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Editorial AS WE SEE IT

It is not often that exuberant enthusiasm about the outlook for the year ahead so nearly reaches unanimity as does that which ushers in the year of our Lord, 1960. Certain sectors—as branches or departments in industry or trade are now commonly called—which for some time have not been showing any marked tendency to respond to the optimism of the day, such for example as housing construction and agriculture, are usually put down as "contra-cyclical" in their usual behavior or else are not regarded as very seriously affecting the general outlook.

Some Disquieting Factors Ignored

If certain very recent developments which might be regarded as suggesting that all is not altogether well with business have made any great impression upon the widespread optimism of the day, it is as yet not discernible. The fact that automobile sales to consumers are so far not quite what was expected is apparently not regarded as worthy of undue concern since the period of time that has elapsed since the steel strike, and the threat of a resumption of it, is still not great. It may well be, indeed most observers apparently are convinced, that this situation will right itself of its own accord within a relatively brief period of time. The stock market during the past week or two has not been indicative of great optimism on the part of those whose actions control it, but with a few exceptions, students of the market put recent reverses down as "overdue" in a technical sense and, moreover, as possibly reflecting in some degree a period of tight money and high interest rates which the expected boom in business, plus firm credit policies in Washington, would normally bring.

Optimism Quite General

At any rate, forecasts of both businessmen and economists are with very few exceptions definitely on the optimistic side. For the first half of the year optimism appears to be all but unanimous. As to the second half of the year, the consensus appears *(Continued on page 99)*

Business and Finance Speaks After the Turn of the Year

As is our usual custom, 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 essentially 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. FREDERICK H. MUELLER
Secretary of Commerce

Fresh supporting evidence of rising business activity reinforces my conviction that 1960 will be our most prosperous year. With the settlement of the steel strike, an improved supply situation is assured; this will mean an acceleration of income and sales of the affected lines. Business can go forward now with greater certainty and firmness in its plans.

Frederick H. Mueller

Industrial production and sales are again on the rise. The steel industry is producing currently at an annual rate of over 140 million tons. The motor vehicle industry has started 1960 at a pace which is in line with the industry expectations of a record turnout for the first quarter of the year. The expansion in industrial operations is benefiting other industries which were affected by the steel shutdown—particularly the railroads. Rail carloadings have shown a recovery which we may expect to be extended. Business investment in plant and equipment—which is a most important and dynamic sector of our economy that generates not only new jobs but new and better products—had been dampened by lack of supplies. Programming of new plant and equipment installations may now proceed more confidently for the period ahead, and I expect to see a noteworthy improvement in capital outlays.

The drag on profits that was one feature of the 1959 second half, is now lifted. With advances in personal earnings and the expected improvement in corporate sales and profits, the Federal revenue base—recently cut by the work stoppages—will now be considerably improved. As the President indicated in his State of the Union and Budget Messages, the Federal budget position will be greatly strengthened.

We are opening the new decade with a strong and expanding economy. We must work for continued healthy growth and improvement in our standard of living and business strength. At the same time we must fight against inflation in order to preserve the purchasing power of our people's now higher incomes.

Last year ended with the economy rebounding to peak rates, pushing up the Gross National Product for the year to around $480 billion, the all-time high in both volume and value terms. The power thrust of free enterprise can lift this figure to the half trillion dollar mark in the first half of this year and to still higher levels a year from now.

I have recently returned to Washington from extensive tours to promote good will and trade in Europe and Asia. I found that favorable reactions resulting from President Eisenhower's peace mission and economic progress in many nations open fresh opportunities for American business to sell exports. At home, a word of caution: Let us be wise and wary. Should there be excesses in credit, severe inflation and stubborn selfishness in strike deadlocks, then prosperity could be checked.

But if national interest prevails, the new year will be a period of record-breaking business activity and high employment. There will be more money, more spending, more profits and more jobs. The Commerce Depart- *(Continued on page 32)*

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KILIAEN V. R. TOWNSEND
Security Analyst, Atlanta, Ga.

Indiana Gear Works, Inc.

It is seldom that a revolutionary principle is introduced into a growth field enjoying an established mass market. Moreover, the "new, revolutionary, different" is often only an improvement of some sort. Polaroid, of course, is an example of a really new concept applied to a product already popular with the public and providing a multi-million dollar potential.

K. V. R. Townsend

Indiana Gear Works, Inc., an old established company and the largest aircraft and missile gear manufacturer in this country, has come up with just such a revolutionary development in its new jet propelled boat. Named Turbocraft, it sucks water in through an intake screen mounted flush on the keel and ejects it out the rear into the air.

Propeller, rudder and gears are completely eliminated, as are the driveshaft, strut, packing box and skeg. And yet its speed is as fast as conventional designs. Moreover, its performance and safety have been enthusiastically praised by test drivers of the leading boating magazines and the several hundred people already owning one of these jet boats.

The method previously tried with little success by some manufacturers forced the water jet stream into the water under the hull. The resulting friction loss prevented high speed performance.

With Indiana Gear's Turbocraft, the jet stream is expelled directly into the air by an inboard marine engine coupled to the jet unit with a universal joint, thereby eliminating reduction gears. Speeds of 40 miles per hour and more are obtained. Deflector plates provide a most responsive steering system. Forward, neutral and reverse are accomplished through a three position gate arrangement controlling and deflecting the water jet stream. This does away with the familiar worry about gear stripping.

Since nothing at all projects below the hull, this sensational boat can plane in less than three inches of water, reach full plane within two boat lengths, and be driven right over all sorts of obstacles, including exposed logs and sand bars as well as submerged pilings.

Patents have been applied for on the propulsion mechanism and the steering control apparatus by the New Zealand inventor. Indiana Gear Works has obtained the exclusive rights to manufacture this jet boat in the U. S. and South America in return for a 3½% royalty.

John L. Buehler, 48, is President and has been with the company since it was started in 1933 by his father. Executive Vice-President and Treasurer is Theodore M. Englehart, age 39. He is a CPA and has been with Indiana Gear since 1940. Harrison E. Fellows, 37, formerly sales manager of Chris-Craft's Cavalier Boat Division, is sales manager for the Turbocraft Division.

With production started only in the Spring of 1959, sales climbed to $319,000 in September and have increased each month since then. The boats are competitive price-wise with the various types available. In order to step up production still further, the company is having two prominent hull manufacturers make additional fiberglass hulls.

To provide financing for this new Turbocraft Division, the family-owned company sold $900,000 of common stock to the public in November, 1959, 25% of which was purchased by employees. There are now outstanding only 228,450 shares of common, 3,015 shares of 5% non-cumulative preferred, and $542,875 of sinking fund debentures and first mortgage.

This year a tax refund and the sale of several plants upon the completion of a large new leased plant will provide additional needed capital. However, if, as appears very likely, the rapid upward spiral in sales continues, more financing may be undertaken at some time in the future.

Absence of a propeller, the greatest cause of injuries and trouble in boating, is bound to make this jet boat preferred by swimmers, fishermen, skin divers and water skiers. The ability to stop in its own length even at top speed by turning 180 degrees and the fact that it cannot turn over will add universal appeal for both safety and sporting reasons.

Elimination of gears and all outside appendages will impress the maintenance minded. And the unique feature of being able to operate in a couple of inches of water virtually outmodes all other boats where shallow water is a governing factor.

With almost 8 million recreational boats in this country, the pleasure boating business grossed over $2 billion last year. Built only in 16- to 20-foot lengths to date, 1960 production of Turbocrafts will include twin jet units in sleek cabin cruisers, utility boats, and lengths up to 40 feet.

This new jet type boat, then, could literally revolutionize both the utility and pleasure boating industries. And Indiana Gear Works, enjoying a substantial initial advantage and possibly a virtual monopoly through its patents, certainly should enjoy tremendous sales and substantial profits.

Of course, no earnings can be expected during the costly introductory phase of this revolutionary new development. But the relatively small capitalization, the actual arrival of the jet age in boating, the already demonstrated potential of this Turbocraft and its formal introduction at the New York Boat Show this January would indicate considerable price appreciation for Indiana Gear Works common, now selling at 30. It is traded in the Over-the-Counter Market.

MILO C. WILDRICK
Research Department, Eppler, Guerin & Turner, Inc., Dallas, Tex.
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Central Transformer Corporation

A vigorous company in one of the most vital industries in the American economy, CENTRAL TRANSFORMER CORP. is one of the very few "pure" suppliers of capital goods to the electric utility industry. Although a comparatively youthful company (started in 1942) in its industry, CENTRAL's growth has been impressive with sales as well as earnings having doubled in the last five years, and the company now ranks among the eight largest. Furthermore, CENTRAL's growth potential, in my opinion, is directly related to the impressive growth projected for the electric utility industry which is anticipating a 117% increase in demand during the next 10 years. Also significant is the fact that since 1951, within the transformer industry, CENTRAL TRANSFORMER's sales have increased by approximately 500% compared to an increase of 24% for the industry as a whole.

Milo C. Wildrick

CENTRAL TRANSFORMER designs and manufactures electrical transformers at the main plant in Pine Bluff, Arkansas and at a newly completed plant in Florida. The Florida facility will supply Florida Power & Light Co. which has contracted to purchase a minimum of $23,362,500 worth of transformers over the next few years. CENTRAL's biggest markets are in the Southeastern and Southwestern areas of the United States with over 75% of sales to fast growing utilities in these areas and the remainder to electrical contractors, dealers and suppliers. CENTRAL currently lists more than 70 of the nation's leading utilities as its customers and during the past four years the company has increased its share of total industry sales by more than 80%.

In September, 1959, an offering of 89,773 common shares brought the total to 461,023 shares with senior securities consisting of 2,094 shares of 5% cumulative preferred and a long-term 5½% promissory note in the amount of $750,000 obtained in September, 1959 from a large insurance company. Adjusted for a 9-for-5 split in 1957, a 3-for-2 split in September, 1959 and the new shares offered in September, 1959, sales are up 86% and earnings are up 133% since 1955. Earnings per share have increased from 41.0¢ in 1955 to 95.5¢ for 1958. Sales rose from $4.2 million to $7.8 million during the same period. Representing a conservative 42% of 1958 per share earnings, the current annual dividend is $0.40 payable $0.10 quarterly.

For the analytically-minded, a study of CENTRAL TRANSFORMER compared with the transformer industry revealed some interesting ratios: (1) ratio of net profit to sales is almost three times that of the industry; (2) ratio of net income to net investment is more than three and

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(This is under no circumstances to be construed as an offer to sell, or as a solicitation of an offer to buy, any security referred to herein.)

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Where U. S. Foreign Traders Will Profit in 1960

By Walter H. Diamond,* *Industrial Trade Consultant, New York City; Former Editor of McGraw-Hill "American Letter"*

International trade specialist predicts our favorable trade balance this year will rebound to $2.5 billion from 1959's $1.2 billion and will help lower our balance of payments deficit to $2 billion. The economist outlines the factors certain to spur our sales abroad, foresees rise in European securities flotation here, and a shift from government to private investments in under-developed areas. He then, as is his well-known custom, offers a country-by-country economic and trade analysis and, of the 52 countries analyzed, he opines U. S. exports will be up in 38 and down in 14 countries. The author concludes the American foreign trader should realize substantially better profits in 1960.

Despite the spreading political unrest in Latin America and the distinct possibility of economic warfare between Europe's two trading blocs, U. S. foreign traders are bound to benefit from increased business in 1960. America's commercial shipments overseas this year will jump by 10% to a new normal peacetime level of $18.5 billion from the 1959 figure of $16.8 billion. Imports on the other hand will continue to climb but at a much slower rate than the incredible pace set last year. Total imported goods will increase about 3% from $15.6 billion in 1959 to $16 billion. This means that the U. S. favorable trade balance will rebound to $2.5 billion from the nine-year low of $1.2 billion touched in 1959. However, this will be far short of the $4.5 billion export surplus required to offset the high military, foreign aid, tourist and private investment outlays responsible for America's balance of payments deficit. Thus the U. S. will be faced with another gold and dollar loss of $2 billion in 1960.

Walter Diamond

Spurring U. S. Exports

Special circumstances unlike those of recent years will force 1960 U. S. commercial exports up to the all-time high second only to the 1957 record which was an aftermath of the Suez war. First of all, an advance in the export payment rate will bolster overseas cotton sales as they become fully competitive with world market prices. Second, the severe drought which struck Europe in 1959 will sustain the unusually high rate of corn, soybeans and feed grain exports. Third, the advent of the jet age will be responsible for nearly $1 billion in aircraft deliveries to foreign commercial lines. Fourth, end of the U. S. steel strike will reverse the decline in shipments of finished manufactures so that a $1 billion increase in exports is assured.

In addition to these abnormal factors, certain to spur America's sales abroad are such underlying forces as the removal of import discrimination against dollar goods and greater availability of capital for financing exports. Eleven European, African and Far Eastern countries either partially or completely abolished quotas and other restrictions on American goods within the past few months. Moreover, Washington's "Buy-American" policy demanding purchase of U. S. products with Development Loan Fund money and some International Cooperation Administration outlays will add another $1 billion to the export level. At the same time new lending institutions, namely the International Development Association and Inter-American Bank, along with expanded capital structure of the International Monetary Fund and World Bank, will boost U. S. shipments.

However, America's major economic problem in 1960 will be to find new ways of financing the industrialization of the less-developed countries in the face of their shortage of capital and the U. S.'s heavy gold losses. There is bound to be a shift from Government to private financing—principally because of pressure on Washington to curtail U. S. aid and military programs to stop the gold and dollar drain.

Certainly the "Buy-American" policy is sound thinking and far from protectionism, as its critics decry. There is a tremendous difference between trying to help our own exporters and discriminating against our neighbors' sales of lead, zinc, copper and petroleum with quotas or tariffs, which of course is true protectionism. However, neither the "Buy-American" principle nor large emergency loans from the other Western Allies to underdeveloped nations will ever be sufficient to offset the $7 billion of aid, tourist and private investment outlays responsible for our huge payments deficit.

Of the $20 billion of capital investment annually required by the less-developed nations for the next 10 years, only $8 billion a year can possibly come from financing by Government-backed organizations of the West through direct loans, grants and export

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BUSINESS AND FINANCE SPEAKS AFTER THE TURN OF THE YEAR

Starting on the cover page of today's ANNUAL REVIEW AND OUTLOOK ISSUE, we present the opinions of leaders in Government, Industry and Finance regarding the outlook for business in 1960.

* * *

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 1959.

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Economic Outlook for 1960 And During the Next Decade

By Dr. Paul W. McCracken.* *University of Michigan Ann Arbor, Mich.*

Bases for possible realization of a real 5% income in our 1960 economy amounting to about $30 billion are set forth by former member of Council of Economic Advisers. With regard to the decade ahead, Dr. McCracken foresees heavy pressures for capital formation. He adds that were we consciously to increase our growth rate from 3½% to 5½% it would require stepping up gross capital formation about one-quarter above our normal GNP level and would mean less output available for non-capital-formation uses until gestation of the investment is completed.

All of us know the very limited extent to which we can really say anything very definite about the economic future. How many here, for example, were predicting early last year the vigorous upswing that got under way after April?

Dr. P. W. McCracken

On the other hand, we also know that the policy-maker in government or in business must form some judgment about future events. Indeed, it is probably true that decisions are important largely to the extent that they do involve effects that carry well into the future. Moreover, it is good discipline for economists to forecast. Here we do not have available the easy out, that we are only making projections (not predictions), or that we are only prescribing what ought to occur but not necessarily what will occur. In forecasting, the economist's job is to see if his use of economic analysis is skillful enough to produce answers that mesh with those the economic forces he is trying to analyze will themselves subsequently produce. In short, he is subject to the disciplinary test of simply being right.

I

If the American economy is to provide for reasonably full utilization of its productive resources in 1960, the demand for output must rise roughly 5% above that of 1959. This would allow tor an improvement in productivity at the long-run historical rate of roughly 2½% per year, and an increase in employment of about the same magnitude. With the workweek already slightly above 40 hours except for the near-term effects of the steel strike, the 2½% increase in employment should largely take the form of more poeple at work; and a 2½% gain would reduce unemployment to 4% of the work force.

What are the prospects that we can achieve this needed 5% increase in the aggregate demand for output? They are, I think, good. The problem is not so much whether business conditions will improve sufficiently, but whether this improvement will come about under circumstances that will provide the basis for a further vigorous and sustained expansion.

II

First, let us look at the prospect for about the most exogenous sector of the economy—government expenditures. One need be accused of no more serious crime than perusal of the New York "Times" to assume Federal expenditures of about $81 billion for fiscal year 1961, an increase of roughly $2 billion over probable expenditures for the current fiscal year. When the figures are added up at the end of fiscal year 1961, outlays may exceed $81 billion somewhat. The President's Budget Message is the financial plan pricing out his proposed program, but the Congress may not decide to live within these limits. Or a benevolent weatherman may embarrass us with further agricultural abundance, complicating the life of the Director of the Budget and the Secretary of Agriculture. And growth-promoting hormones and chemicals may also contribute to this largesse and at the same time enable the Secretary of Health, Education, and Welfare to share in these joys. It would not, therefore, be surprising if Federal expenditures from calendar years 1959 to 1960 were to rise by somewhat more than $2 billion, but I shall stand on that figure. It is apparently true that little of this increase will show up as enlarged Federal purchases of goods and services. They will show up, broadly speaking, as transfer payments. In an era when economic analysis distressingly often goes little beyond the Gross National Product table, any other transaction runs the risk of never being seen in the act at all. But I assume that whether these additional Federal expenditures are directly for purchases of goods and services or are merely dollars transferred from government to private hands, they will enlarge the demand for goods and services.

Sees $5 Billion Rise in Federal Spending

The steady rise in state and local expenditures displays a persistence that suggests the operation of some natural law of the economic universe, with another rise in 1959 of roughly $3 billion. It is reasonable to expect a slightly smaller increase for 1960. Our citizens seem to be somewhat less than happy in their capacity as state and local taxpayers, and at times grimly determined to do something about it. And borrowing by state and local government units constitutes one source of demand in the capital markets with a quite discernible sensitivity to changes in interest rates. The statistics do not, however, suggest any marked displacement in the rising trend of these expenditures. Tax collections will rise in response to rising levels of business activity. Borrowing thus far this year is slightly in excess of flotations during the corresponding period last year. And needs remain urgent. It may come as a surprise that we are now devoting a smaller proportion of our resources to meeting the social needs taken care of by state and local government units than in 1929. From 1929 to 1953 expenditures of state and local governments in real terms increased 121%, while our productive capacity increased by at least 130%. There is grave danger that those in our society who are genuinely concerned about the level of taxes and public expenditures, and this includes many people, may concentrate their efforts too much on state and local government budgets. Success on this battle line will be a Pyrrhic victory. Because needs at this level are demonstrable and pressing, severe constrictions on state and local budgets will create irresistible pressures for the Federal Government to take over provision for these needs. But a discontinuity with history does not yet seem to be shaping up, and it is reasonable to conclude, therefore, that expenditures at all levels of government will be at least $5 billion higher in 1960 than in 1959.

There is no uncertainty about the identity of the next sector to which we turn — our balance of payments — because that is the next major item as we work our way up the national product table. Here is dramatic testimony to the ever-changing nature of economic problems. How many of us as recently as two years ago would have predicted that half of our outlook session in 1959 would be devoted to prospects for our balance of payments? A discussion of the dollar shortage perhaps, but not our balance-of-payments problem.

For purposes of pulling my analysis together here, I have assumed that our balance-of-payments position will continue to be a cause for concern next year, will show some improvement, but cannot be expected to make a major contribution to a rising level of domestic business activity.

Expects Capital Spending Up $5 Billion Over 1959

The outlook for capital outlays of businesses is for a strong rise. The McGraw-Hill survey, whose results were released last month, indicated a gain of 10% in capital spending from 1959 to 1960. The projected gains ranged from an increase of 19% for manufacturing to a decrease of 5% for mining. It will not be surprising if

Continued on page 71

OBSERVATIONS . . .

BY A. WILFRED MAY

VALUE VERSUS THE TICKER

"At the outset, let me emphasize that no one knows whether stocks [as a whole] are too high today. You ask, is the market right? Senator, I have been in it a good many years, but I have never answered that question, because I do not think anybody is smart enough to know. I certainly would not want to put myself in that class of demigod. . . . As your expert witness, I tell you no expert witness is good on that." (A statement by Bernard M. Baruch before the *Senate Committee on Banking and Currency—the so-called Fulbright Committee investigating the Stock Market—March 23, 1955.*)

* * *

"Stocks are not always worth what they sell for. Sometimes they are carried too high, sometimes too low, by mass excitement. Sooner or later, though, they move into line with value. This book explains how to project the normal value of stocks into the future.

"If all the deviltry of all the crooked stock market riggers of all time were raised to the hundredth power, it would count as nothing compared to the desolation wrought by deluded crowds (of investors) whose imagination knows no discipline."—*From THE EVALUATION OF COMMON STOCKS, by Arnold Bernhard; New York, Simon & Schuster, 182 pp., $3.95.*

* * *

WINCHELLISM is cited by Mr. Bernhard as typifying the proclivity to emphasize news, *in lieu of value criteria for appraising individual stocks.* On his Sunday night broadcasts, Mr. Walter Winchell would announce advance news about individual companies, causing an avalanche of buy orders to get to the Exchange floor by Monday morning's opening.

"The only objection that could be taken to Winchell's remarks was that the facts he reported were unevaluated," writes Mr. Bernhard. "If X-Y-Z did bring in an oil well, that does not prove that the stock was worth more. It might be worth less than it was selling for, in spite of the new oil well, or three new oil wells. If company A-B-C actually did merge with company D-E-F, that would not necessarily mean that the two were worth more together than apart. . . . In short, the sin of Walter Winchell was that he presented facts without *evaluating* them."

"Now," Mr. Bernhard continues, "what is the difference between what Walter Winchell did and what Wall Street in general does when it buys and sells stocks and, at the same time declares that there is no such thing as a standard of value; that there is no way to tell when a stock is dear or cheap; that generalization and background influences, such as political developments and the weather, determine what prices should be?"

We cite the above key passages from Mr. Bernhard's book as showing his basic thesis—that all the facts relating to a company, to complete the logical arrival at an investing decision, must be related to the current *price*.

Investments should be regarded not as numbers that go up and down, but as ownership rights selected for specific purposes.

If the author, or anyone else, can put over this simple, unchallengeable concept, surely some kind of Oscar award is in order. Usually the party so addressed on the logical and businesslike importance of price, gives a quick assent, which turns into mere "lip service" at the first ensuing occasion for its practical employment.

With all classes of investor, from investment company manager to the barber, unstoppably persisting in concentrating on ticker quotations or the equivalents; and with even much of the market "literature" dwelling on high-sounding, outside irrelevancies, what chance is there to re-orient the lay investor in the right direction?

For example, inflation is cited by the author as one of the chief environmental factors about which loose generalizations are most frequently made. He advances his conclusion (which, I am convinced, is proved by the historical evidence) that the purchasing power of money has no direct relationship to the evaluation of stocks; although it may have an indirect effect through its influence on the all-important dividend-payability of the stock.

The Current Playing-By-Ear

Although we have not made a word-count, we have the impression that the book is about evenly balanced, 50-50, between de-bunking, and constructive affirmative discussion. Mr. Bernhard agrees that some value standards are now in use, but quite hazily. They are "intuition-

Continued on page 126

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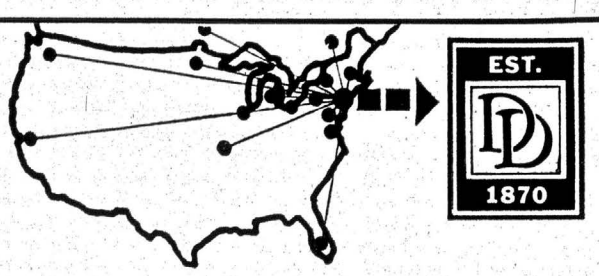

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Landed Entries

By Dr. Ira U. Cobleigh, *Enterprise Economist*

Contains a brief catalog of companies affording investors opportunities for income and gain through ownership of real estate equities.

In the past couple of weeks newspapers and magazines have been awash with pictures and articles describing the new Spring fashions for Milady. What is less appreciated is that there are also changing but authentic fashions in finance. Matter of fact, one market analyst I know has a theory co-relating these two sets of fashions. He claims that when skirts are high—so are stocks!

But that as it may, the obvious fashionable favorites among equities in Wall Street in 1959 were the electronics and the land company shares. Electronics we covered earlier, and we shall surely talk about them again in 1960. But today's stint is the real estate stocks.

Why should they have become so popular in the past 18 months? The answer is intensely logical. Land is man's oldest long-term investment. We're still making people but we've stopped making land. So with this population explosion everyone is buzzing about, land is, over time, a pretty sure fire speculation due to the impact of seething populations on a limited land supply. The only thing needed to assure a steady rise in land prices is that the millions who need the land for residential, commercial, agricultural or industrial purposes have (1) the money to own or rent it and (2) the money to develop or exploit it. In the past, apart from home and farm ownership, relatively few had the money to purchase acreage, and title to broad swaths of our terrain was confined to private land timber and ranching companies, railway lines and, of course, the government. Further, real estate had the drawback of a limited and inactive market, and complicated legal procedures in the purchase or sale of parcels. So, until quite recently, ownership in land and real estate development companies was over the head of the average small or medium sized investor.

But 1959 did a lot to change all that. Investment houses took note of burgeoning land values in the suburbs, on Long Island, in Florida, Arizona and the Southwest. They realized that investors were sure to be attracted to the growth potentials of land, and home developments, shopping centers, commercial and industrial buildings, if one they could packaged in readily marketable, actively traded stock certificates. The answer was, of course, the real estate company which permitted its shareholders to participate in rising land values, development sales and leasing profits, without the burdens of property management, or handling involved in purchase or sales procedures.

So while sophisticated investors have long known about such landed corporations as Texas and Pacific Land Trust, New Mexico and Arizona Land, Kern County Land Co.; and the big land holdings of railways such as Northern Pacific and Union Pacific, only in quite recent months have real estate companies gained the market spotlight. It has taken the newer companies, attractive and bouncy underwritings, and lively market action in them to set the vogue. As a result, in current markets, it is quite common for shares daily traded in greatest volume to be found in the real estate group.

Arvida Corporation

One of the biggest land holders and developers is Arvida Corp., financed only 18 months ago. It specializes in Florida soil, owning totally about 157 square miles, in three East Coast counties and in Sarasota. Its most prestigious property is the Boca Raton Hotel and Club around which will shortly emerge a 700-odd home community for the mink and Mercedes set, replete with yacht club and marine facilities. This plush palm-draped enclave will be known as University City. Its unfolding should be highly profitable for Arvida. In addition Arvida will share in the earnings of the utilities (water and sewage) which its rising new subdivided communities will create. Arvida common sells over-the-counter at 16½. It may earn $1.75 this year.

General Development Corp.

Another popular Florida developer is General Development Corp. Its land stake is some 190,000 acres, mostly on the Middle East Coast. Its main current development projects are at Port Charlotte, Port St. Lucie and Sebastian Highland. The formula is quite simple: (1) subdivide large acreages into home sites and sell them on easy monthly payments, (2) build houses in a completely planned community and (3) build and keep the utilities these new towns and cities will need. General Development is smartly managed and loaded with sales talent. About 6.3 million company shares are listed on American Stock Exchange, selling currently at 20½. Not to be described as a mature equity, it may surely be called an animated market performer.

Tishman Realty & Construction

Getting away from Florida, an excellently rounded company is Tishman Realty and Construction which holds and acquires land, erects buildings, manages them after they're built and has the resources and techniques to finance the whole process. Presently it owns, has the leasehold or an interest in some 26 buildings, including the new 38-story building at 666 Fifth Avenue, New York; Concord Village, a 1,000 apartment housing project in Brooklyn; and the Gentilly Woods shopping center in New Orleans. Tishman likes to lease to large corporations on long term leases. This reduces expenses for tenant changes.

The Tishman balance sheet customarily shows fine working capital, and real property carried at most conservative valuations. Tishman common is listed on N.Y.S.E. It sells around 21½, pays a 50 cent dividend in cash, plus a stock distribution. It is regarded as a real estate equity of substance and promise.

Canal - Randolph Corp.

This company started out just four years ago, taking over properties formerly owned by Butler Bros. The company owns a 16-story building in Chicago, a seven level store and parking garage in downtown Dallas and the Fordham Hill Residential Community at University Heights, New York City. Canal-Randolph, listed on American Stock Exchange sells around 11⅞ and pays 40c. It's an interesting equity benefitting from the economic development in three major cities.

Kern County Land

This one is an old favorite among land fanciers. It started out as a great cattle range but now gets over 60% of its income in royalties from the large stores of oil and gas lying beneath its land. In California alone Kern County has 370,000 acres in fee, useful not only for oil but for substantial future building development. As a "kicker" Kern County owns Walker Manufacturing Co., maker of automobile parts, netting nearly $2 million a year; the Watkins-Johnson Company specializing in electronic research; and important oil drilling interests at Lake Boeuf, La., in Mississippi and in British Columbia and the Northwest Territories, Canada.

Here then is a broadly spread land enterprise grossing $85 million a year, and paying $2.25 on its common stock which now sells at 52 on N.Y.S.E. A proven equity of a well managed company with a fine record and an attractive future.

Other Land and Building Stocks

We couldn't begin to cover them all. If your taste runs to hotel property then look at Sheraton Corporation, Hilton Hotels Corp., Knott Hotels and Hotel Corp. of America. If motels attract you, inspect Holiday Inns. If you're a shopping center fan then inspect Food Fair Properties, Grant Food Properties and Roosevelt Field. For diversity look into Webb and Knapp, City Investing Company and Kratter Corp. For suburban development there is All-State Properties, Inc. and General Builders Corp. And there are new ones coming along such as Great Southwest Corp.; and there was Garden Land Company Ltd. a recent California offering.

So you have plenty of issues to choose from. In making your own selections stress quality of management, location of land and price paid for it, adequacy of working capital, and, in developments, the reputation of the company for quality building. And don't pay too high a price for glamor and romance. Next thing you know there will be a mutual fund specializing in real estate.

Federal Banks Pay Debts From Cash

The Federal Home Loan Banks are paying off from current cash resources $80,000,000 principal amount of 3.80% nine-month notes maturing Jan. 15, according to Everett Smith, Fiscal Agent of the Banks.

Mr. Smith said retirement of the notes without the necessity of refunding reflects a substantial seasonal return flow of cash into the Banks due to repayment of advances made to member institutions of the Federal Home Loan System prior to Jan. 1.

Giving effect to the retirement of the notes, the Home Loan Banks has outstanding indebtedness of $1,693,660,000.

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TAX-EXEMPT BOND MARKET

BY DONALD D. MACKEY

The state and municipal bond market has maintained the firm market tone that has been generating since early in the new year. Both of last week's new issues have seasoned favorably. The New York Power Authority 4⅜'s due 2006 have been a substantial premium bid since issuance. The $100,000,000 State of California serial bond issue seems well placed and the longest term (1981-1985) bonds are in demand at a small premium, as are certain other shorter maturities.

This better market feeling is attributable in some measure to reports that the 4¼% ceiling for Treasury issues maturing in more than five years, may be lifted, or in a manner amended, early in the present Congressional session, making possible the issuance of some longer term Treasury obligations. With the near term prospect of balanced financing, as against mainly short term or "roll over" methods, some market improvement is presently evidenced. The latest issues of bills (1/18/60) went at rates sharply below those of last week. The long Treasury bonds have also shown some improvement in light volume.

