not primarily addressed to the Congress and people of the United States. Rather, it is a message from the people of the United States to all other peoples, especially those of the Soviet Union. This is the spirit of what we would like to say:

"In the last analysis, there is only one solution to the grim problems that lie ahead. The world must stop the present plunge toward more and more destructive weapons of war, and turn the corner that will start our steps firmly on the path toward lasting peace.

"Our greatest hope for success lies in a universal fact: the people of the world, as people, have always wanted peace and want peace now.

"The problem, then, is to find a way of translating this universal desire into action.

"This will require more than words of peace. It requires works of peace."

Now, may I try to give you some concrete examples of the kind of works of peace that might make a beginning in the new direction.

For a start our people should learn to know each other better. Recent negotiations in Washington have provided a basis in principle for greater freedom of communication and exchange of people. I urge the Soviet government to cooperate in turning principle into practice by prompt and tangible actions that will break down the unnatural barriers that have blocked the flow of thought and understanding between our people.

Another kind of work of peace is cooperation on projects of human welfare. For example, we now have it within our power to eradicate from the face of the earth that age-old scourge of mankind: malaria. We are embarking with other nations in an all-out five-year campaign to blot out this curse forever. We invite the Soviets to join with us in this great work of humanity.

Indeed, we would be willing to pool our efforts with the Soviets in other campaigns against the diseases that are the common enemy of all mortals—such as cancer and heart disease.

If people can get together on such projects, is it not possible

that we could then go on to a full-scale cooperative program of Science for Peace?

We have as a guide and inspiration the success of our Atoms-for-Peace proposal, which in only a few years, under United Nations auspices, became a reality in the International Atomic Energy Agency.

A program of Science for Peace might provide a means of funneling into one place the results of research from scientists everywhere and from there making it available to all parts of the world.

There is almost no limit to the human betterment that could result from such cooperation. Hunger and disease could increasingly be driven from the earth. The age-old dream of a good life for all could, at long last, be translated into reality.

But of all the works of peace, none is more needed now than a real first step toward disarmament.

Last August the United Nations General Assembly, by an overwhelming vote, approved a disarmament plan that we and our allies sincerely believed to be fair and practical. The Soviets have rejected both the plan, and the negotiating procedure set up by the United Nations. As a result, negotiation on this supremely important issue is now at a standstill.

But the world cannot afford to stand still on disarmament! We must never give up the search for a basis of agreement.

Our allies from time to time develop differing ideas on how to proceed. We must concert these convictions among ourselves. Thereafter, any reasonable proposal that holds promise for disarmament and reduction of tension must be heard, discussed, and, if possible, negotiated.

But a disarmament proposal, to hold real promise, must at the minimum have one feature: reliable means to ensure compliance by all. It takes actions and demonstrated integrity on both sides to create and sustain confidence. And confidence in a genuine disarmament agreement is vital, not only to the signers of the agreement, but also to the millions of people all over the world who are weary of tensions and armaments.

I say once more, to all peoples, that we will always go the extra mile with anyone on earth if it will bring us nearer a genuine peace.

Conclusion

These, then, are the ways in which we must funnel our energies more efficiently into the task of advancing security and peace.

These actions demand and expect two things of the American people: sacrifice, and a high degree of understanding. For sacrifice to be effective it must be intelligent. Sacrifice must be made for the right purpose and in the right place—even if that place happens to come close to home!

After all, it is no good demanding sacrifice in general terms one day, and the next day, for local reasons, opposing the elimination of some unneeded Federal facility.

It is pointless to condemn Federal spending in general, and the next moment condemn just as strongly an effort to reduce the particular Federal grant that touches one's own interest.

And it makes no sense whatever to spend additional billions on military strength to deter a potential danger, and then, by cutting aid and trade programs, let the world succumb to a present danger in economic guise.

My friends of the Congress: the world is waiting to see how wisely and decisively a free representative government will now act.

I believe that this Congress

possesses and will display the wisdom promptly to do its part in translating into law the actions demanded by our nation's interests. But, to make law effective, our kind of government needs the full voluntary support of millions of Americans for these actions.

I am fully confident that the response of the Congress and of the American people will make this time of test a time of honor. Mankind then will see more clearly than ever that the future belongs, not to the concept of the regimented atheistic state, but to the people—the God-fearing, peace-loving people of all the world.

DWIGHT D. EISENHOWER
THE WHITE HOUSE,
January 9, 1958.

Phila. Bond Club To Elect Officers

PHILADELPHIA, Pa.—The Annual Meeting of The Bond Club of Philadelphia will be held on Thursday, Jan. 16, 1958, at The



Bertram M. Wilde W. W. Keen Butcher

Barclay Hotel, Philadelphia. The Annual Meeting, at which time election of officers for the ensuing year will take place, will be followed by dinner.

Robert G. Rowe, Stroud & Company, Incorporated, Chairman of the Nominating Committee, has announced the following slate of officers:

President: W. W. Keen Butcher, Butcher & Sherrerd.

Vice-President: Bertram Wilde, Janney, Dulles & Battles, Inc.

Treasurer: Edward B. Stokes, Elkins, Morris, Stokes & Co.

Secretary: Warren H. Bodman, DeHaven & Townsend, Crouter & Bodine.

Governors: Harold F. Scattergood, Boenning & Co. (3 years); Stanley A. Russell, Jr., Blyth & Co. (3 years); George L. Morris, Hornblower & Weeks (1 year).

Form Sterling Securities

Sterling Securities Corp. has been formed with offices at 130 West 42nd Street, New York City, to engage in a securities business. Officers are Sheldon Langer, President, and Emanuel Mann, Secretary-Treasurer.

With J. F. Jordan Co.

(Special to THE FINANCIAL CHRONICLE)
BOSTON, Mass.—Mary C. Rickertson has joined the staff of J. F. Jordan & Co., 131 State Street.

Joins Robert C. Kerr

(Special to THE FINANCIAL CHRONICLE)
INDIAN ORCHARD, Mass.—Carl D. Lawton is now with Robert C. Kerr & Co., 103 Essex Street. He was formerly with Charles A. Day & Co. Inc.

Edward D. Jones Adds

(Special to THE FINANCIAL CHRONICLE)
ST. LOUIS, Mo.—Brian W. Berglund has become associated with Edward D. Jones & Co., 300 North Fourth Street, members of the New York and Midwest Stock Exchanges.

Robert F. Bell Opens

(Special to THE FINANCIAL CHRONICLE)
MIAMI, Fla.—Robert F. Bell is conducting a securities business from offices at 453 Brickell Ave.

Commonwealth Edison Bonds Offered by First Boston Group

The First Boston Corporation and associates made public offering on Jan. 15 of \$50,000,000 Commonwealth Edison Company 3 7/8% sinking fund debentures, due Jan. 1, 2008, at a price of 101% to yield 3.83% to maturity. The group was awarded the issue at competitive bidding on Jan. 14 at 100.26 for the indicated coupon.

Net proceeds from the sale of the new debentures will be added to working capital for ultimate application toward the cost of gross additions to the electric utility properties of the company and its subsidiaries. The construction program for the period 1958-61, as now scheduled, calls for the expenditures of approximately \$600,000,000 for property additions. By years, it is expected that such additions would be divided as follows: 1958, \$170,000,000; 1959, \$135,000,000; 1960, \$145,000,000; and 1961, \$150,000,000.

Other than for sinking fund purposes, the new debentures are not redeemable prior to Jan. 1, 1963 through refunding with an interest cost to the company less than that of the current issue. Otherwise they are redeemable at the option of the company at general redemption prices ranging from 104.88% for those redeemed prior to July 1, 1959, to 100.10%

for those redeemed on or after July 1, 2007; and at sinking fund redemption prices ranging from 101.02% for those redeemed prior to July 1, 1959, to 100.03% for those redeemed on or after July 1, 2007.

Douglas Bark Co. Formed

(Special to THE FINANCIAL CHRONICLE)
LAKELAND, Fla.—Douglas E. Bark is engaging in a securities business from offices at 1118 East Palmetto Street under the firm name of Douglas E. Bark & Company.

Donald M. Boris Opens

BROOKLYN, N. Y.—Donald M. Boris is engaging in a securities business from offices at 1754 West First Street.

Two With Estabrook

(Special to THE FINANCIAL CHRONICLE)
BOSTON, Mass.—Arthur Goddardian Jr. and William J. Kitchel have become associated with Estabrook & Co., 15 State Street, members of the New York and Boston Stock Exchanges. Mr. Kitchel was formerly with Goodbody & Co.

Joins Wm. B. Milius

(Special to THE FINANCIAL CHRONICLE)
CLAYTON, Mo.—Dennis C. Dunaway has joined the staff of William B. Milius & Company, 102 South Meramec.

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Continued from page 108

WILLIAM T. TAYOR
Chairman of the Board, and
JAMES F. CLARK

President, ACF Industries, Incorporated

Last year at this time we said that our fiscal year ending April 30, 1957 would prove to be one of ACF's best years. It was. Today evidence indicates that our current fiscal year will come very close to equalling it.



William T. Taylor



James F. Clark

Beyond that it is difficult to make a prediction because of uncertainties concerning the railroad industry.

The six-month period ending this past Oct. 31—the first half of our fiscal year—was exceptional in ACF history. Net sales and services of \$167,344,000, and combined net earnings of \$5,361,000 after taxes (the equivalent to \$3.78 per common share) were higher than the corresponding figure for any previous period except war years. Of the combined net earnings, \$437,000 or 31 cents a share, was accounted for by the SHPX group of wholly owned subsidiaries.

However, these figures should not be projected into the second half of our fiscal year because the current low level of railroad equipment orders will be reflected in the last half, and particularly in the last quarter.

Our non-railroad business continues to grow. We will mention only two examples. Our W-K-M division, a leader in the manufacture of valves and fittings for oil wells and oil and gas pipelines, recently added three important new items to its product list and expects 1958 to be its best year. Our Nuclear Products-Erco division, already the world's leading manufacturer of commercial research and test reactors as measured by thermal kilowatt output, was selected recently to design a gas-cooled, natural uranium power reactor under a contract awarded to Kaiser Engineers by the Atomic Energy Commission.

JOHN K. THOMPSON

Chairman of the Board, Union Commerce Bank,
Cleveland, Ohio

The year 1957 was a good year for business in general and for banking. Business was good during the first three quarters of 1957, but there was a general let-up in the fourth quarter. In November the Federal Reserve



John K. Thompson

Banks reduced their discount rates from 3½% to 3%, representing a recognition by the Federal Reserve Board of a change in the inflationary trend and in the economic situation.

Our 1957 Gross National Product was about 5% larger than in 1956. Total personal income was also about 5% larger than in 1956, and profits in most businesses were close to those of the year before. The Federal Reserve Board Index of Industrial Production was running ahead of the previous year until the decline in the last quarter, and most companies in the last quarter pursued a cautious buying and inventory policy. The failure of business to improve after Labor Day, together with the Russian progress in satellite development and the President's illness, had a serious psychological effect on the thinking of many people.

We are going into the year 1958 with some pessimistic feelings about where we go from here, business-wise, defense-wise and Federal budget-wise.

I believe that business in the first half of 1958 will not be as good as it was in the first half of 1957, but that the long-term trend will be good and that the general economy will move upward again starting in the latter part of 1958.

The banking business had a good year in 1957. There will probably be a slight lessening in loan demand in 1958, which may have the effect of slightly reducing interest rates. The change in thinking about the economic trend and the Federal Reserve Board's reduction in the discount rate in the middle of November have already resulted in substantial reductions in yields on government bonds and good corporate and municipal bond issues.

To summarize, I think that 1958 will be a year of readjustment or catching up, but still a good business year and that the long-term trend for the economy is good. I think that bank earnings in 1958 should also be good.

CHARLES A. TAYLOR

President, The Life Insurance Company of Virginia

Seeing already signs of recession in many lines of business and believing, as I must, the economists' prediction of a slow-down during the early part of 1958 to be followed by an up-turn the later part of the year, another record breaking sales year for life insurance is hardly to be expected.



Charles A. Taylor

I believe, however, that the recession will bear more heavily on corporate profits than on personal incomes and for that reason I would expect a greater reduction in sales of Group Insurance than of individual policies. The level of personal income should hold fairly steady and there will be many new families and many new homes requiring life insurance protection, to say nothing of many other unfilled needs for protection. I expect, therefore, sales of individual life insurance policies in 1958 to be at a high but not record

breaking level.

The recent substantial reduction in bond yields would indicate that investment opportunities will not be as favorable as in 1957, but the full effect of investments made last year plus commitments carried over, as well as mortgage opportunities and the still not too bad rate on corporate bonds add up to a very good investment year for life insurance companies.

Perhaps a slight slackening of sales and some relief from inflationary pressures may make it a little easier to control operating expenses. Altogether my estimate of the year 1958 is that it should be a good one for the life insurance business.

GEORGE F. THURBER

Chairman, The Second National Bank of Nashua,
Nashua, N. H.

The outlook for banking and business is more uncertain for 1958 than it has been for many years. While most economists agree that there will be a slight decline in business during the first half of 1958 and a recovery in the second half, there is no evidence at hand which would indicate that industrial activity will pick up after the first six months. Optimistic hopes are based on expectations of greatly increased defense spending, large non-defense spending, and aggressive efforts to ease credit. While the efforts of the government and its agencies should minimize the decline, we look for a recession greater than those experienced during 1949 and 1954.



Geo. F. Thurber

Excessive productive capacity in industry will lead to intense competition and lower prices and profits. The trend toward mergers will accelerate. Major labor disturbances appear to be in the offing which will lead to higher costs.

The year 1957 proved profitable for banking because demands for funds were much greater than the supply of funds, resulting in a very rapid increase in interest rates throughout the year. Although the reduction in the rediscount rate by the Federal Reserve System during November had the effect of reducing sharply the interest rates prevailing on investments, it had little effect on rates for loans. Consequently, the earnings picture for most banks increased approximately 10% for the year.

In appraising the outlook for banking during 1958, one of the most important questions is: "What will be the policy of the Federal Reserve System toward interest rates?"

Because the Federal Reserve System reduced the rediscount rate, many have interpreted the action as the beginning of a period of "active ease." This reasoning does not jibe with the past performance of and statements by the Federal Reserve System, which has been noted for its courage and honesty. The rediscount rate was reduced because a psychological lift was necessary. Bond and stock prices were declining rapidly and bond dealers' shelves were congested with unsold issues at a time when a large government refunding was imminent. Bond prices turned up sharply, based on what investors expect the Federal Reserve System will do to ease credit, rather than on what has happened. Action, to date, by the Federal Reserve System does not indicate "active ease."

Demand for funds by industrial corporations will decline, but will continue at high levels for public utilities and governmental units. The Federal Reserve System will not be aggressive in easing credit by further reductions of the rediscount rate or by its open market operations; but to assist the government in its heavy refunding programs, there will be temporary assistance. Reserve requirements may be reduced to remedy an outmoded system which has not been fair nor equitable.

We may conclude that the outlook for banking in 1958 is for higher gross profits, lower net operating profits, lower deposits, larger bond profits and an increase in loan problems. Competition will be greater between banks and with mutual savings banks and savings and loan associations. Efforts toward achieving tax equality will receive considerable attention in banking circles as well as by state and Federal legislative bodies.

NORMAN TISHMAN

President, Tishman Realty & Construction Co., Inc.

Despite the temporary readjustment that has been forecast for some manufacturing industries in 1958, the demand for modern and adequate office space still continues at high pitch.



Norman Tishman

The reasons for this are the continuing shortage of modern office space, the changing concepts of office needs on the part of business firms, and the long-term nature of building projects.

Many people, in looking at the office building boom of the last decade, tend to think of it purely as a phenomenon of the postwar inflation. What they fail to realize is that this building boom has been in response to a basic economic need, that it rests on a much sounder financial basis than did the boom of the 1920's and that the new buildings themselves are providing a completely new and desirable environment for business firms and their employees.

In the 15 years before 1946, there was virtually no new office construction in the United States. It can be seen, therefore, that the building boom of the last decade, during which time the Gross National Product has more than doubled, represents nothing more than a partial correction of the chronic long-term shortage. Even now, despite all of the new buildings that have been completed, office vacancies for both new and old buildings are still less than 1% nationally, and there are many companies which are currently negotiating for new office space as it becomes available. In this connection, it must be remembered also that prewar buildings, the majority of which date back to the 1920's are increasingly being subject to obsolescence, thereby increasing the demand for new office buildings.

Considering the fact that it takes a minimum of several years between the time a skyscraper is first conceived and it is finally completed, it can be seen that construction activity is not deeply affected by temporary swings in business activity. At the same time, since business firms contract for office space usually on a 15 to 20 year basis, it is understandable that these companies are taking a long-range view of their requirements and their future prospects.

The simple fact is that the present office building boom is nothing more than a reflection of our nation's long-term economic growth.

Despite the present temporary pause in industrial activity, there is no question that the nation's long-term trend is for continued growth and expansion. There are many reasons for this, including the remarkable growth in our population currently taking place and the large and growing number of new products resulting from industrial research. The new and improved products emerging from the research laboratories will not only increase our nation's standard of living but also serve to increase our gross national product substantially over present levels.

With our country headed for new heights of industrial production, business activity and employment over the long-term future, the over-all demand for modern office buildings should continue despite any temporary lull in the immediate future.

ALFRED TREDWELL, JR.

President, Sharon Steel Corporation

Despite the spottiness of steel purchasing today, we believe that 1958 can be a good year. For one thing, it would appear that Gross National Product in 1958 should be in the neighborhood of \$450 billion, a gain of about \$13 billion over 1957. Industry reports indicate that while business capital expenditures will be off \$3 billion from 1947, home buying could increase by \$1 billion, consumer expenditures by \$11 billion, and government spending could increase by \$5 billion as a result of our effort to expedite the missiles and aircraft programs.



A. M. Tredwell, Jr.

The fact that loans may be easier to obtain in 1958 should encourage industry to undertake many needed projects that were deferred for many reasons during 1957.

There is no question but that we are sweating out a business adjustment. It seems to me that no basis exists for us to question the soundness of our economy. The country needs too many things to push the panic button at this time.

During the third and fourth quarters of 1957 the specialty steel business has been quite spotty. There are, however, indications that we can expect some improvement in the first half of 1958 and a further increase in the second half. There will probably be some hesitation in purchasing during the early part of the year; many manufacturers have inventories to work off, others are waiting to see what their competition will do in the early part of the year. Our own probings indicate that a number of our customers have let their steel inventories reach a dangerously low level.

Performance of the automotive industry, which is a barometer for specialty products, is not too discouraging. Shipments in auto steel in the first ten months of 1957 show a decided gain over 1956. The shipments in Oc-

Continued on page 111

G. W. Jackson V.-P. Of Growth Industry

CHICAGO, Ill.—Carl W. Jackson has been elected a vice-president and director of Growth In-



Carl W. Jackson

dustry Shares, Inc., 6 North Michigan Avenue. Mr. Jackson was formerly with William Blair & Company and in the past was with Harris, Hall & Co. for 16 years.

Inter-County Title Announces Opening Of Cleveland Branch

Thomas H. Quinn, President of Inter-County Title Guaranty and Mortgage Company, announces the opening of the company's sixteenth branch office, at 1226 Ontario Street, Cleveland, Ohio. Fifteen other offices are maintained in New York, New Jersey, Connecticut and Ohio, the home office of the company being located at 111 Broadway, New York City, New York.

The Cleveland office is the third in Ohio, two others having been located in Columbus and Dayton since 1956.

James E. Nemecek, Jr., Assistant Vice-President, will be manager of the Cleveland office, with Jack W. Nemecek as Assistant Secretary in charge of public relations.

A. S. E. 5 & 20 Club to Hold Annual Meeting

The American Stock Exchange Five and Twenty Club, an organization composed of 173 ASE brokers who have been members for 25 years or longer, will hold its annual meeting, induction of ten new members and election of officers on Thursday, Jan. 16, in the Cafe Nino, New York City, it was announced by Harold J. Brown, Club President.

Listed for induction are James F. Byrne, Jr., Harold F. Driscoll, John Farrell, Frank A. Jacobi, Walter L. Johnston, Harry J. Lipman, John J. Mann, Joseph G. McManus, Donald C. Portser, Jr. and Alexander Reich.

The slate, offered by the nominating committee lists Leonard C. Greene, President; George J. Bernhardt, Vice-President; Jacob Feinstein, Treasurer and Raymond A. Bau, Secretary.

With Ill. Mid Continent

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Harley M. Hanson and Frank A. Zimmerman have become affiliated with Illinois Mid Continent Investment Co., 676 St. Clair Street.

Form K. Sanderson Co.

ARLINGTON, Va.—Kilgore Sanderson & Company has been formed with offices at 2116 Wilson Boulevard to engage in a securities business. Lucille K. Sanderson is a principal of the firm.

James F. Magurno Opens

(Special to THE FINANCIAL CHRONICLE)

CLEARWATER, Fla.—James F. Magurno is engaging in a securities business from offices at 601 Court Street.

Continued from page 110

tober 1957, are reported at 1.4 million tons, or an increase of 70,000 tons over the same month in 1956. While it is true there has been a slump in the latter part of December, it seems to me that many of us in the steel industry have inventory adjustment problems of our own. It is particularly difficult to keep an integrated steel operation in perfect balance.

Manufacturers steel inventories have a way of disappearing almost over night and because of other factors in the economic picture, it is our belief that steel production will improve as we get into 1958. In our projection, we are setting up 116 million tons as an industry target as compared to 114 to 115 million tons in 1957.

Our market studies indicate that there should be ample business for those who have the will and ingenuity to go after it. There is every evidence that American business, by and large, possesses these qualities. We, at Sharon, expect to ring more door bells and to work harder producing the quality required in this modern jet age.

MILTON TOOTLE, SR.

President, The Tootle National Bank, Saint Joseph, Mo.

St. Joseph's trade area, particularly in the banking field, covers a large part of Kansas, Nebraska, Southwest Iowa and Northwest Missouri.

Our traveling representative has just returned from this trade area, talking to many bankers concerning local conditions and prospects for the new year. His report, together with our own thinking in the matter, indicates a greatly improved condition in the agricultural situation. This trade area was blessed with sufficient rainfall, crop results were above expectations and fall plantings of wheat look very good indeed.

Most feeders we deal with have been conservative in their livestock operations in 1957, profits have been satisfactory and there is an abundance of cheap feed on hand to start the 1958 program. It would appear live stock prices for 1958 will be as good if not better than in 1957.

We are correspondents for some 200 banks and they are in excellent condition; loan ratios are satisfactory with ample room for expansion.

There is a feeling of optimism with a majority of the people to whom we talk, and we are looking forward to 1958 with confidence.



Milton Tootle

WALTER J. TUOHY

President, The Chesapeake and Ohio Railway Company

The Chesapeake and Ohio Railway believes that the regions it serves are heading into their greatest era of industry and prosperity.

Our new \$8.3 million bulk materials handling pier at Newport News, Va., under construction for over two years, started full operation in December. It is designed for rapid handling of chrome, manganese, iron and bauxite ores and other bulk materials and illustrates the wide variety of imports at this great strategic tidewater port.

Another new C&O facility at Newport News is the additional coal dumping tower on Pier 15 which was dedicated for our shareowners at the Annual Meeting in April. And a third new coal pier is being designed to keep pace with the continuing upsurge of export coal. Coal moving abroad over C&O piers in 1957 was up one-sixth over the year-before record of 20 million tons.

There are many significant industrial developments in this booming region of Virginia. The new \$35 million refinery of the American Oil Company near Yorktown is one of the greatest in the country. Nearby, the Virginia Electric and Power Company is building a huge electric generating plant. As new plants are established, satellite plants spring up in this mushrooming area.

C&O is starting a \$1.4 million industrial track to a new plant planned by Union Carbide near Charleston, W. Va. This plant, announced in June for completion by 1960, is the largest new plant ever to be located on the C&O system.

The whole Ohio Valley represents an industrial complex that now dwarfs the long-famed Ruhr and is truly the backbone of our nation's mighty economy. C&O stake here is large, too. At Russell, Ky., a new \$5.5 million push-button classification yard sorts cars of high-speed manifest freight trains for shipments all over the United States.

Huntington, W. Va., and Lexington, Ky., are becoming prominent as storage and distribution centers for manufactured products. Rails stream out from these centers in all directions. At Siloam, Ky., Preston Oil Company is building a large fractionation plant that will further broaden the powerful diversity of industries in this area. And at Huntington on Nov. 26, Pillsbury Mills, Inc.

opened a new distribution center that will give C&O 3,000 to 4,000 cars a year in additional freight business.

A short time ago railroad officials made an inspection trip over the entire system and reported that the property is in excellent condition so that even if we should be heading toward some temporary difficulties on the national economic scene, C&O could weather the storm easily and triumphantly.

NORFLEET TURNER

President, The First National Bank of Memphis, Memphis, Tenn.

I believe 1958 will be one of readjustment for all industry as well as the banking field.

Coincidentally with the tremendous increase in operating expenses, salary and otherwise, experienced by banks in general during 1956 and 1957, there was a heavy increase in demand for credit, resulting in a general interest rate rise which in many cases more than offset increased expenses. Because of this natural result of the law of supply and demand, banks during the past two years have reflected moderate increases in net profits at year end.

With ever increasing expenses, however, and any softening of money rates, there could be during 1958 a profit squeeze which might adversely affect bank earnings. We expect intensified competition, increased advertising budgets, further efforts to cut unnecessary costs and a united effort throughout the banking industry to maintain interest rates at today's realistic levels.

Our credit experience throughout 1957 has been favorable, and we expect 1958 to continue this trend. The Mid-South area, plagued by poor crop conditions, will see its banks with a large crop and farm implement carryover, but past experience has proved this is not cause for alarm. Collections, where not affected by farm income, remain good and unemployment, while slightly increasing in the area, has been of no major consequence.

We state we anticipate no severe credit difficulties as every effort will be made to screen loan requests even more thoroughly than has been done in the past. This we believe the banks can well afford to do as loans remain at high levels and we expect a volume of legitimate credit needs sufficient to maintain the bank's loan portfolio. Insistence on proper audit and internal control of borrowing customers will be intensified and a seasonal loan liquidation required in most cases.

Commercial deposits in the Mid-South banks during 1957 have shown a downward trend, to a large extent due to corporate investment in high-yield bonds as well as use of cash balances for expansion rather than bank loans. In view of the slight drop in bill and bond yields as well as an easing in the money market, we anticipate a deposit increase during 1958. With the national trend of savings showing a nice growth, this facet of deposits should also show an increase.

In short, we in the Mid-South anticipate business over the long pull at a continued high level but increasingly competitive with credit needs remaining strong.

Continued on page 112

Check FLORIDA'S

TWO-WAY CLIMATE!

Investments thrive in Florida because the State's "business climate" is as warm and inviting as its natural climate! Take time to look into Florida, all around Florida. For help in securing information from local sources, contact our Industrial Development Service, P. O. Box 3100, Miami 32, Florida.

FLORIDA POWER & LIGHT COMPANY
MIAMI, FLORIDA

Continued from page 111

CARL W. ULLMANPresident, The Dollar Savings and Trust Company,
Youngstown, Ohio

It is generally agreed that the unusual business activity which began late in 1954 and continued without interruption through the first half of 1957 was due to an unprecedented expansion of plant and equipment and to heavy consumer spending. Because of the expansion our capacity to produce became greater than our capacity to consume and that, along with a cautious public, brought about a decline in business. The decline has caused an uneasiness even among those who feel that the present restraint in buying is healthy. The uneasiness grows as people wonder how many jobs may be available and what may be the repercussions of national and international policies.



Carl W. Ullman

It is hoped that the decline in production will remain moderate. Certain influences now working would lead to that conclusion. Often in the past large amounts of speculative credit went with unusual business activity. It has not been true this time. Severe declines in business often have been accompanied by a contraction in credit. There has been no great contraction in credit this time. The Federal Reserve's action toward restrictive credit during the past several years had only a moderating effect on the rate of business expansion.

We need to remember that the level of business activity is a combination of the production and sale of producers' goods and consumers' goods and services and that the total of consumers' purchases fluctuates with the satisfaction of the individual's wants and what the individual thinks he will be able to pay for either now or in the future. These are psychological factors that can cause a slowdown in business to feed upon itself.

The present apprehension must be taken into account but the pressure for an ever increasing standard of living will remain. There is every indication that our population will continue to increase.

The long range business view is good. Industry and government both are dedicated to a stable and growing economy. The tremendous investment by industry for research is bringing to the market many new products and creating new demands. The effort by national and local governments to meet the needs for schools, highways and other public improvements will act as a stabilizing influence upon the total volume of business.

JAMES J. UPSON

President, The Upson Company

The year 1957 was an active one for our company. Definite progress was made and increased sales were evidenced by our Export, Industrial and Tuco Divisions.

New housing starts in 1957 approximated the 1956 figure, slightly under 1,000,000 units, and our earnings will approximate those of 1956. Although sales volume has been down during the past two years, Upson stockholders received their regular quarterly dividends. Plant operations continued evenly on a five-day basis, employment was steady and we had no general layoffs.

Private construction spurred slightly during the last half of 1957. But it is probable that certain areas have been over-built and that housing starts have fallen off because builders have caught up with the demand. This may be temporary—a breather—for experts foresee a considerable increase in demand by 1960.

It appears that 1958 will be another favorable year for business in general—perhaps a prelude to the greatest and longest boom in our history.

Some experts predict that private residential housing starts will approach 1,200,000 in 1958. This figure, I believe, is high although we may experience some recovery in the building market which may bring us slightly above the 1,000,000 mark.

We have formulated plans for making 1958 a greatly improved year for wallboard sales as well as other Upson products. Operating costs will be reduced substantially. Volume will be increased, largely through our Industrial and Chemical and Paint Divisions.

We have faith in the future progress of The Upson Company through diversification. We shall continue to spend money to build distribution. We will continue to place emphasis on our research and development programs. Sales and profits for some of our lines—particularly chemicals, Silifex and Siliphane—should begin to show up during 1958.

Special localized sales and merchandising campaigns were launched this fall at meetings with building material jobbers and retail lumber dealers. The success of this program in stimulating sales of Upson products in the Rochester and Cincinnati areas has been outstanding and we will institute similar campaigns in other metropolitan areas during 1958.



James J. Upson

ARNULF UELAND

President, Midland National Bank, Minneapolis, Minn.

In 1957 the American economy again attained a new high level of prosperity, after such a long succession of good years that most people seem to have come to regard sustained expansion and boom as merely normal—almost forgetting that in the past decade there have been two recessions of some consequence. But as the most prosperous year in our history has come to a close there have also come signs to indicate a leveling-off or termination of the boom. Perhaps after all, there is some limit to ever higher prices, and wages.

There is no need here to list or appraise these signs of weakness except to point out that they have been mild and for the most part they seem to result from excess productive capacity and therefore have a restraining effect on capital expenditures. This situation could be an effective factor in turning back the inflation that has been the most dangerous threat to our economic health. These indications remind us that the long-term growth of our economy cannot continue without some interruptions and serve as warning signals against the dangers of too rapid expansion and too much debt.

There are many more evidences of strength than of weakness but while they, too, do not require analysis or enumeration here they seem, on balance, to point to a mild overall business decline—perhaps only a condition of relative stability for the period ahead. Such a condition need not be a cause for disturbance or alarm for it may well serve to establish a new and sounder base for further long-term progress.