The *Commercial and Financial Chronicle's* State and Municipal Bond Index indicates a further gain in the market average over the past week, of about one quarter of a point. Last week (1/13/60) the average yield was 3.661%. This week the average yield is 3.642%. The quiet upward trend has now been in progress for about three weeks and insofar as municipal bonds are concerned it reflects a continuance of favorable technical factors that at times seem incredibly persistent. The new issue volume has been coming to market in manageable proportions. Issuers and dealers seem to be doing a good job, cooperatively. The timing and pricing seem to have been accomplished to the general satisfaction of investors in recent weeks.

On Tuesday (1/19/60) the City of Detroit, Michigan, sold a total of $13,175,000 various purpose general obligation bonds to groups headed by Bankers Trust Co., Northern Trust Co., Smith, Barney & Co., Lehman Brothers, Halsey, Stuart & Co., and many others. At closing time a total of only $1,728,000 remained in these accounts. Yields ran to 4.15% for 1981 and 1982 maturities. Here, again, a good bond with generous return has attracted buyer interest.

Also on Tuesday, $4,495,000 Oyster Bay, New York USFD No. 21 bonds were awarded to Halsey, Stuart & Co., Kidder, Peabody & Co., Goldman, Sachs & Co., and associates. The bonds were scaled to yield 4.30% for 1985-1988 maturities. Investor reception was good and the issue is reported about half sold.

On Monday (1/18/60) $4,000,000 Sheboygan, Wisconsin general obligation bonds were sold to the First National Bank of Chicago, Harris Trust & Savings Bank, Morgan Guaranty Bank and the Chase Manhattan Bank. The issue was scaled to a 3.50% yield for 1979 and 1980 maturities. This high grade offering attracted considerable interest and less than $500,000 of bonds remain in account at present.

Yesterday (Jan. 20) State of North Carolina awarded $11,106,000 serial general obligation bonds to the Morgan Guaranty Trust Company-First National Bank of Chicago, the Continental Illinois Bank-Shields & Company-White, Weld & Company-Bear Stearns & Company - and others. The issue matures 1961-1979 and the yields are scaled from 2.75% to 3.35%. This high grade state issue should have broad market appeal. Its rating has recently been raised.

Current financing included $15,000,000 State of Louisiana highway bonds. The issue is a general obligation of the state payable primarily from certain highway fund revenues. The buying group includes: C. J. Devine & Company-Bankers Trust Company-Morgan Guaranty Trust Company and many other prominent underwriters. The issue is scaled to yield 3.85% for the 1981-1984 maturities. Orders will be taken through the day. Similar issues have recently been in good demand.

The State of Washington also sold two important new issues on Jan. 20 to an underwriting group. The $18,000,000 State of Washington, Motor Vehicle Fuel Tax bonds were awarded to the Eastman, Dillon & Company and White, Weld & Company syndicate. The bonds were scaled to yield 3.90% for the 1976-1977 maturities.

The $10,089,000 State of Washington, general obligation issue was awarded to the same nation-wide syndicate. This issue, rated higher than the Fuel Tax Issue, was scaled to yield 3.70% for the 1978-1979 maturities. Orders will be taken this afternoon for both issues. A good reception seems likely.

The Sacramento, California school district, also awarded a large block of bonds on Wednesday. $10,000,000 serial obligation bonds scaled to yield 3.65% for the 1984 maturity, were sold to the Bank of America-Chase Manhattan-Harris Trust & Savings-Blyth & Company and associates. This high grade west coast name usually attracts general market demand.

While these new issues were meeting with favorable investor attention, the secondary phase of the market was generally active, too. The dollar quoted revenue issues were for the most part in moderate demand and quotations were up from one-half of a point to more than a point in some instances. Among the more active issues were the Illinois Toll Highway 3¾'s and 4¾'s. Both of these issues were up more than a point during the past week and the market tone suggests some continued accumulation. The Kansas Turnpike 3⅜'s have also improved more than a point during this period. Both New York Power Authority issues have been attracting investor attention and gains are substantial. Among many others, Ohio and Indiana Toll road bonds seem in good demand too. Improving toll revenues, more efficient operations, relatively higher truck traffic, and a more generally recognized marketability, combined as factors better stabilizing this segment of investment. More immediately, the better market tone, helps point all this up. An easier stock market and general new year investment interest also helps these high yielding issues.

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Larger Issues Scheduled For Sale

In the following tabulations we list the bond issues of $1,000,000 or more for which specific sale dates have been set.

Information, where available, includes name of borrower, amount of issue, maturity scale, and hour at which bids will be opened.

January 21 (Thursday)			
Jeffersonville School Bldg. Corp., Indiana	1,525,000	1963-1988	1:30 p.m.
January 25 (Monday)			
Minneapolis-St. Paul Metropolitan Airports Commission, Minn.	7,000,000	1963-1980	Noon
Rosemount Independent Sch. Dist. No. 196, Minn.	1,000,000	1963-1985	8:00 p.m.
January 26 (Tuesday)			
Boston Metropolitan Dist., Mass.	2,974,000	1970-1990	11:00 a.m.
Burlington, N. C.	1,275,000	1961-1986	11:00 a.m.
Clinton Prairie School Building Corporation, Ind.	1,680,000	1963-1991	2:00 p.m.
Coweta County, Ga.	1,100,000	1960-1989	11:00 a.m.
Knox County, Tenn.	2,000,000	1961-1975	11:00 a.m.
Muscatine Community Sch. Dist., Iowa	1,150,000	1962-1979	1:00 p.m.
Pensacola, Fla.	1,500,000	1961-1980	9:00 a.m.
Rotterdam, Colonie and Guilderland Central S. D., No. 3, N. Y.	1,751,000	1960-1986	2:00 p.m.
Waco, Texas ($6 million g. o. and $2.4 million rev.)	8,400,000	1961-1985	1:15 p.m.
January 27 (Wednesday)			
Alexandria, Va.	4,137,000	1961-1980	Noon
Florida State University, Fla.	9,846,000	1961-1999	2:00 p.m.
Houston, Texas	9,800,000	1961-1985	10:00 a.m.
Troy City School District, Mich.	2,300,000	1960-1989	8:00 p.m.
Zanesville, Ohio	1,250,000	1961-1985	Noon
January 28 (Thursday)			
Oyster Bay and Babylon Union Free School District No. 22, N. Y.	4,255,000	1960-1988	1:00 p.m.
Springfield City School Dist., Ohio	3,900,000	--------	--------
January 29 (Friday)			
Florida Development Commission, Fla. (Sarasota County Issue)	2,600,000	1964-1989	11:00 a.m.
Florida Development Commission, Fla. (St. Lucie County Issue)	1,200,000	1961-1974	11:00 a.m.
February 2 (Tuesday)			
Antelope Valley Joint Union High School District, Calif.	1,000,000	1964-1980	9:00 a.m.
Cerritos Junior College Dist., Cal.	1,500,000	1961-1980	9:00 a.m.
Fridley Independent School Dist. No. 14, Minn.	1,090,000	1963-1990	8:00 p.m.
Goshen School Building Corp., Ind.	1,675,000	1963-1991	1:00 p.m.
Halifax County, N. C.	1,000,000	1961-1977	11:00 a.m.
Milwaukee County, Wis.	12,467,000	1961-1980	10:00 a.m.
South San Francisco Unified Sch. District, Calif.	1,180,000	1961-1985	10:00 a.m.
February 3 (Wednesday)			
Austin Independent Sch. Dist., Tex.	3,750,000	1960-1984	10:00 a.m.
Deer Park Ind. Sch. Dist., Texas	1,000,000	1961-1980	8:00 p.m.
Kane, Cook and Dupage Cos. Sch. District No. 46, Ill.	1,500,000	1961-1970	7:30 p.m.
Lubbock, Texas	4,450,000	--------	--------
Yorba Linda Water District, Calif.	1,670,000	1966-1995	7:00 p.m.
February 4 (Thursday)			
Greenville School District, Mich.	1,865,000	1961-1986	8:00 p.m.
Jefferson Parish, Consol. Drainage District No. 1, La.	1,000,000	1961-1980	2:00 p.m.
Jefferson Parish, Fourth Jefferson Drainage District, La.	2,000,000	1961-1980	2:00 p.m.
Miami-Trace Local Sch. Dist., Ohio	1,652,500	1961-1981	1:00 p.m.
New York, N. Y.	22,000,000	1961-1965	11:00 a.m.
Oberlin, Ohio	1,100,000	1964-1984	11:00 a.m.
Osseo Ind. Sch. Dist. No. 279, Minn.	1,910,000	1965-1990	7:00 p.m.
Plainwell Community School Dist., Michigan	1,010,000	1960-1985	8:00 p.m.
Port Angeles, Wash.	1,700,000	1962-1984	2:00 p.m.
February 5 (Friday)			
Berkeley County, County Board of Education, W. Va.	1,600,000	1961-1980	7:00 p.m.
February 9 (Tuesday)			
Otsego School District, Mich.	1,750,000	1960-1985	8:00 p.m.
Public Housing Administration (local Authority bonds)	102,830,000	--------	None
Stillwater Independent Sch. Dist. No. 834, Minn.	1,932,000	1963-1986	1:00 p.m.
Washington Suburban Sanitary District, Maryland	10,000,000	1961-1990	--------
February 10 (Wednesday)			
Shreveport, La.	4,700,000	1961-1980	10:00 a.m.
South Haven School Dist., Mich.	2,330,000	1961-1989	8:00 p.m.
February 11 (Monday)			
Concordia Parish Sch. Dist. No. 10 Louisiana	1,155,000	1963-1990	10:00 a.m.
February 15 (Monday)			
Dallas, Texas	10,000,000	1961-1980	1:45 p.m.
February 16 (Tuesday)			
Northfield-Macedonia Local Sch. District, Ohio	1,200,000	1961-1980	Noon

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endar is not considered heavy, important issues have been recently scheduled for January and February. Dallas, Texas will offer two issues totaling $18,000,000 on 2/15/60. $10,000,000 will represent general obligation debt and $8,000,000 will be revenue supported debt. Milwaukee County, Wisconsin plans the sale of $12,467,000 general obligation bonds on 2/2/60. Waco, Texas will offer $6,000,000 general obligations bonds and $2,400,000 revenue bonds on 1/26/60. San Antonio, Texas will offer $6,629,000 general obligation bonds on 3/2/60.

The Port of New York Authority has authorized the sale of $30,000,000 serial bonds with no definite date of sale set. The maturity schedule is reportedly 1967-1980. The Port, always careful in its timing of new issues, may seek a more receptive period in the seemingly improved market trend.

During the past 25 years we have become unaccustomed to high interest rates. Prior to that time, 5 and 6% money, and even higher prevailed over a long period. Four to 6% high grade bonds have been commonplace through our long financial history. We are again becoming accustomed to this general market level. State and municipalities may not like paying more for their money after years of lower rates but their acceptance is gradually implicit. Actually the higher interest rates that prevail, and seem likely to remain for some time, seem not seriously frustrating to state and municipal financing. From last June to the present, the municipal bond averages have been at about the same general level. This is the lowest level (highest yield) in 25 years more or less. Despite this, the 1959 volume was of a record amount. Even higher rates, as they might obtain at times during 1960, should not deter the issuance of bonds as money is needed, so long as the market is receptive and orderly.

Thomas Heads Department for Oppenheimer, Neu

Oppenheimer, Neu & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announce that Alexander Thomas has become associated with the firm in charge of trading Canadian securities.

D. W. Heaton Opens

SARASOTA, Fla. — Donald W. Heaton is engaging in a securities business from offices at 117 Central Avenue under the firm name of D. W. Heaton & Co. Mr. Heaton was formerly with Paine, Webber, Jackson & Curtis and Goodbody & Co.

MARKET ON REPRESENTATIVE SERIAL ISSUES

	Rate	Maturity	Bid	Asked
California (State)	3½%	1978-1980	4.05%	3.90%
Connecticut (State)	3¾%	1980-1982	3.55%	3.40%
New Jersey Highway Auth., Gtd.	3%	1978-1980	3.90%	3.75%
New York (State)	3%	1978-1979	3.85%	3.70%
Pennsylvania (State)	3⅜%	1974-1975	3.30%	3.15%
Vermont (State)	3⅛%	1978-1979	3.30%	3.20%
New Housing Auth. (N. Y., N. Y.)	3½%	1977-1980	3.50%	3.35%
Los Angeles, Calif.	3¾%	1978-1980	4.10%	3.90%
Baltimore, Md.	3¼%	1980	3.90%	3.70%
Cincinnati, Ohio	3½%	1980	3.65%	3.50%
New Orleans, La.	3¼%	1979	4.05%	3.85%
Chicago, Ill.	3¼%	1977	4.00%	3.80%
New York City, N. Y.	3%	1980	4.20%	4.15%

January 20, 1960 — Index = 3.642%

DOLLAR BOND QUOTES AND RELATED INFORMATION

(Prices and yields are approximate)

Issue—	First Callable Date (as a whole)	Call Price	Offering Price	Net Changes from Prev. Week	Yield to Maturity
Chelan Co., Wash. PUD No. 1 5% 7-1-2013	1-1-1978	100	107¼	+ ¼	4.63%
Chicago-O'Hare Airport 4¾% 1-1-1999	1-1-1974	104¾	106	(*)	4.42%
Chicago Reg. Port 4% 7-1-1995	7-1-1962	103½	89	—1	4.60%
Florida Turnpike Authority 3¼% 4-1-1995	4-1-1962	103½	85¾	+ ½	4.01%
Grant Co., Wash. PUD No. 2 3⅞% 11-1-2005	5-1-1966	103	93½	(*)	4.19%
Illinois Toll Highway 3¾% 1-1-1995	1-1-1965	103¾	73½	+ ½	5.46%
Illinois Toll Highway 4¾% 1-1-1998	1-1-1978	104¾	91½	+1½	5.27%
Indiana Toll Highway 3½% 1-1-1994	1-1-1962	103	85½	(*)	4.32%
Jacksonville, Fla. Exp. 4¼% 7-1-1992	7-1-1967	103	102½	(*)	4.11%
Kansas Turnpike Authority 3⅜% 10-1-1994	10-1-1962	103	73½	+ ⅜	4.99%
Kentucky Turnpike Authority 3.40% 7-1-1994	7-1-1960	104	93½	+2½	3.73%
Mackinac Bridge Authority 4% 1-1-1994	1-1-1964	108	89½	+1	4.62%
Maine Turnpike Authority 4% 1-1-1989	1-1-1958	104	85¼	+1½	4.97%
Massachusetts Turnpike Authority 3.30% 5-1-1994	5-1-1962	103½	82	— ½	4.29%
Massachusetts Port Authority 4¾% 10-1-1998	10-1-1969	104	105¼	+1	4.44%
New Jersey Turnpike Authority 3⅜% 7-1-1988	7-1-1958	103½	93¾	+ ¾	3.73%
New York Power Authority 3.20% 1-1-1995	1-1-1963	103	83⅝	+ ⅜	4.08%
New York Power Authority 4.20% 1-1-2006	1-1-1970	103	99½	(*)	4.23%
New York Thruway Authority 3.10% 7-1-1994	7-1-1960	103½	83¼	+ ¼	4.00%
Ohio Turnpike Authority 3¼% 6-1-1992	6-1-1959	103	86⅝	+ ⅜	3.99%
Pennsylvania Turnpike Authority 3.10% 6-1-1993	6-1-1959	103	81¼	+ ¼	4.15%
Richmond-Petersburg Turnpike 3.45% 7-1-1995	7-1-1963	103½	79	+1½	4.66%
Tri-Dam Project, Calif. 3.05% 7-1-2004	7-1-1959	104	81	+ ¼	3.97%
Virginia Toll Revenue 3% 9-1-1994	9-1-1959	105	84¾	+ ¼	3.80%

(*) Unchanged.

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

$25,000,000

The Connecticut Light and Power Company

First and Refunding Mortgage 4⅞% Bonds, Series P

Dated February 1, 1960 *Due February 1, 1990*

Price 99% and Accrued Interest

Copies of the Prospectus may be obtained in any State from only such of the undersigned as may legally offer these Bonds in compliance with the securities laws of such State.

MORGAN STANLEY & CO.

PUTNAM & CO. CHAS. W. SCRANTON & CO. ESTABROOK & CO.

THE FIRST BOSTON CORPORATION BLYTH & CO., INC.

DREXEL & CO. EASTMAN DILLON, UNION SECURITIES & CO.

GOLDMAN, SACHS & CO. HARRIMAN RIPLEY & CO. Incorporated

KIDDER, PEABODY & CO. SMITH, BARNEY & CO.

STONE & WEBSTER SECURITIES CORPORATION WHITE, WELD & CO.

LEE HIGGINSON CORPORATION F. S. MOSELEY & CO.

PAINE, WEBBER, JACKSON & CURTIS DEAN WITTER & CO.

January 21, 1960.

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

NEW ISSUE January 15, 1960

235,139 Shares

GREER HYDRAULICS, INC.

Common Stock

(Par Value $.50 per share)

The Company is offering to the holders of its Common Stock of record at the close of business on January 14, 1960, the right to subscribe to 235,139 additional shares of its Common Stock on the basis of four additional shares for each five shares then held. Subscription Warrants evidencing such rights will expire at 3:30 P.M., New York Time, on January 29, 1960.

The Underwriters have agreed, subject to certain terms and conditions, to purchase any unsubscribed shares and, both during and after the subscription period, may offer shares of Common Stock as set forth in the Prospectus.

Subscription Price $4.00 Per Share

Copies of the Prospectus may be obtained from the undersigned only in states in which the undersigned is qualified to act as a dealer in securities and in which the Prospectus may legally be distributed.

Burnham and Company

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DEALER-BROKER INVESTMENT LITERATURE AND RECOMMENDATIONS

IT IS UNDERSTOOD THAT THE FIRMS MENTIONED WILL BE PLEASED TO SEND INTERESTED PARTIES THE FOLLOWING LITERATURE:

Airlines in Jet Age — Review—John H. Lewis & Co., 63 Wall St., New York 5, N. Y.

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

Canadian Gold Mining Stocks — Booklet—Draper Dobie and Company Ltd., 25 Adelaide Street, West, Toronto, Ont., Canada.

Canadian Market—Bulletin of financial facts—Annett & Company Limited, 220 Bay Street, Toronto 1, Ont., Canada.

Common Stocks Yielding 5% or Better—Bulletin—Walston & Co., Inc., 74 Wall Street, New York 5, N. Y.

Federal and State Stock Original Issue and Tax Transfer Rates — Booklet on current rates—Registrar and Transfer Company, 50 Church Street, New York 7, N. Y.

Florida Real Estate — Bulletin — Batten & Co., 1835 K Street, N. W., Washington 6, D. C.

Foreign External & Internal Securities—Tabulation of 1959 Year-End Prices—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y. Also available is a discussion of price and tax standing of estate tax-eligible Treasury bonds.

Insurance Stocks — 1960 reappraisal—Robert H. Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Japanese Stock Market—Study of changes in postwar years—In current issue of "Nomura's Investors Beacon"—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also available is a review of the outlook for Plant and Equipment Expenditures in Japan for 1959 and brief analyses of **Mitsubishi Heavy Industries, Nippon Flour Mills Co., Iwaki Cement Co. and a survey of the Steel Industry.**

Japanese Stocks—Current Information — Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

Market Outlook for 1960—141 selected stocks for investments — report — Hornblower & Weeks, Department FC, 84 — 40 Wall Street, New York 5, N. Y.

Metals in a New Era—Discussion of metals which will gain wider use in the atomic and space age — Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

New Orleans Banks Stocks—Comparative figures—Scharff & Jones, Incorporated, 140 Carondelet St., New Orleans 12, La.

New York State Plant Sites—Information on industrial resources of the area served—Niagara Mohawk Power Corporation, Dept. FO-1, 300 Erie Boulevard West, Syracuse 2, N. Y.

Over-the-Counter Index — Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 20-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Products & Processes—Booklet on research and developments—ask for Booklet I — Union Carbide Corporation, 30 East 42nd Street, New York 17, N. Y.

Railroad Prospects For 1960 — Bulletin — Goodbody & Co., 2 Broadway, New York 4, N. Y. Also available is an analysis of **Virginia Electric & Power Company,** and a memorandum on **Moore Handley Hardware.**

Securities Outlook — Survey For 1960 — ask for copy F — G. H. Walker & Co., 45 Wall Street, New York 5, N. Y.

Sensible Over-the-Counter Stocks —Quarterly review—George, O'Neill & Co., Inc., 30 Broad St., New York 4, N. Y.

Ten Promising Stocks for 1960 — Bulletin—Edwards & Hanly, 100 North Franklin Street, Hempstead, N. Y.

Treasure Chest in the Growing West — Booklet on industrial resources of the area served—Utah Power & Light Co., Box 899, Dept. K, Salt Lake City 10, Utah.

Understanding Put & Call Options — Herbert Filer — Crown Publishers. Dept. A-7, 419 Park Avenue, South, New York 16, N. Y.—$3.00 (ten day free examination).

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

Week in Governments — Weekly commentary on governments, state and municipal issues—Bond Department, The Citizens & Southern National Bank, Broad and Marietta Streets, Atlanta 2, Ga.

* * *

Aeroquip Corporation — Analysis —Orvis Brothers & Co., 15 Broad Street, New York 5, N. Y.

American International Bowling—Memorandum — Adams & Peck, 120 Broadway, New York 5, N. Y.

American-Marietta Co.—Analysis —Hayden, Stone & Co., 25 Broad St., New York 4, N. Y. Also available is an analysis of **Mead Corp.**

American Telephone & Telegraph Co. — Memorandum — Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y.

Anaconda Company — Report — Thomson & McKinnon, 2 Broadway, New York 4, N. Y.

Babcock & Wilcox — Analysis — Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

Babcock & Wilcox—Memorandum —Pershing & Co., 120 Broadway, New York 5, N. Y.

Bank of America—Color Booklet on the bank as a growing investment — First California Company, Incorporated, 300 Montgomery St., San Francisco 20, Calif.

Barber-Greene Company — Analysis — William Blair & Company, 135 South La Salle Street, Chicago 3, Ill.

Bell Telephone Co. of Canada — Memorandum — Wills, Bickle & Company Limited, 44 King Street, West, Toronto, Ont., Canada.

Black Hills Power & Light Company—Annual report—Black Hills Power and Light Company, Rapid City, S. Dak.

Bristol-Myers — Memorandum—Goldman, Sachs & Co., 20 Broad Street, New York 5, N. Y. Also available is a memorandum on **Arkansas Louisiana Gas.**

Buckingham Freight Lines—Memorandum — First Cleveland Corporation, National City East Sixth Building, Cleveland 14, Ohio. Also available is a memorandum on **Orange & Rockland Utilities, Inc.**

California Financial Corporation —Analysis—William R. Staats & Co., 640 South Spring Street, Los Angeles 14, Calif.

California Western States Life—Report — Walter C. Gorey Company, Russ Building, San Francisco 4, Calif. Also available is a report on **West Coast Life.**

Celotex Corporation—Annual Report—Secretary, The Celotex Corporation, 120 South La Salle St., Chicago 3, Ill.

Chesapeake and Ohio Railway—1959 Annual Report—Chesapeake and Ohio Railway, 3800 Terminal Tower, Cleveland 1, Ohio.

Chrysler Corp.—Memorandum—J. W. Sparks & Co., 120 Broadway, New York 5, N. Y.

Clark Equipment — Review — Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Colgate-Palmolive Co.—Analysis —A. M. Kidder & Co., Inc., 1 Wall Street, New York 5, N. Y. Also available are reports on **Lynch Corp.** and **P. H. Glatfelter.**

Continental Illinois National Bank & Trust Company of Chicago—Analysis—The Illinois Company, Incorporated, 231 South La Salle Street, Chicago 4, Ill.

Coral Ridge Properties Inc.—Memorandum — Jerry Thomas & Co., 305 South County Road, Palm Beach, Fla.

Cunningham Drug Stores Inc.—Analysis—Hardy & Co., 30 Broad Street, New York 4, N. Y.

Dayton Rubber Company—Analysis — Butcher & Sherrerd, 1500 Walnut Street, Philadelphia 2, Pa.

Eastern Industries—Memorandum —B. W. Pizzini & Co., Inc., 25 Broad Street, New York 4, N. Y.

Ferro Corp. — Memorandum — Fahnestock & Co., 65 Broadway, New York 6, N. Y. Also available is a memorandum on **Rockwell Standard.**

First National City Bank of New York—Memorandum—Woodcock, Moyer, Fricke & French, 123 South Broad Street, Philadelphia 9, Pa. Also available is a memorandum on **Granite City Steel.**

Food Machinery & Chemical — Analysis—Hill, Darlington & Co., 40 Wall Street, New York 5, N. Y.

Frantz Manufacturing—Memorandum—Blair & Co. Incorporated, 20 Broad Street, New York 5, N. Y.

Harsco Corporation — Analysis — Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Hudson Pulp & Paper—Memorandum—Sheridan Bogan Paul & Co., Inc., 1510 Chestnut Street, Philadelphia 2, Pa. Also available is a memorandum on **Georgia Pacific.**

Imperial Chemical Industries Ltd. —Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a tabulation of representative **Canadian Securities.**

Imperial Oil Limited—Analysis—Doherty Roadhouse & Co., 335 Bay Street, Toronto, Ont., Canada.

Indian Head Mills, Inc.—Analysis —H. Hentz & Co., 72 Wall Street, New York 5, N. Y. Also available is an analysis of **Hoffman Electronics Corp.** and a circular on the **Railroad Industry.**

Inter County Title Guaranty & Mortgage Co. — Memorandum — Golkin, Bomback & Co., 25 Broad Street, New York 4, N. Y.

International Harvester — Review —Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y. Also available are reviews of **Atchison, Topeka & Santa Fe** and **United Fruit Co.**

Longview Fibre Company — Analytical Brochure — Ladenburg, Thalmann & Co., 25 Broad Street, New York 4, N. Y.

Mack Trucks — Memorandum — Droulia & Co., 25 Broad Street, New York 4, N. Y. Also available is a memorandum on **General Cable.**

Magnavox Co. — Review — A. G. Becker & Co., Incorporated, 120 South La Salle Street, Chicago 3, Ill.

Magnavox Company — Analysis—Gude, Winmill & Co., 1 Wall St., New York 5, N. Y.

Midland Ross Corporation—Analysis—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available is a list of common stock candidates for institutional investment, and a memoranda on **Consolidated Freightways** and **Koppers.**

Morrison-Knudsen Company Inc. —Bulletin—De Witt Conklin Organization, Inc., 120 Broadway, New York 5, N. Y. Also available are bulletins on **Compo Shoe Machinery Corp., Republic Industrial Corporation** and **Utility Appliance Corp.**

Motor Wheel — Memorandum — Oppenheimer & Co., 25 Broad St., New York 4, N. Y. Also available are memoranda on **American Commercial Barge** and **Allen Industries.**

Motorola — Analytical brochure—L. F. Rothschild & Co., 120 Broadway, New York 5, N. Y.

National Distillers & Chemical Corp. — Analysis — Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also available are reports on **Armstrong Cork Co.** and **Fansteel Metallurgical Co.**

National Distillers & Chemical Corporation — Analysis — Joseph Walker & Sons, 120 Broadway, New York 5, N. Y.

Continued on page 127

For financial institutions

Recent Trading Favorites

Portsmouth Steel — Electronic Accounting Card

Thermo King Corp. — Potash Co. of America

Trading Markets

TROSTER, SINGER & CO.

Members New York Security Dealers Association

74 Trinity Place, New York 6, N. Y.

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SECURITIES OUTLOOK

The January issue of our timely survey assesses business prospects for the new year, together with a selected list of securities with attractive investment possibilities for 1960.

Our Research Department discusses in this issue of our publication topics of special interest to serious-minded investors.

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The State of TRADE and INDUSTRY

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

This being the CHRONICLE'S Annual Review and Outlook Issue, we can, pardonably we're sure, think of no better way for the reader pondering the probable course of trade and industry in the year ahead to give careful consideration to the views and opinions expressed herein by the participants in our yearly symposium on the subject. As noted on the cover page, the roster of contributors includes, in addition to personages prominent in public life, an extraordinary cross-section of the nation's leading industrialists, bankers and financiers. Written for the most part expressly for the CHRONICLE, the articles constitute an invaluable set of guideposts to the general economic outlook and, perhaps, more importantly, to the expectations for the specific components of the nation's entire economy.

Bank Clearings Up 1.1% Above 1959 Week

Bank clearings this week will show an increase compared with a year ago. Preliminary figures compiled by the "Chronicle", based on telegraphic advices from the chief cities of the country, indicate that for the week ended Saturday, Jan. 16, clearings from all cities of the United States from which it is possible to obtain weekly clearings will be 1.1% above those for the corresponding week last year. Our preliminary totals stand at $26,910,319,041 against $26,617,963,302 for the same week in 1959. Our comparative summary for the leading money centers during the past week follows:

Week End. Jan. 16—	000 omitted 1960	1959	%
New York	$13,111,358	$13,926,297	— 5.8
Chicago	1,408,309	1,359,054	+ 3.6
Philadelphia	1,126,000	1,147,000	— 1.8
Boston	788,867	712,689	+10.7

Complete details of the bank clearings throughout the nation appear on page 45 of our Monday, Jan. 18, edition.

How Long Will Steel Industry Maintain Present Tempo?

Just how long the steel market retains its tension depends on how users set their inventory policies, "The Iron Age" reports.

The answer to the general question, whether to continue inventory buildup after shipments and inventories come into balance, can make the difference between a big or average third quarter, the national metalworking weekly says.

There is no immediate easing in the steel market now. But that will change in the second quarter as some products begin to meet demand. For others, particularly flat-rolled, the market will stay tight through June.

Faced with balanced shipments, users will be affected by conflicting influences on inventory policies, "The Iron Age" comments.

Incentive to keep inventories relatively low, comes from desire to keep costs down, This influence of economy is further bolstered by the prospect of tight money and the high cost of financing, as well as carrying, large stocks of steel.

Principal factor in a possible major buildup is price uncertainty. Although steel companies are close-mouthed on possible price increases, the threat of higher steel costs is strong.

Although many steel users and producers play down the influence of price on buying, there has always been price buying in the steel industry as long as increases are probable.

"The Iron Age" points out that there is already evidence of higher steel costs to users, even without any list price advances.

These include:

Refusal to absorb freight costs and a definite cutback of out-of-district shipments.

Product substitutions. In the tight market that prevails, users will accept a higher-cost product when a lower-cost item, which is satisfactory for use, is not available.

Continued movement of premium-priced steel. Brokers and small warehouses are still able to move high-cost steel, although the urgency is gone from this segment of the market. But major users will take high-priced steel to fill spot needs, which continue to occur.

Among the major mills, price talk is at a minimum, even to the point of saying they are unlikely until November, if then. But this out-of-sight-out-of-mind attitude is not present in the small mills.

These mills, which have a higher cost of operation, know they have to make their profit while the market remains tight. The feeling is that if they raise prices late this year, they will have missed their market peak.

Says Overstocking May Produce 1961 Steel Inventory Recession

A warning to metalworking companies to guard against overstocking steel after reaching normal inventory working levels was sounded Jan. 18 by "Steel," the metalworking weekly. Overstocking could result in an inventory recession next year.

Current supplies of finished steel products in consumers' plants total about 10 million tons, half the normal size. By May, most users will have reasonably good stocks.

An uninterrupted steel supply is certain with labor peace assured for the next two and half years and ample steelmaking capacity for every product. But since demand for flat rolled products will be strong, a shortage "feeling" will persist.

Steelmakers hope that what happened after the 1956 strike won't happen again. Even though steel users were assured of uninterrupted supplies for at least three years, they boosted their stocks to 25 million tons and invited liquidation. Result: An inventory recession in late 1957 and 1958.

If the price of a 135-million-ingot-ton year in 1960 is a drop to 95 million in 1961, they'd rather settle for 125 million now and 105 million in 1961.

A slight relaxation in the scramble for steel was reported by the magazine as a result of the labor settlement, but steelmakers have had no sizable concellations that can be attributed to a change in buyers' psychology.

Scattered requests for delayed shipment or for a stretchout of orders previously entered are indicative of the more relaxed attitude.

In the Midwest, some consumers are firming up their future requirements and telling mills that tonnage previously requested on a tentative basis is definitely needed. Buyers want exactly the products they specified in their orders. Heretofore, they would have accepted substitutes out of fear that another strike might catch them short of stock. Now a brief wait does not seem too risky.

Although sales executives foresee continued strong demand for many products in the second quarter, they don't expect their forward order books to be as fully specified as they were when users feared resumption of the strike.

January steel output may break the record, the magazine said. Monthly steel ingot production may pass the 12 million ton mark. December's output of 11.9 million tons narrowly missed the mark but still eclipsed the previous record (last May's 11.6 million) by a wide margin.

Last week, steelmakers operated their furnaces at 95.5% of capacity, slightly above the previous week's rate. Output: About 2,721,000 ingot tons.

Scrap prices rose last week. "Steel's" composite price advanced 34 cents to $41.67 a gross ton, the first change since Dec. 9. Suppliers expect heavier demand to develop soon. A year ago, it was $40.33.

Steel Output Based on 95.2% of Jan. 1, 1960 Capacity

The American Iron and Steel Institute announced that the operating rate of the steel companies will average *168.8% of steel capacity for the week beginning Jan. 18, 1960, equivalent to 2,712,000 tons of ingot and steel castings (based on average weekly production of 1947-9). These figures compare with the actual levels of 169.8% and 2,727,000 in the week beginning Jan. 1.

Actual output for the week beginning Jan. 11 was equal to 95.7% of the utilization of the Jan. 1, 1960 annual capacity of 148,570,970 net tons. Estimated percentage for this week's forecast, based on that capacity, is 95.2%.

A month ago the operating rate (based on 1947-49 weekly production) was *164.4% and production 2,641,000 tons. A year ago the actual weekly production was placed at 2,056,000 tons, or *128%.

*Index of production is based on average weekly production for 1947-49.

1959 Steel Production totalled Over 93.4 Million Tons

Steelmaking furnaces in the United States produced 93,436,813 net tons of ingots and steel for castings during 1959, according to the preliminary report of American Iron and Steel Institute. The total was the seventh highest in the history of the industry and over 8 million tons above the 85,254,885 tons made during 1958.

December production totaled 11,980,000 net tons, an all-time monthly record. The output of the

Continued on page 116

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

NEW ISSUES *January 19, 1960*

The Benson Manufacturing Company

$2,000,000

6% Convertible Subordinated Debentures due 1971

Dated December 1, 1959 *Due November 30, 1971*

Convertible into Common Stock at any time prior to maturity or earlier redemption at $12 per share on or before November 30, 1964, and at $13 per share thereafter; subject to adjustment.

Price 100%
Plus accrued interest from December 1, 1959

130,000 Shares of Common Stock
(Par Value $1.00 per Share)

Price $11.50 per Share

Copies of the Prospectus may be obtained from only such of the underwriters as may lawfully offer these securities in this State.

S. D. Fuller & Co.

Bioren & Co. — *Hallowell, Sulzberger, Jenks, Kirkland & Co.*

Janney, Dulles & Battles, Inc. — *Newhard, Cook & Co.*

Peters, Writer & Christensen, Inc. — *Reinholdt & Gardner*

Howard, Weil, Labouisse, Friedrichs and Company — *I. M. Simon & Co.* — *Barret, Fitch, North & Co. Incorporated*

Boenning & Co. — *Childs, Jeffries & Thorndike, Inc.* — *Cruttenden, Podesta & Co.*

Davis & Davis — *J. H. Hilsman & Co., Inc.* — *Berwyn T. Moore & Co., Inc.*

Raffensperger, Hughes & Co. — *Robinson & Company, Inc.*

Ernest M. Fuller & Co. Incorporated — *C. F. Cassell & Co., Inc.* — *Draper, Sears & Co.*

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Growth of Natural Gas In the Nation's Economy

By Gardiner Symonds,* *Chairman and President, Tennessee Gas Transmission Company, Houston, Texas*

Outpacing coal quantitatively and enjoying a faster rate of growth than oil, natural gas is depicted as the nation's fifth industry in gross assets, growing faster than any major industry in the past 20 years, which will continue its great progress, despite difficulties, in 1960 and the years ahead. The difficulties and how they probably will be overcome—such as the ownership of tidelands and the outcome of rate regulation in 1960—are discussed; confidence is expressed that the FPC will face up to the need for compensatory rates of return; reserve growth is shown to have substantially outdistanced production growth; and $2 billion expenditures are estimated for 1960—$200 million more than in 1959.

One of the least understood but most important facts of today, in my opinion, is the part played in our lives and our economy by the nation's three basic sources of fuel energy.

Gardiner Symonds

Almost 40% of all the annual energy consumption in the world occurs in the U.S., although we have only 6% of the population of the globe and 7% of its land.

It is well-known that we in this country enjoy the world's highest standard of living. It is little known that this results from the huge supply of fuel energy available, and the skill of our engineers and technicians in putting it to use.

Machines, powered by fossil fuels either directly (or indirectly, by creating electricity, for example) do over 95% of the work done in our nation—work which in equivalent hand labor would require 80 times as many people as are now alive on earth.

Our fossil fuels, so called because of their origin, are three in number.

Coal was the first to be utilized. It helped usher in America's industrial age, powering steam-driven machinery that industrialized the United States faster than any other country in history. Until recent years it fueled our railroads, opening up our country for settlement and providing transportation for people, goods and raw materials to all parts of the nation.

Oil became known to industry with the Drake Well in 1859. It became available in volume after Spindletop in 1901. Fueling the internal combustion engine, it put America first on auto wheels. And in this century, it put a good many of us on airplane wings. It led to our modern highway system. Possibly more than any one substance, it changed the American way of life.

Fastest Growing Industry

Natural gas once was the unwanted ugly duckling of fuels, a stepchild of oil. Huge quantities of it were piped away from oil wells and as a nuisance were wasted in fiery flares which burned day and night. Technological advances in metallurgy and welding made big, long-distance pipelines possible. Then the ugly duckling became a swan, the fuel preferred over any other and piped everywhere large concentrations of population exist. Its growth and expansion have become one of the great industrial success stories of our generation.

Natural gas is now ranked as the fifth industry in the nation in gross assets. It probably has grown faster than any other major industry in the past 20 years.

Its growth has been based on that of the transmission lines—such as Tennessee Gas Transmission Co., with which I am associated; its subsidiary, Midwestern Gas, which is now wholesaling gas to Chicago and plans a pipeline through Minnesota and Wisconsin this year; and Northern Natural Gas. Since 1944, the natural gas industry has tripled, doubling in the last 10 years.

And what of our two other major fuels in those periods?

Oil, since 1944, has enjoyed more than a 50% growth, of which 40% has occurred in the past 10 years. Coal is down 37% from 1944, most of which has occurred in the past 10 years.

In the twelve months of calendar 1959, it is estimated that natural gas consumption rose between 9 and 10%. This was about twice the 5% increase registered by oil. Coal, meantime, just about held even with 1958 both in BTU's produced and consumed.

But since the other two fuels were increasing their volume of heat units or BTU's, coal declined in its competitive position. Our preliminary figures indicate approximately these figures for the 1959 contribution to over all fuel usage:

OIL, 43% of consumption; 38% of production;

GAS, 32% of consumption; 33% of production;

COAL, 25% of consumption; 29% of production.

The place of natural gas as we enter 1960, then, is that of the second most utilized of the nation's three great fuels, which together not only provide the basic energy for our industrial might, but also the power for our modern-day appliances which make life more comfortable, convenient and free of hand labor than ever before here or elsewhere.

But the progress of natural gas to today's important position has not been free of troubles or problems, nor will it be in the future. Let's look at some industry developments and problems.

There Is One Problem—Regulation

Regulation is one of the industry's problems. Not so much the fact of regulation, for the industry has grown during regulation, some would say, despite it. But in all fairness I think it has helped us in the long-lines part of the industry to keep our growth orderly and sound.

But the amount of regulation, the complexity of it, the time lag between applications and rulings, all add up to something that takes a lot of industry thought, time and money, which means added costs to consumers. The Federal Power Commission shows awareness of most of its problems. But many of them stem from the Commission's task—starting with 1954—of regulating producers' gas prices in the field. And *that* problem they definitely have not solved.

Opinions about regulation vary widely, as these two public statements made about the same time recently will prove:

First, a Congressman from a gas-importing and consuming state made a speech at a FPC hearing claiming the FPC should be investigated by Congress for not preventing more effectively the rise in producers' prices of gas in the field.

Second, an oil industry spokesman in a gas producing and exporting state issued a statement contending that in producers' rate cases before the FPC, gas is not being allocated a large enough part of the cost of drilling for oil and gas, i.e., that gas field prices are being kept too low. He predicted that this would reduce producers' incentive to find gas, that reserves would decline and consumers would suffer.

In other words, one man said not enough regulation is going on, the other said too much, or perhaps the wrong kind.

One interesting development or trend is being observed on the Gulf Coast which seems to be a result of producer regulation. In several cases, oil companies with substantial gas reserves and production have gone direct to major industries, electric utilities and other large gas users **within the state** where they have these sizable uncommitted reserves, and have taken over the job of supplying gas for such users, intrastate and without regulation.

To some degree, this represents a realization of one of the dire predictions producers have been making that would result from applying to them utility-type regulation. I am inclined to think, however, that there are not enough such sales available to appreciably affect the volume of gas which must seek market through interstate pipelines. They haven't affected Tennessee Gas, at any rate.

Expected FPC Decision Will Be Appealed

The year 1960 should see several developments in gas regulation. The FPC will rule in the Phillips Case, that 1954 Supreme Court decision which put producers under regulation for the first time. The Commission now is studying Examiner Zwerdling's recommended decision, which in general would prescribe a public utility type cost of service formula.

No matter what the FPC rules, it seems certain to be appealed.

The Third Circuit Court of Appeals decision in the Transo-Consolidated Edison transportation case is important to the industry. The FPC had denied a certificate. The Court reversed and directed a certificate be issued, and the FPC now plans to appeal.

If the Court is upheld, it will strengthen the ability of gas pipelines to maintain high load factor operations by selling or transporting valley gas for industrial use. Such sales make for the most efficient operation of a pipeline system, at the lowest MCF-mile transportation cost.

The Court reversal was based on the position that the FPC had no right to assert authority over end-use of gas, which it had asserted in the case.

What Coal Is Seeking to Obtain

Also this year will see an urge for government regulation of the end-use of gas as the real goal of the controversial drive of the coal industry for what they call a government fuels policy. It appears to be an attempt to achieve by regulation or legislation an advantage over the other two fuels which coal has been unable to gain in the free market.

Secretary of the Interior Seaton has said conversely that consumption of fuels should continue to be determined by such forces as relative costs at specific locations, efficiency of use, dependability of supply, cleanliness, convenience and ease of control.

As to a **natural gas bill** to free producers from regulation, the chance for passage in this election year is non-existent.

Ownership to the tidelands is before the Supreme Court for a decision in 1960. For such companies as ours, which is drilling in the tidelands, settlement of the matter once and for all would simplify and facilitate business procedures. The ownership issue does not stop development, however.

Rate Matters

For many gas companies, including ours, the most serious and important phase of regulation affecting our business is that of gas sales rates. And in that field, it is the problem of rate of return that is crucial. The annual cost of debt capital to us and all other companies regulated as utilities has risen steadily over the past several years. At the same time a broad improvement has ocurred in the general position of the U. S. saver and investor, so that recently individuals have had the opportunity to take their dollars out of their savings accounts and get 5% on traditionally the most conservative investment of all, government bonds.

At such a time, I cannot overemphasize to consumers and to the Federal Power Commission that increases in the cost of debt capital — not merely costs projected for future expansion, but costs actually experienced—**must** be recognized. And the recogni-

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

New Issue January 19, 1960

235,000 Shares

HORNE'S ENTERPRISES, INC.

Common Stock

(Par Value $1 per Share)

Price $5.50 per Share

Copies of the Prospectus may be obtained from any of the undersigned or other dealers or brokers only in states in which such underwriters, dealers or brokers are qualified to act as dealers in securities, and in which the Prospectus may be legally distributed.

Pierce, Carrison, Wulbern, Inc. The Johnson, Lane, Space Corporation

Goodbody & Co. Jack M. Bass & Company Courts & Co.

McDaniel Lewis & Co. McCarley & Company, Inc.

This announcement 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 21, 1960

225,000 Shares

DARYL INDUSTRIES, INC.

Common Stock

(50¢ Par Value)

Price $5.00 per share

Copies of the Prospectus may be obtained in any State only from such of the several underwriters, including the undersigned, as may lawfully offer these securities in such State.

Clayton Securities Corporation

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NEWS ABOUT BANKS AND BANKERS

Consolidations • New Branches • New Offices, etc • Revised Capitalizations

Chemical Bank New York Trust Company, New York has elected four new members to its advisory boards, Chairman Harold H. Helm announced today. They are: Holgar J. Johnson, who is named to the Bank's Upper Midtown Area Advisory Board; Edward L. Steiniger, to the Rockefeller Center Advisory Board, and George F. James, and William M. Weaver, Jr., to the Grand Central Area Advisory Board.

Chemical Bank New York Trust Company, New York has elected five new members to its Advisory Boards, Chairman Harold H. Helm announced.

They are: Alvin R. Jennings, to the Bank's 30 Broad Street Advisory Board; Samuel Nass, to the Lower Midtown Area Advisory Board; Fremont C. Peck, to the Brooklyn Advisory Board, and Victor Gallucci, and Wallace Paddon, to the Bank's Queens Advisory Board.

* * *

Appointment of Kenneth P. Heer as an Assistant Secretary of Manufacturers Trust Company, New York is announced by Horace C. Flanigan, Chairman of the Board.

Mr. Heer joined the Bank in 1938.

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Appointment of William J. Kenney as Assistant Vice-President in the Comptroller's Division of **The Bank of New York** was announced Jan. 14 by Albert C. Simmonds, Jr., Chairman of the Board.

* * *

The Grace National Bank, New York elected William H. Chisholm and Edward Aborn, Directors.

* * *

Charles F. Preusse, has been elected a Director of the **Industrial Bank of Commerce, New York.**

* * *

The **Banks for Cooperatives, New York** offered Jan. 19 $109,500,000 of 5.15% Consolidated Collateral Trust Debentures, due June 1, 1960, at 100%. The offering is being made through John T. Knox, Fiscal Agent for the Banks, with the assistance of a nation-wide selling group of securities dealers.

Proceeds from the financing will be applied by the Banks toward the refunding of $113,000,000 of 4⅞% Consolidated Collateral Trust Debentures due Feb. 1, 1960.

* * *

The Kings County Savings Bank of Brooklyn, New York announced that Charles D. Behrens, President since 1948, had been named Chairman to succeed Winthrop Taylor, retired.

Charles F. Brau, Executive Vice-President since 1955, was named President, Charles H. Hoffman, formerly Assistant Treasurer, was made Treasurer to succeed Robert Freifeld retired.

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Lafayette National Bank of Brooklyn, N. Y. elected William E. P. Doelger, a Director.

* * *

John E. Cone and James D. Vosler, Vice-President of the **Industrial Bank of Commerce,** have been elected Trustees of the **Dime Savings Bank of Williamsburgh, Brooklyn, New York,** it was announced by Henry W. Weber, President.

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Crawford Young, President of the **Flatbush Savings Bank, Brooklyn, N. Y.,** on Jan. 14 announced the following elections voted by the Board of Trustees: William E. Rowe from Vice-President to Vice-President-Comptroller, Herbert F. Softy, from Comptroller to Vice-President, Ormond Aikenhead, to Assistant Secretary, William E. Hill, to Assistant Secretary.

* * *

Jack Hausman and Myron M. Simonson, both Directors of the former **Central Bank and Trust Co.** which merged with **Meadow Brook,** were elected Directors of the **Meadow Brook National Bank, West Hempstead, N. Y.**

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THE FIFTH THIRD UNION TRUST COMPANY, CINCINNATI, OHIO

	Dec. 31,'59	June 30,'59
Total resources	$371,010,071	$353,070,981
Deposits	334,776,132	317,286,320
Cash and due from banks	95,532,592	83,958,206
U. S. Govt. security holdings	75,155,533	83,855,071
Loans and discts.	179,796,387	163,240,938
Undivided profits	6,790,084	5,994,799

* * *

The Board of Directors of the **Fidelity Union Trust Company, Newark, N. J.,** elected Roy F. Duke, President, Chairman of the Board and C. Malcolm Davis, Senior Vice-President, to succeed Mr. Duke as President. Horace K. Corbin, whom Mr. Duke succeeds, was named Honorary Chairman of the Board. The changes are effective immediately.

Mr. Duke, with the Bank since 1916, is retiring March 1. He was elected President in 1954 and has been a Director and a member of Fidelity Union's Executive Committee since 1943.

At the annual meeting of shareholders of the Bank, four new directors were elected. These were Robert S. Corbin, Robert M. Jackson, E. Hornsby Wasson, and C. Malcolm Davis.

* * *

The Board of Directors of the **Fidelity Union Trust Co., Newark, N. J.,** voted Jan. 19 to supplement the cash dividends paid in 1959 with a stock dividend of 25,000 shares. This is in the ratio of one share for each 22 shares held. The dividend will be distributed on Feb. 15 to stockholders of record on Jan. 25.

This is the fifth stock dividend declared by the Fidelity Union Trust Co. since 1951.

The Board of Directors also voted the regular quarterly cash dividend of 75¢ a share, payable Feb. 1 to stockholders of record on Jan. 25.

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Dr. Melville Bell Grosvenor, was elected a Director of the **Riggs National Bank, Washington, D. C.,** succeeding the late Dr. John Oliver La Gorce.

* * *

Bank of Amherst, Amherst, Virginia, and **The Lynchburg National Bank and Trust Co., Lynchburg, Virginia,** consolidated Jan. 4, under charter and title of The Lynchburg National Bank and Trust Co.

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Merchants National Bank & Trust Co., Indianapolis, Indiana, elected Clarence O. Hamilton a Director.

* * *

Robert C. Becherer was elected a Director of the **Continental Illinois National Bank & Trust Co., Chicago, Illinois.**

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The First National Bank of Chicago, Illinois, Jan. 12, announced the promotion of Homer J. Livingston, President, to Chairman of the Board, in which position he will continue to be the bank's Chief Executive Officer. Walter M. Heymann, who was Executive Vice-President, becomes Vice-Chairman of the Board. Gaylord A. Freeman, Jr., Vice-President, was elected President, and Herbert V. Prochnow, Vice-President, was elected Executive Vice-President.

James B. Forgan, who has been with the bank since 1909 and Vice-Chairman of the Board since 1945, was elected Honorary Chairman of the Board, a new position.

The Board created the title of Senior Vice-President and promoted three of the bank's officials to that position. Thomas H. Beacom, Vice-President and head of the Trust Department, was elected a Senior Vice-President, and continues as head of the Trust Department. Raymond H. Becker, Vice-President and Cashier, was elected Senior Vice-President and Cashier; and Charles Z. Meyer, Vice-President and Comptroller, was elected Senior Vice-President and Comptroller.

Promoted from Assistant Vice-President to Vice-President were James P. Baxter of Division E and Edgar M. McKinstery of Division J in the Commercial Department, and Horace V. Condit, Charles E. Troughear and Ellerton A. Lodge of the Trust Department.

Stockholders of **The First National Bank of Chicago, Illinois,** on Jan. 12, elected two new Directors to the Board. The newly elected Directors are Mr. Gaylord A. Freeman, Jr., and Herbert V. Prochnow.

The stockholders approved the plan for the five-for-one split of the capital stock proposed by the Board of Directors last Oct. 9. The present $100 par shares will be reduced to $20, and the number of outstanding shares will be increased from 1,250,000 to 6,250,000.

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

Not a New Issue

100,000 Shares

Lockhart Corporation

Common Stock

($1.00 Par Value)

Price $11.50 Per Share

Copies of the Prospectus may be obtained from an Underwriter only in states in which the Underwriter is qualified to act as a dealer in securities and in which the Prospectus may legally be distributed.

Schwabacher & Co.

J. A. Hogle & Co. J. Barth & Co.

Edward L. Burton & Company

January 21, 1960

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

NEW ISSUE January 20, 1960

$7,500,000

Louisiana Gas Service Company

First Mortgage Bonds, 5⅞% Series due 1985

Price 101.64% and accrued interest

Copies of the Prospectus may be obtained from only such of the undersigned as are registered dealers in securities in this State.

W. C. Langley & Co.

Blair & Co. Incorporated — Stroud & Company Incorporated — Adams & Peck

Fulton, Reid & Co., Inc. — DeHaven & Townsend, Crouter & Bodine

Hallowell, Sulzberger, Jenks, Kirkland & Co. — Stein Bros. & Boyce

J. S. Strauss & Co.

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Insurance Shares Continue To Be Growth Situations

By Levering Cartwright, *President, Cartwright, Valleau & Co., Chicago, Ill.; Former Editor of "National Underwriter"*

Head of a Chicago firm specializing in insurance stocks believes fire, casualty and life insurance shares will continue to be "growth" situations and points out many are now selling at attractive prices. After reviewing the problems besetting the industry and the factors said to indicate the turn for the better, Mr. Cartwright submits the inherent values of many companies should increase at the year-in-and-year-out rate of 10% and that the market should reflect this. He holds no boom prospects for this industry, except for a possible sleeper, but does say the long range prospects for good shares remain favorable. To illustrate what he means, the author appends 11 companies that look inviting to him.

Last year was particularly difficult to live through for insurance shares investors. The fire-casualty stocks started off the year strong and in good demand and then during the first quarter, the roof fell in, so to speak, with fire and weather losses staggering the companies. Many owners gave up at this point and any attempt at rallies were but feeble as the year drew on and favorable underwriting months began to dissolve the first quarter blow.

Levering Cartwright

In recent years the market has become sensitive to interim developments and, as evidence is its reaction to the quarterly tabloid reports that the companies are required to file with the California Insurance Department. The drop in the market due to first quarter losses caught the professionals off guard because they are accustomed to the fact that this is always a nadir period.

If the underwriting results can be brought under control then the investment virtues of these companies will again become accentuated. Investment income has been mounting and the dividend payout is moderate, so there is room for improvement here.

Often Haunted by Hobgoblins

To this observer the fire-casualty business often seems to be haunted by hobgoblins. Perhaps there were never so many of these apparitions in the field as today. Oldtimers were wont to say that there was never a time when the business wasn't on the brink of disaster. But in saying this they implied that it would survive that calamity and go on to the next, and always gain in strength.

We can't depend on the oldtimers' reliance on luck and cycles to see us through, but this is a business in which Antonio's longer range view "nor is my whole estate (trusted) upon the fortune of this present year" is especially applicable.

For every problem there is a possible answer and it is heartening to see companies acting decisively these days and not merely deploring the state that they are in. They are facing up to the competitive situation and applying remedies regardless of how drastic and revolutionary they may seem to be.

Second Consecutive Year of Improvement

In general 1959 will prove to be a better year than 1958. For many companies it will be a far better one and for some companies it will be a magnificent year with buoyant premium volume and improved loss experience. Thus, although we may still be speaking in terms of underwriting deficits (especially on a statutory basis) this was the second consecutive year of improvement. If 1960 proves to be a third such year then fire-casualty stocks will surely again claim high place in investor favor. There have been a series of false hopes and what appeared to be false starts toward happier underwriting climate in recent years and with each disillusionment came a hardening of investor skepticism.

There are the deep seated bears who count up all the hobgoblins of competition—compulsory auto insurance, chaotic rating procedures, the Forand bill threatening private A. & H. insurance, the revolution that is now taking place in marketing procedures, etc. But the bulls will ask: "What are the alert companies going to be doing all this time?"

It looks to me as if the leadership companies have got a bone in their teeth. They are determined at last to make money and not to preside at their own liquidation in a vain effort to save a system. Their faults are not likely in the future to continue to be those of omission.

The property-liability insurance field is one of growth — great growth. Many of the companies have been splendid growth institutions. Those that are flexible, that have the talent, energy and resolution to cope with changing conditions, will continue to be "growth" situations.

1959 Trends in Life Insurance Shares

In the life insurance market the task is now to reconfirm that life insurance shares are also "growth" situations. The companies are fully taxed today, either on an immediate or ultimate basis. They are not a tax shelter.

With the new emphasis on yield that was made so apparent by the recent 5% government issue the investor will have to be convinced that in return for accepting a 1 to 2% or even lower rate on a life insurance investment, stockholder equity is being accumulated in his behalf that will justify and, in due course, compel the market to respond generously. I believe that the necessary evidence will be forthcoming and that this is a favorable period for accumulation of stocks of seasoned and proved money-making institutions.

Life insurance companies have ben good investments because they don't pay out their earnings. These they keep and compound. They earn something like 15% on stockholder funds (as compared with 8 to 12% for banks) and they retain close to 80 to 90% of these earnings whereas the bank pays out 50% or so. The fundamentals are the same as they have been. The great increase in yield on investments is more than offsetting the tax bite. The population growth and the ever increasing acceptance of life insurance constitute the ingredients that are basically constructive.

Effect of Tax Burden on Life Companies

Will, however, the tax burden reduce the compounding potential of life insurance operations to uninteresting proportions? To this question the answer is an unequivocal and emphatic chorus of "noes" by the great majority of closely informed investors and by those presiding over these companies.

Overall it seems to be correct to say that (based upon identical accounting procedures) 1959 after-tax earnings will be about the same as 1957, after tax earnings. That is to say, the tax has rubbed out the increase in earnings that would otherwise have been generated during the past two years. The parenthetical proviso is urgent, for the 1959 statements are going to be built with the utmost subtlety to the complexities of the new income tax law.

There are numerous procedures available to the companies for deferring income and these may serve to depress the appearance of earnings. You have to "cherchez la taxe" in reading the new figures and not be disturbed by surface indications.

In general, it is well to have the tax question resolved. It has been a nervous market influence for 4½ years. During that period the life insurance stocks have cut a saw-toothed market path. The down-beats were mostly triggered by tax jitters. Many of the seasoned issues have been resting or stagnating.

The "action" has been in the promotional field where the organizers and their crews have been capitalizing on the breath-taking story of the postwar market which took life insurance stocks from storm cellar prices of two to three times earnings up to 20-30-40 times, and finally to the peak of July, 1955, when a company president said to me: "What these brokers say we are going to do makes your hair stand on end."

Those were the years of the wrap-up. There weren't enough shares to go around. But those days are "deadengun finiche" as James Joyce said.

A Wholesome Period of Correction

The last four years have comprised a wholesome period of correction. During that span when the market was melting 50% from the July, 1955 prices of many stocks and then letting them come part or all of the way in jagged fashion, the values were mounting impressively, measured by insurance in force assets and surplus.

So the constructive view and the one that I share is that many good life insurance stocks are selling at attractive prices. With the exception of the possibility of finding a "sleeper," the life insurance shares market is not the place to look for the kind of a boom that we have been witnessing in the electronics and missile fields. But it should be a reasonable expectation that the inherent values of these companies should increase at the rate year-in-and-year-out of 10% and the market ought to reflect that growth. If investments are made in life insurance situations against such an expectation, the stockholders may be given agreeable surprises from time to time; it is unlikely they will be disappointed in the long run.

The long range prospect for good insurance stocks remains favorable.

Insurance Stocks That Are Inviting

Inviting insurance situations include:

Hartford Fire Insurance Company. The "Yankees" of property insurance. 1960 is its 150th anniversary. With investment income of $10.00 per share and dividend payment only $3.00, they are well able to stage a celebration which would certainly include a stock dividend.

Travelers Insurance Co.: They have what many another insur-

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

300,000 Shares

RAD-O-LITE, INC.

Common Stock

Par Value $.25 Per Share

The Company is in the business of designing, manufacturing, installing and leasing electronic building protection systems and is developing a system of controlling traffic lights by emergency vehicles.

THESE SECURITIES ARE OFFERED AS A SPECULATION

PRICE $1.50 per share

Copies of the Prospectus may be obtained from the undersigned.

Underwriter

John G. Cravin Co., Inc.

56 Beaver Street, New York

Gentlemen: Please send me, without obligation, prospectus on Rad-O-Lite, Inc.

NAME: .....

(Please Print)

ADDRESS: .....

CITY: ..... ZONE: ..... STATE: .....

TELEPHONE: .....

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

New Issue January 20, 1960

100,000 Shares

FASTLINE, INC.

COMMON STOCK

(Par Value 10¢ per Share)

Price $3.00 per Share

Copies of the Offering Circular may be obtained from the undersigned in any State in which the undersigned may legally offer these shares in compliance with the securities law of such State.

MORTIMER B. BURNSIDE & CO., INC.

40 Wall St., New York, N. Y. BO 9-7930

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ance house is trying to achieve—complete multiple line, integrated operation under one roof. They have taken off the gloves competitively and don't propose to be denied their share of the insurance market.

Employers Group Associates: May show adjusted earnings of $9.00 per share for 1959.

Phoenix Insurance Co.: Rich vein of common stocks available at great discount because of ill-timed plunge into casualty insurance field. Well along now on come-back trail. If New York block to life companies owning property insurers is removed, liquidating value of better than $150.00 per share will beckon.

Springfield Fire and Marine Insurance Co.: Merger with Monarch Life provides new genes with fine potential. This one should gain increasing respect.

Continental Casualty Co.: Magnificent results in 1959 with great growth. Market has been reflecting good news for some time.

Farmers Underwriters Association: *Recherche*—Receives 20% of premium of Farmers Inter Insurance Exchange of Los Angeles (for which it provides management service), owns 67% of Farmers New World Life. Hard hitting, competitive organization. Earnings and growth impressive. Sells to yield nearly 5%.

Lincoln National Life: 1959 results will hint of new vigor here, with ordinary life sales and reinsurance operations well ahead.

Connecticut General Life: This could be the year for the split—4 to 1 has been rumored.

Aetna Life: Sell-off following stock dividend and split unwarranted.

Massachusetts Protective Association: Owns Paul Revere Life. Many nuts laid away for the winter. $40.00 of equities behind each M.P.A. share.

Municipal Forum To Hear Gov. Meyner

Governor Robert B. Meyner of New Jersey will address a luncheon meeting of The Municipal Forum of New York to be held at 12:15 p.m. on Friday, Jan. 29 in the Roof Garden of the Downtown Athletic Club, 19 West St., New York, according to David H. Callaway, Jr., President of the organization. Governor Meyner's subject will be: "Fiscal Problems and Future Financing Plans of the State of New Jersey."

Rob't B. Meyner

The Forum is composed of those interested in various facets of municipal finance.

Head Division of Arthritis Drive

Sheldon S. Leighton, Chairman of the Board of Directors of Darius, Incorporated, has been named Chairman of the Over the Counter Securities Division of the New York Arthritis and Rheumatism Foundation for 1960.

The appointment was announced by Foundation President Edward Allen Pierce. Mr. Pierce is Vice-President of Merrill Lynch, Pierce, Fenner and Smith, Inc.