The year ahead may bring problems but it will also bring opportunities for elimination of waste, for increases in efficiency, for improvements in the quality of products and services. I see no reason why we should not look forward with full confidence in the continuing long-term growth and prosperity of our country.

G. W. VAN DERZEEChairman of the Board,
Wisconsin Electric Power Company

In 1957, Wisconsin Electric Power Company's predictions for the years ahead were backed with expenditures of approximately \$35,000,000 for additional generating, transmission and distribution facilities. Present plans call for similar expenditures of approximately \$40,000,000 in 1958.

Expenditures like these are made on a well-calculated basis. They are necessary to maintain our competitive position and to keep pace with customer requirements for electricity which doubled during the past 10 years and may well double again in the next 10. Each year, electricity seeks and finds more and more ways to make life better and work easier in the home, on the farm, in factories and business institutions. Electricity helps the American wage-earner to earn more in less time and to buy more and better products at lower cost. New industrial applications of power are continually creating better job opportunities.

Of course, the problem is more than one of merely keeping pace. One of the keystones of industrial growth and basic prosperity is an abundant supply of electric power. Our expansion program recognizes this as a community obligation and looks always to the years ahead. That is why our current program often must bridge a period of temporary economic uncertainty to prepare for the day when an additional supply of power will be urgently needed.

Among the many factors upon which our present expansion program is based, is the expected effect on demands for electric power resulting from the new St. Lawrence Seaway which is moving rapidly toward completion and may well lead the way to an era of greater growth and progress in the areas we serve.

Milwaukee's fine harbor facilities stand as a gateway to our operating area—a gateway through which should flow much of the foreign commerce of the midwest. As shipping, trade and industry orient themselves to take advantage of America's new seacoast, it is quite probable that a new era of industrial expansion will begin—with its salutary effects upon population and family income.

New and expanding industry looking toward Wisconsin will not only find convenient and economical shipping facilities, a reservoir of highly skilled labor, but also an abundant supply of electric power. Yes, when the first ships to use the new St. Lawrence Seaway drop anchor in the Milwaukee harbor, Wisconsin Electric Power Company will be ready.

The largest and most important addition made during 1957 was a fourth generating unit at our Oak Creek power plant which is located on Lake Michigan a few miles south of Milwaukee. The new 130,000 kilowatt unit was placed in operation during October which brings the capacity of the plant up to 500,000 kilowatts, the largest in Wisconsin. Capacity of the system's 25 steam and hydroelectric plants now totals 1,375,610 kilowatts.

Work is now in progress on the construction of a fifth generating unit just to the south of the present Oak Creek plant. Scheduled for completion by 1960, the new unit will have a rated capacity of 250,000 kilowatts, ap-



Gould W. Van Derzee



Arnulf Ueland

proximately twice that of any of the four Oak Creek units now in operation.

We continue to anticipate good business in the years ahead. Our current expansion program recognizes not only the realities of today's requirements but also serves as a vanguard to a future of growth and progress in the areas we serve.

ESTIL VANCEPresident, The Fort Worth National Bank
Fort Worth, Texas

Outlook for the banking industry depends primarily upon two major factors: (1) Economic and business conditions prevalent in specific areas, and (2) General business and monetary conditions.

In the Fort Worth trade area the outlook has improved greatly with what appears to be a break of the drought conditions. The rains continued late in 1957 which caused considerable crop damage; therefore, the cash benefits to date have not been as much as had been hoped, but there has been much improvement in crop and ranch conditions. The sub-soil moisture provided does improve the 1958 agricultural and livestock prospects and, therefore, banking prospects are considerably more favorable in this area. The general business outlook in Fort Worth on the average appears favorable, and in the future we expect to experience continued industrial and commercial growth and diversification.

Banking business is directly influenced by national business conditions and in general will tend to follow the national business trends. The consensus of economists is that business will be somewhat lower for the first half of 1958 and will begin to increase sometime during the last half of 1958 and there is considerable logic in this prediction. There appears to be no reason to be unduly disturbed by any prospective decline over the next few months since the decline will probably be minor on the average; such adjustments should not change the favorable long-term economic outlook. As a matter of fact, some of these adjustments can strengthen our economy in many respects. In the latter part of 1957 the Federal Reserve Authorities recognized that inflationary pressures had subsided somewhat and began taking steps to relieve the credit situation. This move toward easing the money situation is in line with the prediction of lower business activity for the next few months; it is hoped and expected that the efforts of the Federal Reserve Board to control credit and money supply, both during inflationary and deflationary periods, will be effective and will help eliminate excessive rises or dips in the overall business picture.

We face many serious problems in 1958, both from business and international political standpoints. World tension is great and business competition will undoubtedly increase. It does appear, however, that 1958 as a whole will represent a satisfactory year for banks. During the next few months of somewhat lower business activity, businesses and banks will have an excellent opportunity to consolidate their positions, eliminate wastes wherever possible, and make long-range plans for the future which holds promise of being very favorable.

A. LIGHTFOOT WALKER

President, Rheem Manufacturing Company

The long-term trend of the economy for America and the world is upward. Nevertheless, the operation of several factors has reached a point indicating that an overdue adjustment may now be taking place. This phase is having its first impact on producers of manufactured goods. The effects of this impact may follow in some measure through the whole economy.

These factors are those that contribute to the so-called "cost-price squeeze" affecting our company like many others.

They include the rise in costs of direct labor without a comparable rise in productivity and the higher costs of raw material and labor. The buying public has finally begun to resist inflation to the point that consumers will not accept price increases. Thus the "cost-price squeeze" results.

Of course, alert management everywhere is working hard with all the professional expertise at its command to increase efficiency and reduce manufacturing costs but there is a limit to the exercise of ingenuity in this direction, and the results eventually must taper off unless productivity is also increased.

The further meaning of this is clear. Low profits for industry would mean low dividend income, less tax revenue for the government and, perhaps most important for the economy, less money available for plowing back into capital investment and research leading to better products and improved methods of manufacture for the benefit of the consumer and the economy.

This company is not immune to the cost-price squeeze affecting industry in general. The pinch of rising costs and customers resistance to higher prices probably will also continue to be felt in varying degrees across the variety of Rheem Manufacturing's markets in 1958.



A. Lightfoot Walker



Estil Vance

Continued on page 113

\$37.5 Million Bonds Of State of New York Offered to Investors

An underwriting group headed by The Chase Manhattan Bank was awarded Jan. 14 an issue of \$37,500,000 State of New York Mental Health Construction Bonds due \$2,500,000 each Jan. 15, 1959-1973, inclusive, on its bid of 100.14699% for bonds carrying a 2.30% coupon, an interest cost to the State of 2.282%. The group re-offered the bonds to the public at prices scaled from a yield of 1.60% for the 1959 maturity to a dollar price of 100 for the 1972-1973 maturities.

The bonds are general obligations of the State which has pledged its full faith and credit to payment of principal and interest. Proceeds from the sale of the bonds will be used for the acquisition of land or property and the construction and equipment of facilities for the care and treatment of persons suffering from mental illness, epilepsy, or other emotional disorders.

Baltimore & Ohio Equipment Trust Certificates Marketed

Halsey, Stuart & Co. Inc. and associates on Jan. 14 offered \$3,435,000 Baltimore and Ohio Railroad 3 3/4% Equipment Trust Certificates, Series JJ, maturing annually Dec. 1, 1958 to 1972, inclusive.

The certificates, second and final installment of an issue aggregating \$6,870,000, are priced to yield 3.35% to 3.75%, according to maturity. Issuance and sale of the certificates are subject to authorization of the Interstate Commerce Commission.

The entire issue of certificates is to be secured by 1,000 70-ton open-top hopper cars estimated to cost not less than \$8,600,000.

Potts in Inv. Business

(Special to THE FINANCIAL CHRONICLE)

TALLAHASSEE, Fla.—Ralph H. Potts is conducting a securities business from offices in Tallahassee. He may be reached at P. O. Box 665.

Lamson Bros. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert H. Hughett has been added to the staff of Lamson Bros. & Co., 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges.

With Davis & Davis

(Special to THE FINANCIAL CHRONICLE)

FALL RIVER, Mass.—Richard H. Fitton has become associated with Davis & Davis, 10 Purchase Street. He was formerly with Goodbody & Co., and Bache & Co.

Joins P. de Renzis

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—William J. Reedy is now with P. de Renzis & Co., 126 State Street, members of the Boston Stock Exchange. Mr. Reedy was previously with B. C. Morton & Co.

With Fusz-Schmelzle

(Special to THE FINANCIAL CHRONICLE)

CAPE GIRARDEAU, Mo.—Francis F. Lewis has become associated with Fusz-Schmelzle & Co., Inc., 419 Broadway. Mr. Lewis was formerly with King Merritt & Co.

With Central States Inv.

(Special to THE FINANCIAL CHRONICLE)

MANSFIELD, Ohio — Sanford W. Collingwood is with Central States Investment Co., Walpark Building.

Continued from page 112

including the home and building market, the shipping container market, the automotive market and the aircraft and electronics markets. Rheem has been fortunate in having started an effective cost reduction program in the summer of 1956 which program is being actively pursued to counteract the pressure on profit margins.

Fundamentally, the American economy appears to be sound. In 1949 and 1953, the nation quickly recovered from temporary economic set-backs and climbed to greater heights of prosperity. Rheem looks forward to sharing in the growth of both the United States and overseas markets in which we are actively engaged.

As one looks ahead, it is difficult to predict how long the squeeze on profits may continue but it is bound to have a salutary effect on inefficient operations both in labor and management.

The intensified technological battle between the free and communist worlds had, for example, already changed the complexion of government defense spending. Some government aircraft and electronics projects that had been jeopardized by defense spending cut-backs or threatened cut-backs may be reinstated.

At the same time the long-term outlook for the aircraft industry is colored by the change in aerial warfare concepts, with greater emphasis being placed on missiles at the expense of manned aircraft. Competition will be intense for the anticipated missile business.

It seems clear that, over the long term, there is great opportunity and challenge for management to contribute and participate in the economic growth that is bound to come. Through the short term, and with specific reference to 1958, management faces an especially difficult assignment in working for the benefit of stockholders, employees and the consuming public.

CHARLES A. WARD

President, Brown & Bigelow

Early returns in calendar advertising sales show confidence in the company's economic picture for the coming year.

The new selling season began Dec. 1 for calendars that will hang on the nation's walls in 1959. Early reports from our 59 district sales offices throughout the United States showed new calendar sales totalling \$9,665,089, a gain of 3.86% over the same period last year.

We show this gain because 1,100 salesmen have gone out and dug. Alert businessmen are not reducing their advertising, and our salesmen are finding and serving this optimistic market.

Good management this year will take that same course. Business will not roll in, but it will be rolled in by men who are inspired to keep looking and asking for that order. They will go after business instead of resting in show-rooms expecting it to come through the front door.

I know that our sales will be better in 1958 than in 1957, because the general tone of business is cheerful.



Charles A. Ward

LOUIS WARE

President, International Minerals & Chemical Corp.

The year 1958, for industries in which International Minerals & Chemical Corporation is represented as well as American Industry in general, may be remembered in economic annals as one of the most interesting in history.

Experts have said of 1958 that it will be a period of readjustment by industry generally, a readjustment not exactly new, but obscured for a time by continued gains in many sectors.

The fact that there is readjustment, and that the need for it has been recognized and acted upon is an encouraging factor in its own right.

Certainly a recognition of the situation and resultant adjustments in inventory and investment spending where necessary is commendable. Such an approach could contribute greatly to lessening recessionary trends.

But it is also most encouraging to note that industry generally—and that certainly would apply to those fields in which IMC is represented—has by no means discarded or abandoned long-term investment planning, the lack of which might mean the inability to move most advantageously once the recession has been weathered.

IMC's make-up and product picture is such that it is impossible to group it strictly with any one industry. It is important as a contributor to agriculture with its heavy production of the two principal plant food components, potash and phosphate, and with its manufacture of complete plant foods and animal feed ingredients.

Suppliers of plant foods and animal feed ingredients, and the industries which provide the components of those products, see the trend toward fewer farms and less acreage in production as actually favorable to their interests. A reduction in the number of farms and in the acreage planted makes success in agricultural endeavor more and more dependent on efficiency—and the efficient farmer is the farmer who can see the

need for—and take advantage of—the benefits of plant food and special animal feeding. An agricultural trend in this direction could begin to make itself further felt in 1958. The steadily increasing use of phosphate concentrates is evidence that such a trend in favor of increased efficiency already exists.

IMC, with its potassium and phosphorus chemicals and their interesting by-products, is becoming increasingly important in the chemical industry where new discoveries run apace with new needs to make it an industry perhaps least affected by recessionary trends and so in a good light for 1958.

IMC is most closely connected with heavy industry, perhaps, through its industrial minerals division, and with end food products through its Amino division, maker of Ac'cent, the food flavor enhancer.

These products are important to the industries to which they are related, and their 1958 outlook might well be typical of their industries. In both, the keynote during 1957, particularly the last six months of the year, has been toward increased efficiency, cost-saving in production, and a general realignment of strength, not only toward weathering any recession, but also toward making it possible to take the earliest and maximum advantage of the upturn in demand which is sure to follow.

T. J. WATSON, JR.

President, International Business Machines Corp.

The current general economic adjustment has slowed the up-trend of recent years and it appears that this situation will be with us for some months to come. Meanwhile, international and political factors will have a significant impact on the year ahead for business and industry. National reaction to the technological crisis should certainly mean increased defense activity, particularly, of course, in the field of rockets, missiles and electronic guidance systems. This should tend to spark a substantial sector of the economy.

Within this framework, 1958 should bring continued progress to the economy as a whole, although at a slower rate than in the past few years. It will be a selective year, however, where some industries will fare better than others.

With respect to the office equipment industry, the combined domestic and export sales of office machinery, supplies and services have averaged a gain of about 11% a year over the entire postwar period. For the first seven months of 1957, the industry sales were running nearly 20% above 1956. Preliminary reports for the third quarter, however, indicate that this rate of increase has tapered off due to the softening of demand for certain product categories resulting from generally hesitant business conditions. Nevertheless, in the final tally, the overall industry will probably show an increase in sales of about 12 to 15% over 1956.

The demand for office equipment to meet the ever increasing complexities of paperwork and calculations continues to be substantial. Existing equipment is being used more intensively over an expanding area of applications, and completely new devices are being produced to continue the office revolution of the past several years. The industry has introduced a number of machines of importance, particularly in the fields of large-scale electronic computers, in-line data processing, and desk-sized computers for scientific and engineering work. In addition, many new devices and improvements in existing office equipment have been developed. This



T. J. Watson, Jr.

Continued on page 114

TEN YEARS OF GROWTH



UNITED UTILITIES, INCORPORATED

603 V. F. W. Building 34th & Broadway
KANSAS CITY 11, MISSOURI

HIGHLIGHTS

	9/30/47	9/30/57	Increase 9/30/47 to 9/30/57
System Statistics			
Operating Revenues (9 mos. ended)	\$ 5,881,994	\$25,139,722	327.4%
Telephones Served	163,382	427,314	161.5
Construction Program—Year 1957 Estimate			
Largest in Our History	\$ 4,150,000	21,000,000	406.0
Plant Investment	\$24,530,545	118,721,014	384.0
Employees	2,550	5,400	111.8
Stockholders	7,452	15,925	113.7
Results			
Net Income (9 mos. ended)	\$ 631,173	2,413,305	282.4
Average Number of Shares Outstanding (9 mos. ended)	598,353	1,835,680	206.8
Earnings Per Average Share (9 mos. ended)	\$1.05	\$1.31	24.8
Dividends Per Share (9 mos. ended)	\$.60	\$.90	50.
Book Value Per Share	\$12.48	\$18.31	46.7

The telephone subsidiaries of United Utilities, Incorporated comprise the second largest independent telephone system in the United States. Approximately 88% of the consolidated operating revenues are derived from telephone operations. The balance of the operating revenues are obtained from subsidiaries engaged in the electric, gas, water and LP gas businesses.

Continued from page 113

research and development effort will probably continue at a high rate in our industry in 1958.

In general, the outlook in 1958 for the office equipment industry appears to be good, despite the current softening of sales in certain of the industry's product lines. At the same time, however, competition is increasing just as fast as the market and this will be the watchword for the industry in 1958.

J. B. WARD

President, Addressograph-Multigraph Corporation

In our business, we feel the year 1958 will be comparable to the year previous. We are not unduly concerned about the temporary slide in gross national product. This may make the "sell" a little harder, but under today's conditions of increasing costs, businessmen must seek economies in operation to reduce expense wherever possible in order to improve the profit picture. Ahead of all business is an era of vigorous competitive activity and this means greater opportunity for alert managements who have invested some of the easy market earnings of the past years in building a well-informed sales organization. Maintaining and increasing profit levels will not be as easy as it has been in recent past years, but it can and will be done by those who make every effort to keep operating ratios right.

This will require the thoroughly planned and coordinated activity of every department of the business to conduct a cost-cutting program that will result in profit improvement of sufficient proportion to maintain satisfactory earnings levels and to continuously expand distribution activities in order to render more intelligent service to customers.



J. B. Ward

W. J. WEBB

Vice-President Outboard Marine Corporation
Division Manager, Evinrude Motors

There is every indication that 1958 will be the biggest sales year in history for the outboard boating industry, with dollar volume in the neighborhood of \$1,150,000,000.

The impact of the "leaps and bounds" growth of the industry in the immediate postwar years is still being felt, and its momentum is still putting each consecutive sales year ahead of the one just passed.

The man who bought a five-horsepower outboard motor and a 14-foot boat in 1947 is a customer for a 50-horsepower and a 20-foot boat in 1958. And that same man has long since been joined by dozens of other boating fans in the consumer ranks.

Evinrude anticipates a unit sales increase in 1958 of 18%, with dollar volume up some 28%.

More than 700,000 outboard motors' with nearly 50% of them in the 30 or over horsepower range, will be sold by the industry in 1958. This would place dollar volume on sales of motors at about \$300,000,000 a substantial gain over 1957.

More than one-third of the anticipated industry dollar volume for 1958 will be derived from sales of motors, boats and trailers. The balance will be made up of expenditures for fuel, oil, accessories, marine hardware, rentals, storage, insurance and other allied items.

Going into this new year of 1958 there are an estimated 6,000,000 outboard motors in use in the United States. This is the potential replacement market.

The fact that a recent market research report showed that a single sale by an Evinrude dealer triggered additional expenditures of nearly \$700 by a new owner for a boat and accessories, underscores the sustaining power of the outboard industry.

The sale of boats in 1957 reached 320,000 units for \$120,000,000. This is a substantial increase over 1956 and the outlook for 1958 is extremely bright. The sale of boats has increased tremendously each year of the postwar era. And the boat trailer, which sold over 165,000 units for \$26,000,000 last year, will exceed 180,000 units in 1958.

Consumer demand for higher horsepower motors and larger craft continues to contribute the dominant impetus to the industry's vigorous advance.

For example, in 1956 only 36% of all Evinrude motors sold were in the 30-horsepower class. By last year the demand had reached 48%. On an industry-wide basis, here's the horsepower picture:

In 1947, the average outboard sold was 4.7 h.p. Last year the average horsepower of outboards sold was 16.3.

This is chiefly why Evinrude has headed its 12 model line of 1958 outboards with two 50 h.p. units, embodying the V-4 cylinder principle used so successfully by the auto industry. This was necessary since the consumer, while demanding more horsepower, is equally concerned with quieter, more efficient operation. The V-4 50 h.p. Evinrude models meet both requirements.

And to do this, to continually meet the never-ending demand for bigger and better motors, we at Evinrude have just finished an \$11,000,000 plant and facilities expansion program and are now launching a new \$6,000,000 expansion program which will carry us up to 1963.

HON. SINCLAIR WEEKS

Secretary of Commerce

The national economy in the year just closing registered a further rise, with production, employment, and income setting new highs for the third successive year.

All of the comprehensive measures of economic activity averaged higher in 1957 than the year before, notwithstanding some easing in business during the past few months.

New Records Established in 1957

Gross National Product, which measures the market value of all goods and services produced, expanded to about \$435 billion in 1957—\$20 billion, or 5% above 1956. Although higher prices accounted for most of this increase, there was some advance in the physical volume of national output over the previous high recorded in 1956.

The 1957 rise in GNP reflected increased demands in broad areas of the economy. Business investment in new plant and equipment continued heavy and topped 1956 by an appreciable margin. Consumers likewise stepped up their spending for goods and services, and government purchases exceeded the total for 1956. Our export trade in 1957 was higher than ever before and contributed significantly to the high level of business activity.

The enlarged dollar output in 1957 was accompanied by a record flow of income to the American public. At \$343 billion, personal income was up \$16 billion, or 5% from 1956. Disposable income—the sum remaining after the payment of personal taxes—showed the same relative advance, and also was above any other year. With consumer prices in 1957 averaging around 3% higher than a year earlier, part of the rise in individual incomes reflected a gain in real purchasing power.

Wage and salary disbursements, which make up two-thirds of the personal income total, reached \$239 billion, 5% more than in 1956. The advance stemmed mostly from higher rates of pay, although increased employment was also a factor. Employment gains were registered for all major industrial divisions of the economy except manufacturing, where the number of wage and salary workers in 1957 averaged somewhat lower than in 1956.

Besides wages and salaries, increases also occurred in the income of business and professional proprietors and in dividends and interest payments. The total net income of farm operators held even for the second successive year, and rental income was also stable.

Record Spending by Consumers

The expanded flow of income supported record spending by consumers in 1957. The total of \$280 billion was up 5% from 1956. Rising prices accounted for a substantial part of the increase, but when due allowance is made for this fact the real volume of consumption was also higher.

Consumer spending for durable goods exceeded the 1956 total as purchases of automobiles and related products increased, mainly because of higher prices, while expenditures for other durables as a group were approximately unchanged. Consumer outlays for non-durables also expanded, with purchases of food and beverage products accounting for a major part of the rise. Personal consumption expenditures for services again moved ahead, continuing the uptrend evident throughout the postwar period.

Investment Outlays by Business

A key factor in the 1957 business picture was the record rate of investment outlays by business. Expenditures for new plant and equipment increased 6% over 1956, to an estimated total exceeding \$37 billion. Nearly all industry divisions reported higher investment outlays in 1957. The largest relative increases occurred in the public utility and railroad groups. In the large manufacturing industry, investment outlays exceeded the previous 1956 record by 7%.

The 1957 dollar value of residential construction was moderately below the total for 1956. The number of nonfarm dwelling units started was somewhat less than 1 million, as compared with 1.1 million in 1956.

As distinguished from the further increase in aggregate fixed investment, there was no marked accumulation of business inventories for the year as a whole. This development contrasted with the buildup of \$5 billion during 1956, and largely reflected the conservative policy of inventory purchasing adopted by business around the turn of the year.

Government purchases of goods and services this year amounted to nearly \$87 billion, about \$6½ billion above 1956. The expansion was almost equally divided between the Federal and State and local governments. National security expenditures accounted for approximately all of the rise in Federal outlays. Purchases by State and local governments of \$36 billion reflected a continuation of the postwar uptrend deriving from the provision of schools, highways, and other requirements of a growing population.

Developments During the Year

Gross National Product continued to expand steadily in the first three quarters of 1957, reaching a seasonally adjusted annual rate of \$439 billion. While the dollar rise in GNP during this period reflected the influence



Sinclair Weeks

of higher prices and costs, the physical volume of national output was maintained at the record level reached in the final quarter of 1956, moderately above the volume for 1956 as a whole. Overall business was steady notwithstanding cross-currents that affected particular industries and products.

The strong advance in value of Gross National Product through the first three quarters of the year reflected record spending in consumer markets, support by a rising flow of individual incomes. Government expenditures were also up over the period, stabilizing in the summer quarter.

Foreign trade contributed to the strength of aggregate demand, although the high point in net exports occurred early in the year. Featuring the investment picture was a further, though moderated, expansion in business outlays for plant and equipment, which were a strong force in the economic situation.

With activity continuing strong in major segments of the economy and the overall volume of business at an all-time high, upward pressures on prices persisted throughout the first three quarters of 1957. The index of prices paid by consumer rose steadily, and average prices in wholesale markets also tended higher. In this setting, the monetary authorities continued a policy of positive restraint on the nation's money markets.

Some letup in business activity developed in the fourth quarter. This was evidenced by such broad business indicators as personal income, employment, and retail sales, which edged downward during the fall months. The size of these declines was quite modest, and the economy as a whole functioned at high, near-record rates in the final months of 1957.

Pressure on Prices Relaxed

With the easing in aggregate demand in the latter part of 1957, the former steady pressure on the price level has been relaxed. Changes in the general price averages have been relatively small in the recent period. Consumer prices are currently about 3% above a year ago; wholesale prices, 1½%.

Signalizing the lessened pressure of financial requirements, the Federal Reserve Board late in the year moved to ease money market conditions. Interest rates, which had continued upward through the early fall, declined thereafter in both long-term and short-term markets.

The steady rise in stock prices which had been under way since 1953 was arrested last summer, and from July through mid-October market quotations dropped substantially, nearly cancelling the gains of the two preceding years. Since then, stock prices on the average have not shown any market net change.

A factor in the softening of security markets in 1957—as well as bearing more generally on the business situation—was a drop in profit margins. From the latter part of 1955 through the third quarter of 1957—the latest period for which we now have complete information—corporate profits in the aggregate were essentially stable despite a market expansion in dollar sales. Dividend payments, however, were increased moderately in 1957 and, with the fall in security prices, yields on common stocks late in the year were appreciably higher than at the same time in 1956.

Employment Cross Currents

As shown by employment figures, much of the recent dip in business activity has centered in manufacturing, where durable goods industries have been mostly affected. Through mid-summer, there had been a mild downdrift in factory employment, but more-than-compensating increases were registered in other industries.

In the past few months, however, the drop in number of factory workers has been more substantial, and employment in major industry groups outside of manufacturing has either leveled off or eased somewhat. In total, nonmanufacturing employment remains higher than a year ago, whereas the number of factory employees is appreciably below year-end 1956.

It is evident that the recent reductions in employment and incomes have had some effect on the buoyancy of retail markets, although total consumer purchasing in the final quarter of the current year likely will turn out only fractionally below the all-time high of the previous quarter.

Fixed business investment has been at close to peak rates in the final months of the year, but a decline in the first quarter of 1958 is indicated by the current plans of business. Residential building, which reached a low last May, has continued firm in recent months and has been a strengthening influence in the economy.

A further change in the inventory picture seems to have developed, as the latest data indicate, on balance, a closer adjustment of the volume of stocks to current sales. Foreign trade, while high, is currently not an expansionary force.

Expenditures by State and local governments are continuing their postwar rise. Federal purchases in the latter half of 1957 underwent some downward adjustment, concentrated in national security expenditures.

Government purchases in total—Federal, State, and local—currently absorb about one-fifth of the total Gross National Product. Such purchases are at a peacetime high, reflecting the needs we are facing in the world leadership struggle and in the steady growth of our population.

As 1957 ended, adjustments were continuing in our flexible, free economy. A glance at our economic history in recent years will show that our biggest year-to-year gain in total output took place just after a decline.

Continued on page 115



W. J. Webb

Hail Tight Money As Recession Curb

First National City Bank principal officials ascribe recession's underlying causes to non-monetary influences, approve our monetary policy, and claim restraint of a boom will in the long-run restrain a recession.

The conclusion of the annual report to the shareholders of the First National City Bank of New York and the City Bank Farmers Trust Company points out that the downward business outlook is helpfully tempered by the effect of a sound monetary policy.

In the report to the Bank's owners, the Chairman of the Board, Howard C. Sheperd; President, James S. Rockefeller, and Vice-Chairman of the Board, Richard S. Perkins, note that "at the year-end the trend of general business indexes is downward. Business expenditures on plant and equipment, which were the mainspring of activity in 1956 and 1957, are declining and some reduction in industrial operations, employment and personal income has taken place. As always when a period of expansion passes, its peak, charges are heard that money policy has brought on recession. However, both bank loans and public security offerings expanded further in 1957, following their sharp rise in 1956, and in our opinion demands for capital and credit for constructive purposes have been met as far as they could have been — given the current level of savings—without surrendering to inflation.

Underlying Causes

"We believe the underlying causes of recession are to be found in non-monetary influences. Some industries have increased capacity faster than consumption has increased, and need to slow new construction temporarily. Rising costs have impaired profit margins and made new ventures less attractive. Inventories are full in some lines. Defense orders slackened in 1957. Tightness of money, which was an inevitable effect of demand exceeding savings, had little to do with these developments. On the other hand, if the money supply had been over-expanded and financing of marginal projects encouraged, the boom in all likelihood would have gone to greater extremes. Mistakes and miscalculations would have multiplied and instability would have been aggravated. Money policy reminded borrowers and lenders alike that credit should be used with discrimination. We believe the situation is sounder for it, and that its value will be proved in the strength of resistance to downward spiraling tendencies."

Lessons Learned

"The real lessons to be learned from 1957 experience are that business fluctuations have not been eradicated, that periods of great optimism bring temporary excesses of one kind or another, and that restraint of a boom will in the long run prove to be also restraint of recession."

Bankers Bond Adds

(Special to THE FINANCIAL CHRONICLE)

HANNIBAL, Mo.—Harry A. Scheidker has been added to the staff of Bankers Bond & Securities Co., B. & L. Building, members of the Midwest Stock Exchange.

Forms Ins. Stocks Inc.

DENVER, Colo.—Insurance Stocks Inc. has been formed with offices in the Majestic Building to engage in a securities business. Frederick C. Scadding is a principal of the firm.

Continued from page 114

C. P. WHITEHEAD

President, General Steel Castings Corporation

The past two years have been years of record activity in the heavy industry field. General Steel Castings has participated in this record activity and, during the year 1957, a high rate of sales and production has made possible one of its best years since World War II. Indications are that heavy industry in general will not maintain this high rate of activity through 1958, since incoming orders during the past several months have lagged somewhat behind production. This is true with General Steel Castings, and we will go into 1958 with a backlog of orders of about \$38 million as compared with the \$45 million backlog with which we started the year 1957. However, using an average of other recent years as a more realistic base, indications are that General Steel Castings will have a good year in 1958.

Our backlog of orders assures production and shipments at approximately present rates through the first half of 1958 and, while firm predictions beyond that would be unwise at this time, we believe that incoming orders, together with the business already booked, indicate a satisfactory operation for the entire year.

We are continuing to supply the manufacturers of steam generators for electric power plants with a substantial portion of their requirements of large castings of special steels. In the other industrial markets in which we participate—such as castings for power shovels and earthmoving equipment—the outlook is favorable for continued activity, and we are pursuing a number of promising possibilities for further diversification of our industrial production. As in 1956, the past year saw a continuing increase in the percentage of our total sales and production represented by castings for industries other than railroads. This work is concentrated at our Eddystone, Pennsylvania, Plant.

Castings for the railroads—the field in which General Steel first established its reputation—are still of great importance to us, even though they no longer constitute the major part of our production. Acceptance by the railroads of our specialties, such as one-piece cast steel flat car and pulpwood car underframes, underframes for high capacity flat and depressed center cars, and trucks for passenger, express and rapid transit cars has been good in the past year and seems likely to continue. Our success in this field depends to a large extent upon our ability to improve the design of railroad equipment through engineering research and development. Our efforts along these lines have resulted during the past year in the introduction of a new underframe end casting to solve a major weakness in box car underframe design as well as a new retaining net for pulpwood cars. This last item, while not manufactured by General Steel, should make our one-piece cast steel underframe design for open rack pulpwood cars available to many railroads which have heretofore shipped pulpwood in box cars only. Other engineering developments during the coming year should keep our position strong in this field, for which production is centered in our Granite City, Illinois, Plant.