Mr. Leighton is leading the Foundation's campaign in the over the counter securities field for funds to support the fight on arthritis, the nation's most widespread chronic disease and No. 1 crippler.

The Foundation's program consists of support of research projects to find the cause and cure of the disease, service to patients through clinics and physical and vocational rehabilitation, and education for physicians and the general public.

IDAC Offers Home Study Course

The Investment Dealers' Association of Canada has announced that the home-study course "How to Invest Your Money in Bonds and Stocks" is being offered again through the Extension Departments of the Universities of Western Ontario, British Columbia, Alberta and Saskatchewan. The course is designed to provide the public with basic instruction in investment securities and a sensible approach to investment.

The course, sent out in six mailings will be available throughout the winter, and enrollment should be made through the Extension Departments of the University concerned.

Professional Ins. & Inv.

DENVER, Colo.—Professional Insurers and Investors, Ltd. is engaging in a securities business from offices at 104 East Eighth Avenue. Officers are Charles A. Sampley, President; Michael T. Keaveny, Vice-President and Treasurer; and L. E. Nelson, Secretary.

Fagenson Admits

B. F. Fagenson & Co., 120 Broadway, New York City, members of the New York Stock Exchange, have admitted Jerome Frankel, member of the Exchange to partnership.

Donaldson, Lufkin & Jenrette Open

Formation of the investment banking firm of Donaldson, Lufkin & Jenrette, Inc., members of the New York Stock Exchange, has been announced by its founders, William H. Donaldson, Dan W. Lufkin and Richard H. Jenrette, managing directors. The new corporation, with offices at 51 Broad Street, New York, will perform a specialized investment banking, counseling and brokerage service. Average age of the three founders is 29 years, ranking them among the youngest to organize their own member firm.

Mr. Donaldson was formerly with G. H. Walker & Co. as Assistant to the Managing Partner; Mr. Lufkin was associated with Jeremiah Milbank, a private investor, and Mr. Jenrette was with the Investment Advisory Department of Brown Brothers Harriman & Co.

In addition to regular brokerage and underwriting facilities, the new firm offers individual investors a specialized investment management service. Main emphasis is directed toward uncovering and extensively researching investment opportunities, particularly in the area of rapidly growing smaller companies.

Lawrence Rappee Opens

BEVERLY HILLS, Calif.—Lawrence Rappee is engaging in a securities business from offices at 324 North Camden Drive under the firm name of Lawrence Rappee & Co. Mr. Rappee was formerly with Toboco & Co. and Alkow & Co.

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DETROIT, MICHIGAN

Statement of Condition December 31, 1959

RESOURCES

CASH AND DUE FROM BANKS	$ 50,820,962.48
U. S. GOVERNMENT OBLIGATIONS	146,098,602.23
STATE AND MUNICIPAL BONDS	17,185,639.74
OTHER BONDS AND SECURITIES	695,139.71
STOCK OF FEDERAL RESERVE BANK	480,000.00
LOANS AND DISCOUNTS	132,522,877.75
BANKING HOUSES	3,367,977.82
FURNITURE AND FIXTURES	1,075,357.25
OTHER ASSETS	1,776,062.02
TOTAL RESOURCES	$354,022,619.00

LIABILITIES

DEPOSITS	$324,939,658.79
OTHER LIABILITIES	6,951,633.79
CAPITAL (COMMON STOCK)	8,000,000.00
SURPLUS	8,000,000.00
UNDIVIDED PROFITS	6,131,326.24
TOTAL LIABILITIES	$354,022,619.00

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As you start a new year, take an hour or so to visit our office and go over your list of holdings with one of our experienced men. It's the sensible thing to do and it may prove profitable to you.

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THE MARKET . . . AND YOU

BY WALLACE STREETE

The retreat of the blue chips, underway in all but a couple of the 1960 sessions, continued in this week's stock market. Investors have been following a monotonous pattern of some early, selective demand that dried up quickly, to be followed once more by the familiar pressure on quality items.

* * *

Few of the better-known industrial empires were spared in the selling, the casualties being almost as numerous as the various ideas of what was causing all the selling.

Volume Favorable

The one bright spot was turnover, which drifted along at a scant three million pace. This is a million or more under the pace a year ago and about in line with the dawdling days of November and December just before the year-end rally went into its act.

* * *

The low volume hinted that it was the absence of buyers, rather than the weight of the offerings, which was giving the market such a hard time. There was some liquidation of important holdings. Some large blocks dotted the tape on occasion. Selling of blocks too big for the market to digest had to be made as off-board, secondary offerings. But in the routine trading when single lots were able to depress prices unduly, it was more clearly a complete lack of buying support.

Casualty With Cause

The outstanding casualty more times than not was du Pont, which had its own excuse, since the government has resumed efforts to force it to dispose of its $3 billion interest in General Motors. The persistent selling in this issue clipped it back a couple of dozen points from the final 1959 posting, nearly four score points from last year's peak, and carried it to a new low for 1959-60. That is hardly in keeping with the promise of the Glowing Sixties. The only difference in this case is that the chagrin has a definite excuse.

* * *

Elsewhere the constant whittling was largely without solid explanation. General Electric had a partial reason for retreating steadily. Its runup late last year anticipated a stock split in the issue to follow the lead Westinghouse had established. But so far such action has not come along.

Perverse American Motors

American Motors seemed to take delight in acting perversely, pushing ahead in dreary markets, and reacting abruptly as new and better estimates of the size of the company's boom were being made by company officers.

* * *

Autos were also contrary in that they continued to sag persistently, even though indications were that their new, compact cars were being well received, and that sales would spurt now that the steel shortage isn't pinching production. Steels were far from buoyant, and investors seemed to be worrying with rare foresight about where production will level off once inventories are rebuilt and the supply situation is more normal. In other times their concern would extend only as far as the glowing first quarter results and not be anticipating some sort of slowdown in operations in the latter portion of the year. And for this the rash of year-end predictions that were well hedged over steel operations late in 1960 will have to take part of the blame.

* * *

Even the financial services were somewhat off the beaten road, or sticking to the slower-moving, more solid items such as American Telephone. Discussing the prospects of this colossus was something of a fad, now that it seems to be the second company headed for a net profit of a billion dollars for the calendar year. The feat was first turned in by General Motors for 1955, although not repeated since. AT&T's results are running at a rate that assures it a place in this exclusive company.

Biggest Money-Maker Designate

American Telephone reports its results for the last 12 months throughout the year without regard for the calendar and such reports have been consistently above the line, although still not challenging the GM profit of $1.189 million until the later months of the year. It now seems in position to exceed that figure to become the biggest money-maker ever.

* * *

With all the attention being paid to it, AT&T was one of the more sturdy items in the blue chip section. It wasn't completely immune to selling squalls, but was lolling about midway between the high and low posted last year when it split its shares for the first time in history.

One newcomer not normally in the spotlight even occasionally is United Carbon which was given a lift by one service's plug for it as a "stock for action." United Carbon is primarily the leading supplier of carbon black to the thriving rubber industry. But it also is importantly intrenched in the oil and gas industry which hasn't had many candidates for the spotlight in many months.

Interest in Chrysler

For the standard auto favorite, Chrysler was being given some attention but mostly, it seems, because of its demonstrated habit in recent years of showing the largest snapbacks after a discouraging year.

* * *

Chrysler's market volatility is in large part due to its small capitalization of slightly under 8¾ million shares. General Motors' total is above 283 million, and that of Ford nearly 55 million. So when a good year comes along, the per-share earnings of Chrysler on its small stock total stand out prominently. They jumped from $2.13 in 1954 to $11.49 in 1955 and from $2.29 in 1956 to $13.75 in 1957. Earnings for 1959 are expected to make a relatively poor showing since glass and steel strikes hobbled the company both early and late in the period.

Rails Winning Friends

Railroads had some friends among the market analysts for a change. They haven't been able to shake off the discouraging effect of the industrial selloffs, but have shown resistance to the decline. Their outlook is bright overall, with only the possibility of a strike as the big cloud in the future. Expectations are that no agreement will be reached until mid-year with their workers.

The threat was enough to keep the carriers restrained although the well above average yields of 5 to 6% are available in the quality roads such as Santa Fe, Chesapeake & Ohio, Nickel Plate, Southern Rail, Union Pacific and Great Northern.

"Snap-back" Candidate

Like Chrysler, New York Central is regarded by several commentators as the "snap-back" item where the change from a pinched year to a boom one shows up dramatically. Actually, Central has been pushing a cost-saving improvement program to help itself internally. With a boom in carloadings, estimates are that savings of more than $20 million will show up in its costs. One electronic classification yard alone offers annual savings of nearly $3 million and it is one of several the road is planning to install in various areas of its domain. Cost control, sale of properties with the smaller drain for maintenance, and a good boost in carloadings could add up to a good year for the line.

[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.]

Now Corporation

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Lile & Co., Inc. has been formed to continue the investment business formerly conducted by Buddy J. Lile under the firm name of Lile & Co., 1001 East Green Street. Officers are Mr. Lile, President; Robert D. Joiner, Vice-President; and Diane C. Rhodes, Secretary-Treasurer.

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News About Banks And Bankers

Continued from page 11

Additional shares will shortly be mailed to all stockholders.

* * *

Northern Trust Co. Chicago, Ill., elected Donald L. Thomas of the savings department a Vice-President.

* * *

The La Salle National Bank Chicago, Illinois, elected Edgar J. Uihleim Jr. a Director.

* * *

The Pullman Trust & Savings Bank, Chicago, Ill. elected Otto H. Zimmerman, Jr., and Jack A. Handley, Directors.

* * *

The Standard State Bank, Chicago, Ill. elected Wendel F. Barclay a Director.

* * *

State Bank of Blue Island, Blue Island, Ill. elected Maurice R. McLary a Director.

* * *

Big Rapid Savings Bank, Big Rapids, Michigan, has converted into a national bank under the title of **First National Bank of Big Rapids.**

* * *

Leroy W. Grossman, President of the **Capitol Marine Bank Milwaukee Wis.,** announced the election on Jan. 12 of George H. Aberdroth as a Director.

John D. Prentice, who was Assistant Vice-President, was elected Vice-President. Rudolph F. Forrer was also elected a Vice-President, replacing Theodore A. Trapp, who retired. Mr. Forrer retains his membership on the bank's Board of Directors. Mr. Trapp also retains his membership on the bank's Board.

* * *

William H. Lyon announced his retirement as President of the **South Milwaukee Marine Bank, South Milwaukee, Wis.,** on Jan. 12.

John J. Schweda, Jr., the bank's Executive Vice-President, was elected to succeed Mr. Lyon.

* * *

C. Harold Nicolaus, President of the **Cudahy Marine Bank, Cudahy, Wis.,** reported that all of the Directors of the bank were re-elected Jan. 12.

Walter L. Stock, who has been a Vice-President of the bank since 1948, was elected to the newly created office of Executive Vice-President.

* * *

Joseph B. Ely, President of the **Waukesha County Marine Bank, Pewaukee, Wis.,** announced the election of Herbert C. Hackborth to the newly created office of Executive Vice-President.

* * *

The Directors of **The United States National Bank of Omaha, Neb.,** announced the election of John Day, Duane Hillmer, Joe P. Muller and Drexel J. Sibbernsen, Jr., to serve as members of the Board.

* * *

The Board of Directors of the **First National Bank of Omaha, Nebraska,** announces the promotion on Jan. 12 of Edward J. Carlson to Vice-President, Don R. Ostrand to Vice-President.

* * *

A 10% stock dividend was declared by the stockholders of **First National Bank in St. Louis, Mo.,** at the bank's annual meeting Jan. 12, according to William A. McDonnell, Chairman of the Board.

The stockholders approved a recommendation of the Board of Directors involving the issuance of 77,000 additional shares to shareholders of record on the date of the meeting. This action will increase the bank's outstanding shares of capital stock from 770,000 to 847,000 shares with a par value of $20 each.

* * *

Edwin S. Jones and John B. Mitchell, Vice-Presidents of **First National Bank in St. Louis, Mo.,** were elected Executive Vice-Presidents of the bank by the Board of Directors at its annual meeting Jan. 12.

Two other Vice-Presidents were made Senior Vice-Presidents of the bank. They are George F. Engel, Vice-President in charge of the bank's loan committee, and Wilhelm R. Mesenbrink, Vice-President in charge of the bank's correspondent division.

* * *

Directors of **City National Bank & Trust Co., Kansas City, Mo.,** at their meeting Jan. 12 announced the following promotions:

James F. Mack, who on Jan. 1 succeeded James S. Neely as head of the correspondent bank department, was advanced from Vice-President to Senior Vice-President. Mr. Neely remains with the bank as Executive Vice-President and consultant.

Other changes in the correspondent bank department: Melvin D. Ellis, John J. Kramer and Roy A. Thompson, promoted from Assistant Vice-President to Vice-President; William D. Lumpe from special representative to assistant cashier.

Several changes were made in the installment loan department. Robert W. Sears, Assistant Vice-President, was named Vice-President.

In City National's commercial loan department, Marion K. Mabry, Assistant Vice-President, has been named Vice-President.

On the bank's Board of Directors, Charles G. Young, Jr., head of the trust department, has been elected an Advisory Director. He is Senior Vice-President and Senior Trust Officer.

* * *

Alan N. Cooper, President of the **First National Bank of Sarasota, Florida,** died Jan. 15. He was 58 years old.

* * *

Michel T. Halbouty, Chairman of the Board, announced that recommendations by **North Side State Bank, Houston, Texas** Directors for an expansion of the Bank's capital structure were approved by the stockholders.

Subject to state banking commission approval, the Bank will declare a stock dividend of 16⅔% which will increase by $50,000 the Bank's capital to $350,000. With $350,000 in surplus, total capital will amount to $700,000.

Bank of California, N. A. San Francisco, Calif., elected Joseph McMicking, a Director.

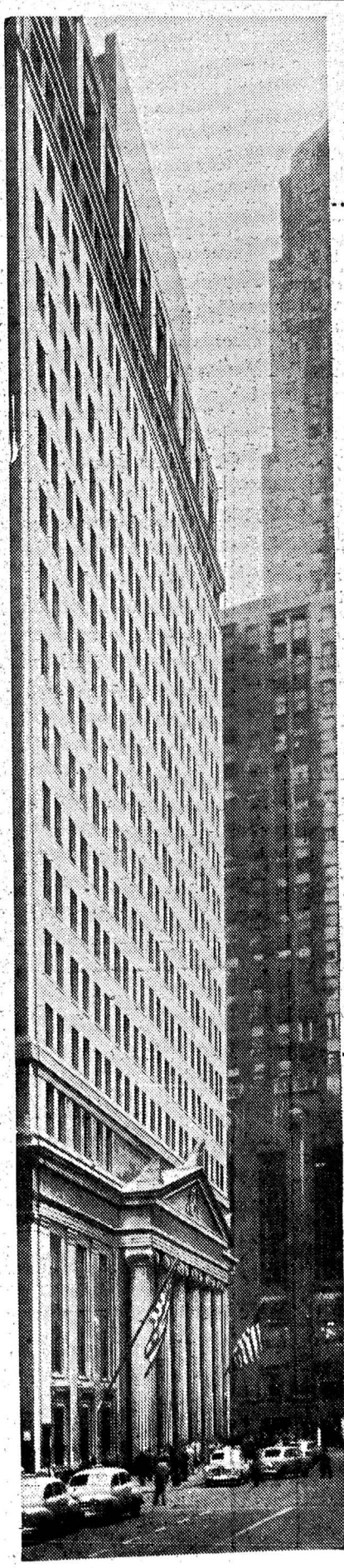
* * *

Richard R. Reidler was named Vice-President and Manager of the Pasadena office of the **First Western Bank and Trust Co., San Francisco, Calif.,** replacing Harold L. Jacobson, who has retired. E. R. Miller was named Vice-President of the San Francisco main office. Franklin A. McWilliam was named Vice-President for the bank's national division.

With White & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Gary K. Bielfeldt is now with White & Company, 506 Olive Street, members of the Midwest Stock Exchange.



CONTINENTAL ILLINOIS

NATIONAL BANK and TRUST COMPANY OF CHICAGO

Statement of Condition

December 31, 1959

RESOURCES	
Cash and Due from Banks	$ 602,550,198.42
United States Government Obligations	559,037,770.43
State and Municipal Securities	206,408,823.42
Other Bonds and Securities	31,229,512.71
Loans and Discounts	1,289,840,818.76
Stock in Federal Reserve Bank	7,500,000.00
Customers' Liability on Acceptances	6,233,043.09
Income Accrued but Not Collected	9,161,099.47
Bank Premises and Equipment	7,704,836.55
Other Assets	3,032,339.59
Total Resources	$2,722,698,442.44
LIABILITIES	
Demand Deposits	$2,041,110,744.00
Time Deposits	345,995,771.30
Total Deposits	$2,387,106,515.30
Acceptances	6,337,070.54
Reserves for Taxes, Interest and Expenses	7,449,445.72
Due to Federal Reserve Bank	25,000,000.00
Reserve for Contingencies	10,000,000.00
Income Collected but Not Earned	4,584,808.66
Other Liabilities	10,038,994.08
Total Liabilities	$2,450,516,834.30
CAPITAL ACCOUNTS	
Capital Stock (3,000,000 shares Par value $33⅓)	$ 100,000,000.00
Surplus	150,000,000.00
Undivided Profits	22,181,608.14
Total Capital Accounts	$ 272,181,608.14
Total Liabilities and Capital Accounts	$2,722,698,442.44

United States Government obligations carried at $265,028,670.48 are pledged to secure public and trust deposits and for other purposes as required or permitted by law.

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Why Our Dollar Must Not Be Devalued Again

By Dr. Walter E. Spahr, *Executive Vice-President, Economists' National Committee on Monetary Policy*

Problems of higher cost of mining gold, growth of foreign potential short-term claims against our gold stock, greater expansion of credit or volume of trade, and price inflation are not, according to Dr. Spahr, solved by devaluing our dollar again. In answering the arguments for a higher gold price, the well known monetary economist contrasts today's arguments with those of 1932-34; asks the devaluationist why not devalue to the point where we can, among other things, wipe out our national debt; and asserts "free gold market" advocates misuse the prefix "free" as they seek only a favorably one-sided restricted-type of gold market. The author declares that the proper solution, resumption of redemption at $35.00 per fine ounce, would provide for a genuinely free gold market, should encourage a gold inflow and provide other advantages which he describes.

This agitation, which appears to be reaching a new high pitch of intensity, perhaps chiefly because of the Treasury's loss of gold beginning in the week ending Feb. 26, 1958, is widespread in this country and abroad. It is found in various publications in South Africa, England, Canada, the United States, and elsewhere, and in various bills which have been introduced in Congress. It probably is an accurate estimate that the chief impetus for this agitation comes from gold mine interests who wish to increase their profits, from holders of gold mine stocks or gold, from various others who for one reason or another are attempting to serve purposes other than endeavoring to help a nation obtain and then maintain a good monetary standard.

Walter E. Spahr

Common Arguments in the Agitation

Possibly the most common argument employed, at least by gold mine interests, is that, since prices in general and the costs of mining gold have risen, the price of an ounce of gold should be raised accordingly. This is the same as contending that because the prices measured by the standard dollar have risen, the unit by which these changes are measured should also be altered. In other words, it reveals either a misunderstanding of the functions of a unit of measurement or a refusal to respect them. If the reservoirs, which provide New York City with water, should become dangerously low in their water supply, the people of New York City could be provided with the same number of gallons of water as when the reservoirs were full, if the size of the gallon were reduced sufficiently to yield that number of gallons.

Changing the unit of measurement, because the things measured have created problems, involves a confusion in thought that can hardly reflect favorably on the intelligence of any human being.

Closely related is a frequently-advanced argument that, because credit or the volume of trade, has expanded during recent years in such great volume relative to the nation's gold stock, more monetary gold units should be created by devaluation—by making each standard gold unit smaller. This procedure, so it is said, would provide greater liquidity for the huge credit structure. The answer, fundamentally, is that given in the two preceding paragraphs.

The problems of a great expansion of credit or of trade or of distortions in trade are not solved by devaluation of a monetary unit any more than the scarcity of water in New York reservoirs would be solved by reducing the size of the gallon. Fixity is a basic requirement in any standard of measurement. That is a fact not understood or not respected by agitators for another devaluation of our dollar.

Another common, and fallacious argument employed by the advocates of a further devaluation of our dollar involves the treatment of foreign potential short-term claims against our gold stock as though they would all be exercised. This is an effort to persuade the uninformed or uncritical reader that potential claims are the same as claims actually exercised. If this sort of argument were applied to our banks or government or insurance companies, all of which operate on fractional cash reserves, the logical conclusion would be that all of them are bankrupt. This variety of argument employed by many advocates of another devaluation of our dollar and their uncritical followers rests either upon gross ignorance of the principles of fractional reserves or upon a willingness or desire to mislead.

Ready Acceptance of the Idea of Another Devaluation

There is a ready and widespread acceptance of the arguments in behalf of another devaluation of our dollar. Apparently there are two principal reasons for this: One is that relatively few people understand the nature and implications of a good monetary standard or of a fractional reserve system. The other is that they have been conditioned by the idea, chiefly imported into this country in the early 1930's, that if economic problems arise, the easy and proper way to solve them is to manipulate the nation's monetary standard, or currency supply, or both.

The fact that our dollar was widely and properly regarded in the 1920's as a factor of stability in a world of monetary and economic instability seems to be lost on the generation reaching maturity in the 1930's and since for the reason that it has been subjected to an endless variety of arguments as to the virtues of government management and currency manipulation.

The fundamental inconsistencies in the arguments for devaluation employed today and in 1932-1934 appear not to be perceived by the propagandists for, and supporters of, another devaluation. Today the agitation for devaluation rests upon contentions that our money and deposits are so expanded and prices are so high that the dollar should be devalued as a corrective. In 1932-1934, the argument was that our currency was so contracted and prices so low that the dollar should be devalued as a corrective measure. In 1933-1934, our monetary "doctors" treated our dollar as though it was so hopelessly gangrenous, which was not the case, that an amputation of 41% was required to save the patient. Today, "doctors" with similar qualities of quackery would ampute again because their one cure for economic aches and pains is amputation of the monetary standard—like the old standard remedy of bloodletting by the medical practitioners of the distant past. Another devaluation of our dollar coud be expected to be a bloodletting indeed with serious effects on our people with relatively fixed or declining incomes.

The widespread and ready acceptance of the idea that our dollar should be, or will be, devalued again is a dangerous aspect of the present picture. It means that our government, if so lacking in intelligence and so irresponsible as to devalue our dollar again, probably would meet little resistance or condemnation except among well-trained and experienced monetary economists who understand the nature of, and advocate, a good monetary standard and who oppose its manipulation by government to "solve" problems which that government does not know how, or is not disposed, to solve properly.

Another Aspect of the Arguments Of the Devaluationists

If it is proper to devalue a standard monetary unit to provide more profit to gold mine interests or to provide a larger number of gold monetary units against credit or trade, a question logically arises as to why the dollar should not be devalued to eliminate still greater problems. For example, why should not our gold stock be cut up into a sufficient number or small gold dollars to enable the national government to pay off its debt of some $290 billion? Why should devaluation be used to give gold producers a price of $70 or $100 per fine ounce, for which they commonly agitate, since that industry is relatively small among our industries? If devaluation of our standard monetary unit is sound in principle, why not focus on the largest present burden that exists—for example, the national debt—and wipe

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WILLIAM H. MOORE, Chairman of the Board, Bankers Trust Company
HERBERT N. REPP, President

DISCOUNT CORPORATION OF NEW YORK

Statement of Condition as of December 31, 1959

ASSETS

Acceptances Discounted		$ 74,469,928.92
United States Government Securities and Security Contracts, at market or less		70,961,350.69
Interest Receivable Accrued		344,224.67
Sundry Debits		247,087.52
Cash and Due from Banks		2,859,492.27
		$148,882,084.07

LIABILITIES

Capital	$2,000,000.00	
Surplus	4,000,000.00	
Undivided Profits	2,665,347.02	$ 8,665,347.02
General Reserve		225,000.00
Loans Payable		35,827,278.03
Acceptances Rediscounted and Sold with Endorsement		48,911,227.08
Security Contracts		53,180,652.36
Accrued Taxes		962,754.44
Accrued Interest and Expenses		645,264.19
Sundry Credits		464,560.95
		$148,882,084.07

OFFICES: FIFTY-EIGHT PINE STREET

The FIFTH THIRD UNION TRUST CO.

CINCINNATI, OHIO

Statement as of December 31, 1959

RESOURCES

Cash and Due from Banks		$ 95,532,592.20
United States Bonds		75,155,533.03
State and Municipal Bonds		11,938,599.50
Other Bonds and Securities		2,314,371.34
Loans and Discounts		179,796,387.13
Buildings and Equipment		4,483,684.28
Other Real Estate		1.00
Customers' Liability Under Acceptances		52,746.54
Income Accrued Receivable and Prepaid Expense		1,201,799.48
Other Resources		534,356.74
TOTAL		$371,010,071.24

LIABILITIES

Capital Stock ($25.00 Par Value)	$11,875,000.00	
Surplus	13,125,000.00	
Undivided Profits	6,790,083.50	
Total Capital Funds		$ 31,790,083.50
Reserve for Dividends, Interest, Taxes		4,246,821.17
Liability Under Acceptances		52,746.54
DEPOSITS:		
*Commercial, Bank and Savings		323,647,556.65
U. S. Government		11,128,575.02
Other Liabilities		144,288.36
TOTAL		$371,010,071.24

**Includes $6,701,083.37 of trust money on deposit in the Banking Department, which under the provisions of the Banking Law of the State of Ohio, Section 1107.12 is a preferred claim against the assets of the bank.*

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it out in terms of devalued gold units by "the stroke of a pen," as it were?

The essence of the matter is that there is no valid argument that can be offered in support of another devaluation of our dollar. And if our dollar should be devalued again, it seemingly would be conclusive proof that our national government is both incompetent and irresponsible.

Such action probably would demonstrate that we are on the road of repeated devaluations, such as that taken by France, 1928-1959, which led to the practical destruction of the value of her franc, to the loss of her Fourth Republic, to the coming of a dictator, to the institution of a Fifth Republic, and to a deflation of the depreciated franc at a ratio of 100 to 1, effective Jan. 1, 1960.

The "Free" Gold Market Argument

The argument for a "free" gold market, concocted chiefly by gold mine interests as a means of gaining support of innocent advocates of private property and free markets, is an argument for a device calculated to be a prelude to another devaluation of our dollar. It is not an argument for a redeemable currency at the statutory rate of $35 per fine ounce of gold or for a free gold market in any proper sense of that term. It is an argument for a "free" market for the relatively small output of the gold mines on which any demand for gold could fall. The Treasury woud be required to sit on the sidelines with its large stock of gold to prevent a depressing of prices in this restricted market by Treasury sales of gold.

Should prices for this highly restricted supply of gold rise in a marked manner above the Treasury's official price of $35 per fine ounce, then it is to be expected that the gold mine interests and other would exclaim with glee: "See, the free market value of gold is $70 an ounce, the Treasury's price is artificial and too low, the true measure of anything is its price in a free market, and therefore the dollar should be devalued to $70 per ounce"—or to whatever price the speculators in that small-supply market might produce.

There is no virtue whatever in the type of market urged by the gold mine interests. It would be a gambler's market in a relatively small supply of demonetized gold in terms of an irredeemable paper money. It would demonstrate nothing insofar as monetary values are concerned beyond the fact that irredeemable paper money is one thing and gold is someting else. The prices involved could be expected to confuse the general public as to their meaning and significance as have the arguments for a mislabeled "free" gold market.

The only good free market for gold, considering its monetary functions, is the one that is an integral part of a gold standard in which anyone, including the U. S. Treasury, can buy or sell gold freely at the standard price fixed by Congress.

When a government inflicts an irredeemable currency on a people, the national interests are served best—or the least harm is done since justice cannot be attained—if the government takes the gold for the reason that the government is then in a stronger position to institute redemption, when that good day arrives, than would be the case if part or much of the nation's gold were scattered in private holdings.

During the period of the irredeemable Greenbacks, 1862-1878, the people were permitted to buy, sell, and retain gold. An organized market for gold was established, and those who are aware of our financial history may recall the efforts of James Fisk and Jay Gould to corner gold—efforts which ended in the notorious Black Friday of Sept. 23, 1869, as a consequence of the sale of gold by Secretary of the Treasury Boutwell, in Grant's Administration, to break the high gold prices generated by the speculators in gold.

The present agitators for a so-called "free" gold market offer a program designed to prevent any Secretary Boutwell from spoiling their plans. But that fact has not prevented them from misusing the word "free" in connection with their proposed market or from wrapping their program in the flags of "protection of private property" and "fostering of free enterprise" in an effort to get support for it.

Fortunately, the Congresses and Administrations of 1861-1872 were not misled sufficiently to assume that the gyrations in gold prices in those days provided any reliable guidance as to the rate at which redemption should be resumed, Jan. 2, 1879. The Treasury wisely and properly resumed at the standard redemption rate of $20.67 per fine ounce established in 1837. The present agitators for a so-called "free" gold market obviously are hoping that Congress will be misled by prices for a verv restricted supply of gold in the type of market proposed, and that another devaluation of our dollar would be the result.

The Correct Solution to Our Present Monetary Mistakes

The only proper solution to our pressing monetary problem, is to be found in a resumption of redemption, as soon as Congress can act, at the statutory rate of $35.00 per fine ounce. Then, a genuinely free market in gold would be established in the only proper sense in which it can or should exist if a nation is to have a gold standard and a redeemable currency.

That step should bring all the benefits to this nation, and others, which the best monetary standard known to objective monetary economists can bring. A great variety of present tensions should be relaxed or disappear. Gold should flow in from abroad and much, now earmarked for foreign account, should be released to our Treasury, banks, and for general use—this last not exceeding 3% of our total gold stock if our experience of the decade prior to 1933 were repeated. The government should be able to sell its securities to savers and to refund the public debt at lower rates of interest than now prevail. Business and foreign trade and investment should experience a healthier and greater expansion. Optimism for the future of this nation should become widespread, and justifiably so, both here and abroad. Integrity would once more be a quality of our money. The currency question, aside from the problems of credit control, should be finally and well laid to rest. The path to socialization of this nation would be blocked by an insurmountable barricade. The control of the public purse would once more lie with the people of this nation as individuals where it must be if they are to be assured that this Republic can and will be preserved.

NATIONAL BANK OF DETROIT

STATEMENT OF CONDITION, DECEMBER 31, 1959

RESOURCES

Cash on Hand and Due from Banks		$ 384,549,753.93
United States Government Securities		543,143,393.84
Other Securities		231,615,112.05
Loans:		
Loans and Discounts	$ 635,326,922.84	
Real Estate Mortgages	139,785,491.82	775,112,414.66
Accrued Income and Other Resources		10,672,170.14
Federal Reserve Bank Stock		3,900,000.00
Bank Premises		16,404,908.91
Customers' Liability—Acceptances and Credits		11,845,161.37
		$1,977,242,914.90

LIABILITIES

Commercial Deposits:		
Individuals, Partnerships, and Corporations	$1,072,526,006.01	
Other Banks	136,942,793.22	
United States Government	66,439,294.50	
Other Public Funds	68,320,331.90	$1,344,228,425.63
Savings and Time Deposits		441,597,169.37
Total Deposits		$1,785,825,595.00
Accrued Expenses and Other Liabilities		23,677,518.71
Acceptances and Letters of Credit		11,845,161.37
Capital Funds:		
Common Stock ($12.50 par value)	$ 40,000,000.00	
Surplus	90,000,000.00	
Undivided Profits	25,894,639.82	155,894,639.82
		$1,977,242,914.90

United States Government Securities carried at $172,027,713.28 in the foregoing statement are pledged to secure public deposits, including deposits of $17,441,912.54 of the Treasurer, State of Michigan, and for other purposes required by law.

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Commercial Bank Portfolio Under Today's Conditions

By William B. Nauts,* Assistant Vice-President,
The Hanover Bank, New York City

New York banker offers practical investment advice and a rundown on today's conditions affecting investment decisions. Mr. Nauts cautions that the many unpredictables which prevail rule against relying primarily on future trends in interest rates in making portfolio decisions. And he insists that one man, free as possible from interference, and not an investment committee, should make investment decisions.

For about 20 years up to the time of the so-called Treasury-Federal Reserve Accord in early 1951, which was the first step in up-pegging bond prices, interest rates were low. They were affected by what now seem definitely to have been non-recurring factors. First the depression. The Government increased the price of gold which came to this country in large amounts and the money supply was greatly expanded. Then the war, causing an increase in the national debt from $64 billion at the time of Pearl Harbor to $267 billion at the end of 1947. The Federal bought all Government securities offered to it at fixed prices. After the war there naturally was a large excess of money in relation to peacetime demand. This was largely responsible for continued low money rates.

William B. Nauts

By the time of the Accord, the nation's productive capacity had been greatly expanded and the Korean War, and later the cold war, combined greatly to increase the demand for funds. The flexible Federal Reserve policy begun about 1951 initiated a climb in interest rates which with two significant interruptions during the two short and minor recessions of 1953-54 and 1957-58 has continued up to the present time.

Historically, then, rates are not abnormally high, and I think it is fair to conclude that yields on Governments of around the current level, naturally with frequent intermediate fluctuations, sometimes perhaps violent, are here to stay.

Let's take a brief look at the tremendous demand for money.

We are all familiar with the defense budget of about $41 billion, year in and year out. Capital expenditures of corporations are high and tending to rise further. The U. S. Government and various state and local authorities are planning vast projects, of which the road building and school programs are examples. Consumer credit is moving higher all the time in spite of the high level of disposable income. Foreign nations, well-to-do and underdeveloped alike, are demanding industrialization at a more rapid pace than the savings of the people can finance. The strong demand for money is world wide and money rates in virtually all countries are high. This demand for money seems most likely to continue. These all create inflationary pressures and high money rates.

What About Federal Reserve Policy Now?

The pressure to do more faster and faster, to increase wages at a faster rate than productivity, is disturbing the Reserve Board, which is keeping a tight rein on bank reserves in the battle against inflation.

The Treasury, too, must consider the problem of its present immense amount of short-term debt. The Secretary of the Treasury has repeatedly stated that he will seize every opportunity to lengthen the maturities of the debt. He is severely handicapped now because Congress has so far refused to permit the Treasury to pay more than 4¼% on bonds—which are defined as obligations with a maturity longer than five years. Some day this lengthening will take place on a large scale both by new cash offerings and through so called forward refundings—exchanges of short-term issues for long bonds. This may lower prices for long-term bonds.

In view of the many unpredictables, it may be dangerous to base portfolio decisions primarily on estimates of future trends in interest rates. There are plenty of sound moves that can be made that should work out satisfactorily without use of the crystal ball.

One fundamental fact all too familiar to all of us is that when yields are high and attractive, commercial banks usually have no new money to invest, and when yields are low and unattractive we naturally have plenty. It's tough, but a fact of life.

Banks' Investment Decisions

Perhaps this is a good time to touch briefly on the subject of "who makes investment decisions." These decisions too often are made without sufficient attention to the many factors involved. In banks with limited personnel it is not unusual of the bond account to be neglected. The bond man should have some knowledge of economics, finance, government, mathematics, asset allocation and taxes, and of prime importance he must have the feel of his own bank. Such factors as future loan and deposit trends, among others, often are the most important factors in investment decisions. The man responsible for investment changes usually has many other duties. He should be as free as possible to manage the portfolio without any interference that is not absolutely necessary, from any of the top brass. The job is frustrating at best and usually should be the definite and continuing responsibility of one man. The results flowing from investment committee management can be very unsatisfactory.

What types of securities should banks buy? Obviously, Governments are the backbone of the account. At current prices they are most attractive, considering yields, salability and of course quality. With the present yield curve, I see no reason to buy Governments longer than the 2⅝'s of 1965. Intermediate term Governments provide the very best yields based on the present unusual yield curve.

Tax free obligations now are selling to provide excellent yields, close to the highest for many years. In fact the yield after taxes on some good grade medium term municipals is much above that on mortgages.

These obligations are obviously attractive for banks with a large volume of savings deposits and a limited loan demand. However, for banks that have more concentration in demand deposits, and have a heavy loan demand, it is advantageous to be cautious so as not to be in a position of being forced to sell in a depressed market. They should be bought to be held to maturity. Stay with 10 year issues and good A or better quality.

Government Agency obligations are becoming more and more important as bank investments. The volume of these securities outstanding has increased from about $2 billion five years ago to about $8 billion now. Although not specifically guaranteed by the U. S. Govrenment, and without going into detail, they will be paid at maturity. Their marketability is not quite up to that for Treasury issues, but nevertheless has improved right along and is excellent. Yields often afford a good spread over governments. FNMA Debentures and Federal Land Bank Bonds in the intermediate maturities are available at substantial discounts. They can often be used to good advantage in tax swap programs.

They have the further advantage of being available for this purpose without fear of the wash sales provision of the law when governments are sold.

Corporate bonds for the most part do not seem attractive. Most of them are too long. The shorter terms generally do not yield as much as good municipals—after taxes. An exception might be made for Railroad Equipment Trusts for banks with taxable income under $25,000 and subject to a 30% income tax rate.

Convertible bonds sometimes can be quite attractive. The examiners insist that the price must not be higher than estimated investment value. They can be a means of good capital gains. But be sure to insist on good quality. Naturally, it is only occasionally that these obligations can be bought to fulfill these conditions.

Liquidity Is Not an Anachronism

The matter of liquidity is much to the fore recently. This has come to pass after a long, long period of years when liquidity was considered a relic of the past. I wonder how many bankers have at some time during the past seven years wished that they had more very short term governments. I can assure you that if you have not had this wish, you are very fortunate. If you have, you are in good company.

I will not labor this matter of liquidity, except to emphasize it. Treasury Bill yields are only slightly lower than on bonds and notes. They are most attractive. The big problem is to find the money.

Now let's summerize these informal comments and opinions.

(1) Money rates are not abnormally high. When business declines—as it will some day—yields will decline. But it seems most likely that the accompanying advance in bond prices will be much less than it was in 1954 and 1958.

(2) Investment decisions are very closely linked to a bank's circumstances. Best results usually are obtained when the final responsibility lies with one man. He should know the bank as well as the money market.

(3) Municipal bonds and Agency obligations are attractive for income, but most corporate obligations probably should be avoided. All maturities should be limited to ten years, and government maturities to a maximum of five or six years.

(4) Liquidity at all times should be more than adequate to take care of the local loans that should be made and possible deposit withdrawals with something to spare. This is hard to achieve—but will produce good results.

*An address by Mr. Nauts before the Maryland Bankers Association, Baltimore, Maryland.

Stern, Frank To Admit Partners

LOS ANGELES, Calif. — Stern, Frank, Meyer & Fox, 325 West Eighth Street, members of the New York and Pacific Coast Stock Exchanges, on Feb. 1st will admit Emil J. Rothenberg and James G. Fraser to partnership. Mr. Fraser is Manager of the firm's Trading Department.

NEW JERSEY BANK
AND TRUST COMPANY

Statement of Condition
as of close of business December 31, 1959

ASSETS

Cash	$ 47,591,858.13
U. S. Government Obligations	54,650,876.14
State and Municipal Obligations	30,105,612.25
Other Bonds and Securities	1,247,259.21
Mortgage Loans — Insured or Guaranteed	59,953,067.39
Mortgage Loans — Conventional	22,665,806.96
Loans and Discounts	64,852,368.46
Banking Houses	3,885,150.33
Furniture and Fixtures	920,151.82
Accrued Income Receivable	1,078,627.10
Other Assets	178,954.18
Total	$287,129,731.97

Amounts shown are net after deducting Valuation Reserves

LIABILITIES

Deposits		$262,129,369.90
Reserve for Taxes, Accrued Interest, Expenses, etc.		921,675.34
Discount Collected, Not Earned		4,507,917.59
Dividends Payable		221,932.12
Other Liabilities		293,885.43
Common Stock	$6,105,000.00	
Surplus	8,895,000.00	
Undivided Profits	4,054,951.59	
Total Capital Funds		19,054,951.59
Total		$287,129,731.97

In addition to the above, assets held in the Trust Department total $83,502,772.00

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FROM WASHINGTON ...Ahead of the News

BY CARLISLE BARGERON

One of Vice-President Nixon's greatest problems, assuming he is the Republican candidate for President, certainly not a rash assumption, will be to get away from the Benson farm program. This will not be easy because it means getting away from Mr. Eisenhower's program as well.

The Vice-President is reported to have been telling friends that this is one of the things he will do. But Secretary Benson put him on the spot on the Meet the Press TV show. He said he had not the slightest doubt that the Vice-President would campaign on his program inasmuch as Nixon had been a part of the program. It has been discussed several times at Cabinet meetings, Mr. Benson said, and Nixon has never offered the slightest objection. He would be very much surprised, he said, if Nixon did not go along with it 100%.

However, it is a safe bet that Nixon will try to get away from it by some hook or crook. Perhaps, he can do so by announcing early in his campaign whom he intends to appoint as Secretary of Agriculture, thus showing it won't be Benson. The latter has no hopes of remaining under a new Administration.

Perhaps, just assurance that Benson would no longer be Secretary of Agriculture would go a long way, not to solving the farm problem, but to mollify the farmers. He is their No. 1 whipping boy. Apparently nothing he can do is right.

Just now the farm situation is in a worse mess than ever. A subcommittee of the Senate Agriculture Committee headed by Senator Symington, a Presidential aspirant himself, has disclosed that it is costing us about $1½ million a day just to store surplus wheat. Owners of grain storage bins are reaping a harvest. They get 16½ cents a bushel per day. To this must be added the cost of transportation and handling of the grain. It has also developed that the head of the government grain storage operations, Raymond J. Polick, sold his bins to his son when he assumed office. The son has been paying him interest on the money but has paid back none of the principal.

Nothing is likely to be done at this session of Congress about the farm problem. The Administration is coming up with proposals but they will be the same proposals that were rejected last year.

Senator Ellender, Chairman of the Agricultural Committee, has introduced a wheat plan. It provides for the first year an 80% support price provided the farmer took 20% of his land out of cultivation. The second year the support price would drop 75% with the farmer having to take 25% out of cultivation. The third year the support price would drop to 65% but would not go any lower than that.

Even if Congress passes the bill the Administrtaion will veto it because it boosts the present support prices. Benson wants them still lower than they are at present.

Benson a few years ago was crusading for what he called low flexible supports while the farmers' representatives in Congress wanted to keep the high rigid supports. Benson won his fight and thought he had the problem licked. But it has gone from bad to worse.

The actual farmer does not have the political strength he once had. But when he is in bad straits, it affects everybody in the surrounding community — the merchant, the truckers, the fertilizer manufacturer and the manufacturer of farm implements. They are usually affected by the farmer's political mood.

The farm implement makers, the truckers and fertilizer manufacturers are even complaining about the reduction in the farmer's acreage. This shrunken activity on the farms has caused a problem for them.

Rightly or wrongly, Mr. Benson is the most controversial member of the Cabinet. He is entitled to that dubious role now since Secretary of State Dulles died. Even when the State Secretary was living, Benson was a close runner up. Mr. Eisenhower has stuck to him loyally. But not a single Republican candidate, that is, not in the farm belt, would dare support him. They all disassociate themselves with the announcement of their candidacy.

Now Corporation

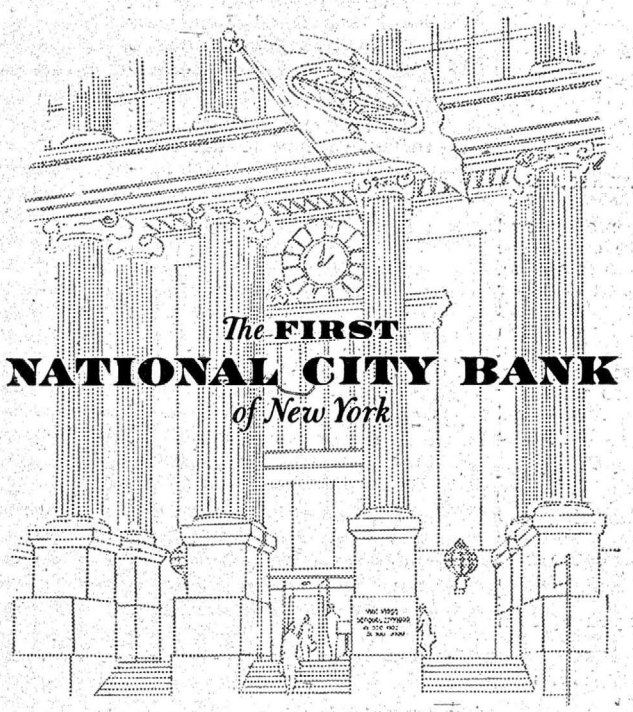
PORTLAND, Oreg.—E. I. Hagen & Co., Inc., a corporation, has been formed to continue the investment business of E. I. Hagen & Co., American Bank Building. Officers are Edward I. Hagen, formerly proprietor, President; W. R. Bratlie, Vice-President; M. B. Hagen, Secretary-Treasurer; and L. S. Rand, Cashier.

Van Alstyne, Noel To Admit Keve

Van Alstyne, Noel & Co., 52 Wall Street, New York City, members of the New York Stock Exchange, on Feb. 1 will admit Walter A. Keve to partnership.

Williston & Beane To Admit Odzer

J. R. Williston & Beane, 2 Broadway, New York City, members of the New York Stock Exchange, on Feb. 1 will admit Harry Odzer to partnership.



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Statement of Accounts
31st December, 1959

LIABILITIES	£
Current, Deposit and other Accounts	1,676,407,295
Acceptances, Guarantees, Indemnities, etc., for account of customers	49,307,803
Paid-up Capital	40,812,828
Reserve Fund	21,500,000
ASSETS	
Cash in hand and with the Bank of England	136,574,368
Balances with other British Banks and Cheques in course of collection	102,050,430
Money at Call and Short Notice	147,391,000
Bills Discounted	267,786,387
Investments	393,542,971
Advances to customers and other Accounts	648,944,347
Investments in Subsidiaries:—	
The British Linen Bank	3,728,558
Barclays Bank D.C.O.	8,682,414
Other Subsidiaries	2,227,312
Other Trade Investments	10,727,710
Bank Premises and adjoining Properties	17,064,626
Customers' liability for Acceptances, Guarantees, Indemnities, etc.	49,307,803

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Growth Stocks for 1960

By Albert Pratt,* *Partner, Paine, Webber, Jackson & Curtis, Boston, Mass.*

Boston securities dealer precedes his selection of growth stock areas and specific favorites with an analysis of the factors prompting his views. Mr. Pratt notes the market's inflated extent and thinness, the dependence of the bulk of investors on income, the rise of foreign competition, the increasing demand for leisure and the upward wage pressure.

This is the season for pundits. Forecasts of what the year 1960 or the decade of the 60's will bring, jump at you from the paper of every magazine. Some may even have seen, a few weeks ago, a sober article forecasting what the forecasters would say!

Albert Pratt

In a recent newspaper column, Sylvia Porter pointed out that the Ford Foundation, which presumably has the money and corporate judgment to obtain the highest quality investment advice, not only showed spectacular losses in its bond portfolio, but also in a majority of its common stock purchases during the past bull market year. Perhaps, then, you will not think too unkindly of me if some of my ideas—and they are mine alone—do not prove to be successful.

My brief remarks will be divided into two parts: first, the general factors influencing my suggestions; and second, the areas within which I believe the best growth stocks are to be found, in the course of which I shall stick out my neck and give you my own specific favorites.

Factors Influencing Views Arrived At

First of all, no investor today can afford to close its eyes to the current level of the stock market, or at least to certain apparently inflated segments of the market. Those who remember the 20's, must shudder when they hear today talk of growth multiples, the unimportance of current earnings, and disregard of historical yardsticks, and when they see the prices of some so-called "glamour stocks" reflecting the sunrises of a decade hence. Of course profits have been made in such stocks over the past few years, just as they were in the late 20's. Of course today's cash market, no matter how high is not subject to the self-feeding downward spiral resulting from the shoestring speculation of 1929. But the market is thin today; a small amount of selling can bring about wide price swings in even the most actively-traded stocks; and there are many indications of investor disenchantment with fantastic price-earnings ratios.

Still, in this high tax era of ours, and with the rosy recollections of so many common stockholders during the almost uninterrupted bull market since the war, it is hard to remember that most people depend upon **current income** for their bread and butter. How many people have tax brackets over 50%? Relatively few: less than 2% of our income tax revenues comes from this source. In fact, no less an authority than Dan Throop Smith has estimated that complete abolition of progressive income tax rates over 20% would reduce our Federal income tax take by only 6%. Stockholder censuses show, on the other hand, that more than one out of every eight adults in the United States owns common stock. Thus the vast majority of our stockholders are in the lowest tax bracket.

Do you think these people are indifferent to dividends or yield? Indeed they are not. And though their individual holdings may be small, in the aggregate they constitute a powerful force. Take, for example, the reception of the Treasury's "magic 5's." And just recently, public subscription for Treasury bills reduced by one-quarter of 1%, the effective rates the government had to pay on its short-term borrowings! Yes, the desire for a decent return on one's investment is still a powerful market influence.

The second basic factor affecting my thinking is the changing composition of our working force. We are all familiar with the dramatic increase in our average standard of living during recent years. But, do we know that college educated adults have quintupled in the past generation? Our higher level of education and widespread taste of a better life have quite naturally led to a general desire for more leisure, still better working conditions, and avoidance of menial jobs. Combine this entirely laudable and constructive development with the apparently unbridled power of labor bosses to force wage increases unrelated to productivity and to perpetuate wasteful featherbedding practices, and the result is inevitable: Foreign competition.

Competition from all over the world is not a bogeyman of the future. It is here today. Many are all familiar with the effect of foreign car imports on our automobile industry. But few of us can even begin to appreciate the extent to which products from abroad permeate our entire economy. When a builder in Peoria can import nails from Germany more cheaply than he can buy them locally or in Chicago, we had better sit up and take notice.

Directs Attention to Labor-Savings Area

I suggest therefore, that investor notice will increasingly be directed towards companies that are active in the broad field of producing labor-saving devices—apparatus which our domestic companies **must** install if they are to satisfy worker demand for shorter hours and pleasanter work, and if they are to meet the present challenge of foreign competition. This is a broad field, but I shall cover briefly the more important subdivisions.

Obviously, one of these fields is in the area of **materials handling.** Companies in this field include Allis - Chalmers, Chain Belt, Joy Manufacturing, Link Belt and Yale & Towne. Of these, I think my favorite would be Allis-Chalmers, which is selling at a modest price-earnings multiple, provides a decent dividend return at present price, and has considerable glamour because of its fuel cell development.

Then we come to **control and instrument companies.** For a fully automated factory, one must first have reliable instruments that measure the variables involved in the manufacturing process, and then the necessary control devices to govern the various processes. Among many companies in this field I would mention Bendix, Cutler Hammer, Foxboro, General Electric, your own Minneapolis - Honeywell, Robertshaw-Fulton and Westinghouse. Those relatively conservative will pick Westinghouse for its breadth of coverage, but more dramatic potential can perhaps be obtained from smaller companies, such as Daystrom, Taylor, or even little Hydromatics.

Between the measuring device, manufactured by the instrument company, and the valve or other control device which directly governs the manufacturing process, comes the automatic brain which translates the impulse from various imputs into machine language, analyzes it, and then gives direction to the manufacturing or process control devices. This gets us into the field of **electronic data-processing equipment.** Many are familiar with the prominent companies in this field—Burroughs, General Electric, General Time, IBM, Minneapolis-Honeywell again, National Cash Register and RCA. From this blue ribbon group I would be inclined to pick RCA.

A New Promising Field

Now a word about a little-known division of the automation field which I believe shows extraordinary promise in the years immediately ahead. I refer to the field of **information technology.** The science of automatically classifying, storing, retrieving and presenting in usable form graphic information. All of us are inundated by paper reports, memoranda, graphs and other information of all kinds. We get so much that we cannot possibly digest and use it all. The flood is so great that the useless obscures the useful. Information technology is attempting to solve this problem for all of us—in whatever field of endeavor we may be.

The current output of scientific information has far exceeded the capacity of our existive library systems. Eighty per cent of all the scientists who have ever lived are alive and working today. But their product is scattered in technical publications, most of which is largely unavailable to others working in the same field. One oil company has estimated that it is cheaper for them to spend $100,000 investigating a new process than to search the available literature to see whether someone else has tried the same thing before. The same type of problem exists in substantially every other field.

Have you ever gone to a library to find a simple fact? For example, what is the deepest spot in the ocean? Try it sometime. I guarantee that you will spend the better part of an afternoon rifling through library cards to find the likely book or periodical which might give you the answer, and then through pages and pages of text. Information technology aims to give just the thing you want to know—and nothing else—merely by pressing buttons. Think what that could mean to anyone in business.

The electronic computer developers have made great strides in helping us with this problem. But their difficulty is that everything must first be reduced to a numerical code. The computer is completely helpless when confronted with graphs, maps, or page after page of text. The market for computers has been estimated at $400,000,000 in 1959, soon to reach a billion dollars a year.

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REPORT OF CONDITION OF

Underwriters Trust Company

of 50 Broadway, New York 4, New York, at the close of business on December 31, 1959, published in accordance with a call made by the Superintendent of Banks pursuant to the provisions of the Banking Law of the State of New York.

ASSETS

Cash, balances with other banks and trust companies, including reserve balances, and cash items in process of collection	$8,629,418.41
United States Government obligations, direct and guaranteed	21,184,460.68
Obligations of States and political subdivisions	2,038,117.19
Other bonds, notes, and debentures	481,870.51
Loans and discounts (including $993.98 overdrafts)	19,876,233.94
Banking premises owned, none; furniture and fixtures	252,932.70
Real estate owned other than banking premises	269,697.31
Other assets	221,097.88
TOTAL ASSETS	$52,953,828.62

LIABILITIES

Demand deposits of individuals, partnerships, and corporations	$22,985,259.08
Time deposits of individuals, partnerships, and corporations	4,257,342.49
Deposits of United States Government	1,172,108.43
Deposits of States and political subdivisions	17,882,626.30
Deposits of banks and trust companies	721,297.47
Other deposits (certified and officers' checks, etc.)	1,896,516.66
TOTAL DEPOSITS	$48,915,150.43
Other liabilities	301,878.83
TOTAL LIABILITIES	$49,217,029.26

CAPITAL ACCOUNTS

Capital †	$1,000,000.00
Surplus fund	1,000,000.00
Undivided profits	1,736,799.36
TOTAL CAPITAL ACCOUNTS	$3,736,799.36
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	$52,953,828.62

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

MEMORANDA

Assets pledged or assigned to secure liabilities and for other purposes	$12,540,109.69
Loans as shown above are after deduction of reserves of	164,670.92
Securities as shown above are after deduction of reserves of	126,500.00

I, KENNETH W. LANDFARE, Treasurer of the above-named institution, hereby certify that the above statement is true to the best of my knowledge and belief.

KENNETH W. LANDFARE

Correct—Attest:

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PERCY C. MAGNUS } Directors
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The information retrieval field potential is many times this great.

How is the investor to place a stake in this potentially colossal field? Obviously, he can bet on IBM, with reasonable expectation that their devices will surely find application somewhere in the processes to come. He can buy Eastman Kodak, whose film seems likely to be used at least for the storage elements of the system. To hedge his bets, he can pick Ampex for magnetic tape, or GE for their new process for storing graphic information and there are other possibilities. In each case, however, only a small part of his invested dollar is working for him in the graphic information retrieval field.

Accordingly, I venture to suggest that the investor might look at Itek Corporation whose entire effort is concentrated in the information technology field. Here the investor will find a unique combination of scientific talents devoted to lifting the crushing burden of paper from the scientist, the research worker and the businessman. I know of no other company in which the sophisticated investor receives such a large stake, per dollar invested, in information retrieval.

Other Growth Areas

In discussing the field of automation, in its broadest sense, I do not mean to exclude from the consideration of the growth stock seeker, the other existing possibilities in this dynamic economy of ours. In drugs and chemicals there are several possibilities which could handsomely reward the patient investor. In my opinion the oils are oversold. There are many others. Even in bear markets, selected issues can make new highs.

Those really bearish about the market can still find individual stocks that should show modest appreciation over the year ahead. In particular, I have in mind the common stocks of electric power companies, many of which are in population or industrial growth areas and some of which can currently be bought to yield close to 5%. In the long run, these unspectacular performers may show more growth than the "glamour boys."

In short, my investment philosophy today is simple: Be alert to the new developments in a rapidly changing world, but do not neglect the economic fundamentals which always prevail in the long pull.

*An address by Mr. Pratt before the 1960 Investment Outlook meeting sponsored by Paine, Webber, Jackson & Curtis, Minneapolis, Minn., Jan. 14.

S. D. Fuller & Co. Sells Benson Com.

Public offering of $2,000,000 of 6% convertible subordinated debentures, due Nov. 30, 1971 and 130,000 shares of common stock of The Benson Manufacturing Company, was made on Jan. 19 by S. D. Fuller & Co. and associates. The debentures were offered at 100% and accrued interest from Dec. 1, 1959 to date of delivery, while the common stock was priced at $11.50 per share. The offering, marking the first public sale of the company's common stock, was oversubscribed and the books closed.

Net proceeds from the financing will be used by the company for various corporate purposes, including the purchases of additional manufacturing equipment, the purchase of buildings, the retirement of a bank loan. The balance of the proceeds will be used for additional working capital required for enlarged manufacturing facilities and expanded operations of the company.

The Benson Manufacturing Company, Kansas City, Mo., is one of the oldest aluminum fabricating companies in the country. Incorporated in 1928 as Benson Brass & Chandelier Works, Inc., a continuation of a business founded in 1907, the company's name was changed to The Benson Manufacturing Company in June, 1937. Operating four plants in Kansas City, Mo., the company is a precision metal fabricator specializing in aluminum but with established capabilities in the fabrication of magnesium, stainless steel and titanium.

Davenport Co. to Admit Partner

RICHMOND, Va. — Davenport & Co., 1113 East Main Street, members of the New York and Richmond Stock Exchanges, on Feb. 1st will admit William A. Wallace, Jr. to partnership.

Harris & Co. Will Admit Stein

DETROIT, Mich.—Harris & Co., Book Building, members of the New York Stock Exchange, has admitted Myron D. Stein to partnership effective Jan. 21st.

Sutro Bros. & Co. To Admit Partners

Sutro Bros. & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on Feb. 1 will admit Arthur Koch and Ernest H. Steiner to partnership.

Form James, Martin Co.

CHICAGO, Ill.—James, Martin & Company has been formed with offices at 2812 West Peterson Avenue to engage in a securities business. Officers are James L. Marcus, President; Martin H. Shender and Samuel S. Herman, Vice-Presidents; and Edward G. Edelstein, Secretary-Treasurer.

Investment Firm Names New Officers

Election of a new Board of Directors and new corporate officers for Securities Corporation General, 48-year-old registered closed-end investment company, has been announced by John R. Peddy, new President and director of the corporation.

In addition to Mr. Peddy, other officers elected were: Michael G. Moore, Vice-President, and M. Hoffman, Secretary-Treasurer.

The new Board of Directors consists of: Mr. Peddy, Gerard B. Henderson, a member of the New York Stock Exchange, and an officer and director of a number of other corporations, and David Finkle, senior partner of the firm of Finkle, Seskis and Wohlstetter, members of the New York Stock Exchange.

In making the announcement, Mr. Peddy stated that Dynamics Corporation of America had divested itself of all its holdings in Securities Corporation General.

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THE FAIRFIELD COUNTY TRUST COMPANY

Harold E. Rider, *President*

STATEMENT OF CONDITION AS OF DECEMBER 31, 1959

RESOURCES		LIABILITIES	
Cash and due from banks	$ 22,619,562.20	Capital	$ 5,486,250.00
U. S. Government Securities	39,944,632.59	Surplus	6,615,062.50
Other Bonds and Securities	16,083,522.56	Undivided Profits	1,283,102.83
Loans and Discounts	105,898,304.47		$ 13,384,415.33
Banking House, Furniture and Equipment	3,466,531.59	Reserves	1,009,384.68
Other Real Estate	40,293.42	Other Liabilities	1,761,605.41
Other Assets	261,912.26	Unearned Discount	1,237,747.43
		Deposits	170,921,606.24
Total Resources	$188,314,759.09	Total Liabilities	$188,314,759.09

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Second National Bank
Ashland, Kentucky

STATEMENT OF CONDITION AS OF DECEMBER 31, 1959

ASSETS

Cash on Hand and Due from Banks	$6,482,100.64	
United States Government Securities	8,485,370.08	$14,967,470.72
Public Housing Authority Securities	206,227.65	
Federal Agency Securities	949,750.00	
Municipal Securities	1,485,577.25	2,641,554.90
Total Cash and Securities		17,609,025.62
Stock in Federal Reserve Bank		54,000.00
Loans and Discounts		12,465,579.93
Bank Building	$ 544,685.30	
Furniture, Fixtures and Equipment	1.00	
Total Fixed Assets		544,686.30
Other Assets		71,404.02
Overdrafts		4,471.38
TOTAL ASSETS		$30,749,167.25

LIABILITIES

Deposits		$27,794,605.70
Reserved for Taxes, Interest, Etc.		45,027.97
Other Liabilities		24,266.68
Capital Stock	$ 700,000.00	
Surplus	1,100,000.00	
Undivided Profits	444,993.34	
Capital Funds	$2,244,993.34	
Loan Valuation Reserve	640,273.56	
Total Capital Funds and Reserves		2,885,266.90
TOTAL LIABILITIES		$30,749,167.25

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A Deflationary Tour on The Road to Inflation?

By William Stix Wasserman, *William Stix Wasserman & Co., Inc., New York City*

Recalling 1929, investment banker maintains that while admittedly "times have changed," our free enterprise system is still subject to cyclical depressions. Among present portents of trouble, Mr. Wasserman cites tremendous overdose of state and consumer "on-the-cuff" debt, plant over-production, top-heavy inventories, and increasing competition from abroad. Doubts generally assumed permanence of "stupid" armament race with its inflationary spending. Ventures opinion economic and monetary retrenchment and deflation will be tried, with an ensuing re-inflation—but with a drastic intervening decline in common stock values.

We, who still remember Oct. 29, 1929 and carry on our backs the scars of the early '30s are apt to be called today's Cassandras when we compare the optimists of the then "New" era with young hopefuls of today who are so confidently buying the future at 50 times earnings because they believe inflation is here to stay and science has no market limitations. To be sure, times have changed. Government spending, deficit financing, the rising tide of wages and a surging population plus the rapid advance of technology have all helped to create a tide of optimism backed by the record of the past 25 years, but lest we forget there certain fundamental rules governing a free enterprise system that remain constant. The first is that our system is a cyclical system. It has never been a one-way street. Secondly, every period of prosperity brings within its wake an overdose of debt, and such overdoses of debt have always been the forerunners of depression.