We are hopeful for an increase in sales of iron and steel rolls for forming metals, which are produced by our National Roll & Foundry Division at Avonmore, Pennsylvania. Our program of modernization and capital improvement at the Avonmore Plant will be substantially complete by mid-1958, and our position in this field has been steadily improving.

In November of 1957 common stock outstanding was increased from 540,000 to 810,000 shares when General Steel stockholders received an additional share of common stock for each two shares held in a move to broaden public interest in the Corporation's ownership. This wider interest on the part of the investing public should prove beneficial to all stockholders. The Corporation faces the new year in excellent financial condition.

S. D. WHITEMAN

President, Kansas-Nebraska Natural Gas Company

Throughout the nation, the gas industry will in 1958 again experience continued growth and expansion. Demands for service continue unabated, to a large extent and the industry will be required to devote all of its energies and resources to the task of providing greater service to the public.

In our market area of western Kansas and Nebraska and north-eastern Colorado, we look for a continued steady market saturation. We feel that we are doing the best job possible in selling the advantages and convenience of gas, and public acceptance can be readily seen in gas appliance sales by dealers in our area and by our own sales staff. This, of course, means increasing gas consumption. That is our primary purpose: to build the gas load on our pipeline system. And, gas burning equipment must be sold to accomplish that purpose.

A large electric generating plant will begin operation in our area in 1958. It will be fired by natural gas from our system. This is a very favorable type of market for



C. P. Whitehead

us as well as for the plant itself, since it will experience peak load periods at times when we can supply the greatest possible amount of gas. A reasonable rate for the gas thus consumed will be reflected in advantages to electric consumers, and, at the same time, will benefit our customers by providing a market for our gas during off-peak periods.

We have always actively promoted gas for air-conditioning and feel that we have experienced a reasonable amount of success. There appears to be a tremendous potential in this field, and we believe that in 1958 the biggest advances in marketing gas in our area will be through air-conditioning.

A recent experience demonstrates this potential market. A large industrial plant located in our area, and it is completely air conditioned by gas. The management of that plant feels that its several hundred employees will be much interested in home air-conditioning now since they will be working in a pleasant atmosphere all day and will want that comfort in their homes after working hours.

We look for continued demand for natural gas for use as irrigation pump fuel. Kansas-Nebraska lends all of the encouragement at its command to this type of improvement in farm practices so that our agricultural economy can reach a greater state of stabilization.

Furthermore, we can reasonably anticipate that more industries will be locating in the Great Plains Area because of the abundance of natural resources, favorable tax and labor laws, and a healthy business climate. This will provide further diversification of activity to give us an even firmer economic base.

We can be sure that technological improvements will continue to add to the efficiency of our operations. Recently we have added telemetering devices and microwave to our system, and coming years will see more developments in this area. The purpose is to provide more dependable and efficient service to our customers.

In general, then, the outlook for Kansas-Nebraska is good. We do not delude ourselves, however, into disregarding the cold, hard fact that as a regulated public

Continued on page 116



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S. D. Whiteman

Continued from page 115

utility we will face some extremely serious problems in the near future. This is true in our local area as well as on the national level.

Our company, and the gas industry as a whole, will be devoting more and more energy to informing the public of the vital role of natural gas companies in the American way of life. It is one of the greatest single factors contributing to our national interest and general well-being. We are confident that the discerning American public will recognize the importance and seriousness of our problems and will demand equitable solutions.

CHARLES H. WHITMORE

President, Iowa-Illinois Gas & Electric Company

The boom has topped off and the question is—how much of a recession is facing us? Employment and consumer income and spending continue to be strong supports of the economy but they can fade. The transition from cash to installment buying and catching up on housing and production capacity, important bases of the boom, have spent much of their force. Profit margins are shrinking and break-even points rising. The consumer goods and government sections and security and similar payments are stabilizing influences. Easing of demand for money and prospects for lower interest rates, while marking the end of the boom, will at least be a favorable influence of minor proportions. In the end the answer will lie with business and consumer psychology, the most important and most unpredictable factor of them all. It will take careful treading but the odds appear to favor the recession being of moderate proportions.



Charles Whitmore

The farm problem of surplus and subsidy is ever with us and there is little evidence that we are any closer to a satisfactory solution. Farm income has leveled off and no overall trend is evident at the moment except for some probable shrinkage in the amount of government payments. The farm to city migration continues. Commercial business in the cities of the farm area promises to be at least "satisfactory."

Farm machinery production in the area is probably about 10% ahead of a year ago but that was rather a poor year, in part attributable to strike shutdowns. 1958 is expected to be about the same to a little lower than 1957 depending on farm income and the extent to which sales may be adversely affected by political ferment over the farm problem.

The aluminum industry in the area is presently operating at about 65-70% of capacity. This rate is expected to continue in 1958. The building products and food products industries are expected to have a moderate growth in 1958, but in general other industries look to be about the same as 1957.

Electric use, residential and commercial, continues its strong, long-term, upward trend but growth of industrial load will be substantially below normal though still ahead of 1957. Gas still has a strong competitive price position but pipeline increases are whittling away at this advantage. We still have unfilled demands for space-heating gas and hope additional supplies of gas will be available for the 1958-59 heating season. Space-heating gas business will depend more upon the weather than on any business conditions that might develop during the year. Probable new interruptible loads and moderate growth in existing loads should produce a satisfactory growth in the industrial gas business.

On the whole 1958 is a real question mark to be approached with caution and hope.

HON. ALEXANDER WILEY

U. S. Senator from Wisconsin

Senior Republican, Senate Foreign Relations Committee

The economic outlook depends, of course, on a great number of domestic and foreign intangibles. No one, therefore, can attempt to provide a certain answer as to 1958 prospects. We can assume, however, that there will be no Third World War. If we remain sufficiently strong, our military capability will continue to prove a deterrent to the Kremlin's initiating a global conflict.

We can further assume, however, that there is at present no sure deterrent to the Kremlin's continuing to meddle in various lands throughout the world. Such meddling, will inevitably, have an impact upon the United States—military, political, economic, and social.

On the assumption that there will be no global conflict, certain specific prospects appear likely. Consumer tastes and standards of living will continue to rise. Government spending will remain at high levels. Money will become easier. All this should serve as a deterrent to a further business decline.

We may, however, expect unemployment at around the 4½ million level. We may further expect an increase in the National Debt.

We cannot be sure of a balanced budget.

So far as a tax reduction is concerned, it seems to have "gone out of the window," because of the increased need for funds for defense.



Alexander Wiley

Looking at capital expenditures here at home, it appears there has been an over-expansion in plants in relation to foreseeable demand. It is believed, therefore, that equipment and plant expenditures will be reduced by as much as 10%.

Insofar as public works is concerned, it is contemplated that the Administration will ask that reductions be made in various civilian products, so as to free additional funds for defense. However, if unemployment rises to the figure mentioned above, the Congress will refuse certain cuts in public works. Instead, it will probably take steps to meet head-on the unemployment situation.

Just as military "brush fires" on the international scene must be put out, so there is a kind of "economic brush fire" on the domestic scene which must be put out. Excessive unemployment would be one such domestic problem. A further alarming drop in farm income would be another type of "economic brush fire" which would have to be taken care of.

To do so will require additional Federal expenditures, much as we would prefer not to have to spend more along these lines.

In any event, on the educational front, we may expect sizable Government assistance to provide encouragement for more youngsters to enter the vital fields of science.

Finally, an international brush fire of the type of Korea is always a possibility. If it were to come (and we certainly hope it will not), it would, of course, mean a huge increase in Federal spending.

By continuing America's Mutual Security Program, however, we will be taking a sound step to avoid such conflict, local or large scale.

Mutual aid represents a sound investment at a relatively modest price, so as to make unnecessary an infinitely larger investment which would be necessary to meet a Korean-type crisis.

F. R. WILLS

President, General Acceptance Corporation

The 1958 outlook for consumer finance companies operating in the fields of automobile sales financing and instalment loans can best be determined from the answers to two questions: (a) Is the public sufficiently confident about future income to undertake additional debt obligations and, (b) Will "wholesale" money be available in ample quantities and at reasonable prices so that the consumer finance industry will be able to fill "retail" borrowing demand, and at rates that will allow for a fair profit?

Among the considerations to be taken into account in finding the answers is the fact that the annual rate of personal income in the United States is holding up quite well. Although off slightly in recent months, personal income for the full year 1957 will be higher than it was in 1956. While some businesses are finding the "downturn" more severe than others—and this can be expected to continue for a while—the public's attitude appears to be one of restrained confidence rather than of troubled concern.

What we have to be concerned about is the psychological impact of a period of "not too good" business. Will it start an epidemic of worrying and completely alter the long-term prospect which decidedly favors a rapid recovery?

Thus far, 1958 model cars have not been received very favorably. Initial sales are decidedly down from last year. Authoritative sources are anticipating new car sales for 1958 to be between 5 million and 5½ million units as compared with 5.8 million units in 1957.

Car buying is as much a psychological decision based on attitude toward future earnings as it is a decision predicated on absolute need. What Mr. John Doe reads in the paper, hears from his friends and senses at the place where he works will provide the final influence.

A helpful factor should be the large liquidation during the past two years of the record volume of automobile instalment credit granted in 1955.

Increased Government spending is fairly certain for 1958. This should stem any appreciable decline that may have been expected in the Gross National Product of the nation, and should spark a reversal of the present downward trend in general business activity.

It is anticipated that capital expenditures by business for new facilities in 1958 will still be at a substantial level, even though moderately below 1957.

Mortgage money is due to be easier to obtain, thereby stimulating the housing industry. In turn, a wide range of allied industries will also benefit.

With respect to the money situation, there is a feeling of encouragement now that the Federal Reserve's policy of easing credit has been made apparent. Consumer finance companies should be able to obtain sufficient funds at rates which will enable them to finance cars and grant loans on terms that will not discourage borrowers. This should not be interpreted to imply any laxity in loan conditions. Rather it means we will be in a better position to serve qualified borrowers without imposing unavoidable stringencies arising from high rates and the limited availability of funds.

In summary, the outlook for the consumer finance industry appears reasonably favorable for the full year with a period of modest decline to be anticipated in the early months of 1958. What is more significant however is that there is no evidence of any drastic downward movement. It should be kept in mind that the American



F. R. Wills

economy is volatile and sensitive to change in times such as these. A great deal can happen between now and the end of 1958 which could revise any prevailing trend suddenly and without warning.

While we at General Acceptance have always maintained a conservative frame of mind in determining policy, we believe with equal conviction that a progressive business is one that is "on the offensive" rather than "on the defensive."

J. THEODORE WOLFE

President, Baltimore Gas and Electric Company

Business activity in the Baltimore area is continuing at a relatively high level despite some slowing down in new residential construction and reduced production in certain industrial lines.

One of the most significant features of the 2,300 square mile territory served by our Company is its wide diversification of industry. There are about 2,000 manufacturing establishments here, with every major group of the U. S. Standard Industrial Classification represented. A number of the plants are the largest of their kind in the world. Baltimore's port ranks second in the Country in foreign trade tonnage, and port operations constitute a very large and stabilizing industrial activity. Primarily because of these two factors—industrial diversification and the Port—the effects of general business re-adjustments and declines have consistently been less pronounced in this area. Population growth—a third important element—is also contributing to economic progress and stability. Since 1950 the population of our Company's territory has grown 40% faster than the national average.

Our sales of electricity and gas in 1957 set new high records. Figures for December are not available as this is written, but we estimate that electric sales for the year will show increases over 1956 of about 10% for residential, 7% for commercial, and 7% for industrial users. Sales of gas are expected to show increases of 7% for residential, 2% for commercial, and 13% for industrial customers.

During the year some 13,300 new residential electric customers and 8,700 residential gas customers were added to our lines. The average use of electric and gas service in the home continued a healthy upward trend; the former showing an increase of 6% over the preceding year, and average domestic gas consumption an increase of 4%.

New business obtained in 1957 from industrial and commercial customers, for new electric and gas installations, is estimated to increase the Company's annual gross revenues by more than \$5,000,000. Contracts to supply new gas installations exceeded all previous records, being 11% greater than our 1956 high-water mark. New electric contracts, while under the 1956 total, were the second highest in the Company's history. A substantial part of this new business will not be connected to our lines until some time during the current year.

Despite a current slackening in certain lines of production, specifically in stainless steel, copper, aluminum, and some chemical operations, we find that our larger industrial customers are not alarmed by the business prospect, even though operations may fall to a lower level for several months before an upturn is noted.

There is every indication that industrial sales of electricity and gas will maintain an upward trend. We expect kilowatt hour sales of electricity in 1958 to exceed last year's volume by about 6%. This is exclusive of sales to a large steel mill where some of the power we supplied in 1957 will be displaced by an additional generating unit using by-product fuel, which has just been installed at this plant. Cubic foot sales of gas to large industrial users in 1958 are expected to exceed last year by more than 20%. Prospective new business, to be obtained during the coming year, based on new projects and expansions now under way or in final stages of planning, is estimated to exceed the new gas load contracted for last year and to closely approximate the new electric load.

Our Company's construction program to keep pace with expanding demands for electric and gas service will require the expenditure of about \$45,000,000 in 1958. Of this approximately \$15,000,000 will be for new electric generating capacity, including associated transmission facilities. The bulk of this latter amount is for completion of the second 125,000-kilowatt generating unit at our Herbert A. Wagner steam electric generating station which is scheduled for operation in 1959. It will increase our steam electric generating capacity to over one million kilowatts.

The 1958 expenditures also include \$17,000,000 for expansion of and improvements to the electric distribution facilities, and approximately \$8,000,000 for additions and improvements to the gas distribution system. Major projects included in these expenditures are the completion of eight new electric substations, the expansion of seven existing substations and the construction of approximately 8½ miles of gas main. The Company expects to connect 14,000 additional electric customers and 10,000 additional gas customers to its lines in 1958.

During the five-year period 1958 to 1962 we estimate that the growing needs for electric and gas service in the Baltimore area will require expenditures by our Company of more than \$250,000,000 for new construction, an average of better than \$50,000,000 a year. About three-quarters of this expenditure will be for expansion of our electric system, about 20% for expansion of the



J. Theodore Wolfe

gas system, and the balance for miscellaneous facilities including office and shop quarters, vehicles, etc. It will represent a 50% expansion of the Company's plant, and pertinent evidence of the growth that is taking place in the Baltimore area.

E. H. WILL

President, Virginia Electric and Power Company

The outlook for economic growth in the Southeast should continue through 1958 although at a somewhat less rapid rate than as recently experienced. This includes Vepco's service area at the Top of the South, which is located in the greater part of Virginia, northeastern North Carolina and a small portion in southeastern West Virginia.

There are many factors outside our area, however, that will play a great part and will reflect in the economic changes of this section. Industrial growth and economic growth are closely allied, and the diversity and blending of agriculture and industry in this section have been primary growth factors during the past few years and are major factors in economic potential for the future.

Virginia's geographic location at the Top of the South is more sensitive to economic changes affecting the large Northern manufacturing areas. On a nationwide scale, the capital expenditures for industrial expansion have either leveled off or have been curtailed to some extent. This has, in turn, affected the rate of industrial expansion in our area as compared with the past several years. We are convinced this is a temporary slow-down; that industry is becoming more selective in site locations and taking more time to consider all the economic factors in future planning than during the past several years. The evaluating of industrial requirements for not only today but for the future are healthy signs in establishing a solid base.

Vepco is experiencing continued growth in the number of residential, commercial and industrial electric customers, at this time totaling over 702,000; and also increased requirements for electricity by these customers. I firmly believe this growth will continue in 1958.

The company's confidence in the future of its area is indicated by the large construction program which has been planned over the next five years in the amount of \$300,000,000, of which about \$65,000,000 is earmarked for 1958. These expenditures include additional generating capacity now under construction of 600,000 kilowatts and a system capacity of over 2,000,000 kilowatts by the year 1960.

In anticipation of the expected future growth of its area, the Virginia Electric and Power Company will continue to serve its customers with dependable electricity sufficient to meet their requirements.

WILLIAM P. WORTHINGTON

President, Home Life Insurance Company

The Home Life Insurance Company as well as the life insurance business as a whole closed its books on Dec. 31, 1957 with the greatest volume of new business and insurance in force in its entire history. As this is written, there are convincing indications that purchases of life insurance company benefits will continue to mount and that life insurance will see another record-breaking year in 1958.

What are some of these indications? Certainly, important among them is a greatly increased need for additional planned life insurance protection among American families—a need which even the gains in insurance purchased over the past few years have failed to satisfy.

The average ownership of life insurance per policyowner is only slightly more than \$4,000 and the average family amount of protection represents just 1½ times the family's annual disposable income. In the light of today's living standards and the increase of dependents brought about by the recent "boom in babies," protection representing 1½ years' income is woefully inadequate.

Life insurance is the family's principal bulwark against the disaster of the income producer either dying prematurely or outliving his earning capacity. Life insurance is owned by 109,000,000 people throughout the country and is America's most widely held form of financial "property." Even so, over the past decade America's standard of living has outpaced the family life insurance protection needed to support it.

But the purchase of life insurance requires the saving of spendable dollars, and in 1958 throughout American

business, competition for the public's spendable dollars is likely to be waged more intensively than ever before. The life insurance business is well prepared to meet this increasing competition.

As we see it, life insurance companies have never been in a better position to serve the public and to attract new insurance purchases. Never have our field and home office organizations been so well staffed with highly trained life underwriters and technical personnel. With Home Life the career of "Planned Estates" underwriting and sales management is attracting more and more capable men to the company.

Furthermore, the recent introduction of new coverages and policy features have geared our individual and group insurance "products" more closely to the needs of individuals, families and businesses.

New Major Medical expense coverages are making tremendous progress in the group insurance field. New family policies which insure whole families with one contract and premium are exciting wide interest among purchasers of individual insurance. Finally, the recent introduction of automatic monthly payment services now makes it possible for the public to budget its insurance purchases along with other family needs that are normally handled on a monthly payment basis.

All these developments provide a solid foundation for the conviction that life insurance will more than hold its position during this new year; quite likely, new peaks will be attained both in the purchasing of life insurance protection and the total ownership of this basic source of family security.

C. L. YOUNG

President, West Texas Utilities Company

While some of the leaders of the electric utility industry and national financial experts have expressed the opinion that the nation's economy will experience a depression of some proportion during 1958, I believe that in West Texas the electric utility industry will be in a different and better position than industry generally. The area I refer to represents roughly the western half of the state.

This area is different in that its economy, unlike that of the northern and eastern portions of the country, is not dependent to any great extent, upon industry. The economy of West Texas rests principally on farming and ranching and a third important leg—oil and gas production. We are experiencing an increasing industrialization which is progressing at a rather rapid pace but not yet to the extent of being a dominant factor.

*Other factors in our economy include numerous military installations and a fair amount of mining of gypsum and other minerals.

The all important thing for West Texas is that in 1957 we received approximately double the average annual rainfall. This broke a severe drought which had lasted for five years or more. The extra rainfall in 1957, to some extent, reduced the value of crops by hindering harvesting. However, we do go into 1958 with ample moisture in the ground and with every reason to expect normal crop production.

By the beginning of 1957, it had become necessary for our ranchmen to materially reduce the size of the herds carried on their pastures. But during 1957, the pastures having been well watered, have improved to such an extent that ranchmen are now increasing their herds and have good prospects of again operating at a fair profit.

While it is true that the oil industry is suffering from foreign competition and is having to produce under very severe proration, nevertheless, it seems that the industry, due to its natural vigor, will experience a reasonably prosperous year in 1958. Insofar as the electric industry in West Texas is concerned, our revenues have not been greatly reduced by the difficulties of the oil and gas industry. This is partially due to the increased oil production by secondary recovery of oil from depleted fields by water flooding which is being practiced more and more. As a result, the electric industry is obtaining

large high load factor loads and this business will increase and continue for a long time.

As for West Texas, industry, as over the nation, is cautious but there seems to be no reason that our area will not continue to enjoy a reasonable increase in 1958.

Finally, the numerous military installations in West Texas, which are predominantly Air Force, are the occasion for a great deal of money being spent in the area. There seems to be no reason to expect these expenditures to be materially reduced in 1958.

In view of these considerations, it is my opinion that, while West Texas will feel the affects of the anticipated decline in the national economy, nevertheless, the electric utility industry in West Texas should show as good a growth during 1958 as in 1957.

PHILIP M. ZENNER

President, Royal McBee Corporation

Our business economy is going through a period of adjustment. This should not give rise to undue alarm, but it does call for more realistic thinking than business generally has practiced since World War II. And that, I believe, is going to be the key to the business outlook for 1958.

The coming year will be a year of realism in management. Closer examination will be given to every item of expense. Control will be tightened over every area of the business. Management will take steps to keep closer watch over its many operating problems. Also, in a drive to maintain inventories at a sound level, purchasing will be done in smaller lots, and therefore more frequently.

In all, there will be an intense effort to reverse the trend toward a "profitless prosperity" that developed in the latter half of 1957.

In the business machines industry, the first half of 1958 is likely to be the tighter period, with some acceleration of business taking place in the second half of the year. The industry's total sales volume probably will be somewhat lower than in 1957.

Demand for office automation will continue to grow as it becomes increasingly essential to sound management control over the increasing complexities of business operations. Office automation makes possible the economical handling of an expected increase in numbers of transactions while the same volume of business is being done. It gives management faster access to more complete and more accurate information.

However, in this year of realism, many business machines customers will adopt a more realistic approach to solving their needs. Buying will be more discriminating. Prospects will take a hard look at what any equipment can do for them immediately. They will demand assurance of prompt results in terms of savings. They will weigh the cost against advantages that can be clearly demonstrated and applied.

There will be less fascination with what might be called "pie-in-the-sky" push-button accounting and greater interest in applying data processing in the most economical and practical ways possible.

In such a climate, creative selling will return rapidly to our industry; and the members of this industry that sell effectively will be those whose sales organizations are adequately geared to the return.

With respect to sales, I believe that, in large part, the business machines companies organized to sell directly to the customer will enjoy a real advantage in 1958. With direct control over their organizations, they will have marketing flexibility, in a year when flexibility to meet changing conditions may prove especially important.

As to the long-term outlook, there can be little doubt. American business and industry will continue to grow; and a major factor in that growth will be the ability of the business machines industry to meet the multiplying needs for new and revolutionary services and equipment.

The year 1958 is likely to be recorded as one in which a downtrend ended and an uptrend resumed. Five years from now, we may very well find 1957 being used as the "norm" year against which current progress will be measured.



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Mutual Funds

By **ROBERT R. RICH**

Canada in Sound Condition to Face Uncertain Year

Canada is facing the uncertainties of the coming year in sound financial condition, Hugh Bullock, President of Canadian Fund, Inc., told shareholders in the mutual fund's fifth annual report.

Over the coming year, the report stated, the Canadian economy undoubtedly will face a period of uncertainty and readjustment following the rapid expansion of the postwar years.

However, Mr. Bullock pointed out, constructive elements in the Canadian economy should not be overlooked. Among these is the Canadian dollar, which for well over a year has been at a substantial premium relative to the United States dollar.

This has generally worked a hardship on Canadian industries, such as newsprint producers, and has encouraged imports to the detriment of exports. Recently, he said, this trend has been in the process of reversing itself and will correspondingly benefit Canadian industry. Another factor, Mr. Bullock reported, is the fiscal soundness of the Canadian Government. Over most of the postwar era, the budget has not only been balanced but substantial payments have been made on the public debt.

"The rapid expansion of Canada's industrial capacities in the past decade, the development of her vast natural resources, the stability of her political affairs and the growth of her population all contribute towards a future of extraordinary opportunity for the well advised investor," Mr. Bullock told shareholders.

Formed in April, 1952, Canadian Fund, Inc., was the first U. S. mutual fund to offer investors the opportunity to participate in Canada's growth potential. The fund now has 2,386,551 shares outstanding, owned by over 17,000 shareholders. Total net assets, with securities at market quotations, were \$39,034,322 on Nov. 30, 1957, equal to \$16.36 per share outstanding. Largest group investments by the fund at the fiscal year-end were: 19.82% of assets in petroleum; 14.00% in paper and paper products; and 13.76% in non-ferrous metals.

An important event in the fund's 1957 fiscal year, the report recalled, was the election to the board of directors in November of the Right Honorable C. D. Howe, P. C., former Canadian Minister of Trade, Commerce and Defense Production and outstanding leader in Canadian affairs.

U. S. & Foreign Assets Total \$103 Million

United States & Foreign Securities Corporation, closed-end investment company, in its annual report showed a net indicated asset value on Dec. 31, 1957 of \$103,456,893, equivalent to \$31.25 per share on the 3,310,815 shares of common stock outstanding. Indicated net asset value on Dec. 31, 1956 was \$125,041,027, or \$37.77 per share.

During the year the corporation paid dividends amounting to \$1.139 per share from realized net gain on investments and 86.1 cents from ordinary income, a total of \$2 per share.

The corporation's holdings of common stocks at Dec. 31, 1957 were in the following approximate percentages of total assets: oil, 44; chemical and drug, 18; metal and mining, 11; manufacturing and miscellaneous, 8; electric utility, 2.2; natural gas, 1.4; and merchandising, 1. Holdings of cash and U. S. Treasury obligations represented 14%.

Savings Banks Fund Remains Fully Invested

Institutional Investors Mutual Fund, Inc., an open-end investment company for and wholly owned by the mutual savings banks of New York State, had 93% of its funds in common stocks at the year end.

The fund reported that sales had been made of cyclical type stocks while purchases were largely confined to those relatively sheltered from a deterioration in general business conditions.

The results of this policy were reflected in the superior performance as compared with the Dow-Jones industrial averages. From its peak on April 6, 1956, the Dow-Jones industrial average dropped 16.4% by Dec. 31, 1957 whereas the savings banks' common stock fund showed a decline of only 6.2% between the same dates.

This fund, which has completed four years and eight months of existence, had a net asset value per share on Dec. 31, 1957 of \$152.92 which compares with \$159.08 at the end of the previous year and \$153.35 at Sept. 30, 1957.

Total net assets of the fund amounted to \$29,945,206, a gain of \$3,850,230 during the year after taking in \$7,628,016 in new subscriptions and paying out \$2,673,305 on account of redemptions.

This fund was set up in 1953 by the savings banks of New York State to provide a common means through which savings banks might take advantage of the new law permitting investment in common stocks on a limited basis.

Shares are now held by 73 savings banks, a gain of four during the past year. Savings Banks Trust Company, also owned by the savings banks of New York State, provides investment advice to the fund as well as custody, registrar and transfer services.

In a letter to stockholders accompanying the annual report Mr. Walter J. Hess, President, reported that the estimated yield of stocks held in the portfolio was 5.2% of cost, and that the total expense of operating the fund amounted to only 0.31% of average net assets and 7.66% of income, a low figure. Dividends paid by the fund in 1957 amounted

to \$5.86 from regular net income and \$2.29 from long term capital gains.

Mr. Hess also stated that, "without attempting to pinpoint the depth of duration of the business readjustment now in progress, it is the intention for the immediate future to purchase chiefly non-cyclical stocks."

During the year the fund eliminated its holdings of American Can Co., International Paper, Kennecott Copper and Sylvania Electric Products while new acquisitions were made in United Aircraft, Texas Utilities, Amerada, and Standard Oil of New Jersey.

The portfolio at the year end consisted of 68 different stocks with 19% of funds in electric utilities, 12.8% in petroleum issues, 11.9% in drug stocks, 7.2% in retail trade and 6.5% in chemicals.

National Shares Reports for Year

National Shares Corp., closed-end investment company managed by Dominick & Dominick, in its 1957 annual report showed a net asset value of \$19.27 per share as of Dec. 31. This compared with \$23.75 per share at the close of 1956.

During 1957, stockholders received ordinary cash dividends amounting to 59.3 cents per share, and a capital gain cash distribution of 50.7 cents per share. Although it now has the option of paying out or retaining realized long-term capital gains, the corporation elected in 1957 to pay out taxable capital gains in full, according to Randal H. Macdonald, President. In 1956 the corporation paid 61 cents per share from ordinary income and \$1 from capital gains.

Common stocks at market value represented 86.6% of the company's assets at the end of the year. U. S. Government obligations, cash and receivables, net of liabilities, accounted for 6.3%, and other bonds 6.4%. A year earlier, these percentages were 88, 10.5 and 1.1, respectively.

The corporation's capital stock is listed on the New York Stock Exchange. The number of stockholders increased from 3,246 at Dec. 31, 1956, to 3,562 at the 1957 year end.

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D. I. F. Holders Up 7.3 Percent In Fiscal Year

Diversified Investment Fund, Inc., a balanced mutual fund, reports a 10.5% increase to 7,781,870 shares outstanding and a 7.3% increase to 19,083 shareholders during the year ended Nov. 30, 1957. Each figure represents an all-time high.

According to the fund's annual report, generally lower securities prices resulted in a decline in total net assets from \$63,034,316 to \$58,185,498 during the 12-month period. Net asset value per share was \$7.48 at the fiscal year-end, after deducting a security profits distribution of 20c per share. This distribution should be added back to the 1957 year-end value when comparing it with the value of \$8.95 at the end of the fiscal year in 1956.

Dividends from investment income were maintained at 40c per share, equaling the amounts paid in 1955 and 1956, which were higher than in any previous years in the fund's history.

The capital gain distribution of 20c per share, paid Dec. 30 to shareholders of record Nov. 29, 1957 was declared in additional full shares at net asset value, or in cash at the option of the shareholder. In this connection, the report points out that if an investor had purchased 1,000 shares of the fund when shares were first offered in 1944, and "elected" to receive all subsequent security profits distributions in cash, his income dividends for the year 1957 on his holding of 1,000 shares would have amounted to \$400. Had he accepted all security profits distributions in addition to 1 share throughout the years, he would have owned 1,271 shares at the beginning of 1957 and his income dividends would have amounted to \$508.40."

Since Nov. 30, 1956 the fund's bond holdings were increased from 15.9% to 22.7% of total net assets and the preferred stock section was reduced from 15% to 10.9% of total net assets. At the 1956 year-end, common stock holdings amounted to 69.1% compared to 66.4% of total net assets on Nov. 30, 1957.

In the six months ended Nov. 30, 1957 new purchases in the common stock section of the fund included American Agricultural Chemical Co., Briggs & Stratton Corp., Middle South Utilities, Inc., Rayonier, Inc., Ronson Corp., The Texas Co. and United States Shoe Corp. Eliminated were Allis-Chalmers Manufacturing Co. and Niagara-Mohawk Power Co.

New additions to bond holdings were: Indiana Harbor Belt R.R. Co., first mortgage, 5 1/8s, 1982;

J. Ray McDermott Co., convertible subordinated debentures, 5s, 1972; and Missouri Pacific RR. Co., first mortgage, series C, 4 1/4s, 2005. There were no eliminations from the bond section, although a substantial portion of previously-held Missouri Pacific RR. Co., collateral trust 4 1/4s, 1976 were sold.

Eliminated from the preferred stock section were Public Service Electric & Gas Co., \$1.40 cumulative dividend preference common and Texas Gas Transmission Co., 5.40%, cumulative, preferred.

Selective Fund Income Dividends Set New Record

Net investment income per share of Investors Selective Fund, Inc., mutual investment fund sponsored and managed by Investors Diversified Services, Inc., was greater at the close of the fiscal year ended Nov. 30, 1957 than in any previous year since the fund was established in 1945. Joseph M. Fitzsimmons, Chairman of the Board, announced in the company's annual report.

Dividends amounted to 46 cents per share compared with 43 1/2 cents per share for fiscal 1956 and were the highest yet paid by the fund.

Total net assets on Nov. 30, 1957 amounted to \$19,335,035, compared with \$20,932,930 a year ago. Net asset value per share at the year end was \$9 compared with \$9.70 at the close of the preceding fiscal year. This year's value reflected the decline in market prices for fixed income securities that occurred as a result of the increase in money rates.

Shares outstanding at the close of the fiscal year numbered 2,147,520 and were held by 6,607 shareholders. More than 57% of these shareholders were reinvesting their dividends in new shares of the fund.

Management took advantage of market conditions during the past 12 months to raise the rate of return by more than 1% on approximately 15% of the fund's portfolio. The rate of income provided by present investments on the current value of the shares is greater than at any time in the fund's history, the report stated.

At the year end, bonds composed 22.28% of net assets taken at market values, short-term securities 4.14%, and preferred stocks, 73.47%.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)
DELRAY BEACH, Fla.—John K. MacNab has become affiliated with Merrill Lynch, Pierce, Fenner & Beane, 616 East Atlantic Avenue.

Income Fund Sets Quarterly, Monthly Dividends

The Income Fund of Boston, Inc. announces that shareholders who own 500 shares or more may receive their quarterly dividends on any dates they may desire, or they may receive their dividends monthly instead of quarterly, or they may have their dividends reinvested in additional shares of the fund in order to compound the number of shares they own.

It is believed by The Income Fund of Boston, Inc. that it is one of the few mutual funds in this country which has adopted a policy of mailing its dividend checks on any dates desired by the shareholder.

This dividend policy will enable shareholders to receive their dividend income at times when they do not have income from other sources or when their income from other sources is relatively small.

Investors who seek long-term growth of capital and who do not need current income may have their dividends reinvested in additional shares of the fund each quarter in order to compound the number of shares they own.

Current income return is 7.44% from a portfolio of 120 securities. The average age of the companies in the portfolio is 63.4 years, nearly two-thirds of a century. The companies have paid dividends in every year without interruption on the average for 22.6 years, and approximately 97% of the securities owned by the fund are also reported held by financial institutions, such as insurance companies, investment trusts, etc.

Two With Shaiman

(Special to THE FINANCIAL CHRONICLE)
DENVER, Colo.—Gerald P. Toland and Eva L. Wood have been added to the staff of Shaiman and Company, Boston Building.

With Deringer & Stautz

(Special to THE FINANCIAL CHRONICLE)
CLEARWATER, Fla.—William C. Dusty has joined the staff of Deringer & Stautz, Inc., 1442 Gulf to Bay Boulevard.

Lehman Corp. Assets at \$192 Million

A total net asset value of \$192,074,605 and a net asset value per share of \$20.76 were announced jointly on Jan. 13 by Robert Lehman, president, and Monroe C. Gutman, chairman of the executive committee, in the Lehman Corporation's Annual Report for the year ended Dec. 31, 1957.

On the same date last year the total net asset value was \$233,789,214 and the net asset value per share was \$25.26 on the 9,253,712 shares of capital stock outstanding.

During the fiscal year 1957, the corporation declared total dividends of \$17,119,367. Of this amount, \$12,029,826 was from profit on investments, and \$5,089,541 was from ordinary income. These sums were equal to \$1.30 per share and \$.55 per share respectively. The report pointed out that the capital gain dividend of \$1.30 per share is payable in cash, or, upon the election of the individual stockholder, in the stock of the corporation, taken at \$20.84 per share, the net asset value as of the close of business January 6, 1958.

Proceeds from the sale of securities during the year amounted to \$28,950,592, exceeding by \$11,906,802 the \$17,043,790 cost of securities purchased during that period.

Common stocks comprised 94.6% of the corporation's net asset value at the end of the year, with U. S. Government bonds and net cash items amounting to 3.8%. At the same time last year, common stocks made up 95.5% of net asset value and U. S. governments and net cash items totalled 3.0%.

New additions to the corporation's portfolio during the recent quarter were: 37,000 shares of Hudson's Bay Oil & Gas.

Purchases which increased portfolio holdings included: 10,000 shares of Pacific Gas & Electric for a total of 35,000 shares now held in the Portfolio; 10,000 shares of Southern California Edison for a total of 35,000 shares held; 1,805 shares of Chesebrough-Ponds Inc. for a total of 5,000 shares held; 2,200 shares of Dominion Stores

Ltd. for a total of 17,200 shares held; 14,100 shares of Sherritt Gordon Mines Ltd. for a total of 50,000 shares held, and 500 shares of Mead Johnson for a total of 10,000 shares held.

Among portfolio eliminations were: 5,000 shares of Allied Chemical & Dye; 8,000 shares of U. S. Plywood; 12,000 shares of General Realty and Utility; 5,000 shares of Thompson Products; 2,600 shares of American Smelting and Refining; 13,333 shares of

Continued on page 120

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Continued from page 119

Mutual Funds

Tennessee Gas Transmission; 5,100 shares of Goodyear Tire & Rubber, and 6,900 shares of Texas Eastern Transmission.

Portfolio reductions included: 20,000 shares of Columbia Broadcasting leaving 20,000 shares in the portfolio; 7,500 shares of Beckman Instruments leaving 25,000 shares; 3,000 shares of Sperry Rand leaving 45,000 shares; 2,000 shares of Great Northern Paper leaving 6,000 shares; 8,000 shares of Pittsburgh Consolidation Coal Company leaving 15,000 shares; 3,500 shares of National Cash Register leaving 16,500 shares; 3,800 shares of Signal Oil & Gas "A" leaving 47,000 shares, and 5,000 shares of Sinclair Oil leaving 5,000 shares.

Other portfolio reductions were: 4,952 shares of American Natural Gas leaving 35,000 shares in the portfolio; 8,000 shares of Electric Bond and Share leaving 52,000 shares; 9,500 shares of Pioneer Natural Gas Company leaving 38,000 shares; 6,200 shares of Public Service Company of Indiana leaving 3,800 shares, and 5,000 shares of United Gas Company leaving 60,000 shares in the portfolio.

The corporation's largest single category of investment continued to be that of oil and gas, with the \$59,447,625 invested in that industry representing 30.8% of the net asset value of the corporation. The next two largest categories of investment were public utilities with \$35,780,997 of investments representing 18.6% of net asset value and metals and mining with \$14,480,604 of investments representing 7.5% of net assets.

Closed-End News

The Adams Express Company announced that the net asset value of its common stock at Dec. 31, 1957, is estimated at \$23.51 per share, after the payment of capital gains dividends during the year 1957 totalling \$0.95 per share. At Dec. 31, 1956, net asset value amounted to \$30.36 per share.

Petroleum Corporation of America announced today that the net asset value of its common stock at Dec. 31, 1957 is estimated at \$15.74 per share, after the payment of capital gains dividends during the year 1957 totalling \$0.55 per share. At Dec. 31, 1956, net asset value amounted to \$20.25 per share.

J. W. Tindall Adds

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Richard E. Thomas has been added to the staff of J. W. Tindall & Company, Fulton National Bank Building.

Securities Salesman's Corner

By JOHN DUTTON

This Is Not for the Customer

There is a much revered cliché that goes, "the customer is always right." That may be true in a general way but there are times when the customer is not right! There are also customers that are not RIGHT for you, if you are in the INVESTMENT BUSINESS. Since this column is written each week for the edification of securities salesmen, and it tries to give helpful suggestions that are practical to those who are engaged in selling securities, there are times when we must lay it on the line. A salesman of securities must conserve both his time and his energy. There is so much to read and to follow, there is a vastly changing economic and business outlook from day to day and week to week; and there are only so many hours in the day to properly service your accounts, that any securities man who allows a certain type of individual to impose on his time is being unfair to himself, his good accounts, his firm, and his family.

Choose your customers and your prospects—confine your activities to individuals and institutions that can be serviced with a minimum of extra wear and tear on your eyes, your memory, your time, and your patience. There are some time wasters in this world that will give you more work and more aggravation than their account will ever be worth to you. There are hundreds of others who will work with you, who will appreciate conscientious service, and who won't try to monopolize your time and energy.

Avoid These Undesirable Accounts

(1) **The fellow who tells you how good he is.** There are some people who never grow up. A month ago I received a call from a good friend who is a competitor of mine and he told me, "You'll receive a call from a fellow who tells me he wants to buy control of a certain life insurance company. He sounds like a bit of a braggart to me, but since you are closer to that company than I am I told him to come to you." We have been friends for years and I thanked him. When the man called I could tell from his conversation that he had delusions of his own importance. I dissuaded him from attempting to buy control of this company because I knew, first of all, that it wasn't available, and I could tell from his conversation that he was a lot of talk. I later received another call from him and I told him to go back to the other broker if he had any business to transact, because I had met him through my competitor

friend and I certainly didn't want to encourage any of his business.

When I called my friend and told him what I had said, he replied, "Of course I knew you would do just that but I can't waste time on him either. You had him pegged right, the fellow has been trying to shoot elephants in his backyard ever since I knew him. I just thought this time he might be serious about trying to buy that big block of stock in the life company and I figured that if he was on the level you might be the one to handle it."

Both of us are too busy to waste time on psychos who go around from one investment firm to another trying to impress someone that they are big shots. There are a few of these characters loose in every community—don't waste your time.

(2) **The fellow who has no respect for other people's time.** There are those who will call you at your home at night to ask you questions about the market, about individual securities, or just to kill time and talk. Others will telephone during a busy day and they will labor you with requests for quotations, reports and whatever comes into their minds; and during the year if you add it up they won't give you, or send you, enough business to pay for 10% of the trouble they have caused you. Tell them to take their business elsewhere and spend your time servicing accounts who can give you enough business to make it worthwhile to do a conscientious job for them.

(3) **Penny stock buyers; gamblers; those who want the stock market to go up forever, and those who want a "free ride on every new issue."** During the past few years you have met some of these fellows. They usually have taken their stocks to some bank and borrowed to the hilt on them. After they put themselves way out on a limb and loaded up with every highly touted promotional and speculative stock they could buy they will now waste hours of your time: (1) Blaming Eisenhower and the Administration for the terrible depression the country is now suffering from; (2) the low price of their cats and dogs; (3) the fact that money rates have gone up; (4) the no-good bankers who listened to their tall stories when they made the loans and who now are pressing them for payment.

Try telling one of these babies that they should sell out their junk, pay up their debts and go to work, and then you will hear it. They will waste more hours of your time telling you that Wall Street is run by a bunch of insiders who always get the public by the neck, and if they ever get out of their stocks they will never get caught again. If any of their dogs start to come back you can bet on it they will hang on for dear life and the only time they

will sell is when they get even, which will be NEVER.

The business you do with these tycoons you will put in your left eye, but the time they will waste for you will be something to remember them by. AND DON'T SELL THEM ANY new issues that look like they will be oversubscribed—that is all they will ever buy from you. Save the fast-moving merchandise for your good customers who will appreciate it.

(4) **Avoid the big deal boys.** Then there is the customer who will buy a few securities from you and one day he'll call you on the telephone and tell you that he would like to obtain some financing for his business. Being somewhat obligated you will listen. If he has a business that is completely undercapitalized, usually with a working capital deficit, weak in management and in a highly competitive field, so much the better. He will bring you an unaudited statement six months old, and some tall stories that if he only had another \$100,000 he could make a half a million net after taxes in the next 12 months. There are millions of dollars worth of orders pending and he has a partner who is working on a new version of an earth satellite that will fly to the moon—all he wants is \$100,000! Waste more of your time on some of these boys and you won't have enough commissions earned at the end of the month to buy mama and the kids their groceries.

(5) **And don't forget your cashier.** There is the investor who gives you an order and he knows that by all the rules and regulations if he has a cash account that he should pay in four business days. Yet time after time his check will be late, then you will call him, then your cashier will call you, then his check will finally come in just a day before the deadline when your firm must ask for an extension from the Federal Reserve, or maybe you have to do that too. Others will argue about a balance due when they know, or should know, if they can read and add, that the \$47.69 of accrued interest is due and payable and it isn't something that they can forget about, but you have to keep after them to get it. Either you teach your customers the rules and make them live up to them, or let them go somewhere else.

There is no reason under the sun why anyone who buys securities shouldn't pay for them on time and according to the rules. This is a business that must be run by rules and if it isn't everyone will suffer. Solvency, paying your obligations when due, honoring a trade and a commitment, these are a must in the investment business and a good salesman will educate and train his customers to live by the rules. Those who won't are just not good customers and you will get hurt in the long run if you allow a customer to take advantage of you and toss you around when it comes to paying up when he buys or sells, and that goes for deliveries too.

Also, when a customer buys some securities from you and he wants it confirmed to a relative or someone other than himself let him tell you when you make the

trade; don't confuse your cashiering department by coming back to them two days later and asking them to reconfirm those securities into another name because you and your customer did not cover this important point when you made the trade. Those customers who won't do these things are often more trouble than they are worth.

This has been pretty rough on the customers but from the securities salesman's viewpoint there is no question about it—there are some people who are just not desirable accounts. Fortunately they are in the very small minority. After many years of selling securities, my own personal experience is that the best friends, and some of the finest and best human beings any man could have known, have been many of the people who favored me with their goodwill and their accounts. I am sure this is true right down the line.

With Hardy, McGauley

(Special to THE FINANCIAL CHRONICLE)

SARASOTA, Fla.—Curvin E. Tate has become connected with Hardy, McGauley & Co., Inc., 1278 North Palm Avenue.

Joins Curtis Merkel

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Oscar A. Dhein has joined the staff of Curtis Merkel Company, Inc., 601 First Avenue, North.

With Frank B. Bateman

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, Fla.—George R. Ruckert has become affiliated with Frank B. Bateman, Ltd., 243 South County Road.

Joins Lorraine Blair

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Eleanor A. Davis has joined the staff of Lorraine L. Blair, Inc., 30 No. La Salle St.

With Fusz-Schmelzle

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Samuel Ginsberg, Francis F. Lewis, and Harry A. Siemers are now affiliated with Fusz-Schmelzle & Co., Inc., Boatmen's Bank Building, members of the Midwest-Stock Exchange.



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Continued from first page

As We See It

the pressures that build up among the people themselves.

Other Important Areas

But there are other important areas where vital questions have arisen. The boom in the business world has lost much of its steam. About that there is no longer any doubt. Unemployment has mounted considerably in recent months and is apparently still rising. Profits are threatened where they have not already suffered. Labor costs, one of the factors responsible for our difficulties, are apparently still rising. None of these and other similar declines has as yet gone very far. It is still true as one economist recently remarked that if this is a recession, it is one of the busiest and most prosperous any nation ever had. Some further declines are, however, to be expected, and it is possible that the term recession will have to be applied to the state of things before recovery sets in. There are differences of opinion, of course, but the consensus appears to be that these troubles will run their course before the end of the year, and that the period will close on a far more cheerful note. We should doubt our competence to differ with so large a number of better qualified forecasters even if we felt inclined to do so—which we do not.

At the same time we must frankly admit that certain factors in the current situation leave us with an uneasy feeling. We are troubled less about whether recovery will take place than about whether it may be induced by forces essentially artificial in nature which may well leave us vulnerable to far worse difficulties than any that we have experienced to date. One such factor, of course, could be substantially accelerated defense outlays, particularly if they result in a seriously unbalanced budget.

There are analysts who make a good deal of expected larger defense outlays as a stimulant to business during the remainder of this year, particularly the latter part of the year. Of course, it is true that those companies which obtain government contracts and their suppliers—and employees of both—may become more active and possibly make larger profits and earn more wages as a result of enlarged outlays. This would be true of all those interests not now fully occupied and not likely to be fully occupied solely on private business. Whether this would be a net gain for the entire economy and for the people, however, depends upon many complex factors not always well understood

and fully remembered. There is too much disposition to identify economic well-being with the total output of goods and services—and that despite the lessons World War II should have brought.

The cold fact of the matter is that defense expenditures are to be put down as an expense—no matter what their nature or volume—a necessary expense for the most part, but nonetheless an expense which by and large can contribute to economic well being only by protecting those activities which result in human satisfactions. Whether such burdens can be carried and at the same time real economic progress made depends, of course, upon numerous factors. One thing is certain. If we are to move ahead in the rate at which we provide ourselves with the good things of life despite the enormous load of armament costs, we must produce the goods and services necessary thereto in addition to armament production. Bookkeeping legerdemain or financial juggling can for a moment possibly blur this fact, but can never rob it of its validity.

Deficits Are Unfortunate

Budgetary deficits incurred in the production of goods or services which have no economic utility—whether armament or other things—are all but certain to bring untoward consequences at one time or another. If such deficits are financed by sale to commercial banks of government obligations then funds are placed in the hands of the public which it cannot use for ordinary things except at higher prices. If these funds are employed in the purchase of government obligations upon the urging of public officials as a means of accumulating a post-defense reserve, cash is likely to be called for when defense pressure is past. The same is true if such funds are held idle in the banks. We learned about that sort of thing in the early postwar months. This latter effect may be produced even when the deficit is financed directly by sale of government obligations to non-banking investors. Defense outlays as a stimulator of business and defense outlays as a contributor to economic welfare are two quite different things.

Enlarged governmental outlays pursuant to what the New Deal economists used to term "compensatory spending" is usually just about as damaging to real economic progress. We are in danger of a good deal of this sort of activity by politicians now grown very sensitive to demands for active steps in Washington to head off de-

pression. Aids to housing, agricultural subsidies, and various other programs of a like sort will doubtless get impetus from the existing state of business—and much more if it grows worse. Easier money policies may well fall into about the same category. They are often cited as a probable stimulator of business this year.

We can all hope with considerable confidence that the current recession, if such it be, will vanish within months, but we should also resolve not to try to force recovery in ways that must in the end undermine the health of our economy.

Phila. Inv. Ass'n Appoints Committee

PHILADELPHIA, Pa. — Harry K. Hiestand of Reynolds & Co., President of the Investment Association of Philadelphia, announced the appointment of various Committees to serve for the year 1958. The Membership Committee is headed by H. Gates Lloyd, III, of Drexel & Co. Other members of the Committee are: Herbert S. Bengston of Schmidt, Poole, Roberts & Parke; Alan Crawford of Brown Brothers Harriman & Co. and George M. Buffum of DeHaven & Townsend, Crouter & Bodine.

Rubin Hardy of The First Boston Corporation heads the Program, Educational and Publicity Committee as Chairman. Other members are William D. Sherrerd, III, of Butcher & Sherrerd and William P. Brown, of Bache & Co.

The Auditing Committee consists of Edgar Scott, Jr. of Montgomery, Scott & Co. as Chairman and Paul H. Miller of Drexel & Co. The Entertainment Committee is composed of Henry M. Ingersoll of Smith, Barney & Co. as Chairman and Norman T. Wilde of Janney, Dulles & Battles, Inc.

Mr. Hiestand announced that the first luncheon meeting of the new year will be held on Friday, Jan. 24, 1958; at the Mask & Wig Club. John H. Claiborne, Jr., Fiscal Agent of the Federal National Mortgage Association will be the principal speaker. He will be introduced by Arthur A. Gretz, Agency Manager of the Association's Philadelphia office.

St. Louis Bond Table Elects Officers

ST. LOUIS, Mo. — The Bond Table, an organization of young men engaged in the municipal business in St. Louis, held their annual election Jan. 13.

The newly elected officers are: Floyd H. Beatty, A. G. Edwards & Sons, President; Wm. C. Glaser, Goldman, Sachs & Co., Secretary-Treasurer.

To Be Leavitt Spooner

BOSTON, Mass. — On Feb. 1 Herbert H. Spooner will become a partner and the firm name of Leavitt & Co., members of the New York Stock Exchange, will be changed to Leavitt, Spooner & Company. The main office will be located at 585 Boylston Street, Boston, with a New York office at 19 Rector Street.

Granger Co. Adds

Granger & Company, 111 Broadway, New York City, members of the New York Stock Exchange, have announced that Raymond E. Fox is associated with them.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

A strong buying movement has developed in the fire-casualty, insurance stocks that merits the attention of investors in these securities. This space has pointed out that, bad as 1956 underwriting results were, 1957 is likely to be substantially worse. But after that is said, we must look for any factors that tend to justify the present better action of the stocks of this industry.

Of course, there is always the investment end of the business, and, so far as income from investments is concerned, it has been progressively better for a number of years. However, the gain in investment income is likely for 1957 to be more than offset by the inroads of the falling equity markets on company portfolios. This will be true particularly in the case of the companies holding large blocks of common stocks.

One reason for the current buying surge in the group is probably to be found in the feeling of institutional investors that the news of the industry just cannot be worse than it has been, and therefore it seems logical to commit some funds to the group on the theory that the risks are lessening.

However all of this may be, it appears that one thing that is not receiving adequate attention is the fact that rate increases are beginning to have more effect. Rate increases and decreases by the supervisory authorities around in the various states are usually based on a three-to-five year experience. But once they are ordered by the arbiters, the companies do not begin to feel their effects at once. Fire insurance policies are written for from one to five years duration; and outstanding policies are not affected by rate changes until they expire and are renewed. Indeed, it is even possible when rates are reduced for policyholders to cancel outstanding contracts at older and higher rates in order to take out new policies at the new rates; and this is often done.

But going through the weekly bulletins of Alfred M. Best Company, a leading insurance statistical service, one finds a large number of cases of rate increases over the past year, increases that take effect only slowly, as policies expire. Let us look at a few of them.

January, 1957 — Auto liability rate increases approved by Arizona, California, Idaho, Montana, Nevada, Utah and Washington.

February, 1957 — Auto liability rates increased in Iowa.

November, 1957 — Workmen's Compensation rates increased in North Carolina.

October, 1957 — Auto liability and physical damage rates upped in Oklahoma.

November, 1957 — In Massachusetts new rates call for increases of 9% on passenger cars; 26% on commercial vehicles; 10.5% on taxicabs.

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The wording of the comment on Chase Manhattan Bank's 1957 earnings in our issue of January 9 unfortunately left the erroneous impression that the new all-time high earnings of the bank were in part due to security losses. There was no such connection.—A. W.

November, 1957—Bodily injury liability rates increased in Idaho, New Hampshire, South Dakota, Vermont.

July, 1957 — In eleven states glass insurance rates increased an average of 1½%.

November, 1957—Auto liability rates increased in Maryland an average of 15.2%.

December, 1957 — Commercial vehicle rates in Pennsylvania increased 5.6%; garage liability rates 9%.

August, 1957—In Pennsylvania workmen's compensation rates increased by about 5% average. Auto liability rates increased in Florida.

October, 1957 — Auto liability rates increased in seven states and District of Columbia. Commercial rates increased in eight states and District of Columbia. Substantial increases in fire and extended coverage rates were made in State of Washington.

May, 1957—Upward revisions in auto liability and physical damage rates in New Mexico, North Dakota, South Dakota, Wyoming.

September, 1957—Upward revisions in rates on auto liability in Mississippi, Kentucky, West Virginia.

December, 1957—Auto liability insurance rates increased in Mississippi, as were those on several other lines. Important changes, almost all upward, were made in owners', landlords and tenants bodily injury liability rates in fourteen states.

But why dwell on the subject? These are cases in which increases were put into effect. There were many others in which applications for higher rates were made, some of which are sure to be acted upon favorably.

It is of interest that such a large proportion of these upward revisions were for auto liability. This is a line that has been very costly to the carriers, and in which rates simply had to be increased. In several instances where increases were denied, the rating boards are going to resort to court action.

Casualty lines, generally speaking are those in which one-year policies predominate. Therefore, as time passes, more and more coverage will be at these new and higher rates.

While the casualty companies are almost sure, as a group, to show considerably less favorable underwriting results for 1957 than the fires, there is some correction on the way.

COMPARISON & ANALYSIS
1957 EARNINGS

13 N. Y. City Bank Stocks

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Specialists in Bank Stocks

Continued from page 23

Continued from page 23

Eisenhower Submits Record Peace Time Budget to Congress

five years beyond its expiration date of June 30, 1958, with certain new authority for the President to negotiate gradual and selective tariff reductions. Legislation should also be enacted to authorize United States membership in the Organization for Trade Co-operation to improve the administrative efficiency of our trade agreements with other countries.

Civil Benefits

Under present conditions, I am not recommending enactment at this time of certain legislation now pending in the Congress for new programs which I have previously advocated. For example, instead of general aid for construction of school-rooms, I am now recommending a broad temporary program of aid to education which is largely science-oriented. I am also deferring proposals for some other grant programs and for certain new public works projects. . . . I am also making recommendations to reduce some programs, to curtail expansion in others, and to transfer greater responsibility from the Federal Government to state and local governments or to private individuals or enterprises.

Science, Research and Education

In the face of Soviet challenges, the security and continued well-being of the United States depend, as never before, on the extension of scientific knowledge. . . . To this end, I am recommending an expanded program for the National Science Foundation and a new program for the Department of Health, Education and Welfare. These programs will be closely coordinated. The foundation is promoting science education and training primarily through grants to universities or fellowships to individuals. The program for the Department of Health, Education and Welfare will strengthen our general educational base, complement the activities of the National Science Foundation, and be channeled mainly through grants to states.

Postal Service

In every year since the close of World War II, the postal service has incurred large deficits. . . . The recommendations I am making should result in a net increase in postal revenues of about \$700,000,000 in the fiscal year 1959. . . . In view of present and prospective postal deficits, legislation to authorize adequate postal rates has become one of the most urgent items of unfinished business before the Congress. The House of Representatives has already approved changes in rates for letters, publications and advertising mail which would add materially to present revenues, but still leave a large deficit. To provide revenues which will more adequately meet present needs, the pending legislation should be amended, primarily by establishing a 5-cent letter rate on all except local letters. This is more than the 4-cent rate I recommended last year for both local and other letters, but it is needed to take account of the pay increase and other higher costs. . . .

Price Supports and Related Programs

A technological explosion is occurring on American farms as can be seen from the fact that production per farm worker has doubled in the last 15 years. A

new dimension in farm policy has been created which makes it virtually impossible to curtail agricultural output with the type of controls acceptable in our society.

I shall send to the Congress shortly a special message recommending certain changes in existing legislation that will permit the Secretary of Agriculture to establish price supports for basic crops consistent with the increased productivity of our agriculture. These measures could not begin to have a significant effect in freeing the farm economy from government controls before 1960 under a program of gradual adjustment of production to normal market demands. . . .

Interest and General Government

Interest expenditures of \$7,900,000,000, predominantly on the public debt, will account for 11% of budget expenditures in the fiscal year 1959.

General Government

If we are to retain in government service the highly skilled and able civilian employees who contribute so much to the nation's strength, it is clear that certain revisions are needed in the statutory pay structures for these employees, as well as for military personnel. My proposals for such revisions, to be effective July 1, 1958, and for other civilian personnel legislation, will be submitted to the Congress at an early date.

I feel confident that this budget expresses the way in which the American people will want to respond to the promises and dangers of the dawning age of space conquest. New dimensions must be added to our defenses, and outmoded activities must be discarded. Closer international co-operation is vital in a world where great distances are losing their meaning. As we devote more of our efforts and resources to these compelling tasks, we will have to limit our demands for less essential services and benefits provided by the Federal Government.

Our response must rise above personal selfishness, above sectional interests, above political partisanship. The goal of lasting peace with justice, difficult though it may be to achieve, is worth all of our efforts. We must make the necessary sacrifices to attain it. Our own people demand it and the nations of the world look to us for leadership.

DWIGHT D. EISENHOWER,
January 13, 1958.

McGuire With Murch

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Donald E. McGuire is now associated with Murch & Co., Inc., Hanna Building, members of the New York Stock Exchange. He was formerly with Hawkins & Co.

Two With Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Mary S. Brown and Jane G. Mueller have become associated with Harris, Upham & Co., 26 Pryor Street, N. E. Miss Brown was formerly with A. M. Kidder & Co.

Robert Goodbody

Robert Goodbody, limited partner in Goodbody & Co., New York City, passed away Jan. 8.

The State of Trade and Industry

\$47,300,000,000, a record for dollar amounts, the rate of gain over 1956 was the smallest since World War II.

The estimated total for 1957, the joint report stated, was a 3% gain over the \$46,100,000,000 in 1956.

For a large majority of private and public construction, the departments reported, spending was at peak levels in the year just ended. However, some important segments of the construction industry had a narrowing of year-to-year gains, the report found, and the physical volume of total new construction was about the same as in 1956.

In their report on 1957 construction, the agencies noted that the record \$33,300,000,000 spent for private construction was only slightly above the 1956 total. Public construction outlays rose 9% to a new high of \$13,900,000,000.

United States exports in the first eleven months of 1957 topped the total shipment of goods in all 1956, the United States Department of Commerce declared.

Its report bolstered estimates by Government foreign aid experts that 1957 commercial exports would surge to a record high of about \$19,500,000,000.

In recent months, however, there has been a decline in exports. In the first half they were at an annual rate of \$21,600,000,000. Exports have been running slightly over \$1,500,000,000 a month in recent months or at an annual rate of slightly over \$18,000,000,000.

The previous best export year was 1956, when commercial exports totaled \$17,326,000,000. By the end of November, 1957, United States traders had already sent abroad \$17,909,000,000 of goods, the commerce agency estimated. This estimate of commercial shipments comes by subcontracting government military aid exports from total United States shipments abroad. Including the military exports, the total for 1956 rose to \$19,100,000,000 while the first 11 months of 1957 showed \$19,200,000,000 of exports, according to government figures.

The Commerce Department estimate came as it announced its count of exports for November, 1957. In that month, United States commercial shipments totaled \$1,594,200,000. This was up from \$1,424,000,000 in the like 1956 month but approximately the same as the \$1,600,000,000 of October, 1957.

Including military shipments, November exports totaled \$1,681,000,000. This was 9% higher than the \$1,543,800,000 of the 1956 month and just barely above the \$1,674,000,000 of October, 1957.

Steel Operations This Week Set to Advance to 95.7% of Capacity On the New Basis

A price upturn in steelmaking scrap may presage a moderate increase in steel output, "Steel" magazine reported on Monday of this week.

The metalworking magazine's scrap price composite rose 16 cents a gross ton in the week ended Jan. 8. The composite, now at \$33.33 a gross ton, is \$1.33 above the 1957 low point recorded in the week ended Dec. 11. During the following three weeks, it stood at \$33.17. It added that many look upon scrap as a barometer of steel production.

Thirteen months ago the composite broke downward from record highs, but with the exception of May and June, it went downhill all year. Three months after the composite began its decline, steel ingot output turned downward, a trend that persisted throughout 1957.

The current advance in the scrap price composite came from an upturn in No. 1 heavy melting steel scrap at Pittsburgh. In the East, brokers buying material to fill contracts are paying more than they agreed to charge. Any upturn in steel production will be moderate. The two largest steel consumers, automobiles and construction, do not have the bounce they had last year.

Inventory reduction and lower consumption continue to dampen the placing of new orders for steel. Concessions in mill prices in the form of freight absorption are being offered by the mills to attract distant customers. Warehouses are also absorbing freight. Competition among fabricators of structural steel is softening prices of steel in place.