W. S. Wasserman

Some Uncomfortable Reminiscences

It is no wonder, therefore, that the situation today reminds one in some respects of some of the conditions that prevailed in 1928, and 1928 when it was possible to buy good bonds yielding above 6% and stocks sold to yield far less than the current cost of money. Looking into the future, now that the steel strike is settled, I can foresee an intermediate period of good business, but I can also foresee the initial signs of top heavy inventories, plant over-production and most important of all, a cumbersome burden of debt. The buying prosperity of the last six months has been due in no small measure to the tremendous increase in debts of all kinds—state, municipal, installment and now the burgeoning credit card, where you can buy everything from a meal to a trip around the world on the cuff. Our debts go up day by day, month by month in a sharply ascending spiral. One of these days this pyramid of increasing debt is going to be brought to a standstill by the monetary authorities who are already alarmed. Whether that alarm is going to be triggered as it has been in the recent past by an overdose of speculative activity on the stock exchange or by some other symbol of inherent instability, that alarm once again will put a temporary end to our speculative mood, and we will begin to see the possibility of a major depression. Ever since the NEW DEAL each incipient depression has been stopped before its full maturity by a resort of the time honored pumps namely, sharply increased government expenditures and the unbalanced budgets that were so happily discovered and put to work under Mr. Roosevelt's first New Deal administration.

A Weaker Dollar

But today there is a new factor abroad in the world which makes me doubtful whether this remedy will be applied in time to prevent a very serious upset in the economy. The new factor is that the dollar is no longer as strong as it was. We have not only priced ourselves, through constant doses of inflation, out of the competitive market in many areas, but much more importantly, for the first time in our history we are experiencing competition from abroad with new competitors whose plant and equipment and technological efficiency is the equal of ours and who have the benefit of far lower labor costs than we have. No longer, for example, do we occupy a preeminent position in the export of automobiles. In fact, the American motor companies as far as their U. S. production is concerned, have largely lost their export markets. What is true of American automobiles is true of a vast host of other articles that we used to export in quantity—machine tools is just one example and agricultural machinery is another. Today, Germany, Russia, Italy and Japan as well as Great Britain are all major exporters of machine tools, many of which are selling at competitive prices below our minimum costs. In agriculture we have been forced to adopt an almost giveaway program in order to rid ourselves of surpluses. Brazilian and Mexican cotton is now going into areas that were formerly supplied primarily by the U. S. To be sure, we still have a vast reservoir of strength abroad. We are a creditor nation. A large portion of the world's fuel supplies are owned, distributed and controlled by American companies. However, the fact remains that with the European economy growing stronger as a result of the common market and their methods of manufacture and distribution quickly catching up and in some cases surpassing ours, we are no longer in the predominant position that we occupied amongst the free nations of the world. In addition, along with the other free nations of the world, we are going to find ourselves up against the steadily increasing impact of Soviet competition, a competition that will be ruthless and severe, a competition where the cost price of an article does not necessarily determine its selling price. To be sure, wages are advancing abroad, but they are still far below American standards. The more important factor is that their technology is rapidly catching up with ours.

Impermanent Stupidity

Finally, it seems to me to be extremely foolish to count on a continuation of human stupidity indefinitely. We have now reached a point in our negotiations with the Soviet where some form of armament limitation is definitely in prospect. This has been achieved as a result of both countries having arrived at the point where in the event of war neither side can win and both sides can be destroyed. Therefore, to continue to spend large sums of money for weapons that will only be used in the event of the destruction of both countries is the height of absurdity especially when the world needs to employ these resources constructively for the improvement of the standard of living of mankind as a whole. How soon we will be able to reach an agreement with Russia no one can tell, but certainly the peoples of both the U. S. and the Soviet eagerly desire an agreement that at worst will provide some form of limitation and at best can eventually lead to a major lifting of the burden of armament. Although I look for nothing precipitous to take place, the very act of limitation will bring about a disruption in our present industrial pattern and will certainly have vast repercussions in some of the sectors of the market, and this in return may depress the market as a whole.

Unprecedented Dollar-Flight Threat

The gist of my argument is that when the next downward movement sets in, it cannot be corrected as it has been in the past by manning the government pumps of expenditure without the possibility of provoking a flight from the dollar. This fact may delay the necessarily increased government spending to the point that the next depression may be much more severe than the minor depressions we have experienced over the last 25 years. Eventually, as the depression deepens, the government is likely to grow panicky, and finally, throwing precaution to the winds, will once again embark on a very large scale spending program. Coming at a time when our balance of payments is adverse, there is likely to be a run on the dollar that will necessitate an embargo against the export of gold. But this will only come after the country has already witnessed a considerable depression.

There is another possibility, namely, coordinated action by the Free World nations leading to a multilateral increase in the gold price in which event the Treasury will show a large increase in the dollar balances, thereby permitting the government to embark on a large spending program without the necessity of onbalancing the budget. In either event, the holder of gold will benefit and the dollar will be cheapened.

The Optimistic Counter Argument

There are many counter arguments to the opinions I have just expressed. These are based on the following—growing population, more rapid obsolescence, the speedy developments of new techniques and the new industries being brought into play by the increased tempo of modern invention. However, when these are stacked up against the growing indebtedness of the individuals, the states and the Federal Government, they remind me of the spectacle of the infantry in the first world war when they were being attacked for the first time by tanks. What most people have failed to realize is that the iron rule of a capitalist society is that each period of prosperity brings in its wake an overabundance of debt, the only cure for which is either deflation or inflation. For the first time in our history, we are threatened by the prospect that should we continue to follow the inflationary route which appears to be the most painless one and socially much more desirable, we are going to run up against the possibility of a flight from the dollar.

We must remember that once our debts have reached a certain proportion of our national income, there are only two ways to scale them down. The first is to take the more painless route of inflation—the consequences of which next time may well be a flight from the dollar and an embargo on gold with a consequent weakening of the American position throughout the world. The second route is the more disagreeable one—the route of bankruptcy, the scaling down of debts through the *force majeur* of the bankruptcy court and consequent reorganization. This has always brought about a vast increase in labor productivity and also unemployment. It has brought about incipient farm revolts and in the history of the world since 1914 has never been successfully carried through to the end.

Statement of Condition

December 31, 1959

RESOURCES		LIABILITIES		
Cash and Due from Banks	$111,027,167	Deposits		$394,317,575
U.S. Government Securities	81,291,087	Unearned Income		4,029,851
State, Municipal and Other Securities	50,140,549	Accrued Federal and State Taxes on Income		967,103
Loans and Discounts	186,081,520	Dividend Payable in January		496,250
Accrued Income Receivable	1,290,330	Other Liabilities		1,841,919
Banking Houses	5,055,810	Reserve for Contingencies		500,000
		Capital Funds:		
		Capital Stock (Par Value $12.50)	$12,406,250	
		Surplus	14,500,000	
		Undivided Profits	7,001,348	
		Total Capital Funds		33,907,598
Other Assets	1,173,833			
	$436,060,296			$436,060,296

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(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—John R. Fishdick and Samuel Ostach have become associated with J. P. Lewis & Co., 735 North Water Street.

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Closer Economic Links Are A Welcomed Sight Indeed

By Dr. Paul Einzig

Recent American-Canadian initiative in attempting to forge closer economic cooperation with and within Europe spells good news to Dr. Einzig who feared emergence of U. S. A. protectionism, isolationism, and rivalry verging on economic war in Europe. The commentator admits European economic cooperation depends greatly on France's ability to continue its economic recovery and solve its Algerian problem without a domestic explosion. He also relates British anxiety that inflationary effects of our steel settlement will have inflationary repercussions on wages and prices in Britain or cause pressure to break the link between the dollar and sterling.

LONDON, England — As a result of the Ministerial meeting held in Paris a modest beginning has been made of the new movement towards the establishment of closer economic links between Western Europe on the one hand and North America on the other. The American move in taking the initiative to that end aimed at killing three birds with one stone. In the first place the United States wants to be included in the benefits that might result from the establishment of broader trading areas in Western Europe. This end could be served by joining O. E. E. C. as a full member subject to certain restrictions. In the second place it aims at organizing economic aid to underdeveloped countries on a broader basis. In the third place the new policy may create a bridge between the two rival trading groups of Western Europe, the Common Market and the Free Trade Association.

All these aims are in accordance with British interests as well as American. It has never been Britain's aim in seeking to establish a European Free Trade Area to gain advantages at the expense of the United States. If the Free Trade Area could be expanded over North America, or at any rate if some of its provisions could be applied there, so much the better. The encouragement of the penetration of American competitors in the Western European markets is considered in London to be infinitely preferable to a revival of protectionism and isolationism in the United States. In contrast with the narrow French attitude towards the problem the British attitude is in accordance with British free trader traditions.

The idea of placing economic assistance to backward countries on broader foundations is also viewed with favor in Britain, where it is realized that the United States can no longer be expected to carry the high proportion of the "white man's burden" that they have been carrying since the end of the war. Britain is quite prepared to increase its share within the limits of its means. For one thing Britain is directly responsible for the underdeveloped peoples of the Commonwealth. If the proposed scheme means that other Western European countries too will be roped in to carry their share of the burden it will be all to the good from a British as well as from an American point of view.

Breaking the Deadlock

Finally, the American move seems to have broken the deadlock which arose between the Common Market and the Free Trade Association. All the British efforts to link the two organizations have until now encountered uncompromising resistance on the part of President de Gaulle's France. Before the Paris meeting it looked as though the two trading groups would remain isolated from each other and might drift into rivalry verging on economic war. For this reason British opinion is duly grateful to the United States and Canada for intervening with the result of inducing France to agreeing that the work of the proposed committee that is to deal with this matter must enjoy high priority. Without the American-Canadian initiative it might have taken years before even that modest result could have been achieved, if indeed it would have ever been achieved at all. It is true we are very far from having found a common basis for an agreement and President de Gaulle can be depended upon being thoroughly difficult. Nevertheless, the mere acceptance of the aim of establishing such cooperation constitutes progress far beyond our most optimistic expectations.

It is, of course, premature to rejoice over the results, and the Paris negotiations have already revealed some considerable diversions between points of views, which are likely to impede future negotiations. Nevertheless, there can be no doubt that the presence of the United States and Canada at these discussions will facilitate their progress.

Much will depend on the economic progress in France during the coming months. The recovery that has taken place in that country has been very remarkable indeed, and if President de Gaulle succeeds in solving the Algerian problem without thereby provoking a violent political explosion at home, progress is certain to become accentuated. A stage will soon be reached at which France, so far from being the economic "sick man of Europe," will achieve sufficient economic strength to deal on equal footing with Britain and even with the United States. Once that stage has been reached President de Gaulle may show more inclination towards cooperation with the rest of us in the economic field. If French industries are sufficiently prosperous they will no longer be afraid of becoming party to an arrangement under which they would have to face increased British and American competition in the Common Market.

Hopes We Have No Revival of Inflation

It would be a pity if, as a result of a revival of inflation caused by the terms of the recent settlement in the steel industry, the United States would be unable to derive full benefit from an arrangement under which American industries would gain access to the Common Market and to the Free Trade Association. The view is taken in London that it looks as if the American steel using industries would outprice themselves from international markets.

There is a certain amount of anxiety about the possible repercussions of a revival of inflation in the United States on the trend of wages and prices in Britain. In a letter to *The Times* a leading British economist Sir Ralph Hawtrey, suggests that, to prevent this, the link between sterling and the dollar should be severed, and sterling should be allowed to appreciate in proportion to the rise in American prices. It seems to be utterly unlikely that this proposal, which has been advocated by Sir Hawtrey off and on for some 15 years, would be taken up. The last thing the government would want would be a drastic revision of the Gretton Woods system.

Chicago Analysts to Hear

CHICAGO, Ill.—A. O. Carpenter, President of the Chain Belt Company, will be guest speaker at the luncheon meeting of the Investment Analysts Society of Chicago to be held Jan. 21 at the Midland Hotel.

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Cash	$ 53,198,199.94
U. S. Government Bonds*	94,936,282.53
Other Stocks and Bonds*	15,337,634.11
Loans*	168,359,274.78
Mortgages*	59,741,569.17
Banking Houses	6,195,410.94
Accrued Interest & Other Income Receivable	1,522,583.91
Other Assets	352,288.04
	$399,643,243.42

*Net after applying evaluation reserves

LIABILITIES

Deposits	$364,201,006.19
Reserve for Interest & General Expense	803,155.04
Reserve for Federal Income & Other Taxes	1,033,673.64
Reserve for Unearned Discount	3,014,490.95
Dividends Declared & Payable February 1st	500,246.25
Capital Funds	30,090,671.35
Common Stock $10,531,500.00	
Surplus 15,000,000.00	
Undivided Profits 4,559,171.35	
$30,090,671.35	
	$399,643,243.42

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President Predicts Surpluses In Fiscal 1960 and 1961

President's next to last annual budget projects a $4.2 billion fiscal 1961 surplus and a $1.4 billion increase in spending compared to 1960's estimated expenditures. Congress is admonished to apply the surplus to debt retirement and not to tax reduction in a forthright stress on contracyclical fiscal policy in an election year. The Budget Message underscores the importance of fiscal soundness in meeting our domestic and international aims, and strongly advise that adherence to the principles enunciated in the revenue and expenditure sides of the budget would lay the foundation for future surpluses, tax reductions and reservoir of economic strength.

President Eisenhower's Budget Message to Congress, delivered last Monday, Jan. 18th, provides for a $79.8 billion budget for the 1961 fiscal year, no let up in taxation during the prosperous period expected ahead, and the happy prospect of a $4.2 billion surplus despite $1.4 billion planned increase in fiscal 1961's spending.

Pres. Eisenhower

The budget is the last one the President will live with, in cooperation with a Congressional oppositional majority, and the next to last one in his term of office. In effect, the submitted budget sums up his philosophy as to fiscal soundness and the role of government so as to assure a stronger military defense and balance in the cold war, exploration of space, meaningful assistance to underdeveloped countries, and real economic growth at home. It particularly urges Congress not to reduce taxes, increase spending or fail to pass $1 billion recommended tax increases so as to achieve the projected surplus and reduction of our huge Federal debt.

The fiscal blueprint calls for higher aviation and gasoline fuel taxes and postage rates; continuation of corporation, transportation and local telephone taxes; deferral of taxes on earnings in underdeveloped areas until repatriated; some correction in our depletion tax laws; extension of the temporary higher debt limit for another year at a lower level —if the budget is not increased or revenues decreased; increase in actual military outlays, space projects and mutual security program; and removal of the interest rate ceiling on government bonds.

The budget message, delivered to the Congress on Jan. 18, stated in part as follows:

To the Congress of the United States:

With this message, transmitting the Budget of the United States for the fiscal year 1961, I invite the Congress to join with me in a determined effort to achieve a substantial surplus. This will make possible a reduction in the national debt. The proposals in this budget demonstrate that this objective can be attained while at the same time maintaining required military strength and enhancing the national welfare.

This budget attests to the strength of America's economy. At the same time, the budget is a test of our resolve, as a nation, to allocate our resources prudently, to maintain the nation's security, and to extend economic growth into the future without inflation.

In highlight, this budget proposes:

(1) Revenues of $84 billion and expenditures of $79.8 billion, leaving a surplus of $4.2 billion. This surplus should be applied to debt reduction, which I believe to be a prime element in sound fiscal policy for the nation at this time.

(2) New appropriations for the military functions of the Department of Defense amounting to $40.6 billion, and expenditures of $41 billion. These expenditures, which will be slightly higher than the 1960 level, will provide the strong and versatile defense which we require under prevailing world conditions.

(3) Increased appropriations (including substantial restoration of congressional reductions in the 1960 budget), and a virtual doubling of expenditures, for non-military space projects under the National Aeronautics and Space Administration. This furthers our plans to keep moving ahead vigorously and systematically with our intensive program of scientific exploration and with the development of the large boosters essential to the conquest of outer space.

(4) Nearly $4.2 billion in new appropriations for mutual security programs, an increase of about $950 million above appropriations for the current year, with an increase of $100 million in expenditures. This increase in program is needed to accelerate economic and technical assistance, chiefly through the Development Loan Fund, and to strengthen free world forces, in particular the forces of the North Atlantic Treaty Organizations, with advanced weapons and equipment.

(5) A record total of expenditures, $1.2 billion, for water resources projects under the Corps of Engineers and the Bureau of Reclamation. In addition to funds for going work, this amount provides for the initiation of 42 new high-priority projects, which will require $38 million in new appropriations for 1961, and will cost a total of $496 million over a period of years.

(6) Substantially higher expenditures in a number of categories which under present laws are relatively uncontrollable, particularly $9.6 billion for interest; $3.9 billion to help support farm prices and income; $3.8 billion for veterans compensation and pensions; and $2.4 billion in aid to State and local governments for public assistance and employment security activities. The aggregate increase in these relatively uncontrollable expenditures is more than $1 billion over 1960.

(7) Research and development expenditures of $8.4 billion—well over one-half of the entire nation's expenditures, public and private, for these purposes — in order to assure a continuing strong and modern defense and to stimulate basic research and technological progress.

(8) Recommendations for prompt legislative action to increase taxes on highway and aviation fuels, and to raise postal rates. These measures are needed to place on the users a proper share of the rising costs of the Federal airways and postal service, and to support the highway program at an increased level.

(9) Recommendations to extend for another year present corporation income and excise tax rates.

(10) A constructive legislative program to achieve improvements in existing laws relating to governmental activities and to initiate needed actions to improve and safeguard the interests of our people.

In short, this budget and the proposals it makes for legislative action provide for significant advances in many aspects of national security and welfare. The budget presents a balanced program which recognizes the priorities appropriate within an aggregate of Federal expenditures that we can soundly support.

I believe that the American people have made their wishes clear: The Federal Government should conduct its financial affairs with a high sense of responsibility, vigorously meeting the nation's needs and opportunities within its proper sphere while at the same time exercising a prudent discipline in matters of borrowing and spending, and in incurring liabilities for the future.

Budget Totals

During the present fiscal year we have made encouraging progress in achieving sound fiscal policy objectives. The deficit of $12.4 billion in fiscal 1959, which was largely caused by the recession, is expected to be followed by a surplus of $217 million in the current year. To safeguard this small surplus, I am directing all government departments and agencies to exercise strict controls over the expenditure of Federal funds. Even so, the slender margin of surplus can be attained only if economic growth is not interrupted.

For the fiscal year 1961, I am proposing a budget surplus of $4.2 billion to be applied to debt retirement. In my judgment this is the only sound course. Unless some amounts are applied to the reduction of debt in prosperous periods, we can expect an ever larger public debt if future emergencies or recessions again produce deficits.

In times of prosperity, such as we anticipate in the coming year, sound fiscal and economic policy requires a budget surplus to help counteract inflationary pressures, to ease conditions in capital and credit markets, and to increase the supply of savings available for the productive investment so essential to continued economic growth.

The budget recommendations for 1961 lay the groundwork for a sound and flexible fiscal policy in the years ahead. A continuance of economic prosperity in 1962 and later years can be expected to bring with it further increases in Federal revenues. If expenditures are held to the levels I am proposing for 1961 and reasonable restraint is exercised in the future, higher revenues in later years will give the next administration and the next Congress the choice they should rightly have in deciding between reductions in the public debt and lightening of the tax burden, or both. Soundly conceived tax revision can then be approached on a comprehensive and orderly basis, rather than by haphazard piecemeal changes, and can be accomplished within a setting of economic and fiscal stability.

Budget expenditures in 1961 are estimated at $79.8 billion, which is $1.4 billion more than the 1960 level. The total increase is attributable to (1) an increase of more than $1 billion in relatively uncontrollable expenditures for farm price supports fixed by law, interest on the public debt, veterans compensation and pensions, and public assistance grants, and (2) an increase of about $500 million in expenditures because of commitments made in prior years for Federal housing programs, for civil public works projects and other construction, for loans under the mutual security program, and for other programs.

New activities and expansion of certain other programs have been included on a selective basis of need. These increases are offset by reductions in other existing programs, including the proposed elimination of the postal deficit.

New obligational authority recommended for the fiscal year 1961 totals $79.4 billion. This is $306 million less than the amounts already enacted and recommended for 1960, and $401 million less than estimated expenditures in 1961.

Budget receipts under existing and proposed legislation are expected to rise substantially to $84 billion in 1961. This compares with the revised estimate of $78.6 billion for 1960 and actual receipts of $68.3 billion in 1959.

Management of the Public Debt

Achievement of the proposed budget surplus will provide an opportunity to offset part of the deficits incurred in the fiscal years 1958 and 1959 largely because of the recession. The corresponding reduction of the public debt will reduce government competition with private industry, individuals, and state and local governments for investment funds and will help ease the pressure on interest rates. Along with the recommended removal of the interest rate ceiling on long-term Federal debt, this will help hold down budget expenditures for in-

Continued on page 33

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Trailers Seen Leading—Not Trailing in Growth

By Roger W. Babson

Trailers as homes, as mobile hotel rooms and—particularly for the future—as mobile factories for small businesses are envisioned in glowing terms with regard to their future growth prospects.

The so-called "trailers" are enjoying great growth in every state of our country. This especially applies to Florida and the South, including Texas; and to California and all the Pacific Coast.

Mobile Houses Described

These average about 35 feet in length and sell, fully equipped, at about $100 per foot. There are larger ones, 40-50 feet long and 8-10 feet wide, usually with two complete bedrooms, a studio couch in the living room, and ample bathroom and kitchen. They are heated and air-conditioned, and have food refrigeration and every other convenience.

They are usually located in a pleasant parking lot, at a charge of about $20 per month. Some have adjoining cabanas with porch furniture. They also may have private phones, if desired. There is no grass to cut, garbage is taken care of, and milk is delivered.

Many Other Advantages

Those who visit the same trailer park each winter, or who leave their trailer there the whole year—perhaps unoccupied three months of the year—become very friendly and helpful to one another. They watch out for one another in case of illness and often invite their trailer friends to their permanent northern homes.

Trailer "fans" also are able to see much of the country—having an advantage over those who buy small permanent homes or stay at motels. By the way, I should mention that the largest trailers must be hauled by tractors; but anything under 35 feet can be hauled by private auto.

Rules When Buying Property in Another State

(1) Be sure you see the property before buying. Do not buy from a blueprint, "sight unseen." (2) Try not to be the earliest buyers on a new subdivision, but wait and see what kind of people your neighbors would be. (3) Buy raw land only, for cash—then go to a local bank to get help in building a house. (4) Otherwise, buy or rent a trailer and rent a lot for your trailer with an option to buy later on if you wish.

Mobile Factories Are Coming

Many young people—after they have learned a trade—are anxious to go into business for themselves, but fear the competition which the big corporations could give them. I forecast that the mobile small factory will be a great help to such young people.

This means that a couple could buy a bakery, a candy shop, or a stocking factory, all equipped with the latest machinery and ready to operate. They could bring this factory to a central location in the city in which they live or some adjoining city.

One Operate the Factory, the Other Sell the Product

One of the owners would operate the "factory" with two or three local assistants; while the other would sell the product. There would be no labor unions to struggle with. The "factory" would not be big enough to cause concern to any large corporations.

Recent Congressional action authorized formation of "small business investment companies" which could help finance just such new small concerns in many fields. For the address of the office nearest to you, see your local Chamber of Commerce or contact your regional Small Business Administration office.

National Co-operation Possible

The companies making these mobile factories might agree to sell only one of a kind to each city (depending upon the size of the city). Then all the mobile bakeries could form an association to buy their supplies cheaper than it would cost the independent units. A similar plan could be followed by the mobile candy factories, etc.

Not only could such a plan be set up to give qualified young people a chance to go into business profitably for themselves; but any mobile factory could easily be moved to another city, or sold. This would be an especially valuable feature not enjoyed by fixed factories. In fact, I forecast that these mobile factories will have a great growth during the "Wonderful Sixties" ahead of us.

Evening Courses In Securities Sponsored by NYSE

The New York Stock Exchange has reported that a record number of evening adult courses in securities and investing has been scheduled for the winter term in the New York area.

Sixty-nine or more such courses are beginning this month or next at schools, libraries and community centers in New York City and environs. This is more than double the number of courses offered at this time last year.

This is the sixth year the courses have been offered locally and nationally. More than a half-million persons—equally divided between women and men—attended similar classes throughout the country last year. There are no charges, other than small registration fees set by some of the evening schools.

Developed by the Exchange as part of its broad educational effort, the courses are conducted by volunteer members of the Exchange's Investors' Information Committees in 85 cities around the country. In the New York metropolitan area, some 300 representatives of 100 Exchange Member Firms will serve as lecturers.

The courses consist of eight or nine weekly sessions of 90 minutes each, divided into lecture and question periods. Literature, films and other visual aids are provided by the Exchange.

Material covered includes types of securities, how to read the financial page of a newspaper, how to interpret corporation financial reports, how economic indicators are useful to investors, Government finance and the Federal Reserve System, investment characteristics of specific industries, and portfolio management.

The Exchange will help schools, libraries, professional societies, management-employee groups and other organizations arrange and schedule the courses at any time during the year. Details may be obtained by writing to the Investors' Information Program, New York Stock Exchange, 11 Wall Street, New York 5, New York.

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The Case for Railroads As a Growth Industry

By John D. Loftis,* *Marketing Director, American Car and Foundry Division, ACF Industries, Inc., New York, N. Y.*

Contradicting gloomy views held regarding the future of railroad industry, Mr. Loftis details evidence of progress made supporting his contention that rails are a growth industry. After citing progress made since World War II with $15 billion spent, said to reflect the growing confidence of the railroad in themselves, the rail supply company official anticipates such future potential accomplishments as: reduction of rail freight costs by half; increase from present 43% to 50% in handling of gross ton-miles of all transportation; doubling to 6%, or more, of rail after-tax profits; and further technological advances.

I should like to propose here that the railroads are not the backward, reactionary, stick-in-the-mud utilities that some people would have you think they are, but rather they are forward looking, ingenious, industrious and resourceful.

J. D. Loftis

First I shall try to prove this by an analysis of the record. Then, by looking ahead, I shall try to show that the railroads comprise a growth industry, calamity howlers notwithstanding, and that their growth will result principally from unbelievable improvements in both equipment and methods.

I am not an economist. I am an equipment man. Perhaps this is why I am so convinced that the growth potential of the railroads is dependent upon and is resulting from improvements in equipment and methods, and that this in turn is causing railroads to become attractive long-range investments.

I hasten to add that this is not just one man's opinion, nor one based on seat-of-the-pants judgment of the passing scene. It is the distillation of all our market research at ACF Industries in our role of supplier to the railroads. It is my intention to pass along our interpretation of these findings, the interpretation that is reflected in all our forward planning.

First let us consider the background.

No industry has had wider editorial and public attention paid to its problems than the railroads. And no wonder! What with rigid and obsolete regulatory rules and policies, ever-increasing competition from other carriers and the private automobiles, and soaring passenger train deficits, this absolutely basic and essential industry is plagued by a most serious assortment of troubles. And these troubles are of direct concern to the government, private enterprise and the people of this nation.

A good many persons, because of these problems, regard the railroads' future as a gloomy one. I do not concur. It seems inevitable that tax, legislative and regulatory reforms concerning the railroads are coming. There is good evidence that the golden age of the 130-year-old Iron Horse is yet to come.

Rails Growing Confidence in Themselves

Of course, the railroads must earn by their own actions any attention, respect and cooperation they are to receive. And so the most impressive evidence of all that better times are coming is in the confidence of the railroads themselves.

Since World War II, railroads of this nation have spent $15 billion to do two basic things: (1) to improve service, and (2) to provide lower operating costs. Just to demonstrate how much $15 billion is—well, it represents a stack of thousand dollar bills one mile high. And these dollars are *not* out of the United States Treasury, but out of the pants pockets of private citizens who are betting the railroads are here to stay.

No, the Iron Horse isn't lying down. He is throwing his whole weight into the battle to survive and to do a better job than ever. We feel he is earning his right to be known as—and to reap the benefits of being known as—a growth industry.

As a matter of fact, railroads are the only public utility trying to get approval to lower their rates while all the others are continually trying to increase theirs.

But these are just words, and I said I would try to prove them by analyzing the record of the past ten years—that is, what happened to those $15 billion. Probably no single one of the accomplishments that I am going to recall is new to you, but it is very possible that you have not considered the total impact of the complete roster of them at any one time.

It takes new products and new methods to make a growth industry—and we have them on the railroads. Please evaluate this list of equipment and methods, making history today, that were unknown or barely in the conversational or early development stage a scant ten years ago:

Cites Progress Made

The piggybacking method of shipping freight, including demountable containers as well as highway trailers.

Covered hopper cars and the tremendous increase in the number of products carried economically in them.

Many variations of tank cars and ladings carried.

Standardized design cars, with their economies of construction and operation.

Dieselization of the locomotive fleet.

Electronically controlled freight yards and signaling equipment.

Car leasing plans for the railroads.

This list covers only the major categories. There are many others, and a tremendous number of refinements within these categories that just cannot be covered in a short paper. I think it would be of more value and more impressive to expand somewhat on the broad areas that I have mentioned. They add up to a number of success stories of which the industry can be proud.

Now—I have to start somewhere and it may as well be with piggybacking, which probably is also the most talked about.

This method of shipping freight certainly must be considered to have come of age. Ten years ago it was strictly in the conversation stage. J. P. Newell, the Board Chairman of Trailer Train Co., has said that, "today piggyback is growing so fast that no one can tell where it will be 10 years from now."

More specifically, the expansion of piggybacking is running in four directions — traffic, participants, area and equipment. Last year loadings totaled about 415,000 cars and 580,000 trailers, about 50% more than there were in 1958. This is in contrast to the 2% increase in all forms of railroad freight loadings.

Participants have increased in the past year to more than 50 railroads, including virtually every Class I railroad in the country. Service has been extended in one way or another to all 50 states, most of Canada, and many foreign ports. Types of ladings have diversified beyond all ability to compile them. Perhaps the most revealing one is the sudden intense interest of the automobile companies that only recently were saying that all but 3% of finished auto deliveries had been taken off the railroads in favor of the highways, and that they were trying to remove the remainder.

Actually, the total volume of piggyback freight still is very low, 1.3% of all railroad traffic. I believe it is the trend that *equipment* is taking that provides the more significant view of things to come. It was less than three years ago that ACF first marketed its retractable trailer hitch, the first equipment specifically designed to hold trailers to flatcars. This has become the industry standard for such devices and more than 13,800 have been sold in this short time.

The next step was the production of a flatcar designed with the hitch specifically for use in piggyback service. The result was the ACF 85-foot flatcar, 10 feet longer and 15,000 pounds lighter than its predecessors. Each one can carry two 40-foot or three 27-foot highway trailers with a combined gross weight of 140,000 pounds. And other cars and systems, such as the Flexi-van and the modified Clejan Car are making places for themselves in the piggyback field.

It is significant that in the past year more cars built specifically for piggyback service were ordered by the railroads than in all the previous years combined.

Standardization Dream Comes True

Most significant of all is that at last both railroads and freight forwarders have come to an agreement on standard-length flatcars and standard-size containers, a move that was adopted by the American Standards Association and the National Defense Transportation Association.

Although the details for this haven't been worked out, the concept has been accepted. If one had predicted this only a year ago, he would have been called a dreamer.

In the railroad business one may consider demountable containers as part of the over-all piggybacking picture. Of course, ten years ago one wouldn't have considered containerization at all since interest in the concept simply didn't exist then. Now, stimulated by the interest and research of the railroads and their suppliers, it promises to be the dark horse of freight transportation.