Output of steel last week was at 60% of the 1957 capacity, five points above the rate of the preceding holiday week. Capacity figures for 1958 will be announced soon. The 60% rate yields 1,535,700 net tons of steel for ingots and castings a week. Output in the comparable week last year was 2,519,000 tons.

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 95.7% of capacity for the week beginning Jan. 13, 1958, equivalent to 1,538,000 tons of ingot and steel for castings (based on average weekly production for 1947-1949) as compared with an actual rate of 94.3% of capacity, and 1,515,000 tons a week ago.

The industry's ingot production rate for the weeks in 1958 is based on annual capacity of 140,742,570 net tons as of Jan. 1, 1958.

For the like week a month ago the rate was 108.4% and production 1,742,000 tons. A year ago the actual weekly production was placed at 2,467,000 tons or 153.6%.

Index of production is based on average weekly production for 1947-1949.

Electric Output Extended Its Gains of the Week Before

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Jan. 4, 1958, was estimated at 12,506,000,000 kwh., according to the Edison Electric Institute. Output the past week registered an increase above the preceding period.

For the week ended Jan. 11, 1958 output rose 814,000,000 kwh. above that of the previous week and advanced 179,000,000 kwh. or 1.5% above that of the comparable 1957 week and by 912,000,000 kwh. above that of the week ended Jan. 14, 1956.

Car Loadings in Post-Christmas Week Advanced 15.1% Above Prior Period

Loadings of revenue freight for the week ended Jan. 4, 1958, were 61,727 cars or 15.1% above the preceding Christmas Holiday week, the Association of American Railroads reports.

Loadings for the week ended Jan. 4, 1958, which included the New Year's Day holiday, totaled 471,749 cars, a decrease of 89,452 cars, or 15.9% below the corresponding 1957 week and a decrease of 139,550 cars, or 22.8% below the corresponding week in 1956.

Automotive Output Opened Initial Week of 1958 at 16% Under Year Ago Level

Passenger car production for the first full week of 1958 ended Jan. 10, according to "Ward's Automotive Reports," opened at

a pace 16% below the level of 1957.

Last week's car output totaled 121,292 units and compared with 76,653 (revised) in the previous week. The past week's production total of cars and trucks amounted to 140,040 units, or an increase of 50,683 units above that of the preceding week's output, states "Ward's."

Last week's car output advanced above that of the previous week by 44,639 cars, while truck output increased by 6,044 vehicles during the week. In the corresponding week last year 147,129 cars and 20,322 trucks were assembled.

Last week the agency reported there were 18,748 trucks made in the United States. This compared with 12,704 in the previous week and 20,322 a year ago.

Canadian output last week was placed at 6,980 cars and 1,031 trucks. In the previous week Dominion plants built 3,383 cars and 564 trucks and for the comparable 1956 week 8,799 cars and 1,292 trucks.

Lumber Shipments Advanced 30.1% Above Output in New Year's Week Ended Jan. 4, 1958

Lumber shipments of 490 reporting mills in the New Year's holiday week ended Jan. 4, 1958, were 30.1% above production in the previous Christmas holiday week, according to the National Lumber Trade Barometer. In the same period, new orders were 35.6% above production. Unfilled orders amounted to 27% of stocks. Production was 0.4% above; shipments 2.9% below and new orders were 11.0% below the previous week and 11.6% below the like week of 1956.

Business Failures Rose Sharply In Latest Week Following Moderate Increase in Prior Period

Commercial and industrial failures climbed to 324 in the week ended Jan. 9, 1958 from 203 in the preceding week, Dun & Bradstreet, Inc., reports. This rebound from the low holiday levels raised casualties to the highest total since March last year. They exceeded considerably the 256 in the comparable week of 1957 and the 245 in 1956, but they remained 15% below the prewar level of 380 in the similar week of 1939.

Failures with liabilities of \$5,000 or more rose to 279 from 173 last week and 215 a year ago. Among small casualties with liabilities under \$5,000, the increase was slight, lifting their total to 45 from 30 in the previous week and 41 last year. Thirty-five of the failing businesses had liabilities in excess of \$100,000 as compared with 22 in the preceding week.

Trade and service enterprises contributed largely to the week's rise, with retailing casualties climbing to 184 from 193, wholesaling to 34 from 17 and commercial service to 21 from 12. More moderate increases prevailed among manufacturers, up to 47 from 38 and among construction contractors, up to 38 from 33. More concerns succumbed than a year ago in all industry and trade groups except construction. The most noticeable upturns from the 1957 level occurred among wholesalers and retailers.

All geographic regions reported higher failures during the week. The Middle Atlantic States' total jumped to 111 from 69, the Pacific to 66 from 38 and the West North Central to 22 from 6. There were milder rises in the East North Central States to 42 from 34 and in the South Atlantic States to 30 from 22, while the least change appeared in the South Central States. Failures exceeded last year's level in all regions except

the South Atlantic where they held even.

Wholesale Food Price Index Registered Noticeable Gains In Latest Week

The wholesale food price index, compiled by Dun & Bradstreet, Inc., climbed noticeably to \$6.41 on Jan. 7 from \$6.32 a week earlier. The level was 5.1% higher than the \$6.10 on the comparable date a year ago.

Commodities quoted higher in wholesale cost last week were flour, wheat, corn, rye, oats, bellies, lard, cottonseed oil, steers, hogs and lambs, while declines occurred in barley, hams, butter, peas, eggs and beef.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Picked Up Ground And Closed Somewhat Higher The Past Week

There was a slight rise in the general commodity price level last week, with gains in grains, flour and cocoa. On Jan. 6 the wholesale commodity price index, compiled by Dun & Bradstreet, Inc., stood at 278.20, compared with 277.62 a week earlier and 299.51 on the comparable date a year ago.

Most grain futures prices advanced during the week. Trading in wheat improved noticeably and prices climbed substantially. Export sales of hard wheat to Pakistan totaled 1,500,000 bushels, with inquiries for wheat received from Poland, Israel, India and West Germany. Moderate rises occurred in prices on oats, rye and corn as transactions expanded. Wholesalers reported a noticeable increase in soybean trading, and prices rose considerably.

There were some scattered fill-in orders for flour, causing a moderate rise in prices. Flour receipts at New York railroad terminals on Friday amounted to 50,609 sacks, including 27,309 for export and 23,300 for domestic use.

Rice trading was close to that of the preceding week, leaving prices unchanged. The buying of sugar was steady, and prices held close to the level of a week earlier. In the week ended Dec. 28, weekly sugar deliveries amounted to 116,264 short tons, raw value, compared with 149,961 in the prior week and 116,645 a year ago. The cumulative total for all of 1957 was 8,501,000 tons, as against 8,811,000 in the previous year, the United States Department of Agriculture reported.

A noticeable increase in purchases of cocoa occurred boosting prices appreciably. Warehouse stocks of cocoa in New York at the end of last week totaled 154,413 bags, up slightly from the prior week. Arrivals in the United States this year so far amounted to 60,649 bags compared with 19,988 bags last year.

Hog trading in Chicago was sluggish the past week and prices fell moderately. There was a sizable rise in hog receipts over those of a week earlier. While wholesale buying of cattle picked up somewhat, prices remained unchanged. Lamb prices climbed slightly, as transactions improved. Futures prices on vegetable oils and lard were close to those of the preceding week.

Cotton futures prices on the New York Cotton Exchange picked up at the end of the week and finished moderately above those of the prior week. On Dec. 24 the Commodity Credit Corp. sold 314,382 bales of cotton for sale under the Government's export program, bringing the total of such sales to 4,429,144 bales. Exports of cotton from the United States for the week ended last Tuesday were at an estimated 100,000 bales, the Cotton Exchange Service Bureau revealed. This compared with 162,000 in the prior

week and 144,000 during the comparable period a year ago.

Trade Volume Spurred In Latest Week By Sales Promotions

Extensive January sales promotions encouraged consumer buying last week and the volume slightly exceeded that of a year ago. Year-to-year increases in sales of apparel and linens offset declines in furniture and appliances. Spot estimates indicate that volume in new and used passenger cars fell somewhat from the level of the preceding week.

The total dollar volume of retail trade in the period ended on Wednesday of the past week was unchanged to 4% higher than a year ago, spot estimates collected by Dun & Bradstreet, Inc. show. Regional estimates varied from the comparable 1957 levels by the following percentages: South Atlantic and Pacific Coast States +2 to +6%; New England +1 to +5; Mountain 0 to +4; Middle Atlantic and East North Central -1 to +3; East South Central and West South Central -2 to +2 and West North Central States -3 to +1%.

There was a noticeable rise during the week in sales of women's cloth coats and sportswear and the volume was substantially higher than that of a year ago. Moderate year-to-year gains prevailed in purchases of women's suits, lingerie and millinery. Increased buying of suits, furnishings and sportswear boosted the total dollar volume of men's apparel appreciably over last year. Retailers reported a noticeable rise in the call for children's clothing over that of the previous week.

Except for a moderate year-to-year gain in sales of automatic laundry equipment, interest in major appliances lagged behind that of a year ago. There was a slight decline from last year in the buying of furniture, with the most noticeable decreases in case goods and bedroom suites. While volume in sheets and towels advanced considerably over a week earlier, the call for draperies and floor coverings was sluggish.

Food buying slackened the past week, with principal declines in baked goods, candy and poultry. Purchases of fresh meat, canned goods, fresh produce and frozen foods remained close to those of the previous week.

Wholesale buying of household goods climbed appreciably last week, being higher than anticipated. Orders at furniture markets in Chicago and Grand Rapids expanded as well as volume in lamps, lighting fixtures and television sets. On the other hand, trading in refrigerators and automatic laundry equipment was sluggish. There was a moderate gain in sales of floor coverings and draperies. The call for china and glassware expanded and purchases were close to those of a year ago.

Increased buying of better dresses and sportswear boosted total wholesale volume in women's Spring apparel during the week. A noticeable rise in re-orders for women's winter cloth coats and sportswear occurred, as retailers attempted to replace depleted stocks. In preparation for Easter sales promotions, buyers stepped up their orders for girls' Spring apparel. Volume in men's clothing was close to that of a year ago.

Activity at most major textile centers was sluggish again last week. Transactions in woolens, worsted and carpet wool lagged, especially in Philadelphia and Boston. There was a slight rise in trading in cotton print cloths, while volume in broadcloths, twills and sateens dipped somewhat. Dyers and finishers in the Mid-Atlantic States reported another decrease in incoming orders. There was a moderate decrease in wholesale food buying.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index

for the week ended Jan. 4, 1958, increased 2% above the like period last year. In the preceding week, Dec. 28,* 1957 an increase of 32% (revised) was reported. For the four weeks ended Jan. 4, 1958 an increase of 7% was reported. For the year 1957 an increase of 1% was registered above that of 1956.

Retail trade sales volume in New York City the past week rose from 2% to 5% above that for the similar period a year ago, trade observers estimated.

The snowstorm of the previous week hampered shoppers considerably in suburban areas and more than offset the good showing in Manhattan stores.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Jan. 4,

1958 increased 4% above that of the like period last year. In the preceding week, Dec. 28,* 1957 an increase of 37% was reported. For the four weeks ended Jan. 4, 1958, an increase of 11% was registered. For the year 1957 the index registered an increase of 2% above that of the corresponding period of 1956.

*The large increases shown for this week reflect in part the fact that this year Christmas was on Wednesday and the week, therefore, included two days of heavy pre-Christmas shopping; in the corresponding week last year, Christmas was on Tuesday.

Cruttenden, Podesta Opens Ft. Wayne Branch

FT. WAYNE, Ind.—Cruttenden, Podesta & Co. has announced the opening of a branch office in Fort Wayne, Ind., with Ferd Freimuth as resident manager.

The address is 925 S. Harrison St. Also located in the new office are James H. Benninghoff and Paul Anderson.

Mr. Freimuth, in the brokerage business for 15 years, was formerly resident manager of Arthur M. Krensky & Co., Inc., and was with Foelber & Patterson and a Vice-President of its successor company, Foelber & Co.

Mr. Benninghoff was a registered representative with Arthur M. Krensky & Co., Inc., formerly purchasing agent with Paul Pumps, Inc., and a salesman with Cooper Distributing Co.

Mr. Anderson, in addition to his association with Arthur M. Krensky & Co., Inc., had his own oil distributor business for 16 years and was at one time with the Standard Oil Company.

many happy returns of today



Thanks to our doctors, most Americans can look forward to longer and happier lives than ever before. Some of our deadliest diseases have already been conquered; others are fast being brought under control. Even with cancer, much progress has been made.

Today, more than 800,000 Americans are alive and well, cured of cancer . . . many of them, because they made a habit of having thorough health checkups every year no matter how well they felt . . . many others, because they went to their doctors at the first sign of any one of the seven danger signals that may mean cancer . . . all of them, because they went to their doctors in time.

To learn how to guard yourself against cancer, call the American Cancer Society office nearest you or write to "Cancer" in care of your local Post Office.

American Cancer Society



Securities Now in Registration

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SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Affiliated Fund, Inc.

Jan. 10 filed (by amendment) 6,000,000 shares of additional capital stock with a par value of \$1.25.

Alabama Power Co. (1/16)

Dec. 20 filed \$23,000,000 of first mortgage bonds due 1988. **Proceeds**—To finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co.; Lehman Brothers; The First Boston Corp.; Blyth & Co., Inc., and Kidder, Peabody & Co. (jointly); Eastman Dillon, Union Securities & Co.; Equitable Securities Corp. and Drexel & Co. (jointly); Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly). **Bids**—To be received up to 11 a.m. (EST) on Jan. 16, at Room 1600, 250 Park Avenue, New York 17, N. Y.

Allen (Walter H.) Co., Inc.

Nov. 4 (letter of notification) \$150,000 of 10-year 6% unsecured debentures, due Nov. 1, 1967, to be offered to stockholders. **Price**—At par (in units of \$1,000). **Proceeds**—For construction of a new addition to present building. **Office**—8210 Denton Drive, Dallas, Texas. **Underwriter**—None.

Allstate Commercial Corp., New York

Sept. 16 filed 256,300 shares of class A common stock (par one cent), of which 233,000 shares are to be sold for account of the company and 23,300 shares for the account of Ben Degaetano, President of the underwriter. **Price**—\$1.50 per share. **Proceeds**—For working capital to be used in realty financing activities. **Underwriter**—Midland Securities, Inc., New York.

★ American European Securities Co.

Jan. 15 filed 76,563 shares of common stock to be offered to holders of outstanding common on the basis of one new share for each 6 shares held of record to the effective date of registration statement. **Proceeds**—For investment purposes. **Price**—To be supplied by amendment. **Office**—Jersey City, N. J. **Underwriter**—None.

American Life & Casualty Insurance Co.

Dec. 3 filed 101,667 shares of common stock (par \$1) to be offered for subscription by common stockholders at the rate of one new share for each two shares held; unsubscribed shares to be offered to public. **Price**—\$10 per share. **Proceeds**—For capital and surplus accounts. **Office**—Fargo, N. D. **Underwriter**—None.

American Mutual Investment Co., Inc.

Dec. 17 filed 490,000 shares of capital stock. **Price**—\$10.20 per share. **Proceeds**—For investment in first trust notes, second trust notes and construction loans. Company may develop shopping centers and build or purchase office buildings. **Office**—900 Woodward Bldg., Washington, D. C. **Underwriter**—None. Sheldon Magazine, 1201 Highland Drive, Silver Spring, Md., is President.

American Provident Investors Corp.

Feb. 15 filed 50,000,000 shares of common stock (par one cent). **Price**—\$2 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—Dallas, Tex. **Underwriter**—Peoples Securities Co., J. D. Grey, of New Orleans, John S. Tanner, of Dallas, and C. L. Edmonds, of Houston, three of the 22 directors, are Chairman, Vice-Chairman and President, respectively.

American Telephone & Telegraph Co. (2/7)

Dec. 31 filed \$718,313,000 of convertible debentures to be offered for subscription by stockholders at the rate of \$100 principal amount of debentures for each nine shares held; rights to expire on or about March 12, 1958. Subscription warrants are expected to be mailed on or about Feb. 7. **Price**—100% of principal amount. **Proceeds**—For advances to subsidiary and associated companies; for purchase of stock offered for subscription by such companies; for extensions, additions and improvements to company's own plant and for general corporate purposes. **Underwriter**—None.

Anderson Electric Corp.

Dec. 23 (letter of notification) 14,760 shares of class B common stock (par \$1). **Price**—\$12 per share. **Proceeds**—To go to selling stockholders. **Office**—700 N. 44th Street, Birmingham, Ala. **Underwriters**—Courts & Co., Birmingham, Ala.; Wayne Hummer & Co., Chicago, Ill.; and Merrill Lynch, Pierce, Fenner & Beane, Birmingham, Ala.

Anita Cobre U. S. A., Inc., Phoenix, Ariz.

Sept. 30 filed 83,000 shares of common stock. **Price**—At par (\$3.75 per share). **Proceeds**—For investment in subsidiary and working capital. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

★ Asta-King Petroleum, Inc.

Jan. 8 filed 222,200 shares of common stock (5 cents par value). **Proceeds**—For expenses incidental to development of oil and gas properties. **Office**—Room 1420 Superior Bldg., Cleveland 14, Ohio. **Price**—\$1.35 per share. **Underwriter**—Ross Securities, Inc., New York City.

● Atlas Sewing Centers, Inc., Miami, Fla. (1/27)

Jan. 6 filed \$1,500,000 6½% convertible subordinated debentures, due 1973. **Price**—Par. **Proceeds**—To increase inventories, expansion, and reduce bank debt. **Underwriter**—Van Alstyne, Noel & Co., New York. In addition, company has agreed to sell to underwriter, for \$2,500, stock purchase warrants entitling holders thereof to purchase up to 50,000 shares of common stock on or before Jan. 1, 1963, at a price to be supplied by amendment. **Offering**—Expected Jan. 27.

Bamm Corp., New York

Nov. 29 (letter of notification) \$300,000 of 6% 5-year convertible sinking fund debentures (subordinated) due Jan. 1, 1963 and 30,000 shares of common stock (par one cent) to be offered in units of \$100 of debentures and 10 shares of stock. **Price**—\$100 per unit. **Proceeds**—To retire bank loan and for working capital. **Business**—Manufactures and rents commercial coffee brewing machines. **Office**—515 Madison Ave., New York. **Underwriter**—Willis E. Burnside & Co., Inc., New York.

★ Basic, Inc.

Jan. 2 (letter of notification) an undetermined number of shares of common stock (not in excess of \$50,000) to be offered to employees. **Office**—845 Hanna Bldg., Cleveland 15, Ohio. **Underwriter**—None.

Bell Telephone Co. of Pennsylvania (1/28)

Jan. 2 filed \$50,000,000 of debentures due Feb. 1, 1989. **Proceeds**—To retire equal amount of 5% first and refunding mortgage bonds which have been called for redemption on April 1, 1958. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; First Boston Corp.; White, Weld & Co. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—To be received until 11 a.m. (EST) on Jan. 28, at Room 2315, 195 Broadway, New York City.

Blacksmith Shop Pastries Inc., Rockport, Mass.

Sept. 17 (letter of notification) \$100,000 of 6½% debentures dated Sept. 16, 1957 and due Sept. 15, 1972 and 40,000 shares of capital stock (par \$1) to be offered in units of one \$50 debenture and 20 shares of capital stock. **Price**—\$90 per unit. **Proceeds**—To retire mortgage notes and for working capital. **Underwriter**—Mann & Gould, Salem, Mass.

★ Bradco 1958 Associates, Inc.

Jan. 9 registered \$2,000,000 of participating interests to be offered in minimum units of \$10,000. **Proceeds**—Acquisition and development of undeveloped oil and gas properties. **Office**—Houston, Texas. **Underwriter**—Bradco and firms and individuals it selects. Program will be managed by Bradco Oil & Gas Co., capital stock of which is owned by International Investment Co., Patrick W. Brady is listed as president and director of each company.

Brantly Helicopter Corp., Philadelphia, Pa.

Nov. 25 (letter of notification) 21,818 shares of common stock (par 50 cents). **Price**—\$13.75 per share. **Proceeds**—For equipment, supplies and working capital. **Offices**—24 Maplewood Ave., Philadelphia 44, Pa., and Frederick, Okla. **Underwriter**—None.

Brunswick-Balke-Collender Co.

Dec. 20 filed 163,500 shares of common stock (no par) to be offered in exchange for outstanding common stock of MacGregor Sport Products, Inc. at rate of one share of BBC stock for each share of MacGregor stock. The offer is subject to acceptance by holders of at least 90% (147,150 shares) of outstanding MacGregor common (which condition may be waived by BBC if offer is accepted by at least 80% of outstanding MacGregor stock). **Underwriter**—None.

Cador Production Corp., Far Hills, N. J.

Dec. 16 filed 1,680,000 shares of common stock (par five cents), of which 1,600,000 shares are to be offered in exchange for oil properties located in Oklahoma, Texas, New Mexico, Louisiana, Kansas and elsewhere; the remaining 80,000 shares are to be issued as commissions. **Underwriter**—Cador, Inc., Far Hills, N. J.

★ Camoose Uranium Mines of America, Inc.

Jan. 9 filed 3,000,000 shares of common stock (1 cent par), all owned by Camoose Mines Ltd., which is in liquidation and has equivalent amount of stock outstanding (1 cent par). When registration statement becomes effective, Camoose Mines will issue as a liquidating dividend, on a share-for-share basis, the 3,000,000 Canadian Uranium Mines shares. **Office**—New York City. **Underwriter**—None.

Cambridge Electric Light Co. (1/20)

Dec. 9 filed \$4,500,000 of 30-year notes, series B, due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; and Coffin & Burr, Inc. and F. S. Moseley & Co. (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EST) on Jan. 20.

Canada Mortgage Bonds, Ltd., Englewood, N. J.

Sept. 3 filed \$1,000,000 of 8% mortgage bond trust certificates. **Price**—At par (in units of \$250, \$500 and \$1,000). **Proceeds**—For purchase of mortgage bonds. **Underwriter**—None.

Canadian Prospect Ltd., Calgary, Canada

Sept. 27 filed 4,851,810 shares of common stock (par 16½ cents) to be offered in exchange for capital stock of Canadian Export Gas Ltd. on the basis of 2½ Canadian Prospect shares for each Canadian Export share, subject to acceptance by holders of at least 80% of Canadian Export shares outstanding. **Underwriter**—None. Statement effective Nov. 4.

Caribe Stores, Inc., Aguirre, Puerto Rico

Dec. 2 (letter of notification) 247,560 shares of common stock (par 50 cents) to be offered for subscription by common stockholders. **Price**—52 cents per share. **Proceeds**—For general corporate purposes. **Name Change**—Formerly Tybor Stores, Inc. **Underwriter**—Lerner & Co., Boston, Mass.

Central Mortgage & Investment Corp.

Sept. 12 filed \$5,000,000 of 20-year mortgage bonds and 500,000 shares of common stock (par five cents) to be offered in units of \$100 of bonds and 10 shares of stock. **Price**—\$100.50 per unit. **Proceeds**—For purchase of first mortgages or to make first mortgage loans and for construction business. **Office**—Miami Beach, Fla. **Underwriter**—Aetna Securities Corp., New York. **Offering**—Date indefinite.

★ Central Power & Light Co. (2/4)

Jan. 6 filed \$12,000,000 first mortgage bonds, series H, due Feb. 1, 1988. **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.; Kidder, Peabody & Co.; Lehman Brothers and Glore, Forgan & Co. (jointly); Blyth & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly). **Bids**—Tentatively expected to be received on Feb. 4.

Chess Uranium Corp.

May 14 (letter of notification) 600,000 shares of common stock (par \$1—Canadian). **Price**—50 cents per share. (U. S. funds). **Proceeds**—For exploration costs, etc. **Office**—5616 Park Ave., Montreal, Canada. **Underwriter**—Jean R. Veditz Co., Inc., 160 Broadway, New York. **Offering**—Expected at any time.

★ Churchmen's Financial Corp.

Jan. 6 (letter of notification) 295,000 shares of common stock (par 50 cents). **Price**—\$1 per share. **Proceeds**—For the formation and acquisition of a wholly-owned subsidiary insurance company. **Address**—P. O. Box 6, Rock Hill, S. C. **Underwriter**—None.

★ Cleveland Electric Illuminating Co. (2/25)

Jan. 8 filed \$30,000,000 first mortgage bonds due in 1993. **Proceeds**—Retire bank loans in amount of \$9,500,000 and for construction program. Latter, for 1958, calls for \$65,000,000 outlay, and over next five years total is approximately \$280,000,000. **Underwriter**—To be determined by competitive bidding. Probable bidders—Halsey, Stuart & Co. Inc.; Blair & Co., Inc. and Baxter, Williams & Co. (jointly); Glore, Forgan & Co.; Blyth & Co., Inc.; The First Boston Corp.; White, Weld & Co.; Dillon Read & Co. Inc. **Bids**—Expected to be received up to noon (EST) on Feb. 25.

Colonial Aircraft Corp., Sanford, Me.

July 5 filed 248,132 shares of common stock (par 10¢). **Price**—At market. **Proceeds**—To selling stockholders. **Underwriter**—Glick & Co., Inc., New York. Statement effective Aug. 10.

● Commerce Oil Refining Corp.

Dec. 16 filed \$25,000,000 of first mortgage bonds due Sept. 1, 1968, \$20,000,000 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: \$1,000 of bonds and 48 shares of stock and \$100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds**—To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

Consolidated Credit Corp.

Dec. 17 (letter of notification) 15,000 shares of \$140 cumulative sinking fund preferred, series A (par \$20), with warrants to purchase 15,000 shares of class B common stock (par \$1), to be offered in units of one preferred share and one warrant. **Price**—\$20 per unit. **Proceeds**—For working capital. **Office**—316 Johnston Bldg., Charlotte, N. C. **Underwriter**—J. C. Wheat & Co., Richmond, Va. **Offering**—Expected shortly.

Consolidated Cuban Petroleum Corp.

Dec. 30 filed 500,000 shares of common stock (par 20 cents) to be offered for subscription by common stockholders on the basis of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For exploration activities and capital expenditures. **Office**—Havana, Cuba. **Underwriter**—H. Kook & Co., Inc., New York.

Consumer Finance Corp. of America

Dec. 27 filed \$1,000,000 of capital notes due Feb. 1, 1973 (with detachable class A common stock purchase warrants). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for working capital. **Change in Name**—Formerly People's Finance Corp. **Office**—Denver, Colo. **Underwriters**—Paul C. Kimball & Co., Chicago, Ill. **Offering**—Expected first week in February.

Continental Mining & Oil Corp.

Dec. 9 (letter of notification) 250,000 shares of common stock (par 10 cents). **Price**—\$1 per share. **Proceeds**—For mining expenses. **Office**—1500 Massachusetts Avenue, N. W., Washington, D. C. **Underwriter**—E. L. Wolfe Associates, 1511 K St., N.W., Washington, D. C.

Cooperative Grange League Federation, Inc.

Sept. 27 filed \$600,000 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**—To finance inventory purchases, to make capital loan advances to retail subsidiaries; to reduce bank loans; and for working capital. **Office**—Ithaca, N. Y. **Underwriter**—None.

Cubacor Explorers, Ltd.

Oct. 28 (letter of notification) 600,000 shares of common stock (par \$1—Canadian). **Price**—50 cents per share—U. S. funds. **Proceeds**—For exploration and drilling costs.

Office—Suite 607, 320 Bay St., Toronto, Ont., Canada.
Underwriter—Stratford Securities Co., Inc., 135 Broadway, New York.

Daybreak Uranium, Inc., Opportunity, Wash.
 May 7 filed 631,925 shares of common stock (par 10 cents). **Price**—At market (approximately 53 cents per share). **Proceeds**—To selling stockholders. **Underwriter**—Herrin Co., Seattle, Wash.

DeLuxe Check Printers, Inc.
 Aug. 28 (letter of notification) 25,000 shares of common stock (par \$1) to be offered to employees and present stockholders. **Price**—\$11.80 per share. **Proceeds**—To acquire new machinery and equipment. **Office**—530 N. Wheeler St., St. Paul 4, Minn. **Underwriter**—None.

Disc, Inc., Washington, D. C.
 Oct. 10 filed 400,000 shares of class A common stock (par \$1). **Price**—\$2.50 per share. **Proceeds**—For investment. **Business**—Purchase and development of real property, and acquisition of stock of business enterprises. **Underwriter**—None. Irving Lichtman is President and Board Chairman.

Dixon Chemical & Research, Inc. (1/27-28)
 Dec. 24 filed 165,625 shares of common stock (par \$1) to be offered for subscription by common stockholders at the rate of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For expansion and general corporate purposes. **Office**—Clifton, N. J. **Underwriter**—P. W. Brooks & Co., Inc., New York. **Offering**—Expected Jan. 27-28.

Doctors' Motels, Inc., Kansas City, Kan.
 Oct. 25 filed 500,000 shares of common stock, of which 420,497 shares are to be offered publicly, 39,568 shares are to be offered in exchange for \$432,055 outstanding 6% debentures, 3,935 shares are to be issued as a stock dividend and 30,850 shares are presently outstanding. **Price**—At par (\$15 per share). **Proceeds**—For construction and operation of motels and to repay bank loans. **Underwriter**—None.

Dow Chemical Co.
 Nov. 25 filed 84,121 shares of common stock (par \$5), issuable upon conversion of the \$4,000,000 4% subordinated convertible debentures due June 1, 1980, originally issued by The Dobeckmun Co., the liability of which was assumed by Dow Chemical Co. as of Aug. 31, 1957. These debentures are held by three insurance companies.

Durox of Minnesota, Inc., Denver, Colo.
 Sept. 23 filed 750,000 shares of common stock (par \$1). **Price**—\$2 per share. **Proceeds**—For capital expenditures and working capital. **Business**—Building material. **Underwriter**—American Underwriters, Inc., Englewood, Colo. Statement effective Dec. 11.

Electro Precision Corp., Arkadelphia, Ark.
 Oct. 30 (letter of notification) 60,000 shares of common stock (par \$1). **Price**—\$4 per share. **Proceeds**—For office and laboratory equipment; inventory, working capital, etc. **Underwriter**—Nunn-Groves Co., Little Rock, Ark.

★ Evans Grocery Co.
 Jan. 2 (letter of notification) 16,850 shares of common stock (par \$10) to be offered to employees of the company. **Price**—\$17.80 per share. **Proceeds**—For company's general fund. **Office**—700 First Ave., Gallipolis, Ohio. **Underwriter**—None.

Ex-Cell-O Corp., Detroit, Mich.
 Nov. 25 filed 88,000 shares of common stock (par \$3) to be offered in exchange for common stock of Bryant Chucking Grinder Co. of Springfield, Va., at rate of four-tenths of an Ex-Cell-O share for each full Bryant share. Offer will become effective upon acceptance by holders of not less than 209,000 shares (95% of all common stock of Bryant outstanding). **Underwriter**—None.

Expanded Shale Products Inc.
 Nov. 26 (letter of notification) 60,000 shares of common stock (par \$1) and \$180,000 of 6% redeemable debentures maturing Dec. 15, 1967. **Price**—Of stock, \$2 per share; of debentures, at par. **Proceeds**—For exploring and de-

veloping mineral properties with objective of producing expanded shale. **Office**—728-29 Symes Bldg., Denver 2, Colo. **Underwriter**—Minor, Mee & Co., Albuquerque, N. M.

Famous Virginia Foods Corp.
 Nov. 6 (letter of notification) 5,000 shares of common stock. **Price**—\$6.67 per share. **Proceeds**—To selling stockholder. **Office**—922 Jefferson St., Lynchburg, Va. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

First International Fire Insurance Co.
 Aug. 26 (letter of notification) 100,000 shares of common stock (par \$1). **Price**—\$3 per share. **Proceeds**—For capital and surplus and for first year's deficit. **Office**—3395 S. Bannock St., Englewood, Colo. **Underwriter**—American Underwriters, Inc., Englewood, Colo.

First Leaseback Corp., Washington, D. C.
 Nov. 27 filed 500,000 shares of class A common stock (par five cents). **Price**—\$5 per share. **Proceeds**—To purchase properties. **Underwriter**—Whitmore, Bruce & Co., Washington, D. C.

First National Life Insurance Co., Phoenix, Ariz.
 July 29 filed 106,500 shares of common stock (par \$4), of which 90,000 shares are to be offered publicly and 16,500 shares to employees pursuant to stock purchase options. **Price**—To public, \$12 per share. **Proceeds**—For expansion and other corporate purposes. **Underwriter**—None.

Fluorspar Corp. of America
 Dec. 26 filed 470,000 shares of common stock. **Price**—\$3 per share. **Proceeds**—For exploration work and working capital. **Office**—Portland, Ore. **Underwriter**—To be named by amendment, Sol Goldberg is President.

Ford Home Leases, Inc.
 Nov. 29 (letter of notification) \$250,000 of 6% subordinated debentures due Jan. 1, 1968 and 12,500 shares of class A common stock (par \$1) to be offered in units of a \$100 debenture and five shares of stock. **Price**—\$100 per unit. **Proceeds**—To repay \$90,000 of notes and for general corporate purposes. **Business**—Financing of homes. **Office**—McDonough, N. Y. **Underwriter**—Philipson & Co., Utica, N. Y.

Forest Laboratories, Inc.
 Aug. 28 filed 200,000 shares of capital stock (par 10 cents). **Price**—\$2.50 per share. **Proceeds**—For sales promotion of company's products, working capital, additional inventory and accounts receivable, for research and development and for other general corporate purposes. **Office**—Brooklyn, N. Y. **Underwriters**—Alfred L. Powell Co., New York; and H. Carroll & Co., Denver, Colo. **Offering**—Expected in near future.

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 General of the United States. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co., Lehman Brothers and Gore, Forgan & Co. (jointly). Bids—Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

General Automatics Corp., Atlanta, Ga.
 May 23 (letter of notification) 100,000 shares of common stock (par \$1). **Price**—\$2 per share. **Proceeds**—To establish production facilities for manufacture and assembly of controls; and for other corporate purposes. **Address**—c/o Positronic Corp., 2572 Ridgmore Road, N. W., Atlanta, Ga. **Underwriters**—Armstrong & Co., Atlanta, Ga.

General Credit, Inc., Washington, D. C.
 Aug. 17, 1956 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 capital. **Underwriter**—None named. Offering to be made through selected dealers. Application is still pending with SEC.

General Parking, Inc.
 June 18 (letter of notification) 240,000 shares of common stock (par \$1). **Price**—\$1.25 per share. **Proceeds**—To retire outstanding debt; for expansion of subsidiary corporation and for working capital. **Office**—c/o Edwin F. Clements, 5312 Glenwood Ave., Youngstown, Ohio. **Underwriter**—L. L. LaFortune & Co., Las Vegas, Nev.

Genie Craft Corp.
 Aug. 8 (letter of notification) \$100,000 of 10-year 6% convertible debentures and 120,000 shares of common stock (par 10 cents) to be offered in units of one \$50 debenture and 20 shares of common stock. **Price**—\$100 per unit. **Proceeds**—To discharge short term obligations; purchase merchandise inventory; and for working capital. **Office**—1022 18th St., N. W., Washington, D. C. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

Gold Seal Dairy Products Corp.
 Oct. 25 filed 175,000 shares of class A stock (par 10 cents) of which 15,000 shares are to be reserved for prior offer to employees. **Price**—To be supplied by amendment. **Proceeds**—To acquire outstanding stock of Kulka Electric Manufacturing Co., Inc. **Office**—Elizabeth, N. J. **Underwriter**—Amos Treat & Co., Inc., New York. **Offering**—Indefinitely postponed.

Great Divide Oil Corp.
 Oct. 11 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—\$1 per share. **Proceeds**—To pay balance on oil and gas properties, and unsecured notes and for drilling and working capital. **Office**—207 Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—Birkenmayer & Co., Denver, Colo.

Continued on page 126

NEW ISSUE CALENDAR

January 16 (Thursday)

Alabama Power Co. Bonds
 (Bids 11 a.m. EST) \$23,000,000
 Southern Pacific Ry. Equipment Trust Cfs.
 (Bids noon EST) \$8,400,000

January 17 (Friday)

Kimberly-Clark Corp. Debentures
 (Blyth & Co., Inc.) \$30,000,000

January 20 (Monday)

Baltimore & Ohio RR. Equip. Trust Cfs.
 (Bids to be invited) \$3,435,000
 Cambridge Electric Light Co. Notes
 (Bids 11:30 a.m. EST) \$4,500,000
 Cambridge Electric Light Co. Bonds
 (Bids to be invited) \$4,500,000
 Royal Dutch Petroleum Co. Common
 (Offering to stockholders—to be underwritten in U. S. by Morgan Stanley & Co.) 7,602,285 shares
 West Texas Utilities Co. Bonds
 (Bids 10:30 a.m. CST) \$8,500,000

January 21 (Tuesday)

Chicago, Burlington & Quincy RR. Equip. Tr. Cfs.
 (Bids to be invited) \$4,500,000
 J-V-M Microwave Co. Common
 (Aetna Securities Corp.) \$285,000
 Pacific Gas & Electric Co. Bonds
 (Bids 8:30 a.m. PST) \$75,000,000
 Union of South Africa Bonds
 (Dillon, Read & Co.) \$15,000,000

January 22 (Wednesday)

Iowa Power & Light Co. Bonds
 (Bids to be invited) \$10,000,000
 Norfolk & Western Ry. Equip. Trust Cfs.
 (Bids noon EST) \$4,140,000
 Portland Gas & Coke Co. Preferred
 (Lehman Brothers) \$5,000,000

January 23 (Thursday)

Great Northern Ry. Equip. Trust Cfs.
 (Bids to be invited) \$5,700,000
 Minneapolis Gas Co. Common
 (Offering to stockholders—underwritten by Kalman & Co., Inc.) 165,070 shares

January 27 (Monday)

Atlas Sewing Centers, Inc. Debentures
 (Van Alstyne, Noel & Co.) \$1,500,000
 Dixon Chemical & Research, Inc. Common
 (Offering to stockholders—underwritten by P. W. Brooks & Co., Inc.) 165,625 shares

January 28 (Tuesday)

Bell Telephone Co. of Pennsylvania Debentures
 (Bids 11 a.m. EST) \$50,000,000
 Northern Natural Gas Co. Common
 (Offering to stockholders—underwritten by Blyth & Co., Inc.) 456,813 shares
 Quebec Hydro-Electric Commission Bonds
 (First Boston Corp. and A. E. Ames & Co.) \$50,000,000

January 29 (Wednesday)

Denver & Rio Grande RR. Equip. Trust Cfs.
 (Bids to be invited) \$2,460,000

February 4 (Tuesday)

Central Power & Light Co. Bonds
 (Bids to be invited) \$12,000,000
 Texas Utilities Co. Common
 (Bids 11 a.m. EST) 340,000 shares

February 7 (Friday)

American Telephone & Telegraph Co. Debentures
 (Offering to stockholders—no underwriting) about \$720,000,000

February 13 (Thursday)

Indiana & Michigan Electric Co. Bonds
 (Bids noon EST) \$25,000,000

February 14 (Friday)

Shell Transport & Trading Co., Ltd. Common
 (Offering to holders of New York shares—no underwriting) \$12,600,000

February 18 (Tuesday)

Gulf States Utilities Co. Preferred
 (Bids to be invited) \$7,500,000

February 19 (Wednesday)

Northern Illinois Gas Co. Preferred
 (Bids to be invited) \$10,000,000
 Northern Illinois Gas Co. Preferred
 (First Boston Corp. and Gore, Forgan Co., jointly) \$10,000,000

February 20 (Thursday)

Gulf Power Co. Bonds
 (Bids 11 a.m. EST) \$8,000,000

February 24 (Monday)

Pennsylvania Electric Co. Bonds
 (Bids 11 a.m. EST) \$29,000,000
 Reichold Chemicals, Inc. Common
 (Blyth & Co., Inc.) 200,000 shares

February 25 (Tuesday)

Central Illinois Public Service Co. Bonds
 (Bids to be invited) \$15,000,000
 Cleveland Electric Illuminating Co. Bonds
 (Bids noon EST) \$30,000,000

February 26 (Wednesday)

Southern New England Telephone Co. Debens.
 (Bids to be invited) \$30,000,000

February 27 (Thursday)

California Electric Power Co. Bonds
 (Bids to be invited) \$12,000,000

March 3 (Monday)

Iowa Public Service Co. Bonds
 (Bids to be invited) \$10,000,000

March 4 (Tuesday)

Ohio Edison Co. Bonds
 (Bids to be invited) \$30,000,000 to \$35,000,000

March 5 (Wednesday)

Iowa Illinois Gas & Electric Co. Debentures
 (Bids to be invited) \$9,000,000

March 6 (Thursday)

Columbia Gas System Debentures
 (Bids expected March 6) \$25,000,000

March 11 (Tuesday)

Indianapolis Power & Light Co. Bonds
 (Bids to be invited) \$10,000,000

March 20 (Thursday)

Georgia Power Co. Bonds
 (Bids 11 a.m. EST) \$21,500,000

June 3 (Tuesday)

Appalachian Electric Power Co. Bonds
 (Bids to be invited) \$25,000,000

June 10 (Tuesday)

Virginia Electric & Power Co. Bonds or Debs.
 (Bids to be invited) \$25,000,000

Continued from page 125

Great Northern Life Insurance Co.

Oct. 7 (letter of notification) 44,400 shares of common stock (par \$1). Price—\$6.75 per share. Proceeds—For capital stock and unassigned surplus. Office—119 W. Rudisill Blvd., Fort Wayne, Ind. Underwriter—Northwestern Investment Inc., Fort Wayne, Ind.

Guardian Insurance Corp., Baltimore, Md.

Aug. 16 filed 300,000 shares of common stock, of which 200,000 shares are to be publicly offered and the remaining 100,000 shares reserved for issuance upon exercise of warrants which are to be sold at 25 cents per warrant to organizers, incorporators, management, and/or directors. Price—\$10 per share. Proceeds—For working capital and general corporate purposes. Underwriter—None.

Hercules Aircraft Co., Inc.

Jan. 2 (letter of notification) 3,000 shares of capital stock. Price—At par (\$10 par value). Proceeds—For working capital. Office—1320 East 79th St., South Wichita, Kan. Underwriter—None.

Hofmann Industries, Inc., Sinking Spring, Pa.

Dec. 20 filed 227,500 shares of common stock (par 25 cents) to be offered in exchange for outstanding common shares of Van Dorn Iron Works Co. Underwriter—None.

Home Owners Life Insurance Co.

Nov. 1 filed 50,000 shares of class A common stock to be offered to the public at \$5 per share and 116,366 shares of class B common stock to be offered to stockholders at \$6 per share at the rate of two new shares for each five shares held. Proceeds—For working capital. Office—Fort Lauderdale, Fla. Underwriter—None.

Horace Mann Fund, Inc., Springfield, Ill.

June 27 filed 100,000 shares of capital stock (par \$1). Price—At market. Proceeds—For investment. Distributor and Investment Manager—Horace Mann Investors, Inc., Des Moines, Ia., of which Charles F. Martin is also President. Office—216 E. Monroe St., Springfield, Ill.

Horlac Mines, Ltd.

Nov. 20 (letter of notification) 300,000 shares of common stock. Price—At par (\$1 per share). Proceeds—To repay loan, to purchase equipment and machinery and for working capital. Office—1551-A Eglinton Ave. West, Toronto 10, Ont., Canada. Underwriter—D'Amico & Co., Inc., Buffalo, N. Y.

Indiana & Michigan Electric Co. (2/13)

Dec. 20 filed \$25,000,000 of first mortgage bonds due 1988. Proceeds—For reduction of bank loans and for construction program. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc., Harriman Ripley & Co. Inc.; The First Boston Corp.; Eastman Dillon, Union Securities & Co. Bids—To be received up to noon (EST) on Feb. 13 at 30 Church St., New York 8, N. Y.

International Staple & Machine Co.

Oct. 14 (letter of notification) 20,000 shares of 6% cumulative preferred stock of which 10,000 shares are to be offered to the public and the remainder to stockholders of record Oct. 10, 1957 in exchange for seven shares of common for each share of preferred. Both subscription and tenders for exchange must be received on or before Nov. 30, 1957. Price—At par (\$10 per share). Proceeds—For working capital. Office—497 Union Trust Building, Pittsburgh 19, Pa. Underwriter—None.

Iowa Power & Light Co. (1/22)

Dec. 23 filed \$10,000,000 of first mortgage bonds, due 1988. Proceeds—To repay bank loans and for construction program. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Kidder, Peabody & Co.; White, Weld & Co.; The First Boston Corp.; Eastman Dillon, Union Securities & Co.; Equitable Securities Corp. Bids—To be received up to 11 a.m. (EST) on Jan. 22.

Janaf, Inc., Washington, D. C.

July 30 filed \$10,000,000 of 5½-8% sinking fund debentures due Aug. 1, 1972 and 100,000 shares of common stock (par 20 cents) to be offered in units of a \$1,000 debenture and 10 shares of stock, or a \$100 debenture and one share of stock. Price—Par for debenture, plus \$2 per share for each 10 shares of stock. Proceeds—For construction of a shopping center and other capital improvements; for retirement of present preferred shares; and for working capital, etc. Underwriter—None.

J-V-M Microwave Co., Lyons, Ill. (1/21)

Dec. 20 (letter of notification) 96,000 shares of common stock (par 25 cents). Price—\$3 per share. Proceeds—To repay bank loans and for general corporate purposes. Office—4633 Lawndale Ave., Lyons, Ill. Underwriter—Aetna Securities Corp., New York. Offering—Expected Jan. 21.

Kimberly-Clark Corp., Neenah, Wis. (1/17)

Dec. 31 filed \$30,000,000 of sinking fund debentures due Jan. 1, 1963. Price—To be supplied by amendment. Proceeds—For general corporate purposes. Underwriter—Blyth & Co., Inc., San Francisco and New York.

Koeller Air Products, Inc.

Nov. 25 (letter of notification) 150,000 shares of common stock (par five cents). Price—\$2 per share. Proceeds—For capital expenditures, equipment, repayment of loans and working capital. Business—Welding and cutting equipment. Office—253 Boulevard, Hasbrouck Heights, N. J. Underwriter—Pierre Rossini Co., Westwood, N. J.

Lorain Telephone Co., Lorain, Ohio

Dec. 13 (letter of notification) 1,785 shares of common stock (no par) to be offered for subscription by common stockholders at the rate of one new share for each 60.4364 shares held. Price—\$28 per share. Proceeds—For additions and improvements. Office—203 West 9th St., Lorain, Ohio. Underwriter—None.

Massey Mines, Inc., Kellogg, Idaho

June 3 (letter of notification) 800,000 shares of common stock. Price—At par (17½ cents per share). Proceeds—For mining expenses. Office—Sidney Bldg., Kellogg, Idaho. Malcolm C. Brown is President. Underwriter—Standard Securities Corp., Spokane, Wash., and Kellogg, Idaho.

Massachusetts Investors Growth Stock Fund, Inc.

Jan. 10 filed (by amendment) 4,000,000 shares of capital stock with a par value of 33⅓ cents.

Mineral Basin Mining Corp.

Dec. 30 (letter of notification) 200,000 shares of common stock. Price—At par (\$1 par value). Proceeds—For mining expenses. Office—1710 Hoge Bldg., Seattle 4, Wash. Underwriter—None.

Minneapolis Gas Co. (1/23)

Jan. 2 filed 166,070 shares of common stock (par \$1) to be offered for subscription by common stockholders at the rate of one new share for each 10 shares held as of Jan. 23, 1958; rights to expire on Feb. 5, 1958. Price—To be supplied by amendment. Proceeds—For property additions. Underwriter—Kalman & Co., Inc., Minneapolis, Minn. Offering—Expected Jan. 23.

Missiles-Rockets-Jets & Automation Fund, Inc.

On Jan. 7 this new fund registered under the Investment Company Act of 1940. Plans to issue \$15,000,000 common stock, of which \$7,500,000 will be underwritten on a firm basis by Ira Haupt & Co. Price—\$10. Proceeds—For investment. Technological Advisors—Include Dr. Theodore von Karman, Chairman of the advisory group for aeronautical research and development of NATO.

Monticello Associates, Inc.

Feb. 18 (letter of notification) 300,000 shares of common stock. Price—At par (\$1 per share). Proceeds—For capital expenditures, including construction of motel, roadside restaurant and gas station. Business—Has been processing and selling of gravel. Office—203 Broadway, Monticello, N. Y. Underwriter—Walnut Securities Corp., Philadelphia, Pa.

Morrison Cafeterias Consolidated Inc.

Dec. 30 (letter of notification) 9,000 shares of common stock (par \$5) to be offered to employees under a stock purchase plan. Price—\$14 per share. Proceeds—For working capital. Address—P. O. Box 309, Mobile, Ala. Underwriter—None.

Mortgage Clubs of America, Inc.

Aug. 19 filed \$1,000,000 of participation units in second mortgages of real estate to be offered for public sale in units of \$100, plus a sales commission of \$10 per unit to the company. Proceeds—To be invested in small loans secured by second mortgage on home properties. Office—Springfield, Mass. Underwriter—None. Charles Hershman is President.

Motel Co. of Roanoke, Inc., Roanoke, Va.

Nov. 18 (letter of notification) 60,000 shares of common stock (par 40 cents). Price—\$5 per share. Proceeds—For purchase of land, construction and working capital. Underwriter—Southeastern Securities Corp., New York.

Motel Corp. of Italy

Jan. 14 filed 20,000 shares of class A common stock and 10,000 shares of 7% cumulative convertible preferred, to be sold publicly at a unit price of \$101, representing one share of preferred and two shares of common. Proceeds—To be invested in the stock of Motels Americano, an Italian organization. Office—Silver Springs, Maryland. Underwriter—None.

Multnomah Kennel Club, Fairview, Ore.

Dec. 26 filed \$250,000 of 10% unsecured debentures and 400,000 shares of class A non-voting common stock (par \$1) to be offered in units of \$250 of debentures and 400 class A shares. Price—\$910 per unit. Proceeds—To repay bank loans and short-term unsecured notes. Underwriter—Stone, Moore & Co., Inc.; Denver, Colo. Offering—Early in February.

Municipal Investment Trust Fund, Inc. (N. Y.)

May 9 filed 5,000 units of undivided interests in Municipal Investment Trust Fund, Series A. Price—At market. Proceeds—For investment. Sponsor—Ira Haupt & Co., New York.

Nassau Fund, Princeton, N. J.

May 8 filed 250,000 shares of common stock. Price—At market. Proceeds—For investment. Office—10 Nassau St., Princeton, N. J. Investment Advisor—Harland W. Hoisington, Inc., same address.

National Biochemicals, Inc.

Sept. 10 (letter of notification) 100,000 shares of common stock (par 10 cents). Price—\$3 per share. Proceeds—For cost of plant and inventory and for general corporate purposes. Office—Room 202 Houston Title Bldg., Houston, Tex. Underwriter—Scott Taylor & Co., Inc., New York, N. Y.

National Bowlero, Inc., Cleveland, O.

Dec. 4 filed \$900,000 of 5% 10-year debenture bonds, 9,000 shares of 4% non-cumulative preferred stock (par \$100) and 15,000 shares of common stock (par \$10) to be offered in units of \$9,000 of bonds, 90 shares of preferred stock and 150 shares of common stock. Price—\$19,500 per unit. Proceeds—For erection and operation of two bowling sports centers. Underwriter—None. William N. Skirball is President.

National Lithium Corp., New York

Feb. 19 filed 3,120,000 shares of common stock (par one cent). Price—\$1.25 per share. Proceeds—For acquisition of properties; for ore testing program; for assessment work on the Yellowknife properties; and for cost of a concentration plant, mining equipment, etc. Underwriter—Gearhart & Otis, Inc., New York. Issue withdrawn from registration.

Natural Gas Pipeline Co. of America

Nov. 19 filed \$40,000,000 of first mortgage pipeline bonds due 1977. Price—To be supplied by amendment. Proceeds—To reduce bank loans. Underwriters—Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc., both of New York. Offering—Temporarily postponed.

Nichols, Inc., Exeter, N. H.

Nov. 14 filed 25,000 shares of common stock (no par). Price—\$27 per share. Proceeds—To repay short term bank loans and for working capital. Business—Sells hatching eggs and day-old chicks. Underwriter—None. George E. Coleman, Jr., is President.

North American Contracting Corp.

Dec. 27 (letter of notification) 169,500 shares of common stock (par 10 cents). Price—\$1.75 per share. Proceeds—For working capital and expansion. Office—1526 Connecticut Ave., N. W. Washington 6, D. C. Underwriters—The Matthew Corp., Washington, D. C. and Ross Securities, Inc., New York, N. Y.

North American Finance Co., Phoenix, Ariz.

Nov. 27 filed 300,000 shares of class B common stock (par \$1). Price—\$5 per share. Proceeds—For working capital and other corporate purposes. Underwriter—None. Sales to be made through Eugene M. Rosenson, President, and Marcus T. Baumann, Vice-President and Treasurer.

Northern Natural Gas Co.

Jan. 10 filed 456,813 shares of common stock (\$10 par value) to be offered for subscription by stockholders of record Jan. 28, on the basis of one new share for each eight shares then held. Proceeds—Completion of payment of 1957 construction expenditures, including repayment of remaining bank loans incurred for that purpose, also acquisition of distribution properties and purchase of securities issued by subsidiaries for their construction costs. Of the \$105,000,000 construction outlays planned by company and subsidiaries in 1957, approximately \$39,000,000 were not made and have been rescheduled for 1958. Price—To be supplied by amendment. Underwriter—Blyth & Co., Inc.

Nuclear Science & Engineering Corp.

Sept. 20 filed 100,000 shares of common stock (par 25 cents). Price—To be supplied by amendment. Proceeds—To prepay indebtedness to Norden-Ketay Corp., to purchase additional equipment and for working capital. Underwriter—Hayden, Stone & Co., New York. Offering—Temporarily postponed because of market conditions.

Oil Empire Co.

Dec. 26 (letter of notification) 300,000 shares of capital stock. Price—At par (\$1 par value). Proceeds—Development of oil property. Office—130 South 4th St., Las Vegas, Nev.; P. O. Box 3982, No. Las Vegas, Nev. Underwriter—None.

Oil & Mineral Operations, Inc.

Nov. 4 (letter of notification) 100,000 shares of common stock (par \$1). Price—\$2.50 per share. Proceeds—For development of oil and mineral properties. Office—208 Wright Bldg., Tulsa, Okla. Underwriter—Universal Securities Co., 201 Enterprise Bldg., Tulsa 3, Okla.

Old American Life Co., Seattle, Wash.

Dec. 9 filed voting trust certificates for not to exceed 8,000 shares of common stock (par \$10). J. Alvin Hibbard, President of the company, is one of the 10 voting trustees.

Pacific Gas & Electric Co. (1/21)

Dec. 27 filed \$75,000,000 of first and refunding mortgage bonds, series CC, due Dec. 1, 1978. Proceeds—To retire bank loans and for construction program. Underwriter—To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Blyth & Co., Inc. Bids—To be received up to 8:30 a.m. (PST) on Jan. 21.

Pacific Petroleum, Ltd.

Oct. 11 filed 1,603,998 shares of common stock (par \$1), of which 1,588,998 shares are to be offered in exchange for outstanding Merrill Petroleum, Ltd. common stock at the rate of one Pacific share for each two Merrill shares; the remaining 15,000 shares are to be issuable upon exercise of presently outstanding options granted by Merrill, which options will be assumed by Pacific. Office—Calgary, Alberta, Canada. Underwriter—None. Statement effective Nov. 13.

Pan American Tool Co., Houston, Texas

Oct. 28 filed 165,000 shares of common stock (par \$1), to be offered in blocks of not less than 3,000 shares. Price—To be supplied by amendment. Proceeds—To discharge trade accounts payable, to buy tools and equipment and for working capital. Underwriter—None.

Pennsylvania Electric Co. (2/24)

Jan. 14 formally requested authorization to issue \$29,000,000 first mortgage bonds, due March 1, 1988. Proceeds—To be used, along with proceeds of previously authorized sale of 500,000 shares of common stock to parent company, for repayment of short-term notes issued to finance 1957 construction program and to pay part of \$41,500,000 construction outlay scheduled for 1958. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Equitable Securities Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc. Bids—Tentatively scheduled to be received up to 11 a.m. (EST) on Feb. 24.

Peoples Security Investment Co.

Oct. 28 filed 1,000,000 preorganization subscriptions to class A voting common stock and 250,000 preorganization subscriptions to class B non-voting common stock to be offered in units of four class A shares and one class B

share, the purchaser agreeing to donate each class B share to the Peoples Security Foundation for Christian Education, to be incorporated as a non-profit corporation. **Price**—\$2 per share. **Proceeds**—For capital and surplus to finance a proposed insurance company to be named Peoples Security & Endowment Co. of America. **Office**—Montgomery, Ala. **Underwriter**—None. T. J. Patterson is President.

Peoples State Loan Co. of Delaware

Dec. 26 (letter of notification) \$100,000 of 6% subordinated debentures due July 1, 1963 and \$200,000 of 6% subordinated debentures due July 1, 1964. **Price**—Both at par. **Proceeds**—To retire outstanding notes and for working capital. **Office**—13534 Woodward Ave., Highland Park, Mich. **Underwriter**—None.

Pittsburgh Brewing Co., Pittsburgh, Pa.

Nov. 15 filed \$5,646,750 of 5% sinking fund income subordinated debentures due Oct. 31, 1992; 112,935 shares of common stock (par \$1); and 451,740 warrants to purchase 451,740 additional shares of common stock being offered in units of \$50 of debentures, one common share, warrants to purchase four common shares plus \$1 in cash. These units are to be issued in exchange for each outstanding share of preferred stock (par \$25) plus accrued dividends. The offer will expire on Jan. 31, 1958. **Purpose**—To eliminate or reduce preferred dividend arrearages. **Underwriter**—None. Statement effective Dec. 12.

Pittsburgh-Des Moines Steel Co.

Nov. 29 (letter of notification) 5,750 shares of common stock (no par), of which 1,920 shares are to be offered for account of selling stockholder, and 3,830 shares for company. **Price**—\$52 per share. **Proceeds**—To purchase steel inventory items. **Office**—Neville Island, Pittsburgh 25, Pa. **Underwriter**—None.

Pleasant Valley Oil & Mining Corp.

Sept. 30 (letter of notification) 2,000,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds**—For geological studies, reserve for contingent liability, for machinery and equipment and other reserves. **Office**—616 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Steven Randall & Co., Int., New York.

Polytronic Research, Inc.

Nov. 4 (letter of notification) 80,000 shares of common stock (par 10 cents). **Price**—\$2.50 per share. **Proceeds**—For equipment and research, development program and working capital. **Office**—4130 Howard Ave., Kensington, Md. **Underwriters**—First Washington Corp. and The Stanford Corp., both of Washington, D. C. **Change of Name**—Formerly Acme Tool & Engineering Corp.

Ponce Hotel Corp., San Juan, P. R.

Dec. 12 filed 1,590 shares of 6% cumulative preferred stock, series A (par \$100), 12,410 shares of 6% cumulative preferred stock, series AA (par \$100) and 364,000 shares of common stock (par \$1) to be offered in units of one preferred share and 26 common shares. **Price**—\$126 per unit. **Proceeds**—Together with proceeds of debt financing, will be used to purchase hotel site, construction, furnishing and equipment of the hotel. **Underwriter**—Compania Financiera de Inversiones, Inc., San Juan, P. R.

Portland Gas & Coke Co. (1/22)

Jan. 2 filed 50,000 shares of cumulative preferred stock (par \$100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—Lehman Brothers, New York. **Offering**—Expected Jan. 22.

Professional Life & Casualty Co., Champaign, Ill.

Dec. 16 filed 120,000 shares of common stock. **Price**—\$15 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Public Savings Life Insurance Co.

Nov. 29 filed 113,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—To Public Savings Insurance Co., the selling stockholder. **Office**—Charleston, S. C. **Underwriter**—None.

Pyramid Mining & Metal Corp.

Oct. 24 (letter of notification) 236,000 shares of common stock (par \$1). **Price**—\$1.25 per share. **Proceeds**—For mining expenses. **Office**—508 Great Plains Life Bldg., Lubbock, Tex. **Underwriter**—Sterling Securities Co., Inc., Odessa, Tex.

Quebec Hydro-Electric Commission (1/28)

Jan. 10 filed \$50,000,000 series T debentures, due Feb. 1, 1983. **Proceeds**—Payment of bank loans and for construction program. **Underwriter**—First Boston Corp. and A. E. Ames & Co., Inc., jointly. **Offering**—Jan. 28.

★ Racing, Inc.

Jan. 8 (letter of notification) 800 shares of 5% cumulative preferred stock and 20,000 shares of class A non-voting common stock. **Price**—Both at par; preferred, \$50 par value; common, \$10 par value. **Proceeds**—For the purchase of a tract of land and for the construction of a sports car race track. **Address**—Wiscasset Mount, Pocono, Pa. **Underwriter**—None.

Ramapo Uranium Corp. (New York)

Aug. 13 filed 125,000 shares of common stock (par one cent). **Price**—\$5 per share. **Proceeds**—For exploration and development of properties and completion of a uranium concentrating pilot mill. **Office**—295 Madison Ave., New York 17, N. Y. **Underwriter**—None.

Reichhold Chemicals, Inc. (2/24)

Oct. 10 filed 200,000 shares of common stock (par \$1). **Price**—To be supplied by amendment. **Proceeds**—For expansion program and working capital. **Underwriter**—Blyth & Co., Inc., New York. **Offering**—Expected Feb. 24.

Research Instrument Corp.

Oct. 7 (letter of notification) \$125,000 of 10-year 10% convertible debentures and 12,500 shares of common stock (no par) to be offered in units of one \$100 debenture and ten shares of common stock. **Price**—\$200 per unit. **Proceeds**—For equipment, working capital and inventory. **Office**—7962 S. E. Powell Blvd., Portland, Ore. **Underwriter**—Campbell & Robbins, Inc., Portland, Ore.

Resolute Bay Trading Co., Ltd.

Oct. 29 (letter of notification) 30,000 shares of common stock. **Price**—At par (\$5 per share). **Proceeds**—For working capital, etc. **Business**—Purchase and sale of commodities. **Office**—St. John, N. B., Canada. **Underwriter**—Irving Weis & Co., New York.

Resolite Corp., Zelenople, Pa.

Dec. 6 filed 20,000 shares of common stock to be offered for subscription by stockholders of record Dec. 1, 1957 in the ratio of 3½ new shares for each 10 shares held; unsubscribed shares to be offered to public. **Price**—\$10 per share. **Proceeds**—To pay \$100,000 outstanding obligations and for improvement and rehabilitation of plant and facilities. **Business**—Fiberglass panels. **Underwriter**—None.