The clues to this are the many advantages to shippers that take containerization far beyond the limits of piggybacking. A quick look at the list of pluses includes lower freight costs, lower handling costs, lower in-transit insurance costs, reduction of product damage and pilferage during shipment, reduction of traffic problems such as trans-shipment between rail, truck and ship, and, in many cases, easing of warehouse problems.

This is a tempting dish to set before shippers, especially when it is realized that, according to a study by the Wharton School of Business, approximately 60% of the consumer dollar represents costs of distribution — that is carrying raw materials to the manufacturer and the finished product to the wholesaler, the retailer and ultimately to the doorstep of the customer. Incidentally, this study, made in the 1930s, is presently being updated and indications are that the 60% figure will remain the same. The consumer's demand that the line be held on prices dictates greater economy in all distribution channels. In many cases cargo is handled some nine to 15 times between manufacturer and consumer—so there is room for improvement.

Yes, this is a tempting dish for shippers, and the railroads and their suppliers are cooking it up as rapidly as they can.

As the piggybacking story indicates, we are in the midst of a complete revolution in railroad equipment. Shippers and railroads both have had some influence in this and so, I am happy to say, have the railroad car builders. This may be the result of demand by the shippers, or aggressive selling by the railroads, or promotion by the carbuilders. I don't know which came first, but it all adds up to increasng demand for specialized types of equipment.

No More 100-Pound Bags

A spectacular example of this is the covered hopper car. This car came along in the 1920s to carry cement. It was small because of the high specific gravity of the lading and its use, of course, was limited. More recently it has been used to carry such chemicals as lime, sulphates, silicates and phosphates. However, after the war, the closed hopper car became a red hot item. Shippers traditionally had moved their granulated products in 100-pound bags; now they saw a sealed-tight, weather-proof hull that could cut their packaging, shipping and handling expenses drastically.

At this point, the food people moved into the picture, shipping

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edible grains and other products. The list of items moving in the 68,000 covered hopper cars on the rails today tops 220.

However, carbuilders, railroads and shippers are not complacent and are constantly seeking ways of improving these cars and their handling of ladings. Recently, ACF, as have others, improved its basic covered hopper line by offering cars with pneumatic as well as gravity unloading equipment. These "Ship-O-Matic" cars, designed for the movement of dry, granular or powdered chemicals and food products, eliminate hang-ups and can be unloaded easily and quickly by one man.

One outstanding accomplishment is the carrying of plastics in covered hopper cars. The contamination allowable is only one part in 10 million—that is equivalent to one small piece of pencil lead in a boxcar.

Other dramatic instances of specialization have occurred in the tank car field. This is worth mentioning despite the fact that the tank car field is more within the province of the carbuilders than of railroads themselves, since tank cars, of course, are leased to or owned by industry rather than by the railroads.

Diversification of Tank Cars

There has been a story in diversification of ladings since World War II. Whereas in those days tank cars were devoted almost exclusively to the petroleum trade, they now are carrying an almost uncountable variety of petroleum, petro-chemical, chemical and food products, liquids, semi-solids and compressed gases. Our own last count was in excess of 700 varieties of ladings. New metal alloys, linings and design improvements all have gone into this vast field day of diversification.

This is doubly interesting because ocean tankers, pipelines and highway tank trucks could have doomed the tank car as a major transportation factor. It was ingenuity and effective forward planning that saved the day here and provided all hands with lucrative new sources of business. Our own Shippers' Car Line lease fleet serving exclusively the shipper and primarily the chemical trade, is at an all-time high of 17,000 cars, and the national tank car population is 168,775.

Again we have seen only the beginning. In just the past few months we have seen the emergence of our own King-Size tank car and others carrying upwards of 20 thousand gallons economically. In the planning stages are cars of 30,000-gallon capacity, all aimed at the railroads' greatest potential asset — transportation cost reduction.

Of course all of this specialization in railroad freight car building, and I have mentioned only a few of many, has led to the increased desirability, to carbuilders and railroads alike, of standard design cars, or production design cars as we call them at ACF.

There has been gradual acceptance of this theory, and this acceptance is accelerating as the advantages to all concerned become more and more apparent. Standardized designs give the carbuilder the opportunity to reduce his costs when he doesn't have to stop his lines and retool for each order, and he is able to take the full benefit of manufacturing and purchasing economies.

Now here is a fact that is hard to believe in 1960: at the end of World War II the use of diesel locomotives for hauling freight was practically unknown. Only 10 years later almost every ton of freight that moved was hauled by diesel power. Today about the only place you can hear the familiar old steam locomotive whistle is on a sound effects record.

Yet, back in 1942 some people were quoted as saying that they never would see diesel locomotives haul freight on certain lines —in 1943, others were mapping ways to defeat the diesel. Even in this negative atmosphere, railroaders moved ahead, and in 1944 diesel locomotives were moving freight. Within 10 years, 90% of all freight was moved by diesels.

Electronics Take Over

The electronically controlled freight yard also was unknown only a few years ago. Today there are many, but even this ultra-modern approach to the orderly shipment of freight may be outdated by piggyback techniques, and the advancements manufacturers already have on their drawing boards. Electronic signaling devices and systems, unknown not too many years ago, now are commonplace. Modernization of accounting procedures and cost controls have proceeded apace. With the adoption of new techniques, communications have improved as the pace of railroads has quickened. The whole scheme of railway maintenance has changed with the development of power tools and equipment for that work.

As mentioned earlier, improved methods play as large a part as improved equipment in the resurgence of the railroads. I believe we can include car leasing plans in the latter category.

New Car Leasing Plans

Of course there is nothing new about leasing cars to industry. Until about 10 years ago this was not the case with the railroads. About that time came the Equitable Plan, followed by the Connecticut Mutual Plan and other individual plans that enabled the railroads to lease cars. History shows that the opportunities were few and the response spotty.

However, in the past year, this log jam was broken by the emergence of new plans with new features. The one with which I have had the closest contact was the first of this new wave—the ACF Industries Plan for leasing cars to railroads. The advantages of this plan have been widely published, but all I want to stress here is that it and other plans available are tools which enable railroads to maintain equipment to meet demands of transportation on a current basis at a more efficient and economical cost.

Five years of creative planning and study, based on our background knowledge of the car leasing business, went into the ACF Plan. At ACF's annual meeting last year our president said he considered the plan to be in the same category as the development and successful launching of a new product.

My purpose in mentioning it is to list it among the other positive factors that I believe are adding up to a vibrant and profitable railroad industry.

That concludes my reference to the recent past of the railroads. Who is to say that the list wouldn't have been even longer or further advanced under more favorable conditions of political and economic climate?

It is hard to believe that many of these healthy, active and profitable moves were not even dreamed of 20, ten or even 5 years ago. What then of the next 5, 10 or 20 years? It is a comforting though non-scientific thought that all manner of wonderful, still-undreamed-of things will happen to the railroads. Why not? It happened that way in the past.

But those technological and economic miracles were hard earned, just as future advances must be. The job won't be done for us. We must do it for ourselves.

This isn't just blind instinct on my part. As it must be with all other manufacturing companies, we at ACF believe that if we don't *plan* for the future we won't *have any*. Therefore, we have attempted to estimate and to prepare for what we believe is coming so that we can maintain our position as a leading supplier to the railroads during the coming years.

Lists Advances Yet to Come

From the results of this research, I have compiled my own list of advances that I think are inevitable or highly possible. Some of these are more imminent than others, and there may be more spectacular ones around the corner that cannot now be foreseen. But, extending my neck as I have promised to do, here is the list of potential accomplishments that I think will enable the railroads to earn further recognition as a growth industry.

(1) Rail freight transportation costs will be reduced by half.

This prediction is made bearing in mind that the railroads' greatest asset is the low cost of their terminal-to-terminal operations. However, this is true of main-line operation only. Branch lines and terminals, and the railroads' need for them, have become obsolete and unprofitable, running up costs needlessly. Branch and distribution operations have become the role of the trucks. We shall see gradual abandonment of such lines and terminals, I believe, and since these costs account for twice the main-line costs, many reductions will result. Railroads will cease to be terminal-to-terminal operators and instead will really contribute low cost transportation between load centers.

(2) Railroads will handle 50% of gross ton miles of all transportation.

Currently they are handling 43%. To reach 50% will mean a tremendous increase (actually a 16% gain), especially since we shall see some gross ton miles lost by the elimination of branch lines. However, as I have suggested, this will reduce costs to the point where the railroads will be in a more competitive position and they, therefore, will replace this loss of gross ton miles by reduced costs and more effective use of

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The Case for Railroads As a Growth Industry

Continued from page 27

physical plant. I do not think it is unrealistic to forecast that railroads will handle 50%, or more, of the constantly increasing intercity transportation demands.

(3) Railroad profits, after taxes, will more than double their present levels.

This needs little expansion because it was answered in the preceding predictions about costs and gross and ton miles. Lower costs mean savings to the shipper, but they also mean added profits to the railroads—to the level of 6% profits, or better, I believe.

(4) Pipeline methods will be employed in railroad freight transportation.

We are facing the probability that much bulk product business will go to the pipelines. The railroads will counteract this by fighting fire with fire—that is by adopting pipeline-like operational methods themselves. This they will do by developing load-center to load-center transportation techniques, thereby creating high volume situations permittting more trains to run more frequently where volume opportunities make it efficient to do so.

For example, product pipelines send through large "slugs" of individual products that have been collected at one load center to the distribution center where they then spread out and are distributed to using points. I believe the railroads will operate similarly, substituting wheels and rails for pipelines.

This means that there will be few rail freight yards as we now know them, but many load centers for the assembly and dispatch of railway and highway vehicles. This less permanent type of plant will permit greater flexibility for the railroads to follow the changing pattern of load centers.

(5) Automation will be the factor that will make pipeline-like methods of transportation possible.

This entails improved handling equipment, whereby a filled container coming off the end of a production line may be lifted, loaded, moved, sorted, lifted again, etc., all automatically, to the break-bulk point of its trip where the contents of the container are distributed.

(6) Rail equipment will wear out, averaging 10 to 15 years' life.

Today a conventional freight car travels an average of two and a half hours a day for an average total of 50 daily miles. Cars in piggyback service have much greater utilization, averaging perhaps 200 miles a day, and in individual cases making 450 miles per day. The trend toward greater utilization will increase, causing equipment to wear out and eliminating the situation whereby obsolete equipment and cars in unsatisfactory condition are called upon to do jobs for which they were not designed. By the way, an important by-product of greater car utilization is smaller fleets. This in turn will enable railroads to reduce costs of operation and total capital required for equipment. More frequent renewal will keep the fleet abreast of technological advancements in rolling stock.

(7) Basic forms of rolling stock will be used, permitting mass production, but types and varieties of containing structures will be on the increase.

For instance, a basic flatcar will be able to carry a variety of containing structures. Since the rolling structure is more costly than the containing structure this will permit more efficient usage of equipment dollars while still permitting the railroads to fill demands for greater varieties to meet specialized demands of their customers.

All this leads up to my final prediction — that railroads will tend to regularize their equipment buying pattern.

The reasons why this will be beneficial to the railroads are many, but the greatest of all is price. Planned regular buying of production designed railway equipment to replace rolling stock that has been worn out will do much to reduce prices railroads pay for freight cars.

And that is just about as far as I want or dare to go at this time. Now a first question might be, "Do you really believe all of this, Loftis?" My answer is an unqualified "yes."

It has been my privilege to speak before engineering classes in many of our leading universities. My theme always is the same. The railroads today offer the greatest challenge of industry to young people. There are more opportunities right now than there have been since the 1870's and 1880's when the railroads were in their first phase of creation and expansion. I have given this same advice to my son in advising him to consider a railroad career.

This concludes my case for the railroads as a growth industry, except for this thought:

For the railroads, the last ten years have produced a revolution; the next ten will be a revelation.

*An address by Mr. Loftis before the Transportation Research Forum, New York City, Jan. 5, 1960.

Hardy & Co. Investment Course

Hardy & Co., 30 Broad Street, New York City, members of the New York Stock Exchange, will present an informal course for adults on Investment for Security and Income. The course will be given Thursday evenings from 8 to 9:30 p.m., starting Feb. 4th at the Willkie Memorial Building, 20 West 40th Street, New York City. Samuel C. Greenfield is lecturer.

Milwaukee Co. to Be NYSE Member

MILWAUKEE, Wis. — With the acquisition of a membership on the New York Stock Exchange by G. Edward Slezak, The Milwaukee Company, 207 East Michigan Street, will become an Exchange member corporation. Officers of the company, which is also a member of the Midwest Stock Exchange, are Joseph T. Johnson, President; Harold A. Franke, Executive Vice-President and Secretary; Mr. Slezak, Executive Vice-President; Earl C. Barton, John F. Baumann, Harry P. Leadingham, Edward G. Ricker, Jr., Robert G. Stenger, Clarence L. Finger, Carl G. Hausman, Fred M. Distelhorst, Karl W. Backus, Addison Haugan, William G. Martin, Earl Pryor, Vice-Presidents; Van L. Call, Treasurer and Assistant Secretary; George L. Struck, Assistant Secretary; Thomas L. Mosher, Assistant Vice-President; and Marvin Neumann and Russell F. Wouters, Assistant Treasurer.

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DENVER, Colo.—Louis W. Gnam is now associated with J. K. Mullen Investment Co., 621 Seventeenth Street. He was formerly with the First National Bank.

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CHICAGO, Ill.—Walter M. Campbell is now with Brown Brothers Harriman & Co., 135 South La Salle St. He was formerly with Lamson Bros. & Co. and Harris Trust & Savings Bank.

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LOUISVILLE, Ky. — Charles B. Stansbury has become connected with Almstedt Brothers, 425 West Market Street, members of the New York Stock Exchange. Mr. Stansbury was formerly with Goodbody & Co.

With Creston Funk

SAN ANTONIO, Texas — W. T. "Tug" Sanders has joined the firm of Creston H. Funk, Hobbs & Co., National Bank of Commerce Building, effective Jan. 1, 1960 as a registered representative. Mr. Sanders will specialize in the origination and distribution of muncipal bonds.

Philadelphia Bond Club Elects

PHILADELPHIA, Pa. — Morris Lloyd of Drexel & Co. was elected President of The Bond Club of Philadelphia at the annual meeting and election of the Club held Thursday evening, Jan. 14 at the Hotel Barclay. Mr. Morris succeeds Bertram M. Wilde of Janney, Dulles & Battles, Inc., whose term expired.

Other officers elected were: Willard S. Boothby, Jr. of Eastman Dillon, Union Securities & Co., Vice-President; Spencer D. Wright, III, of Wright, Wood & Co., Treasurer and Edgar J. Loftus of W. E. Hutton & Co., Secretary.

The following were elected to the Board of Governors: Cornelius A. Dorsey, of White, Weld & Co. and Phillips B. Street of The First Boston Corporation for three year terms; Robert E. Daffron, Jr. of Harrison & Co., for a two year term and Bertram M. Wilde for a one year term.

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ROCKFORD, Ill.—John E. Holmbeck has become associated with A. C. Allyn & Company, Incorporated, Gas-Electric Building.

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Foreign Trade Prospects Without Protectionism

By Hon. Henry Kearns,* *Assistant Secretary for International Affairs, U. S. Department of Commerce, Washington, D. C.*

Occupancy of a key position permits Mr. Kearns to give a candid review of unfavorable and promising developments bound to affect our foreign commerce direction. He concludes we can expect a $1.5 billion or more increase in our exports this year under normal circumstances. But to set a record high, he adds, we must make an "all-out national export drive" involving Government cooperation —not, however, in the direction of self-defeating protection. The commerce official reviews representative countries he recently visited which are said to illustrate the view expressed that unlimited opportunities are available if earned, and he outlines examples of positive Government action taken.

Nineteen-sixty promises to be one of the most interesting years of our times. Pundits already have dubbed it as the beginning of the "Soaring 60's" or the "Sizzling 60's." Yet, I venture to predict that our actions during the next 12 months alone will determine for the next 10 years the difference between soar and sink, whether we as a nation sizzle or fizzle.

Henry Kearns

Before us are such questions as peace or war; and how to achieve lasting peace, through honorable negotiation, or peace at any price? — sustained economic growth resulting from economic freedom, or a forced, ultra-high rate of growth resulting in a loss of economic freedom and a corresponding rise in inflation?— and who is to, and how will he, guide our national destiny, at least through the first half of the coming decade?

Truly, 1960 promises to be one of our most interesting years. Some say we are entering the "Decade of Decision," but history, I think, will record that most of the *crucial* decisions were made this year.

The pattern of our economic growth over the next 10 years will be influenced measurably by the future course we chart this year for our commerce with other nations.

The outlook for expansion of U. S. foreign trade in 1960 is highly promising. Under normal circumstances this forecast is justifiable. It might be, however, in one sense, very pessimistic; or, in another sense, extremely optimistic.

First Looks at Unfavorable Influences

It could be extremely optimistic because the course of our foreign commerce during the current year could be influenced *unfavorably* by any one or more of a number of events.

First, an election-year Congress could decide that the severity of our international balance of payments problem should be eased by placing stringent controls on imports. There already are signs of moves in that direction. This then would have a serious effect on our export trade. A protectionist trend will most certainly jeopardize world commodity supply lines, thereby reducing the availability of raw materials so necessary for the expansion of our industry. You simply **cannot** pick and choose in a world trade policy. History indicates clearly that once one industry gains some sort of protection, it becomes nearly impossible to withstand the clamor of other industries for protection. And once one country embarks upon a protectionist policy, other countries quickly follow suit in reciprocation or retaliation. Should we thus reduce the level of our imports, our foreign suppliers would suffer falling incomes and without sufficient funds necessarily would cut purchases of our goods. Exports would fall—and our country would lose.

Second, labor disorders could continue, disrupting production and the ability of American producers to maintain the "exposure" necessary for keeping world markets. No matter who emerges victorious from prolonged work stoppages, management or labor, exports will have fallen drastically—and our country would lose.

Third, economists are virtually agreed that 1960 will be a banner year for our domestic economy, and it could be that American producers will be too preoccupied with local markets to wage the "total marketing" campaigns so essential to the maintenance of existing foreign markets and the winning of new ones. Such preoccupation clearly would lead to falling markets—and the country would lose.

Fourth, our private financial community could fail our exporters by refusing them the money and credit they need to compete favorably with the terms and credits offered traders of other countries. Orders would be lost (and probably attributed to the bromide, "we're pricing ourselves out of the market"), exports would fall — and the country would lose.

Fifth, by a series of "budget-busting" actions of the Congress, we could be forced again into an inflationary spiral which would increase prices, reduce foreign confidence in the dollar, raise havoc with our exports — and again the country would lose.

Sixth—there are other events many other events, which could transpire, all, or one or more of which, would lead to a reduction of exports — and of course the country would lose.

The country would lose, because as Peter Drucker put it, " 'Export or die' may never be our slogan, but 'export or decline' is a proper one already."

Very basically, our gradually depleting natural resources, plus increased industrial consumption, point to an early time at which this country will require vastly larger amounts of imported materials if we are to remain a major industrial power. And, according to the elementary ABC's of international economics, we must export to earn the exchange necessary to pay for these *essential* imports.

But exports are not only *necessary* for the United States, exports are *good* for the United States. They can be likened to a sustained diet of healthful foods. Exports are a force for good, providing jobs, wages, profits, and international understanding. Exports are a key contributing factor to economic stability.

We then are concerned rightly with what the future holds for our export position.

Why Trade Outlook is Promising

In the absence of such adverse events as I have described, if we gain further understanding of the good which foreign trade can bring to the United States, the Department's forecast has a tenable quality: "The outlook for expansion of U. S. foreign trade in 1960 *is* highly promising." This is why:

United States exports, after a two year decline, began rising in the spring of 1959 and continued at a good level through the summer months. In the third quarter, adjusted for seasonal variation and exclusive of military-aid shipments, exports reached an annual rate of well over $17 billion. This rate was some 13% above the recent low in the first quarter of 1959, and exceed by 7% the 1958 annual total of $16.3 billion.

The expansionary trend appears to have been interrupted during the recently concluded fourth quarter, however, as the effects of the steel strike began to show in reduced shipments of certain important types of products, particularly machinery and vehicles. Nevertheless, even with the slow start at the beginning of the year, and the abnormal conditions prevailing at the end of the year, our export total for 1959 probably will equal the $16.3 billion recorded in 1958. This certainly is substantially better than the $15 billion level predicted by some forecasters a year ago.

In the main, U. S. export gains after early 1959 stemmed from the renewed strength of economic expansion — and hence of demands for U. S. materials and equipment —in foreign industrial areas. First to Canada and Japan, then a little later to Western Europe, our exports responded to the upsurge in economic activity after an interlude of comparative slack in the wake of the 1956-57 boom in world industrial production and trade. Sales to the less industrialized countries of Asia and Africa also began during 1959 to reflect the general improvement in the world commodity demand, while only those to Latin America continued to lag seriously.

It is probable that further expansion of output and incomes in the free world's industrial centers will prevail during 1960, and that this will progressively bolster the earnings and international pur-

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Foreign Trade Prospects Without Protectionism

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chasing power of many other countries supplying industrial materials for the expansion. If so, once the remaining effects of steel shortages upon our ability to deliver are overcome, the basic upswing in our exports which began in the spring of 1959 should be strongly extended and broadened.

Too, the marked gains in United States exports in the third quarter of 1959 occurred at a time when shipments in several leading categories, including cotton, steel, and aircraft, were still abnormally low. Shipments of cotton are expected to rise in 1960 because of a recent change in the government's pricing policies, steel because of the settlement of the steel labor dispute, jet aircraft because of known orders for overseas delivery. Moreover, because of the drought in Europe this past summer, shipments of feed also are expected to rise.

On this basis, then the outlook is highly promising. But in a sense, as I say, this might in itself be pessimistic. We can have a spectacular rise, IF—IF we as a nation are to launch an all-out export drive.

Creating More Than Normal Export Gain

Under the normal circumstances I have outlined, United States exports could expand next year by a billion and a half dollars or more, but with an all-out national export drive, in which government works mightily to assist the exporter and provides him with a world-wide climate in which he can operate more successfully, and in which larger numbers of American producers join with seasoned export traders in the "total marketing" of goods overseas, United States exports in this next year can set a record high.

This is not dreaming; there is a sound basis for my statement.

Those who have had experience in merchandising know that there is no substitute for "Talking to the customers" if a market appraisal is to be realistic. For this reason the Secretary of Commerce agreed that an on-the-spot examination of world market conditions should be made. As a consequence — between Sept. 1 and Dec. 20 of the year just concluded —I undertook to cover the important and representative trading capitals in an intensive official tour. Every continent, 20 countries and 120 days at hard labor, produced an overall impression that should be helpful in assessing our opportunities and problems.

To illustrate the problems and opportunities in world trade, I would like to review a few of the market centers that I visited during my recent world examination tour.

Representative Countries Visited

In Austria the economy is one of stability and growth; their currency is readily exchangeable in world markets, and markets for consumer goods are increasing although the country is not one of great population. The existing good will towards American products offers very substantial opportunities. By far the greater proportion of goods that would be imported into Austria suffer from no governmental restrictions. Substantial liberalization has taken place in the last 90 days and additional steps towards freeing import restrictions can be expected in the near future.

Italy has become a major world trader. Italian products are found the world over. They are becoming known for their advance design and versatility. Many American products find a ready market in this country and there has been a constant reduction in import restrictions. Our negotiations would indicate that during the next few months Italy will become one of the freest trading nations in the world. So here is a case of a country earning vast amounts of foreign exchange, with good will towards American products and increasing opportunities for sales.

In Chile the recent improvement in copper prices and copper demand has improved the foreign exchange position very materially, and, as foreign exchange becomes available, Chile becomes a potentially greater customer for American products. This potential ranges all the way from heavy industrial equipment to consumer items such as lipsticks and cosmetics.

In Peru the recent International Fair was a tremendous success. More than 650,000 people paid admission to see the products of the world. This country, with a broad base of foreign exchange earners, has improved its exchange position materially during the past few months and thereby becomes an excellent customer for the industries in the United States that will make the effort to set up capable and vigorous sales representation in this West Coast South American country.

Ecuador has had a substantial foreign exchange income through the sale of its bananas and other tropical fruit. At the same time it is an excellent customer for refrigerators, heaters, generators, and all types of transportation equipment.

Japan, in my opinion, offers the greatest potential in the world for the expansion of American exports. This country is prosperous, dynamic, and of growing industrial importance. Japanese products are being sold in the world markets in ever increasing amounts, earning foreign exchange that can become available for the purchase of many items that the Japanese economy and the Japanese people need and desire. It seems to me that we will be wise to import from Japan some textiles, some plywood, some cameras, and some electronic devices, so that we, in return, sell automobiles, business machines, cotton, coal, and a host of other products to Japan. This can be the pattern of two-way trade. Over the past few years in our trade with Japan we have had a very sizable export balance over imports. Import restrictions will be removed and we *can* increase our sales to this country to the benefit of both of our economies.

In the Philippines the problem of nationalism is making the sale of American products increasingly difficult. There is no question but that 22 million Filipinos offer a potential market of substantial proportions for American products, but the trader who desires to present his products in the Philippines must be prepared to meet many difficult problems of foreign exchange, internal distribution, and Nationalism.

In Viet Nam it is in our national interest to assist this country in its economic development. To do this we are making substantial financial contributions to Viet Nam's economy. The Vietnamese have been traditionally oriented towards French products, but American business now has a great opportunity to change this orientation to American products as a result of our aid programs. Every new production machine, electric motor, generator, tractor or vending machine shipped to Viet Nam under the aid program in effect becomes an ambassador for future U. S. sales. In my opinion there is also great opportunity to increase the potential purchasing power of Viet Nam through sales to our country of its unique and beautiful handicrafts.

In Malaya the economy is sound and one that offers very great opportunity for American sales. Malaya has a very substantial foreign exchange hard currency income through its sale of rubber, tin, and tropical products. At the same time, it is becoming an increasingly active market for automobiles, trucks and the full range of consumer goods. In the past the orientation has been towards the United Kingdom and most of the distribution facilities are in the hands of the British or people who are sympathetic to British sales. There are some examples, however, of American industries that have made the *effort* to sell their products in the Malayan market with outstanding success. I would estimate that American manufacturers can sell between $50 and $100 million worth of consumer products in Malaya annually if their distribution efforts merit such sales.

In Thailand there are 22 million people who benefit from a sound fiscal history. For the past eight years the Bhat has been freely exchangeable in the world money markets. The individual Thais like American products. I found, as an example, Thai silk desired by our wives and daughters that can be exchanged through the economic system for American radios, refrigerators and nylon hose. Many other examples of exchange opportunities are available to the person who will explore the Thai market.

India perhaps offers the greatest contrast in world markets. One finds 400 million people, currently with an exceptionally low per capita income, who just recently achieved their independence, struggling to increase income and living standards, and overburdened by overwhelming problems such as the millions of refugees from the partition with Pakistan, insufficient food production, a primitive transportation system, and many impediments as a result of historical and religious beliefs. Yet, this country has substantial basis for vastly increased production in steel, jute, tea, manganese, mica, wood products, and a host of beautiful, exotic and unique handicrafts. India is desperately looking for markets for its products and is struggling to standardize the quality of products, and to improve deliveries and methods of merchandising to the modern world. At the same time this country needs practically everything from extra rice to keep millions alive, to a few more yards of fabrics to ward off the heat of the summer and the cold of the winter, unbelievable demands for transportation equipment and productive machinery of all types, and so on down the whole list of

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During the past few months there has been a tremendous reappraisal and reorientation of Indian thinking, resulting in a move directly into a more cooperative posture with the United States. On Dec. 9th President Eisenhower opened the American Exhibit in the Indian World Agricultural Fair. This exhibit is such an outstanding success that throughout India the entire Fair is now designated as "America Mela," which means the American Fair. During President Eisenhower's visit millions of Indians carried on their lips the thrilling statement "Eisenhower zindebad," which means "Long Live Eisenhower."

Never before have so many people had so strong a desire to develop economic exchanges with another country as is now evident in this great subcontinent. This offers opportunity for the adventurous and the ambitious.

In **Pakistan**, with problems similar to those in India, the 90 million people posing a combined problem of lesser magnitude but nonetheless acute, the leadership of this country is making tremendous efforts to literally lift itself by its own bootstraps out of individual poverty and dire need. The people are industrious, tough, and they like Americans, and while American concerns currently operating in Pakistan are experiencing great difficulty, my consultations with them indicate that they expect the future to hold substantial promise. Products from the industrial world can and will be sold to the Pakistanis. Whether they are American will be determined largely by the efforts that we Americans make.

I was asked to examine trade potentials in the **United Arab Republic.** In doing so, I had the opportunity to talk to political and business leaders in Cairo. This area has very substantial assets—the fertility of the soil, the Suez Canal, and the most magnificent tourist attractions in the world. It is also the potential center of travel to the awakening African continent. It may well become the crossroads of the Middle East. As exchange problems are solved, and they most certainly will be, many millions of dollars will be freed for importation of capital and consumer goods. The sales will be made by those who are knowledgeable of the Egyptian market, able to present their products in the most attractive light, and who are prepared to deliver at reasonable prices and upon reasonable terms, the things that the market place calls for. I believe that the future trader will find this a happy hunting ground.

Unlimited Opportunity Must Be Earned

These are a few of the representative examples that are reflected in every major trading center of the free world. These offer both the opportunity and the problem. The inescapable conclusion that must be reached is this: Opportunities are unlimited —but certainly *not* available for the asking—they must be earned.

Our government must, of course, take positive action—let me give you a few examples.

Lists What Government Can Do

First, the Administration already is taking the position that the deficit in our international balance of payments must be reduced through expanded exports, not protectionism and restriction. In the total national interest, equilibrium is to be obtained through *growth* rather than contraction.

This position is predicated on a strong conviction that solutions which seek to obtain balance at a lower level of achievement simply are not in keeping with the main thrust of United States destiny and the maintenance of free world leadership.

Second, as a result of our government's diligent and energetic actions during the past several months, in the GATT and in bilateral consultation, a number of countries have taken, or are about to take steps to remove or reduce long-standing restrictions against dollar goods. Markets virtually closed to many American producers for several years are opening rapidly.

Third, we today are providing exporters with a minimal amount of assistance, and since an increased level of exports very definitely is in the national interest, we have an irrevocable obligation to provide increased services to the business community as long as business desires and requires such assistance to trade in foreign markets effectively.

An increased level of exports essentially is the responsibility of business itself, however. Within our cherished framework of free competitive enterprise, it is business, not government which designs, manufactures, distributes, and sells the goods in our export trade. No all-out national export drive initiated by the government has a prayer of success, unless the business community, *as a whole,* is willing to shoulder this responsibility and take the lead.

The Eisenhower Administration is moving resolutely and effectively to do its part—we expect American business to do no less. The results will be a higher level of prosperity, economic stability, and the promise of world peace and tranquility.

*An address by Mr. Kearns before the Annual Forecasting Conference, Chamber of Commerce of Greater Philadelphia, Philadelphia, Pa., Jan. 7, 1960.

Dean Witter & Co. To Admit Partners

SAN FRANCISCO, Calif. — Dean Witter & Co., 45 Montgomery St., members of the New York and Pacific Coast Stock Exchanges, on Feb. 1 will admit William H. Hurt, Ralph E. Phillips, Jr., William B. Doyle, Will Richeson, Jr., Howard C. Tharsing, Irvin J. Whitehill and James Wiley to general partnership, and William L. Stewart, Jr., to limited partnership.

Mr. Doyle and Mr. Whitehill will make their headquarters in the firm's New York office, 14 Wall Street. Messrs. Hurt, Phillips, and Richeson will be in the Los Angeles office, 632 South Spring Street.