Rocky Mountain Quarter Racing Association

Oct. 31 (letter of notification) 300,000 shares of common stock. **Price**—At par (\$1 per share). **Proceeds**—To repay outstanding indebtedness. **Office**—Littleton, Colo. **Underwriter**—R. B. Ford Co., Windover Road, Memphis, Tenn.

Rose Records, Inc.

July 22 (letter of notification) 11,022 shares of common stock. **Price**—At par (\$1 per share). **Proceeds**—For working capital. **Office**—705 South Husband St., Stillwater, Okla. **Underwriter**—Richard B. Burns Securities Agency, Stillwater, Okla.

Royal Dutch Petroleum Co. (1/20)

Dec. 20 filed 7,602,285 shares of capital stock to be offered for subscription by stockholders of record Jan. 17, 1958 on the basis of one new share for each eight shares held; rights to expire on Feb. 10. **Price**—To be supplied by amendment. **Proceeds**—To be made available to the Royal-Shell Group of companies for their capital and exploration expenditure programs. **Underwriter**—Morgan Stanley & Co., New York, heads list of American underwriters.

Rule (C. F.) Construction Co.

Sept. 13 filed 127,289 shares of common stock (par \$10). **Price**—\$13 per share. **Proceeds**—To retire outstanding loans and for working capital and investment in additional equipment. **Office**—Nashville, Tenn. **Underwriter**—None. Statement effective Nov. 20.

St. Louis Insurance Corp., St. Louis, Mo.

March 27 filed 1,250 shares of class C cumulative preferred stock (par \$57). **Price**—\$97 per share. **Proceeds**—To R. M. Realty Co., who is the selling stockholder. **Underwriter**—Yates, Heitner & Woods, St. Louis, Mo. **Offering**—Indefinitely postponed.

Schering Corp., Bloomfield, N. J.

Sept. 19 filed 278,983 shares of 5% cumulative convertible preferred stock (par \$30) and 418,475 shares of common stock (par \$1) to be issued in exchange for stock of White Laboratories, Inc. (which is to be merged with Schering Corp. effective Sept. 19, 1957) on the basis of one share of preferred stock and 1½ shares of common stock for each White class A or class B common share held. **Underwriter**—None.

★ Schoonover, Inc.

Dec. 30 (letter of notification) 2,000 shares of common stock (no par). **Price**—\$150 per share. **Proceeds**—For the operation of a loan company. **Office**—850 East 9th South St., Salt Lake City, Utah. Herman Glenn Schoonover is President of Company. **Underwriter**—None.

Scientific Industries, Inc.

Dec. 27 (letter of notification) \$120,000 6% convertible sinking fund debentures, due Feb. 1, 1968, convertible, except as provided in case of redemption, into common stock (5 cent par value) at a price of \$1 per share. **Proceeds**—For expansion of plant in the manufacture of laboratory and scientific instruments and to build up company's new electronics division. **Office**—15 Park St., Springfield, Mass. **Underwriter**—Willis E. Burnside & Co., Inc., New York City.

Sentinel Security Life Insurance Co.

Nov. 27 filed 5,000 shares of common stock (par \$10). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—Salt Lake City, Utah. **Underwriter**—None.

"Shell" Transport & Trading Co., Ltd. (2/14)

Dec. 20 filed a maximum of \$12,600,000 of New York Shares (representing a like amount of ordinary shares) to be offered for subscription by holders of ordinary shares, including stock represented by New York shares of record Jan. 17, 1958. This represents 10% of the total offering by the company, which 10% is to be offered for subscription by American residents. **Price**—To be supplied by amendment. **Proceeds**—For exploration programs. **Underwriter**—None in the United States.

Sheraton Properties, Inc., Boston, Mass.

Dec. 30 filed \$990,000 of first mortgage sinking fund bonds due Dec. 1, 1973. **Price**—At par. **Proceeds**—To repay indebtedness. **Underwriter**—Sheraton Securities Corp., a subsidiary.

Shopping Centers Corp., Pittsburgh, Pa.

Dec. 17 filed 50,000 shares of common stock (par \$2.50) and \$2,500,000 of debenture bonds to be offered in units of one share of stock and one \$50 bond. **Price**—\$52.65 per unit. **Proceeds**—For construction, ownership and management of shopping centers, luxury hotels and other commercial property. **Underwriter**—None. **Offering** to be made through Akiba Zilberberg, 5857 Phillips Ave., Pittsburgh 19, Pa., the company's President.

Simplicity Pattern Co. Inc.

Oct. 10 filed 155,000 shares of common stock (par \$1). **Price**—To be supplied by amendment. **Proceeds**—To two selling stockholders. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering**—Indefinitely postponed.

Southern Electric Steel Co.

Dec. 23 (letter of notification) \$300,000 of 6% second mortgage serial bonds (with common stock purchase warrants). **Price**—At par (in denominations of \$1,000 each). **Proceeds**—For payment of demand notes payable and working capital. **Office**—2301 Huntsville Road, Birmingham, Ala. **Underwriter**—None.

★ Southwestern Gas & Electric Co.

Jan. 14 requested permission to borrow \$12,000,000 from banks and to sell 200,000 shares of common stock, for \$2,000,000, to Central & South West Corp., parent company. **Proceeds**—To finance in part the \$19,700,000 construction program for 1958.

● Sovereign Resources, Inc.

Nov. 19 (letter of notification) 1,500 shares of 7% cumulative preferred stock. **Price**—At par (\$100 per share). **Proceeds**—For construction, payment of promissory note and working capital. **Office**—3309 Winthrop St., Fort Worth, Tex. **Underwriter**—Reilly, Hoffman & Sweeney, Inc., New York, N. Y. **Offering**—Delayed.

Stuart-Hall Co., Inc., Kansas City, Mo.

Nov. 27 filed \$650,000 of 20-year 6% convertible debentures due Dec. 15, 1977. **Price**—At par (in denominations of \$1,000 each). **Proceeds**—For working capital and to reduce bank loans. **Underwriter**—White & Co., St. Louis, Mo.

Surinam Corp., Houston, Tex.

Oct. 21 filed 10,000,000 shares of common stock (par one cent). **Price**—\$1 per share. **Proceeds**—For exploration and exploitation of oil, gas and sulphur properties. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Tex.

Syntex Corp. (Republic of Panama)

July 24 filed 1,165,750 shares of common stock (par \$2) to be offered for subscription by common stockholders of Ogden Corp. on the basis of one new share for each four shares held and to holders of options on the basis of one share for each option to purchase four shares of Ogden common stock; unsubscribed shares to be offered to certain employees and officers. **Price**—\$2 per share. **Proceeds**—To pay outstanding obligations to Ogden Corp. **Underwriter**—None.

Tax Exempt Bond Fund, Inc., Washington, D. C.

June 20 filed 40,000 shares of common stock. **Price**—\$25 per share. **Proceeds**—For investment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn. **Offering**—Held up pending passing of necessary legislation by Congress.

Taylor Instrument Companies

Oct. 1 filed 99,195 shares of common stock (par \$10) to be offered for subscription by common stockholders on the basis of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—To retire short term bank loans and for working capital and general corporate purposes. **Office**—Rochester, N. Y. **Underwriter**—The First Boston Corp., New York. **Offering**—Indefinitely postponed.

Tekoil Corp., Dallas, Texas

Dec. 9 filed 677,408 shares of common stock, of which 377,408 shares are to be issued for the account of selling stockholders and the remaining 300,000 shares issued from time to time in exchange for oil and gas properties. Of the 377,408 shares, 132,558 shares, 61,392 shares and 47,606 shares, respectively, are to be issued as dividends to stockholders of Texolona Oil Co., Mountain Valley Oil Corp. and Trigg Drilling Co.; while 57,239 are to be offered immediately to the public, while the balance of 78,613 shares are to be similarly offered in the near future. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—None.

Telephone Utilities, Inc., Ilwaco, Wash.

Dec. 23 (letter of notification) 11,000 shares of 6% cumulative participating preferred stock and 25,000 shares of common stock. **Price**—At par in each instance (preferred, \$25 par value; common (\$1 par value)). **Proceeds**—For the retirement of a short-term bank note and working capital. **Underwriter**—None.

Texam Oil Corp., San Antonio, Texas

May 29 filed 300,000 shares of common stock (par \$1), to be offered for subscription by common stockholders on a basis of two new shares for each share held. **Price**—To be supplied by amendment. **Proceeds**—To repay indebtedness, for acquisition and exploration of oil and gas leases, for drilling and completion of wells, and for other corporate purposes. **Underwriter**—None.

★ Texas Augello Petroleum Exploration Co.

Jan. 2 (letter of notification) 1,222,000 shares of common stock. **Price**—At par (10 cents par value). **Proceeds**—For development of petroleum property. **Address**—P. O. Box 859, Anchorage, Alaska. **Underwriter**—None.

★ Texas Utilities Co. (2/4)

Jan. 9 registered 340,000 shares of common stock (no par value). **Proceeds**—For construction program of subsidiaries, estimated at \$78,271,000 in 1958 and \$92,763,000 in 1959. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly); The First Southwest Corp., Rauscher, Pierce & Co. and Dallas Securities Co. (jointly); Lehman Bros. and Bear, Stearns & Co. (jointly); Eastman Dillon, Union Securities & Co. Bids—Expected to be received up to 11 a.m. (EST) on Feb. 4.

Continued from page 127

Thrift Investment Corp.

Dec. 27 (letter of notification) 38,642 shares of common stock (par \$1) to be offered for subscription by common stockholders of record Jan. 8, 1958, on the basis of one new share for each seven shares then held; warrants to expire on Feb. 7, 1958. **Price**—\$6.15 per share. **Proceeds**—For working capital and surplus. **Office**—2 Gateway Center, Pittsburgh 22, Pa. **Underwriter**—McKelvey & Co., Pittsburgh, Pa.

★ Tourist Industry Development Corp. Ltd.

Jan. 14 filed \$2,250,000 7% perpetual subordinated debentures (4% fixed interest and 3% of earned), to be sold at par in denominations of \$1,000 and multiples thereof. **Proceeds**—To acquire mortgages or other liens on real estate, also for loans to or invested in hotels, resorts or inland transport. **Office**—Jerusalem, Israel. **Underwriter**—None.

Town & Country Securities Corp.

Dec. 20 filed 250,000 shares of common stock (no par). **Price**—\$4 per share. **Proceeds**—For working capital. **Office**—442 W. California Road, Fort Wayne, Ind. **Underwriter**—None.

Trans-America Uranium Mining Corp.

Nov. 6 filed 3,000,000 shares of common stock (par one mill). **Price**—25 cents per share. **Proceeds**—For land acquisition, exploratory work, working capital, reserves, and other corporate purposes. **Underwriter**—None. Alfred E. Owens of Waterloo, Ia., is President.

Trask Manufacturing Co.

Dec. 5 (letter of notification) 15,000 shares of common stock (par \$5). **Price**—\$4.50 per share. **Proceeds**—For working capital and payment of current liabilities. **Address**—Wrightsboro section, 3 miles north of Wilmington, N. C. **Underwriter**—Selected Investments, Wilmington, N. C.

Ulrich Manufacturing Co.

Sept. 24 filed \$600,000 of 6% sinking fund debentures and 30,000 shares of class A common stock (par \$1) to be offered in units of \$500 of debentures and 25 shares of stock. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans, to repay all or part of an outstanding 5% term loan and/or provide additional working capital. **Office**—Roanoke, Ill. **Underwriter**—White & Co., St. Louis, Mo., on a best-efforts basis.

● Union of South Africa (1/21)

Sept. 12 filed \$15,000,000 10-year external loan bonds due Oct. 1, 1967. **Price**—To be supplied by amendment. **Proceeds**—For transportation development program. **Underwriter**—Dillon, Read & Co. Inc., New York. **Offering**—Expected Jan. 21.

United Fund, Inc., Kansas City, Mo.

Jan. 3 filed (by amendment) additional securities as follows: 1,500,000 shares United Income Fund (par \$1); 1,000,000 shares United Service Fund (par \$1); 750,000 shares United Continental Fund (par \$1). **Price**—At market. **Proceeds**—For investment.

United States Sulphur Corp.

Oct. 8 filed 1,500,000 shares of common stock (par one cent). **Price**—\$1 per share. **Proceeds**—For plant rental, etc.; to retire corporate notes; for core drilling; for working capital; and for other exploration and development work. **Office**—Houston, Texas. **Underwriter**—None.

★ United Veterinary Corp.

Jan. 8 filed 300 shares of class A common stock (\$1,000 par value). **Proceeds**—To reduce outstanding loans and for working capital. **Offering**—To be made at par to veterinarians with rights to patronage dividends. **Underwriter**—None. **Office**—2550 South East 43rd St., Des Moines, Iowa.

Uranium Corp. of America, Portland, Ore.

April 30 filed 1,250,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment (expected to be \$1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

● Vulcan Materials Co., Birmingham, Ala.

Dec. 12 filed 114,396 shares of 6¼% cumulative preferred stock (par \$100), 54,631 shares of 5¼% cumulative preferred stock (par \$100), 87,000 shares of 5% cumulative convertible preferred stock (par \$16) and 2,390,230 shares of common stock (par \$1) to be issued in exchange for stock of Union Chemical & Materials Corp. and Lambert Bros., Inc. under an agreement of merger to become effective Dec. 31, 1957, viz: Each of the 1,143,968 shares of Union common stock outstanding are to be converted into 1¼ shares of Vulcan common (1,429,960 shares) and 1.1 shares of Vulcan 6¼% preferred (114,396.8 shares); each of the 1,092,639 shares of Union 5% preferred stock outstanding will be converted into 1/20th share of Vulcan 5¼% preferred (54,632 shares); and each of the 1,200 common shares of Lambert will be converted into 486⅓ shares of Vulcan common (583,600 shares) and 72½ shares of Vulcan 5% preferred (87,000 shares). Vulcan will also issue 376,670 shares of its common stock in exchange for the stocks of Wesco Materials, Inc.; Wesco Contracting Co., Asphalt Paving Materials Co.; Brooks Sand & Gravel Co.; and Tennessee Equipment Co.; 50% of the outstanding stock of Chattanooga Rock Products Co. and 66⅔% of the stock of Rockwood Slag Products, Inc. Prior to the above merger, Lambert owned, and as a result of the merger Vulcan will own, the remaining 50% stock interest in Chattanooga Rock and the remaining 33⅓%

stock interest in Rockwood Slag. **New Financing Completed**—Company announced Jan. 16 private placement of \$7,750,000 5½% promissory notes, due Jan. 1, 1973, with five life insurance companies. Goldman, Sachs & Co., New York City, assisted in sale negotiations.

Warwick Valley Telephone Co.

Oct. 24 (letter of notification) 4,708 shares of common stock (no par) to be offered for subscription by common stockholders on the basis of one new share for each two shares held. **Price**—\$20 per share. **Proceeds**—For construction of new telephone plant. **Office**—47-49 Main St., Warwick, N. Y. **Underwriter**—None.

Washington National Development Corp.

Oct. 2 (letter of notification) 50,000 shares of common stock (par \$1) of which 34,280 shares are to be offered publicly at \$1.20 per share and 15,720 shares are to be offered to certain individuals under options. **Proceeds**—For general corporate purposes. **Office**—3612 Quesada St., N. W., Washington, D. C. **Underwriter**—Wagner & Co., New York City.

West Texas Utilities Co. (1/20)

Dec. 23 filed \$3,500,000 of first mortgage bonds due 1988. **Proceeds**—To repay loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); The First Boston Corp.; Blyth & Co., Inc.; Harriman Ripley & Co. Inc. and Salomon Bros. & Hutzler (jointly); Equitable Securities Corp.; Kidder, Peabody & Co., Eastman Dillon, Union Securities & Co., White, Weld & Co., and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Expected to be received up to 10:30 a.m. (CST) on Jan. 20.

Western Copperada Mining Corp. (Canada)

Aug. 30 (letter of notification) 300,000 shares of common stock. **Price**—At par (\$1 per share). **Proceeds**—For development and exploratory work, drilling costs and survey, and for working capital. **Office**—1205 Phillips Square, Montreal, Canada. **Underwriter**—Jean R. Veditz Co., Inc., New York. **Offering**—Expected at any time.

Wisconsin Southern Gas Co., Inc.

Dec. 12 filed 19,327 shares of common stock (par \$10) to be offered for subscription by common stockholders of record Dec. 26, 1957 at the rate of one new share for each six shares held; rights to expire on Jan. 24, 1958. **Price**—\$16 per share. **Proceeds**—To repay bank loans. **Underwriters**—The Milwaukee Co., Milwaukee, Wis.; and Harley, Hayden & Co. and Bell & Farrell, Inc., both of Madison, Wis.

Worldmark Press, Inc.

Dec. 20 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—\$2 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—207 East 43rd Street, New York, N. Y. **Underwriter**—J. A. Winston & Co., Inc., New York.

★ Wright Line Inc.

Jan. 10 filed 11,680,000 class B common stock (\$1 par value). **Proceeds**—Working capital. **Offering**—10,720 shares to holders of options granted Jan. 29, 1954, at \$2.625 a share and 960 shares to holders of options granted Jan. 11, 1954, at \$3.375 per share. **Office**—160 Gold Star Boulevard, Worcester, Mass. **Underwriter**—None.

● Young (Donald W.) & Son, Inc. (1/31)

Nov. 14 (letter of notification) \$75,000 of 10-year 6% debentures due Oct. 1, 1967, with common stock warrants to purchase 7,500 shares of 10-cent par common stock at \$1 per share. **Price**—\$100 per unit of a \$100 debenture and one warrant. **Proceeds**—To repay short term debt and for working capital. **Office**—Stockholm N. Y. **Underwriter**—Sherry, Maloney & Co., Inc., New York. **Offering**—Expected Jan. 31.

Prospective Offerings

American Electronics, Inc.

Company plans to sell approximately \$3,500,000 convertible debentures. **Underwriters**—To be determined by competitive bidding. Probable bidders: Van Alstyne, Noel & Co. and Crowell, Weedon & Co. (jointly). **Offering**—Expected in March.

Appalachian Electric Power Co. (6/3)

Dec. 2, it was reported that this company, a subsidiary of American Gas & Electric Co., plans to issue and sell \$25,000,000 of first mortgage bonds. **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.; Kuhn, Loeb & Co. and Eastman Dillon, Union Securities & Co. (jointly); Harriman Ripley & Co. Inc. **Bids**—Tentatively expected to be received on June 3.

★ Baltimore & Ohio RR. (2/20)

Bids will be received by the company at 2 Wall St., New York 5, N. Y., up to noon (EST) on Feb. 20 for the purchase from it of \$3,435,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ Bell Telephone Co. (Montreal)

On March 13 stockholders will consider proposal to increase capital stock to \$750,000,000 from \$500,000,000 and to issue \$100,000,000 of either bonds, debentures or debenture stock. Proposal would increase capital stock outstanding (\$25 par value) from 17,983,980 to 30,000,000 shares.

Brooklyn Union Gas Co.

Nov. 25 it was announced that company expects to issue and sell \$22,000,000 of first mortgage bonds next April or May. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc.; and F. S. Moseley & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co. Inc. and The First Boston Corp. (jointly); White, Weld & Co.

Buffalo Industrial Bank, Buffalo, N. Y.

Dec. 23 it was reported the bank plans to offer to its stockholders 18,750 additional shares of common stock (par \$10) on a one-for-five basis. **Price**—\$25 per share. **Proceeds**—To increase capital and surplus.

● California Electric Power Co. (2/27)

Jan. 10 company announced that it will sell \$12,000,000 of first mortgage bonds. **Proceeds**—To repay construction bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White, Weld & Co. **Bids**—Expected Feb. 27.

★ California Electric Power Co.

Jan. 10 company announced that in addition to sale of \$12,000,000 first mortgage bonds scheduled for Feb. 27, it will probably do some common stock financing next Fall.

● Cambridge Electric Light Co. (1/20)

Oct. 22 it was reported company may issue \$4,500,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; and Coffin & Burr, Inc. and F. S. Moseley & Co. (jointly). **Bids**—Expected Jan. 20.

Central Illinois Public Service Co. (2/25)

Dec. 9 it was reported company plans to issue and sell \$15,000,000 of first mortgage bonds. **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 Equitable Securities Corp. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Salomon Bros. & Hutzler; Blair & Co., Inc.; Blyth & Co., Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Bids**—Expected Feb. 25.

● Chicago, Burlington & Quincy RR. (1/21)

Bids are expected to be received by the company on Jan. 21 for the purchase from it of \$4,500,000 equipment trust certificates. Due semi-annually from Aug. 1, 1958 to Feb. 1, 1973. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Chicago District Pipeline Co.

Nov. 12 it was announced company plans to sell about \$5,000,000 of first mortgage bonds sometime after the turn of the year. **Proceeds**—To repay advances made by Peoples Gas Light & Coke Co., the parent. **Underwriters**—Probably Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc.

Chicago Rock Island & Pacific RR.

Dec. 18 it was announced company plans to issue and sell in late Spring of 1958 between \$16,000,000 to \$20,000,000 first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Eastman Dillon, Union Securities & Co. and Blyth & Co. (jointly); First Boston Corp.; Kuhn, Loeb & Co.

Cincinnati Gas & Electric Co.

Nov. 8 it was reported company plans in 1958 to sell about \$15,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and W. E. Hutton & Co. (jointly); Blyth & Co. Inc. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Lehman Bros. (jointly); Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly).

Columbia Gas System

Dec. 23 it was reported company plans to issue and sell \$25,000,000 of 25-year debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). **Bids**—Tentatively expected to be received on March 6.

Columbus & Southern Ohio Electric Co.

Dec. 9 it was reported company plans to issue and sell in 1958 about 250,000 shares of common stock. **Underwriters**—Dillon, Read & Co. Inc. and The Ohio Co. (jointly).

Consolidated Edison Co. of New York, Inc.

Dec. 3 it was stated that about \$60,000,000 of new bonds may be sold next year to repay bank loans incurred through August, 1958. **Underwriter**—To be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.

Consolidated Natural Gas Co.

Company reportedly plans to issue and sell approximately \$45,000,000 debentures. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly); Morgan Stanley & Co. and First Boston Corp. (jointly).

★ Denver & Rio Grande Western Ry. (1/29)

Bids are expected to be received by the company at 2 p.m. on Jan. 29 for the purchase from it of \$2,460,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Duquesne Light Co.

Dec. 12 it was reported company plans to issue and sell around \$15,000,000 of first mortgage bonds due 1988. **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.; White, Weld & Co.; Glore, Forgan & Co.; Kuhn, Loeb & Co.; Eastman Dillon, Union Securities & Co., and A. C. Allyn & Co. Inc. (jointly); Drexel & Co. and Equitable Securities Corp. (jointly). **Offering**—Planned in first half of 1958.

Freeman Electric Construction Co., Inc.

Nov. 27 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—\$3 per share. **Proceeds**—To reduce accounts payable, etc., and for working capital and general corporate purposes. **Office**—New York. **Underwriter**—Harris Securities Corp., New York City. **Offering**—Late in January.

Georgia Power Co. (3/20)

Dec. 6 it was announced company plans to issue and sell \$21,500,000 of first mortgage bonds due 1988. **Proceeds**—To finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lehman Brothers; The First Boston Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co. and Shields & Co. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Scheduled to be received up to 11 a.m. (EST) on Feb. 20. **Registration**—Planned for Feb. 21.

Great Northern Ry. (1/23)

Bids are expected to be received by the company on Jan. 23 for the purchase from it of \$5,700,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Gulf, Mobile & Ohio RR.

Dec. 20 ICC granted company permission to issue \$28,343,800 of 5% income debentures to mature Dec. 1, 2056, in exchange for the 283,438 shares of outstanding \$5 preferred stock (no par) on the basis of \$100 of debentures for each preferred share. Offer expires Feb. 14, 1958, but may be extended. **Underwriter**—None.

Gulf Power Co. (2/20)

Dec. 6 it was announced company plans to issue and sell \$8,000,000 of first mortgage bonds due 1988. **Proceeds**—To finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co., Inc.; Lehman Brothers; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly). **Bids**—Scheduled to be received up to 11 a.m. (EST) on Feb. 20. **Registration**—Planned for Jan. 24.

Gulf States Utilities Co. (2/18)

Dec. 16 it was announced company plans to issue and sell 75,000 shares of cumulative preferred stock (par \$100). **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Bids**—Scheduled to be received on Feb. 18.

Illinois Bell Telephone Co.

Company plans construction expenditures of approximately \$150,000,000 in 1958.

★ Indianapolis Power & Light Co. (3/11)

Jan. 6 it was announced that company expects to issue and sell \$8,000,000 to \$10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; White, Weld & Co. and Shields & Co. (jointly); Blyth & Co.; Kuhn, Loeb & Co.; Lehman Brothers and Goldman, Sachs & Co. and First Boston Corp. (jointly); Equitable Securities Corp. **Bids**—Expected March 11.

Iowa Illinois Gas & Electric Co. (3/5)

Dec. 9 it was announced company plans to issue and sell \$9,000,000 of debentures (probably convertible). **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Glore, Forgan & Co.; The First Boston Corp.; Harriman, Ripley & Co. Inc., Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Equitable Securities Corp.; Blyth & Co. **Bids**—Expected on March 5. **Registration**—Planned for Feb. 5.

Iowa Public Service Co. (3/3)

Dec. 18 it was reported company plans to issue and sell \$10,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Blair & Co. Inc.; White, Weld & Co.; The First Boston Corp.; Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Kidder, Peabody & Co. and Blyth & Co. (jointly). **Bids**—Expected to be received on March 3.

Litton Industries, Inc.

Dec. 14 stockholders approved the creation of an issue of 16,000 shares of \$100 par preferred stock and an increase in the authorized common stock from 2,000,000 to 3,500,000 shares. **Underwriters**—Lehman Brothers and Clark, Dodge & Co. handled last equity financing which was done privately.

Louisiana Power & Light Co.

Dec. 16, it was announced company may borrow \$11,500,000 from banks pending a final financing program relating to the disposition of its gas properties to Louisiana Gas Service Co., a new company.

Mississippi Power & Light Co.

Dec. 4 it was announced company plans to issue and sell, probably in May or June of 1958, \$10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Equitable Securities Corp. and Shields & Co. (jointly); Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane, Eastman Dillon, Union Securities & Co.; White, Weld & Co. and Kidder Peabody & Co. (jointly); The First Boston Corp.

Multnomah Canadian Fund, Ltd.

Nov. 25 it was announced company has applied to SEC for permission to issue and sell in the United States its class A common shares, of which there are authorized 1,000,000 shares (par \$1) and 10,000 shares outstanding. **Office**—Vancouver, B. C., Canada.

New Orleans Public Service Inc.

Dec. 4 it was announced company plans to issue and sell \$6,000,000 of first mortgage bonds in the Spring of 1958. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lee Higginson Corp.; Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Salomon Bros. & Hutzler.

Norfolk & Western Ry. (1/22)

Bids are expected to be received by this company up to noon (EST) on Jan. 22 for the purchase from it of \$4,140,000 equipment trust certificates (third instalment) to mature semi-annually from May 1, 1958 to and including Nov. 1, 1972. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Northern Natural Gas Co.

Nov. 25 the company announced the proposed issuance of 456,813 additional shares of common stock (par \$10), to be offered late in January to common stockholders on the basis of one new share for each eight shares held. **Proceeds**—Approximately \$20,000,000 to repay bank loans and for construction program. **Underwriter**—None.

• Northern Illinois Gas Co. (2/19)

Jan. 6 company announced that proposed \$10,000,000 financing will consist of 100,000 shares of \$100 preferred stock. **Proceeds**—New construction. **Underwriter**—First Boston Corp. and Glore, Forgan & Co., jointly. **Offering**—Expected Feb. 19.

Ohio Edison Co. (3/4)

Dec. 12 it was reported company plans to offer \$30,000,000 to \$35,000,000 first mortgage bonds due 1988. **Proceeds**—To repay bank loans, etc. and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co.; First Boston Corp.; Glore, Forgan & Co., White, Weld & Co. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected on March 4.

Oklahoma Gas & Electric Co.

Nov. 18 it was reported company plans to raise about \$20,000,000 next Spring, through sale of bonds and other securities. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; The First Boston Corp.; Kuhn, Loeb & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc. and Eastman Dillon, Union Securities & Co. (jointly). (2) For preferred stock—Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); The First Boston Corp.; Lehman Bros. and Blyth & Co. Inc. (jointly); Smith, Barney & Co.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co. Any offering of common stock may be made to common stockholders, with Merrill Lynch, Pierce, Fenner & Beane underwriting.

Pacific Gas & Electric Co.

Nov. 4 it was announced company plans, following bond sale about Jan. 21, to offer a small amount of common stock to keep the capital structure in reasonable balance. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

★ Pacific Telephone & Telegraph Co.

Jan. 8 it was reported company plans \$300,600,000 capital outlay program. **Proceeds**—For construction program in 1958 and 1959 (\$137,000,000 in 1958). **Underwriter**—To be determined by competitive bidding. Probable bidders—Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Pioneer Natural Gas Co.

Company, located in Amarillo, Texas, plans to issue 187,818 shares of common stock in connection with scheduled acquisition of properties and assets of Empire Southern Gas Co., Fort Worth, Texas. Shares to be issued to stockholders of Empire.

Public Service Electric & Gas Co.

Aug. 1 it was announced company anticipates it will sell in 1958 \$25,000,000 of preferred stock. **Proceeds**—For construction program. **Underwriter**—May be Merrill Lynch, Pierce, Fenner & Beane, New York.

★ Red Owl Stores, Inc.

Company announced Jan. 13 that it plans to sell \$3,000,000 of convertible subordinated debentures to finance expansion program. **Underwriter**—Lehman Brothers.

Riddle Airlines, Inc.

Oct. 21 it was announced company plans to register with the SEC an issue of new common stock, the number of shares and the price at which they will be offered not

yet determined. The authorized common stock has been increased from 7,500,000 to 15,000,000 shares. **Proceeds**—To finance route expansion and for working capital. **Underwriter**—James H. Price & Co., Inc., Coral Gables, Fla. and New York, N. Y., handled previous public offering of 500,000 shares of common stock at \$3.25 per share in July, 1956.

Seaboard Air Line RR.

Nov. 18 it was reported company plans to issue and sell \$5,445,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ South Carolina Electric & Gas Co.

Jan. 6 it was reported company is considering additional common stock financing to be offered to stockholders on a 1-for-10 basis. Last rights offering by company in February, 1957, was underwritten by Kidder, Peabody & Co.

Southern California Edison Co.

Dec. 19, Harold Quinton, President, announced company would require around \$70,000,000 in new financing during 1958. He predicted the next offering, probably in the Spring, would consist of bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp. and Dean Witter & Co. (jointly); Blyth & Co., Inc.

Southern Counties Gas Co. of California

Dec. 16 it was reported company plans to issue and sell in March, 1958, \$15,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane.

Southern Nevada Power Co.

Dec. 3 it was announced company plans to raise in mid-1958 between \$5,000,000 and \$6,000,000 new capital, about two-thirds of which will be through bond financing and the balance through common stock financing. **Underwriter**—For stock, may be Hornblower & Weeks, William R. Staats & Co. and The First California Co. (jointly). For bonds, to be determined by competitive bidding. Only bidders in 1956 for \$4,000,000 bonds were Halsey, Stuart & Co. Inc.; Hornblower & Weeks and William R. Staats & Co. (jointly).

Southern New England Telephone Co. (2/26)

Dec. 12 it was announced company plans to issue and sell \$30,000,000 of debentures. **Proceeds**—For repayment of advances received from American Telephone & Telegraph Co. and construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Lehman Brothers and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Scheduled to be received on Feb. 26. **Registration**—Planned for Feb. 4.

Southern Pacific Ry.

Bids will be received by the company at 165 Broadway, New York, N. Y., up to noon (EST) on Jan. 16 for the purchase from it of \$8,400,000 equipment trust certificates to mature in 15 equal annual installments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Tennessee Gas Transmission Co.

Dec. 17 directors approved a proposal to issue and sell 1,000,000 shares of common stock early in February, 1958. **Proceeds**—For construction program. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co., both of New York.

Tuttle Engineering, Inc., Arcadia, Calif.

Nov. 6, Harry Oedeker, Chairman of the Board, announced corporation plans a public stock issue in the near future. **Proceeds**—For working capital and other corporate purposes.

Union Electric Co. (Mo.)

Nov. 11 it was reported company plans to offer around 1,000,000 additional shares of common stock, first to common stockholders. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane.

Union Electric Co. (Mo.)

Nov. 11 it was reported company plans to issue and sell approximately \$35,000,000 first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); White, Weld & Co., Blyth & Co., Inc., Eastman Dillon, Union Securities & Co. and Shields & Co. (jointly); The First Boston Corp. **Offering**—Expected early in March.

Virginia Electric & Power Co.

Dec. 26 it was reported company plans to issue and sell \$25,000,000 bonds or debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Salomon Bros. & Hutzler; White, Weld & Co.; Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp.; Kuhn, Loeb & Co. and American Securities Corp. (jointly). **Bids**—Tentatively expected to be received on June 10.

• Virginia & Southwestern Ry.

Company plans to sell \$5,000,000 bonds. **Proceeds**—To redeem similar amount due April 1, 1958. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Salomon Bros. & Hutzler. **Bids**—Expected in March.

Washington Natural Gas Co.

Oct. 18 the directors authorized the sale of \$5,000,000 in debentures. **Proceeds**—For expansion program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

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	Latest Month	Previous Month	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:							
Indicated steel operations (percent of capacity).....Jan. 18	95.7	94.3	108.4	153.6			
Equivalent to—							
Steel ingots and castings (net tons).....Jan. 18	\$1,538,000	*1,515,000	1,742,000	2,467,000			
AMERICAN PETROLEUM INSTITUTE:							
Crude oil and condensate output—daily average (bbls. of 42 gallons each).....Jan. 3	6,863,460	*6,939,760	6,849,500	7,416,815			
Crude runs to stills—daily average (bbls.).....Jan. 3	17,867,000	7,876,000	7,807,000	8,290,000			
Gasoline output (bbls.).....Jan. 3	27,591,000	27,926,000	27,670,000	28,209,000			
Kerosene output (bbls.).....Jan. 3	2,589,000	2,509,000	2,447,000	2,899,000			
Distillate fuel oil output (bbls.).....Jan. 3	13,240,000	13,200,000	12,896,000	14,468,000			
Residual fuel oil output (bbls.).....Jan. 3	7,892,000	8,019,000	7,592,000	8,745,000			
Stocks at refineries, bulk terminals, in transit, in pipe lines.....Jan. 3	198,035,000	194,165,000	188,087,000	187,167,000			
Finished and unfinished gasoline (bbls.) at.....Jan. 3	28,511,000	28,754,000	31,283,000	31,194,000			
Kerosene (bbls.) at.....Jan. 3	150,021,000	151,765,000	163,145,000	132,942,000			
Distillate fuel oil (bbls.) at.....Jan. 3	59,621,000	58,906,000	58,839,000	42,731,000			
Residual fuel oil (bbls.) at.....Jan. 3							
ASSOCIATION OF AMERICAN RAILROADS:							
Revenue freight loaded (number of cars).....Jan. 4	471,749	410,022	617,838	561,201			
Revenue freight received from connections (no. of cars).....Jan. 4	426,770	458,797	528,911	525,863			
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:							
Total U. S. construction.....Jan. 9	\$170,986,000	\$259,276,000	\$226,549,000	\$376,052,000			
Private construction.....Jan. 9	61,974,000	120,818,000	114,400,000	166,105,000			
Public construction.....Jan. 9	109,012,000	138,458,000	112,140,000	209,947,000			
State and municipal.....Jan. 9	94,122,000	123,726,000	105,251,000	132,697,000			
Federal.....Jan. 9	14,890,000	14,732,000	6,889,000	77,247,000			
COAL OUTPUT (U. S. BUREAU OF MINES):							
Bituminous coal and lignite (tons).....Jan. 4	6,980,000	*5,720,000	9,000,000	7,415,000			
Pennsylvania anthracite (tons).....Jan. 4	299,000	273,000	455,000	401,000			
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100							
.....Jan. 4	95	*148	215	93			
EDISON ELECTRIC INSTITUTE:							
Electric output (in 000 kwh.).....Jan. 11	12,506,000	11,692,000	12,570,000	12,327,000			
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.							
.....Jan. 9	324	203	269	256			
IRON AGE COMPOSITE PRICES:							
Finished steel (per lb.).....Jan. 7	5.967c	5.967c	5.967c	5.622c			
Pig iron (per gross ton).....Jan. 7	\$66.42	\$66.42	\$66.42	\$62.90			
Scrap steel (per gross ton).....Jan. 7	\$33.00	\$32.83	\$32.00	\$60.83			
METAL PRICES (E. & M. J. QUOTATIONS):							
Electrolytic copper.....Jan. 8	26.525c	26.575c	26.325c	35.575c			
Domestic refinery at.....Jan. 8	22.475c	22.100c	22.725c	33.625c			
Export refinery at.....Jan. 8	13.000c	13.000c	13.000c	16.000c			
Lead (New York) at.....Jan. 8	12.800c	12.800c	12.800c	15.800c			
Lead (St. Louis) at.....Jan. 8	10.500c	10.500c	10.500c	14.000c			
Zinc (delivered) at.....Jan. 8	10.000c	10.000c	10.000c	13.500c			
Zinc (East St. Louis) at.....Jan. 8	26.000c	26.00c	26.00c	29.00c			
Aluminum (primary pig, 99%) at.....Jan. 8	94.000c	91.750c	93.250c	99.500c			
Straits tin (New York) at.....Jan. 8							
MOODY'S BOND PRICES DAILY AVERAGES:							
U. S. Government Bonds.....Jan. 14	94.96	93.80	92.59	90.49			
Average corporate.....Jan. 14	102.13	101.47	99.20	95.16			
Aaa.....Jan. 14	98.67	98.09	94.71	87.47			
Aa.....Jan. 14	93.82	92.35	90.34	85.62			
A.....Jan. 14	84.04	83.03	82.03	88.81			
Baa.....Jan. 14	91.34	91.05	88.54	93.97			
Railroad Group.....Jan. 14	94.41	92.64	91.05	96.38			
Public Utilities Group.....Jan. 14	97.31	96.38	94.26	95.16			
Industrial Group.....Jan. 14							
MOODY'S BOND YIELD DAILY AVERAGES:							
U. S. Government Bonds.....Jan. 14	2.93	3.03	3.13	3.28			
Average corporate.....Jan. 14	4.12	4.18	4.33	4.06			
Aaa.....Jan. 14	3.62	3.66	3.80	3.80			
Aa.....Jan. 14	3.84	3.87	4.09	3.91			
A.....Jan. 14	4.15	4.25	4.39	4.03			
Baa.....Jan. 14	4.86	4.94	5.02	4.50			
Railroad Group.....Jan. 14	4.32	4.34	4.52	4.14			
Public Utilities Group.....Jan. 14	4.11	4.23	4.34	3.98			
Industrial Group.....Jan. 14	3.92	3.98	4.12	4.06			
MOODY'S COMMODITY INDEX							
.....Jan. 14	388.7	391.3	394.2	434.8			
NATIONAL PAPERBOARD ASSOCIATION:							
Orders received (tons).....Jan. 4	89,692	307,873	316,667	135,504			
Production (tons).....Jan. 4	54,423	213,154	258,332	102,280			
Percentage of activity.....Jan. 4	51	45	84	75			
Unfilled orders (tons) at end of period.....Jan. 4	414,959	376,218	409,957	454,359			
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100							
.....Jan. 10	108.43	108.51	107.81	110.78			
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-Lot DEALERS AND SPECIALISTS:							
Transactions of specialists in stocks in which registered—							
Total purchases.....Dec. 21	1,672,050	1,439,940	1,887,080	1,492,610			
Short sales.....Dec. 21	289,730	268,600	437,600	234,210			
Other sales.....Dec. 21	1,338,370	1,116,820	1,231,200	1,131,400			
Total sales.....Dec. 21	1,628,100	1,385,420	1,668,800	1,365,650			
Other transactions initiated on the floor—							
Total purchases.....Dec. 21	386,620	343,600	431,530	307,430			
Short sales.....Dec. 21	54,800	25,900	70,100	19,000			
Other sales.....Dec. 21	474,920	352,490	417,280	258,410			
Total sales.....Dec. 21	529,720	378,390	487,380	277,410			
Other transactions initiated off the floor—							
Total purchases.....Dec. 21	540,080	456,097	761,850	582,665			
Short sales.....Dec. 21	76,750	104,000	149,450	83,080			
Other sales.....Dec. 21	457,530	419,320	537,606	584,129			
Total sales.....Dec. 21	534,280	523,320	687,056	667,219			
Total round-lot transactions for account of members—							
Total purchases.....Dec. 21	2,598,750	2,239,637	3,080,460	2,382,705			
Short sales.....Dec. 21	421,280	398,500	657,150	336,300			
Other sales.....Dec. 21	2,270,820	1,888,630	2,186,086	1,973,979			
Total sales.....Dec. 21	2,692,100	2,287,130	2,843,236	2,310,279			
STOCK TRANSACTIONS FOR ODD-Lot ACCOUNT OF ODD-Lot DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:							
Odd-lot sales by dealers (customers' purchases)—†							
Number of shares.....Dec. 21	1,398,063	1,248,520	1,305,322	1,231,451			
Dollar value.....Dec. 21	\$54,185,406	\$48,138,353	\$53,691,351	\$62,131,961			
Odd-lot purchases by dealers (customers' sales)—							
Number of orders—Customers' total sales.....Dec. 21	1,314,903	1,154,535	1,070,306	1,087,570			
Customers' short sales.....Dec. 21	16,717	12,082	25,031	4,481			
Customers' other sales.....Dec. 21	1,298,186	1,142,453	1,045,275	1,083,089			
Dollar value.....Dec. 21	\$49,173,516	\$43,203,921	\$43,988,883	\$52,588,609			
Round-lot sales by dealers—							
Number of shares—Total sales.....Dec. 21	420,500	334,150	284,930	281,890			
Short sales.....Dec. 21							
Other sales.....Dec. 21	420,500	334,150	284,930	281,890			
Round-lot purchases by dealers—							
Number of shares.....Dec. 21	478,220	441,510	569,110	446,220			
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.....Dec. 21	646,710	607,100	1,054,470	417,400			
Short sales.....Dec. 21	13,267,560	11,695,090	13,189,350	11,382,950			
Other sales.....Dec. 21	13,914,270	12,298,790	14,243,820	11,801,430			
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49=100):							
Commodity Group—							
All commodities.....Jan. 7	118.5	118.4	118.1	116.3			
Farm products.....Jan. 7	93.6	93.1	91.8	88.2			
Processed foods.....Jan. 7	108.1	108.0	107.0	103.5			
Meats.....Jan. 7	98.5	98.2	94.1	80.3			
All commodities other than farm and foods.....Jan. 7	125.8	125.8	125.8	124.7			
COAL EXPORTS (BUREAU OF MINES)—							
Month of October							
U. S. exports of Pennsylvania anthracite (net tons).....	329,344	476,577	658,584	658,584			
To North and Central America (net tons).....	200,705	244,539	281,369	281,369			
To Europe (net tons).....	125,881	231,018	373,193	373,193			
To Asia (net tons).....	2,758		3,485	3,485			
To South America (net tons).....			537	537			
Undesignated.....		1,020					
COAL OUTPUT (BUREAU OF MINES)—Month of November:							
Bituminous coal and lignite (net tons).....	38,060,000	45,550,000	44,209,000	44,209,000			
Pennsylvania anthracite (net tons).....	1,938,000	*2,274,000	2,629,000	2,629,000			
COKE (BUREAU OF MINES)—Month of Oct.:							
Production (net tons).....	6,274,406	*6,296,518	6,745,900	6,745,900			
Oven coke (net tons).....	6,157,436	*6,159,282	6,561,100	6,561,100			
Beehive coke (net tons).....	116,970	*137,237	184,800	184,800			
Oven coke stock at end of month (net tons).....	2,743,670	*2,598,685	2,584,370	2,584,370			
COPPER INSTITUTE—For month of November:							
Copper production in U. S. A.—							
Crude (tons of 2,000 pounds).....	97,264	*102,107	99,513	99,513			
Refined (tons of 2,000 pounds).....	128,371	129,832	132,970	132,970			
Deliveries to fabricators.....							
In U. S. A. (tons of 2,000 pounds).....	106,815	114,203	114,524	114,524			
Refined copper stocks at end of period (tons of 2,000 pounds).....	161,552	166,974	116,516	116,516			
EDISON ELECTRIC INSTITUTE—							
Kilowatt-hour sales to ultimate customers—Month of October (000's omitted).....							
.....	46,304,050	47,549,105	44,735,469	44,735,469			
Revenue from ultimate customers—month of September.....							
.....	\$771,174,000	\$793,554,000	\$742,652,000	\$742,652,000			
Number of ultimate customers at Sept. 30.....							
.....	55,027,970	54,948,670	53,792,701	53,792,701			
INTERSTATE COMMERCE COMMISSION—							
Index of Railway Employment at middle of November (1947-49=100).....							
.....	78.7	77.1	81.5	81.5			
METAL PRICES (E. & M. J. QUOTATIONS)—							
December:							
Copper—							
Domestic refinery (per pound).....	26.320c	26.339c	35.649c	35.649c			
Export refinery (per pound).....	22.418c	33.109c	33.876c	33.876c			
†LONDON, prompt (per long ton).....	\$181.431	\$187.925	\$272.967	\$272.967			
††Three months, London (per long ton).....	\$185.719	\$191.887	\$273.408	\$273.408			
Lead—							

Continued from page 11

Foreign Investment and Economic Development

achievement of our foreign policy objectives.

(2) Our network of Friendship, Commerce and Navigation Treaties—or FCN treaties as they are usually called—is being steadily expanded. These treaties, as you doubtless know, provide a legal basis for the entry and protection of individuals and corporations in the signatory countries. These treaties have a long history. Since the war extensive revisions have been introduced designed specifically to encourage and protect more adequately the interests of private investors. We have concluded 16 modern treaties since the war, and others are in various stages of negotiation. I might add that the negotiating process itself provides a useful opportunity for a full review of all matters affecting investment, whether of a legislative, administrative, institutional or political character.

(3) The Investment Guaranty program of the ICA has been steadily expanding. This program offers insurance, for a fee, against risks of loss arising from convertibility of local currency earnings, expropriation or nationalization, and war. The program is now operative in 37 countries, and guaranty contracts totaling nearly \$200 million have been issued. More important, however, is the fact that interest in this program on the part of private investors has been growing steadily. ICA has on hand guaranty applications amounting to nearly \$600 million.

(4) Through tax treaties, through our system of credit for foreign income taxes paid, and through certain special provisions of the Internal Revenue Code, the United States endeavors to avoid double taxation and thus facilitate American investment abroad. There is now pending before the Senate the tax treaty with Pakistan which, for the first time, con-

tains a so-called "tax sparing" provision whereby American investors will be granted by their government the full advantage of special tax incentives offered by a foreign government to encourage new, productive investment—a device frequently used by States and municipalities in the United States.

We recognize that there is more to be done in this field. Tax incentives to overcome the risks in-

involved in investing abroad are one of the most effective and practical ways to stimulate foreign investment. This matter is under intensive study. We must find a solution, fair to all, for only through a great increase in private investment abroad can we hope to reduce the demands on government financing.

To sum up: The Soviet economic challenge is serious and menacing. It cannot be brushed aside but must be met head-on by the nations of the free world if our way of life is to remain the continuing choice of the great mass of the world's population.

I have outlined the major foreign economic programs which the Administration considers essential if the United States is to ex-

ercise the responsibility which falls to it as the strongest member of the free world. It remains for Congress and the people to decide whether these programs will in fact be carried through and whether the challenge will in fact be met.

Opens Investment Office

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Robley Baskerville is engaging in a securities business from offices at 4525 Monroe Avenue. Miss Baskerville was formerly with Eastman Dillon, Union Securities & Co.

Form Universal Shares

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Universal Shares, Inc., has been formed with offices at 9420 Airport Boulevard to engage in a securities business. Officers are Joseph A. Galamos, President; Donald H. Allen, Vice-President; and S. J. Galamos, Secretary-Treasurer.

Opens Investment Office

PITTSBURGH, Pa.—Akiba Zilberberg is engaging in a securities business from offices at 413 Bakkwell Building.

NSTA



Notes

BOND CLUB OF SYRACUSE

The Bond Club of Syracuse is holding its annual banquet and election of officers in the East Room of Hotel Syracuse on the evening of Jan. 20, 1958.

The guest speaker will be Edward T. McCormick, President of the American Stock Exchange, former Chairman of the Securities & Exchange Commission.

Invitations have been extended to various groups in local financial circles, including representatives of banks and insurance companies. Approximately 150 members and guests are expected to attend.

Mr. McCormick, who recently was the subject of an interview on Ed Murrow's Person to Person TV program, is expected to tell the local financial men, as he did Ed Murrow, what he thinks of the present action of the stock market.

Luke Hayden of the Syracuse Savings Bank is Chairman of the banquet committee. Don Gray of the Wm. N. Pope Company, is Chairman of the ticket committee.

Harry C. Copeland of Reynolds & Co. is President of the Bond Club.

Educ. & Estate Investors

CROTON-ON-HUDSON, N. Y.—Educational & Estate Investors Planning Co. has been formed with offices at 111 Grand Street to engage in a securities business.

DIVIDEND NOTICES



DIVIDEND NOTICE

The Board of Directors today declared the following dividend:

60 cents per share on the Common Stock, payable March 15, 1958 to stockholders of record at the close of business February 17, 1958

The Goodyear Tire & Rubber Co.
By Arden E. Firestone,
Secretary

January 13, 1958

THE GREATEST NAME IN RUBBER

R. J. Reynolds Tobacco Company

Makers of
Camel, Cavalier, Winston & Salem
cigarettes
Prince Albert, George Washington
smoking tobacco

QUARTERLY DIVIDEND

A quarterly dividend of 90 cents per share has been declared on the Common and New Class B Common stocks of the Company, payable March 5, 1958 to stockholders of record at the close of business February 14, 1958.

W. J. CONRAD,
Secretary

Winston-Salem, N. C.
January 9, 1958

DIVIDEND NOTICES

AVISCO

AMERICAN VISCOSE CORPORATION

Dividend Notice

Directors of the American Viscose Corporation, at their regular meeting on January 8, 1958, declared a dividend of fifty cents (50¢) per share on the common stock, payable on February 1, 1958, to shareholders of record at the close of business on January 21, 1958.

WILLIAM H. BROWN
Vice President and Treasurer

DIVIDEND NOTICES

REGULAR QUARTERLY DIVIDEND

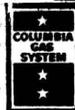
The Board of Directors has declared this day
COMMON STOCK DIVIDEND NO. 94
This is a regular quarterly dividend of

25¢ PER SHARE

Payable on February 15, 1958 to holders of record at close of business January 20, 1958.

Milton C. Baldrige
Secretary
January 9, 1958

THE COLUMBIA GAS SYSTEM, INC.



TENNESSEE GAS

TRANSMISSION COMPANY

AMERICA'S LEADING TRANSPORTER OF NATURAL GAS
HOUSTON, TEXAS



DIVIDEND NO. 42

The regular quarterly dividend of 35c per share has been declared on the Common Stock, payable March 10, 1958 to stockholders of record on February 3, 1958.

J. E. IVINS, Secretary

REPUBLIC OF CHILE

Service of Bonds of the External Debt

The Caja Autónoma de Amortización de la Deuda Pública, in accordance with the readjustment plan for the service of the external debt approved by Law No. 8962 of July 20, 1948, announces that the fixed annual interest of 3% has been paid for the year 1957 to the holders of bonds of the direct and indirect External Debt of the Republic and the municipalities covered by Law No. 5580 and which assented to the new plan under the aforesaid Law No. 8962.

The Sinking Fund established in accordance with Law No. 8962 has been applied to the redemption of the following bonds, purchased below par: \$541,544, US\$3,159,500, Swiss Francs 2,406,600, all of which have been withdrawn from circulation. The average price of these purchases was 43%.

After making these amortizations the balance of principal amount of bonds of the External Debt was as follows: \$15,458,617, US\$95,159,500, Swiss Francs, 77,074,500.

The Caja Autónoma de Amortización de la Deuda Pública, in accordance with the provisions of Article 3 of Law No. 8962 also announces that holders of bonds of the external debt who assented to the plan of service of old Law No. 5580 and do not accept the new plan under Law No. 8962 will be entitled to receive for the year 1957 interest at the rate of \$7.00 per \$1,000 bond calculated on the basis provided in Law No. 5580 with respect to the following revenues:

Participation in the profits of the Corporación de Ventas de Salitre y Yodo of Chile.....	US\$ 49,018.
Share in the taxes on income of the 4th category of copper companies	4,358,152.
Share in tax on importation of petroleum for the nitrate and copper industries (Article 7th of Law No. 6155 of January 6, 1938).....	443,111.
	US\$4,852,281.

Up to the close of the year corresponding to this declaration 97% of the dollar bonds, 99.54% sterling bonds and 96.81% of the Swiss franc bonds had been assented to Law No. 8962.

Pursuant to the extension granted by the Supreme Government under the terms of Finance Degree No. 9,566 of October 31, 1957, the period for acceptance of the exchange authorized by law No. 8962 will remain open until December 31, 1960.

Holders of bonds assented to Law No. 5580 will be entitled to receive the aforesaid payment of \$7.00 per \$1,000 bond on and after February 1, 1958, against presentation and surrender for cancellation of the two coupons corresponding to said payment, (in the case of the City of Santiago, Chile Twenty-One Year 7% Ext. S.F. Bonds dated January 2, 1928, the said payment will be made by presentation of the bond for endorsement of the interest payment) together with an appropriate letter of transmittal, at the office of the correspondent of the undersigned in New York City, **Schroder Trust Company, Trust Department, 61 Broadway, New York 15, N. Y.** Letters of transmittal may be obtained at the office of said correspondent.

CAJA AUTÓNOMA DE AMORTIZACIÓN DE LA DEUDA PÚBLICA

EDUARDO SOLMINIHAC K. SANTIAGO WILSON H.
General Manager President

Santiago

December 31, 1957.

Washington . . . And You

Behind-the-Scene Interpretations
from the Nation's Capital

WASHINGTON, D. C. — The second biggest item in the budget of the United States government for fiscal 1959 is one for \$7.9 billion to pay the interest on the Federal debt. The largest of course is the White House recommendation of \$39.1 billion for the Department of Defense. Total spending for military functions in 1959 is estimated at \$39.8 billion.

Most of this colossal debt has resulted from years of preparations for wars and defense. However, a not inconsiderable amount is the result of fiscal profligacy.

Because the Federal debt is approaching the constitutional ceiling of \$275 billion, President Eisenhower in his budget message calling for \$73.9 billion in appropriations, declares that the debt ceiling is too restrictive. He says the present ceiling is too low because of the high costs of defense expenditures.

From a spending standpoint, the Eisenhower administration appears a little or no different from the Roosevelt and Truman New Deal and Fair Deal Administrations, respectively, when they spent and spent. The prospect of a deficit in the current fiscal year probably will make it necessary to increase the national debt.

Wasteful Practices

The unprecedented peacetime budget of the Department of Defense may bring to a head the present wasteful practices such as duplicate military-civilian staffing in support activities and the failure to integrate supply organizations. There is also a lack of coordination and pooling of research and development between the three services. The director of guided missiles has only limited control over them.

Although Congress passed the unification act 10 years ago, there is still a lack of unification. Actually the lack of unification and bickering among the brass approaches a national disgrace.

The Big Problem

There are about a score of national legislative issues of vast importance and concern to the American business man that are before the second and final session of the 85th Congress. The paramount question is going to be: how can the all-time high peacetime Federal budget for fiscal 1959, as proposed by the President, be reduced with-

out jeopardizing national security?

The United States Chamber of Commerce, headed by President Philip M. Talbott, is drawing up plans to dispatch a flying team of chamber officials and specialists over the country to conduct a series of Congressional issue clinics. Although only a dozen clinics will be conducted, each will be attended by hundreds of business leaders from the trade territory of the particular city and from surrounding states.

Affecting every man, woman and child in the United States, here are the legislative issues of concern before Congress under the heading of national security, spending and taxes: domestic spending, defense management reorganization, foreign aid, Federal tax revision and postal subsidies.

Pressing Issues

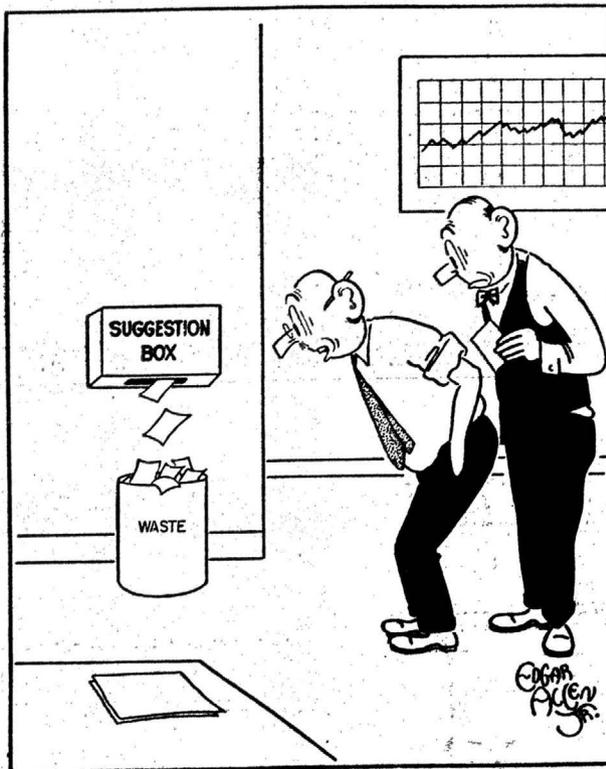
Under the broad subject of government competition and economic controls are these issues: government competition, including military, with business; government competition with business enterprises including expanding atomic energy, TVA expansion, power dam projects, hidden subsidies in government loans, extension of Federal minimum wage law to cover retail service and other local business, liquidation of postal savings, business mergers, and regulation of natural gas.

Issues involving the economic growth and welfare of the country include: right-to-work laws, secondary boycotts, pension and welfare funds, increased state authority in labor management disputes, application of anti-trust laws to unions, government control of medical practice, depressed areas, renewal of trade agreements programs and national water and power policy.

Most persons agree that Federal economy is not only desirable but necessary. But the truth is that everybody wants the cuts made, except projects affecting his own area. Perhaps there will never be real economy in the government unless there should become a threat of Federal bankruptcy.

Not only the Chamber of Commerce of the United States, but organizations and members of Congress now know that the technological advances have made obsolete the traditional

BUSINESS BUZZ



"Sometimes I doubt the sincerity of the Brass around here!"

division of the roles of the three services as well as the composition and certain functions of the high brass, known as the Joint Chiefs of Staff.

Deadly Tax Rates

All tax rates are too high in this country. Certainly they should have been reduced several years ago, and would have been had there not been some real or phoney emergency. Now there is the emergency of Soviet Russia being ahead of us in some phases of the missile and satellite fields.

The high tax rates are destroying individual incentives. The exorbitant rates are also deterrents to small and new businesses, according to a study conducted by the United States Chamber of Commerce. The rates are keeping small businesses from expanding which would provide more jobs.

Congress obviously has got to do something about the postal service situation. The postal subsidies are costing the taxpayers nearly \$1 billion a year. Many millions of dollars of those subsidies involve the third class "occupant" mail which most housewives are annoyed with.

Government Competition

Rep. Clarence Brown, a Taft Republican, and one of the sponsors of the Hoover Commission studies of past years, is expected to again attack at this session the government's competition with private business.

The Ohioan declares that government in competition with private business is wrong, and that it not only should be further curtailed but stamped out in most instances.

The Department of Defense alone conducts more than 2,000 business activities in direct competition with private business. Capital investment in these businesses involves some \$15 billion. The emergencies under which most of these were created no longer exists. Small businesses are the sufferers of government competition.

The armed services, which are anxious to keep all of those stores and businesses, maintain that they can operate the establishments more cheaply than private business. Governments can never operate a business more cheaply than private business. The way they do operate more "cheaply" is because they pay no taxes, pay no overhead, pay little or no interest on investment, seldom charge depreciation and usually the personnel is on Uncle Sam's payroll. Under those circumstances, the armed services can operate more cheaply.

Private businessmen in this country will have to be far more vocal with their Congressmen than they are now if they expect to get a marked curtailment of government competition.

Atomic Energy

One of the things besides the public power trend in the coun-

try that is worrying the electric utility industry in this country is the question of public atomic energy in the future. Private industry wants the atomic energy activities held to technical research for cheaper production of atomic power, and further development of atomic power reactor construction.

President Eisenhower recommended atomic energy commission expenditures for fiscal 1959 at \$2,550 billion, \$250 million more than estimated for 1958, which was \$310 million greater than 1957. The President said the increases reflect "our determination both to increase the tempo of progress in achieving a greater nuclear military capability and to press ahead in our successful development of the peaceful applications of atomic energy."

It is rather apparent that a government atomic energy program would cost the taxpayers a lot of money. On the other hand, private atomic power plants, when it becomes feasible to operate them, would not only save the taxpayers money, but would add tax revenues to the Treasury. It is that simple. Government is just not geared to do business on an economical scale.

Congress is definitely going to take a peek into hidden subsidies in government loans to Federal lending agencies. Just what the law-makers will ultimately do with the proposal to raise the rates will have to be determined later in the year. An example is the fact that the government pays 3% or more, plus the servicing of the loans, and then turns around and lends the money to the REA for 2%. The REA is one of numerous government agencies that borrows money from the government and lends it considerably lower than the government can borrow it.

[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.]

Missiles, Rockets & Automation Management

WASHINGTON, D. C.—Missiles, Rockets & Automation Management Co. has been formed with offices at 1735 DeSales Street, N. W. to engage in a securities business. Officers are Dr. Theodore von Karman, Chairman of the Board; Andrew G. Haley, President; Abraham Berstein, Vice-President; Michael H. Bader, Secretary - Treasurer; and Ethna White, Assistant Secretary and Assistant Treasurer.

Forms Romanoff Co.

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Saul L. Romanoff is engaging in the investment business from offices at 45 Chamberlain Parkway under the firm name of Romanoff & Co. Mr. Romanoff was formerly with H. L. Robbins & Co.

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