With F. I. duPont Co.

WHITE PLAINS, N. Y.—Albert C. Fish has become associated as a registered representative with the White Plains office of Francis I. duPont & Co., 175 Main Street, it was announced by John F. Martin, Manager of the firm's White Plains office.

To Conduct Course At Hunter College

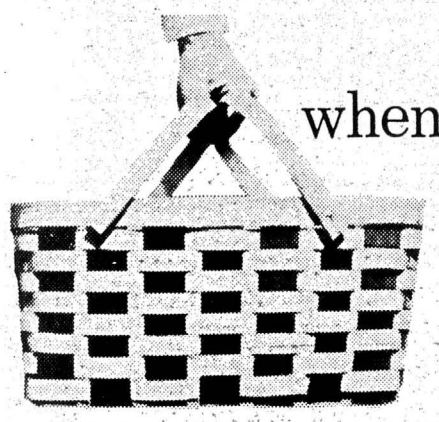
Dr. Edward Davison, Director of the Hunter College School of General Studies, has announced that Louis H. Whitehead again will conduct the course in investments beginning Friday, Feb. 19. The course will meet one evening a week for a total of 15 sessions.

Louis H. Whitehead

Since 1942 Mr. Whitehead has been a member of the faculty of the New York Institute of Finance, successor to the New York Stock Exchange Institute, where he conducted courses in Economics and Current Economic Developments Affecting Investments.

Formerly a member of the faculty of Syracuse University, and a lecturer for the American Institute of Banking, Mr. Whitehead has been engaged in investment counseling in New York since 1936. He is a partner of Nye & Whitehead, New York City.

Prospective students may register by telephone by calling Mr. Henderson at BU 8-7210.



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Business and Finance Speaks After the Turn of the Year

Continued from page 1

ment in 1960 will take the great Decennial Census. We expect it to reveal a record population of 180 million, up 29 million since the '50 census, now growing at the rate of 3 million a year.

This amazing population expansion will continue. Savings will be increased. Business will invest the money in research and in more efficient facilities. This, in turn, will make jobs and create an abundance of new and better products. All these factors can fashion the 1960-1970 Decade into the most challenging and most rewarding of history.

Of course, there will be pauses and hazards as well as bright prospects and forward steps. But, if government and the public have the economic wisdom and the moral force to take full advantage of our unprecedented opportunities, the best time of our lives is ahead.

The Business moved on to new high ground in 1959 notwithstanding the setback to the economy brought on by labor-management disputes which slowed the upward march in the latter half of the year. Gross national product (the total value of goods and services produced in the economy) approximated a record $478 billion for 1959, according to preliminary estimates—up 8% from 1958 in value and 6% in "real" or volume terms.

The year's high point in activity was reached by mid-year when the GNP rose to an annual rate of $485 billion. At that time, output was pushing forward under the impetus of the strong cyclical recovery under way since the spring of 1958. Subsequently the momentum was lost as materials shortages developed and the rising tide of income was arrested.

Materials supply difficulties were still a factor at year-end, but after the return of steel workers to their jobs in November, there was a rapid recovery in steel output and a resumption of volume production of automobiles and other final products affected by limited working stocks. With steel production assured, the economy is again moving ahead under income and demand conditions which give promise of pushing us to new high ground.

Incomes Higher

The buoyant note in the Nation's markets in 1959 was provided by the expanded purchasing power of individuals and higher investment programs of business. The flow of personal income reached a record of $380 billion in 1959, up about $20 billion, or 5½% from 1958. The real gains in purchasing power were also large. Farm proprietors' income was lower, but other major income flows were higher. The wage and salaries component was more than 7% higher than in 1958. The income of factory employees was off somewhat during the strike months but, by year-end, was again at a new high.

Behind this favorable showing was a record volume of employment and continuing rise in per capita earnings. Total employment in 1959 averaged over 65½ million, up 1½ million from 1958. Unemployment was substantially below that of 1958, although here again the earlier anticipated improvement in the latter part of the year was not realized owing to the industrial disputes.

The full-year record for business profits is still incomplete. It is evident that the second half results were down from the peak reached in the spring of 1959, but despite the recent drag, were up substantially from the reduced level of 1958.

Larger Consumption

With purchasing power expanded, consumers were a major influence buoying activity in 1959 and testified to the improved well-being of individuals. Total expenditures were up by more than 6%. As in previous postwar years, buying on soft goods and services steadily advanced, while purchasing of durables—which had moved downward in 1958—reversed direction in 1959 and contributed importantly to the upsurge in consumer markets this past year. Led by purchases of automobiles, total purchases of durables in 1959 were one-seventh above 1958 even though the supply of new cars was limited in recent weeks.

In real terms, consumption increased by something over 5%. This meant a substantial gain on a per capita basis as well, as consumer prices were up 1%. Prices in wholesale channels, on an overall basis, were steady, largely reflecting offsetting downward price movements for farm products and foods, and upward tendencies for prices of industrial goods.

Investment Demand Higher

A major contribution to improved business in 1959 was provided by investment demand. Gross private domestic investment was up one-fourth from 1958. All major elements including fixed capital and new residential construction moved forward from 1958 to 1959. New plant construction was little changed, but business purchases of new equipment were 15% higher. Total outlays for plant and equipment have not yet recovered to their 1957 peak.

The strong resurgence of home buying which featured the recovery of 1958 carried over into 1959 and the year saw a record volume of residential construction, up almost one-fourth from 1958, and topping the previous high of 1955. The peak in housing units initiated came early in the year and demand has subsequently slowed, with financing problems becoming increasingly a factor in the picture.

Investment in business inventories has traced a highly irregular pattern. Liquidation of stocks featured in 1958 cyclically-dominated picture, although at a declining rate as the year progressed. A strong recovery got under way in early 1959, in major degree reflecting the typical recovery cycle but also featuring anticipatory buying of materials in the face of possible shortages. These expanded working stocks provided a cushion to sustain output during the strike period. As the work stoppages were prolonged, inventories were again being drawn down in the final quarter of 1959.

Towards year-end, business had on hand a somewhat higher — though less well balanced — volume of inventories than at the start of the year.

Federal Purchasing Stable

Demand for goods and services on the part of the Federal Government was virtually stable during the course of 1959. Expenditures on national defense steadied late in the year at a level slightly above that of 1958; non-defense outlays have been little changed. With higher receipts, the Federal budget picture changed from a large deficit in 1958 to one of improvement in the balance in 1959, though here again interrupted work schedules with resulting reduced incomes in some major industries slowed the anticipated revenue expansion.

State and local governments expanded outlays in 1959, extending the postwar increase resulting from a growing population, and more extensive programs carried on under conditions of higher costs. These outlays were up almost 10% from 1958 to 1959.

BENJAMIN ABRAMS

President, Emerson Radio & Phonograph Corp.

The marked improvement in sales and profits of Emerson during 1959 is expected to continue at an even more accelerated rate during 1960. The areas most likely to show a marked improvement are the Government Electronic and Air Conditioning Divisions. To a lesser degree, improvements are also expected in our Television, Phonograph and Radio Division.

Industry-wise in the television and radio field, there appears to be a tendency on the part of the public towards the purchase of higher priced units, which should result in a larger dollar volume of sales and profits. Another factor favoring improvement is lower inventories at year-end, at the factory, distributor and dealer level. This is true not only in television and radio, but to an even greater extent in air conditioning inventories.

ERNEST R. ACKER

President, Central Hudson Gas & Electric Corp.

The gas and electric utility industries demonstrated again in 1959 their solid growth qualities and, despite a prolonged major strike in the basic steel industry, their sales, revenues and incomes reflected the favorable results of the nation's first full year of recovery from the 1958 recession.

Ernest R. Acker

During the year, with the aid of significant additions to generating capability and further emphasis on investments in research projects by the nation's investor-owned electric companies, the United States continued to advance as the world leader in electric power production and in the great new field of nuclear power development.

At the same time, the gas industry served a record number of customers and significantly advanced to a new peak the amount of proven recoverable natural gas reserves, assuring adequate long range supplies of this fuel. That the electric industry is staying well ahead of the nation's needs is borne out by preliminary figures for 1959 that show a record generation of 707 billion kilowatt-hours, almost 10% over 1958's total. It also increased its generating capability by more than 10% to a new high of 164.8 million kilowatts against a peak demand of 129.3 million kilowatts.

Thus, the nation's reserve capacity alone was larger than all of Great Britain's 1958 generating capability and more than two-thirds of Russia's total capability in 1958.

An illustration of both the electric industry's confidence in its future and its preparedness to keep this country as the world leader is found in the industry's plans for the future. Those plans reveal that by 1962 the United States will have a capability of 199 million kilowatts, representing an average increase of 8% for the five-year period 1957-62. Investor-owned utilities alone will spend an estimated 3.4 billions of dollars in 1960 on new construction and will install about 9.3 million kilowatts of generating capability. The companies also expect that revenues this year will be about 7% greater than in 1959.

The gas industry's confidence both in its future business and in its ability to help meet the nation's long range requirements is equally well demonstrated. In the four-year period from 1959 through 1962 the gas pipeline and utility industry expects to spend nearly eight billions of dollars for construction and expansion projects, compared with 6.3 billions in the 1955-1958 period.

The industry now has 595,600 miles of natural gas pipeline and distribution main. It installed more than 24,000 miles last year and it will add another 24,500 miles this year and an expected 283,000 miles during this decade. The gas companies plan to spend about 1.9 billions of dollars this year for expansion as compared with 1.8 billions in 1958.

During 1959 the gas and electric utility industries actively competed, both with the distributors of other fuels and with the manufacturers of all types of goods, for the consumers' dollars through aggressive sales promotion programs and by holding down the costs of service.

As a result, the gas industry's house heating customers now total 20.4 million, up 6.8% from 1958, and gas has not only been found very favorable for many new industrial processes but its sale to industrial customers during off-peak periods has strengthened the load factor position of distributing utilities

Both the gas and electric industries have also benefited this year from increased sales to all types of customers for air conditioning and the prospects for increased sales in this field in 1960 and in future years are extremely bright.

In the field of nuclear power, 131 electric companies and associated organizations are participating in 16 atomic power plant research and development projects. These projects represent a combined capability of 1,400,000 kilowatts and will require estimated expenditures by the companies of 570 millions of dollars. Three plants are already in operation. With three more scheduled to go into operation this year, the total nuclear power plant capability by the end of 1960 will be 490,000 kilowatts.

Inflation continues as the most serious and persistent economic problem facing the entire nation. Its effect on both the construction programs and the operating costs of gas and electric utilities will continue to provide one of the major challenges to these companies this year and perhaps throughout the decade. The continued pressure for more and more governmental activity in both the electric power and the gas business sets the stage for another major challenge to the industries. We are confident, however, that the industries will continue to keep the public informed as to the dangers of government ownership, the advantages of a free enterprise system and the benefits of investor-ownership.

The gas and electric utility industries enter the '60s as strong and healthy factors in the nation's economy with demonstrated confidence in their future and in the future prosperity of the nation.

F. W. ACKERMAN

President, The Greyhound Corporation

The Fifties marked many improvements in transportation service, equipment and economics. But the Sixties most certainly will see growth and expansion beyond anything we have known. The course ahead is charted for Greyhound and the intercity bus industry.

F. W. Ackerman

Let's take 1960. All the elements for great success are here but there could be some major roadblocks. The bus business reacts quickly to the economy. We carry people who pay their own way. When they haven't got a job they stay home. A continued strike, or any other delay in full employment and production, can mean a similar delay in the rising curve of business.

But no such delay seems likely. The end to the steel dispute will assure a record breaking production year for 1960. It's likely that the Gross National Product will rise quite sharply, the result could well mean a boom in the levels of bus ticket sales in 1960.

Looking at the decade of the Sixties, the growth prospects are surer—the roadblocks less formidable:

All of the critical indicators—population growth and internal migration, vacation and leisure time, personal disposable income, highway building—point to a continuing growth of travel.

It's no secret that we stand on the threshold of an exciting era of exploding population. We have been gaining over three million people per year, and forecasters tell us the rate of gain will be stepped up to over four million people annually. Disposable personal income has been rising at an even faster pace. A shorter week, two and even three day week-ends, longer paid vacations — these contribute not only to more travel, but to the raising of seasonal and week-end valleys in the travel market. The result? Total travel has actually doubled in the last decade; more people will be on the go in the Sixties than at any time in history.

The intercity bus industry has reason to expect a substantial share of this boom. America's great program

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President Predicts Surpluses In Fiscal 1960 and 1961

Continued from page 24

terest, which now amount to almost one-eighth of the whole budget.

Statutory Debt Limit — It is estimated that the public debt, which stood at $284.7 billion on June 30, 1959, will be $284.5 billion on June 30, 1960 and will decline to $280 billion at the end of fiscal 1961. Thus, the budget surplus estimated for fiscal 1961 will permit the Government to end the year with desirable operating leeway within the permanent debt limit of $285 billion. However, the fluctuating seasonal pattern in receipts will again require a temporary increase in the debt limit during the fiscal year 1961, since the present temporary limit of $295 billion expires on June 30, 1960. It is expected that the request for a new temporary limit will be for less than the present $295 billion if the Congress accepts my budgetary proposals.

Interest Ceiling — Effective management of a debt of this size requires a reasonable distribution among securities maturing at different times. Three-fourth of all marketable Treasury securities outstanding today come due in less than five years, of which $80 billion will mature in less than a year. As long as the rate that would have to be paid on newly issued bonds exceeds the present statutory ceiling of 4¼%, it is impossible to issue and sell any marketable securities of over five years' maturity.

Exclusive reliance on borrowing in a limited sector of the market is an expensive and inefficient way to manage the debt. Inflationary pressures increase as the volume of short-term and hence highly liquid securities mounts, especially if these securities are acquired by commercial banks. Further, effective monetary policy becomes more difficult when the Treasury has to refinance often. To make possible prudent and flexible management of the public debt, to permit sale of a modest amount of intermediate and longer term bonds when market conditions warrant such action, and to keep the average maturity of the debt from constantly shortening, it is imperative that the Congress immediately act to remove the 42-year-old 4¼% limitation on interest rates on Government securities maturing after five years.

Budget Receipts

Estimated budget receipts of $84 billion in the fiscal year 1961 assume a high and rising level of economic activity in calendar year 1960. Specifically, this revenue estimate is consistent with an increase in the gross national product from about $480 billion for calendar 1959 to about $510 billion for calendar year 1960. Personal incomes and corporate profits are expected to rise considerably beyond last year's levels, which were depressed somewhat by the long duration of the steel strike. . . .

* * *

In order to maintain Federal revenues, it is necessary that the present tax rates on corporation profits and certain excises be extended for another year beyond their scheduled expiration date of June 30, 1960. The scheduled reductions in the excise tax rates on transportation of persons and the scheduled repeal of the tax on local telephone service, which were enacted in the last session of the Congress, should be similarly postponed.

Improvement of the Tax System

The recent tax revision hearings of the Ways and Means Committee have provided valuable information bearing on changes in the tax laws. The Treasury will continue to work in cooperation with the committees of the Congress in developing sound and attainable proposals for long-range improvement of the tax laws.

As the development of a comprehensive tax revision program will take time, the Congress should consider this year certain changes in the tax laws to correct inequities. These include amendments of the law on taxation of cooperatives, now before the Congress, and a number of technical changes on which the Treasury Department has been working with committees of Congress. There is also before the Congress an amendment to prevent unintended and excessive depletion deductions resulting from the computation of percentage depletion allowances on the selling price of finished clay, cement products, and mineral products generally; unless the problem is satisfactorily resolved in a case now pending before the Supreme Court, the need for corrective legislation in this area will continue.

Under existing law, administration of the depreciation provisions is being hampered by the attempts of some taxpayers to claim excessive depreciation before disposing of their property. If gain from the sale of depreciable personal property were treated as ordinary income, the advantage gained in claiming excessive depreciation deductions would be materially reduced and the taxpayer's judgment as to the useful life of his property could more readily be accepted. Accordingly, I recommend that consideration be given to a change in the law which would treat such gain as ordinary income to the extent of the depreciation deduction previously taken on the property.

Proposed New Levies

To help defray the cost of the Federal airways system, the effective excise tax rate on aviation gasoline should be promptly increased from 2 to 4½ cents per gallon and an equivalent excise tax should be imposed on jet fuels, which now are untaxed. The conversion from piston engines to jets is resulting in serious revenue losses to the government. These losses will increase unless the tax on jet fuels is promptly enacted. The revenues from all taxes on aviation fuels should be credited to general budget receipts, as a partial offset to the budgetary costs of the airways system, and clearly should not be deposited in the highway trust fund.

The cost of other Federal programs which provide measurable special benefits to identifiable groups or individuals should be recovered through charges paid by beneficiaries rather than by taxes on the general public. Whenever feasible, fees or charges should be established so that the beneficiaries will pay the full cost of the special services they receive. To help accomplish this purpose, I have directed that further work be done by the departments and agencies on a carefully defined inventory of Federal services which convey such special benefits. In the meantime, the Congress is requested to act favorably on the postal rate proposals described in this message and on a number of other specific proposals now pending before it or planned to be submitted this year for increased fees or charges for special services.

Receipts from and Payments to the Public

The program of responsible fiscal policy represented by a balanced budget with a substantial surplus is reinforced by an even greater surplus of total cash receipts from the public over cash payments to the public. In this more comprehensive measure of Federal financial activity, obtained by consolidating budget, trust fund, and certain other Federal transactions, receipts from the public are estimated at $102.2 billion in 1961 and payments to the public at $96.3 billion, resulting in an excess of $5.9 billion of receipts.

This excess of receipts will be used to repay cash the government has previously borrowed from the public. Repayment of such debt owed to the public will be greater than the amount of public debt retired, because the government trust funds are expected to add to their holdings of public debt securities to the extent that trust fund receipts exceed trust fund expenditures. This will reduce the debt held by the public in like amount by shifting ownership to the trust funds.

For the fiscal year 1960, on the other hand, an excess of payments to the public of $542 million is estimated despite the anticipated budget surplus of $217 million. This situation reflects the fact that total disbursements of trust funds will exceed their receipts in 1960, notably in the old-age and survivors insurance, unemployment, and highway trust funds.

* * *

The Department of Defense appropriation acts for the past several years have contained a rider which limits competitive bidding by firms in other countries on certain military supply items. As I have repeatedly stated, this provision is much more restrictive than the general law, popularly known as the Buy American Act. I urge once again that the Congress not reenact this rider.

The task of providing a reasonable level of military strength, without endangering other vital aspects of our security, is greatly complicated by the swift pace of scientific progress. The last few years have witnessed what have been perhaps the most rapid advances in military technology in history. Some weapons systems have become obsolescent while still in production, and some while still under development.

Furthermore unexpectedly rapid progress or a technological breathrough on any one weapen system, in itself, often diminishes the relative importance of other competitive systems. This has necessitated a continuous review and reevaluation of the defense program in order to redirect resources to the newer and more important weapons systems and to eliminate or reduce effort on weapons systems which have been overtaken by events. Thus, in the last few years, a number of programs which looked very promising at the time their development was commenced have since been completely eliminated. For example, the importance of the Regulus II, a very promising aerodynamic ship-to-surface missile designed to be launched by surfaced sub-

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of super-highway building will continue to make bus travel faster and smoother. The greatest proportionate population increases will be among the very young and very old, who are the best prospects for bus travel. The new leisure time, and increased spendable income, are also centered largely in the lower income groups more naturallly attracted to bus travel.

Bus companies are preparing to meet the challenge of this mass movement of people. For example, Greyhound, the nation's largest intercity passenger carrier, has its fleet of 5,600 buses operating more than 1,300,000 miles a day, over 100,000 miles of highway routes. Greyhound will record nearly 10 billion passenger miles in 1960. These passengers will travel in ultra modern Scenicruiser Service buses, enjoying the comforts of air-conditioning, restrooms, panoramic windows and air-suspension ride. They ride with the safest drivers on the road and pay the lowest fares in all transportation.

Along the East Coast . . . between Boston, New York, Washington, Richmond and Norfolk . . . thousands are now trying "something new" in highway travel — the Golden Greyhound. This newest bus features relaxing recorded music, and much roomier, widely-spaced seats in addition to the regular Scenicruiser Service comforts. This and other special buses are forerunners to the super buses you can expect to see on all major highways in the Sixties.

Terminals too are being enlarged and modernized. Great new travel centers, such as the multi-million dollar structures now open in Detroit and Pittsburgh have been designed to accommodate the expanding future. Many others are now in service, under construction or on the architects' drawing boards.

Most important, service is being stepped up to meet the growing challenge. Buses have taken advantage of new super highways to provide non-stop serivce, with frequency and speed unheard of a few years ago. Elapsed times, down-town-to downtown, usually compare favorably with rail, often even with air service.

Another important factor in the economic future of Greyhound and the bus industry is the rising volume of package express revenue. Bus cargo spaces and terminal facilities are being designed more and more to accommodate this extra revenue operation. It is expected that such non-passenger revenues will be further augmented as time goes on by an increasing volume of United States mail.

In 1960 all transportation should benefit due to the reduction from 10 to 5% in the tax on passenger travel. It is hoped that this remaining 5% war time excise tax on fares will be eliminated soon.

To sum up, we look ahead to a rising volume of travel in the United States and to a substantial share of this growth for the intercity bus. Along with other industries, we will have a running fight with rising costs in order to turn increased volume into profits. But there is a great deal of potential business in sight on the road ahead. Greyhound expects to grow with it.

AVERY C. ADAMS

Chairman and President,
Jones & Laughlin Steel Corp.

We do not plan to increase our prices at the present time, although the settlement with the United Steelworkers of America is unquestionably inflationary. The cooperation which we are now receiving from our employees and the effect of our current $235 million cost reduction program should result in an increase in productivity. However, our employment costs have been increased far beyond the productivity attained in the steel industry during the past 20 years.

Avery C. Adams

Now that labor peace has been assured, the steel industry in 1960 can be expected to produce at an all-time high of 130 million ingot tons. This figure represents an average operating rate of 87% of an increased industry capacity, which is at nearly 148.6 million tons for 1960. In 1959, the industry produced about 93 million ingot tons for an average of 63% of its 147,633,670 net tons of capacity. The record year is 1955 with 117 million tons. Purchases of finished steel, including imports, by consuming industries were at about 70.1 million tons in 1959. Consumption of steel products in 1959 were at about 76.1 million tons. Thus we have experienced an inventory reduction from a beginning level of about 15 million tons to a critical year-end level of 9 million tons. The high point at mid-year is estimated to have been about 26 million tons.

We anticipate finished steel shipments to be at about 94.6 million tons in 1960 including exports. This shipping level would provide a build-up in inventory of about 12 million tons. Foreign steel imports are expected to reduce domestic mill shipments by about 3.5 million tons. Exports will be at about two million tons.

The first half of 1960 should see a continuation of the current accelerated rate of production, as consumers strive to build up their depleted inventories. There will be some decline in the third quarter, and this will continue in the fourth. This is the way we foresee steel industry production by quarters: First Quarter 94.5%; Second Quarter 95.4%; Third Quarter 82.7%; Fourth Quarter 75.0%.

At present, J&L, the nation's fourth largest producer, is operating at about 94% of capacity. Our operating rate for 1960 is expected to be about 90% of capacity.

Despite the 1959 labor difficulties, an optimistic attitude about the steel industry is justified.

Capacity for making ingots in our industry has grown from 81,829,000 tons in 1939 to its 1960 estimate of over 148,000,000 tons. Total employment was about 450,000 in 1939 and is expected to be over 600,000 in 1960.

Our capital expenditures include many projects which were completed in 1958, but did not really have a chance to perform until 1959.

These include:

(1) **Louisville, O., Stainless and Strip Division Plant.** This new plant, competed late in 1958, represents J&L's entry into the stainless sheet and strip markets, and is important to the corporation's diversification in higher priced specialty products.

(2) **Aliquippa, Pa., Works.** Basic oxygen steelmaking furnaces. These new facilities produce steel of high purity and ductility at lower cost.

A 44-inch Hot Strip Mill provides skelp for the Welded Pipe Mills and hot bands for the Tin Mill. This new facility is an addition, not a replacement. Hot bands for the Tin Mill previously were shipped to Aliquippa from the Pittsburgh Works.

Continuous Weld Pipe Mills. These two new mills replace old butt-weld mills. They give added capacity and produce high-quality small-diameter pipe at high speed and with most modern controls.

New Electrolytic Tinning Line, new Sinter Plant, and new Continuous Annealing Line. These facilities, to be completed next year, will give improved control of product quality, and some added capacity.

(3) **Pittsburgh Works.** Three new coke oven batteries, one under construction, one to be built this year, and one next year. These will reduce need for purchased coke.

(4) **Cleveland Works.** A two-year modernization and expansion program at the Cleveland Works, representing an investment of $90 million, was completed in the middle of 1958. As is the normal course of events with new heavy equipment in the steel industry, the first opportunity for these mills to operate at anything approaching their target capacity of profitability occurred in the early months of 1959. This meant that 1959 was the year that our Cleveland plant began to operate effectively. In a new program, two basic oxygen steelmaking furnaces, to be built in 1960 and 1961, will be the world's largest. The new furnaces will produce a high-quality ingot at a lower unit cost, and the capital investment per ton of capacity is attractive.

EDWIN E. ADAMS

President, The Bank of California,
San Francisco, Calif.

In an article written for the *Chronicle's* Annual Review and Outlook of January, 1959, we rather decidedly underestimated the strength of the up-turn in business that had occurred. Loans, which we had expected to remain about level during the year, grew steadily in volume during 1959. Since this strong volume of business was maintained in the face of the long steel strike, it seems now reasonable to assume that demands deferred as the result of that strike will sustain business through 1960 and result in new record levels for the year. This business in turn should result in a continuing upward pressure on loans.

Edwin E. Adams

Our principal concern at this time is that total loans have reached such a high level that they have created a loan-to-deposit ratio which in the case of nearly every major bank is as high as it can comfortably manage, and that further increases in loan totals will aggravate this extended condition. Reflection upon the mechanics of the commercial banking system reveals to me no available method by which this condition is likely to be eased. The monetary authorities might by lessening reserve requirements or by open market operations effect a reduction in the Treasury Bill and strictly short-term money market rates, but we are unable to believe that such an operation could succeed in affecting appreciably the tight money supply or the high rates on regular commercial and industrial loans.

We have confidence that 1960 will be a good year in the banking business, but it is difficult to estimate whether the conditions described will result in gross revenue sufficient in the face of steadily increasing costs to produce a net profit consequentially greater than 1959.

E. K. ALBERT

President, California-Pacific Utilities Co.

In common with many others, I must condition my remarks on two assumptions—no long interruption in steel production and no prolonged rail strike in 1960.

E. K. Albert

Growth in most of our areas has been steady and, on a percentage basis, has not compared with some areas in the west. Economic conditions in most of our territory—especially lumber producing areas—started to decline in the last quarter of 1957 and continued through 1958. Nineteen hundred and fifty-nine showed a sharp recovery in most areas and present indications are that this upturn will continue through 1960.

More specifically, our Southeastern California area will enjoy stepped up tourist business due to new recreational facilities and added payrolls from new natural gas lines being built through the area.

Southern Nevada will benefit from additional tourist business and expansion of present industries, and from new industries in the Henderson area.

Southern Utah will benefit from stepped up production in the iron mines in the area, from increased tourist business and from new small industries that have located in the area.

Northern California and Southern Oregon will benefit by the influx of new industries, plus a firmed up market for lumber products. Several lumber producers in these areas are installing plants to use waste products for producing hardboard, chipboard and other material. More and more of our lumber producers are getting into the manufacture of finished or partially finished lumber products instead of plain lumber. These trends all mean increased local employment and increased realization from raw materials. These areas will also experience a marked step up in tourist and recreational business.

In Eastern Oregon the trend in the lumber business is much the same as in Northern California and Southern Oregon. More utilization of waste products and more complete manufacture of finished products. A lime plant which went into production in this area a year ago is steadily increasing its output and payrolls.

In all of our areas except Southeastern California and Southern Nevada, livestock and agriculture are an important factor in the local economy. In spite of lower prices, the people in these activities look forward to a good year in 1960.

Overall, with the reservations outlined in the beginning, I am sure that business activity in our part of the west will be higher in 1960 than in 1959 or any previous year.

NORMAN E. ALEXANDER

President, Sun Chemical Corp.

We look toward 1960 and the start of a new decade with anticipation of continued growth. At the same time we are acutely aware of the challenge presented by increasing competition, rapid technological advancement with accompanying product and plant obsolescence, and the need for growth capital faced by all industry.

Norman E. Alexander

In formulating our goals, we examined not only the anticipated growth rate of the various markets we serve but also the challenges that must be dealt with in individual company growth. We have set an objective goal of doubling our sales every five years with a minimum 15% annual improvement. The industries we serve—printing, packaging, textile processing, construction and maintenance, and manufacturers of products requiring protective and decorative coatings — offer ample potential for a company with aggressive product development, acquisition and marketing programs.

Many of the industries served by Sun closely reflect the ups and downs of Gross National Product. For instance, one of its major products, printing ink, has for a number of years registered total annual sales approximating .05% of Gross National Product, showing the close relationship to the total volume of goods and services consumed each year. The consumption of inks in the packaging field, has grown much more rapidly than Gross National Product and Sun's increasing coordination with the packaging field will enable us to grow at a correspondingly higher rate. Coatings and chemicals, our two other product groups, show a similar relationship.

Gross National Product was at an annual rate of $478 billion at September 30, and will probably hit $485 billion by the end of the year. Predictions are for a further increase of as much as 4 to 5% in GNP during 1960.

The difference between the rate of increase in GNP and the desired improvement in an individual company's sales must be achieved, we feel, through better marketing and through further penetration in growing markets through product development and acquisitions where this will accelerate growth plans.

To achieve the first of these objectives, Sun Chemical has developed a marketing concept which in substance is oriented toward:

(a) Researching our customers' needs.

(b) Developing and supplying products and services to fill these needs.

(c) Helping our customers make the best use of these products.

(d) Promoting the customer's business. For example, we promote wider use of Run-of-Press color in newspaper advertising and cooperate in publicizing garments using fabrics treated with our textile chemicals.

In the months ahead, companies will find that supplying "service" is equally as important as "products" in an aggressive marketing program. To provide on-the-spot technical services for the publishing and packaging industries, Sun opened nine new ink facilities in recent months, including a completely integrated plant in Caracas, Venezuela. It now operates 39 such facilities in strategic markets in the United States, Canada and Latin America. Plans are underway for additional locations for manufacturing printing inks, building materials, paints and finishes, textile chemicals and other products in growing markets which do not now enjoy the "services" available to customers in older metropolitan areas.

For further market penetration, Sun's plant expansion program is being coupled with a forward-looking acquisition program. It recently acquired the Facile

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President Predicts Surpluses In Fiscal 1960 and 1961

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marines, was greatly diminished by the successful acceleration of the much more advanced Polaris ballistic missile launched by submerged submarines.

Another example is the recent concellation of the F-108, a long-range interceptor with a speed three times as great as the speed of sound, which was designed for use against manned bombers in the period of the mid-1960's. The substantial progress being made in ballistic missile technology is rapidly shifting the main threat from manned bombers to missiles. Considering the high cost of the F-108 system—over $4 billion for the force that had been planned—and the time period in which it would become operational, it was decided to stop further work on the project. Meanwhile, other air defense forces are being made effective. . . .

The size and scope of other important programs have been reduced from earlier plans. Notable in this category are the Jupiter and Thor intermediate range ballistic missiles, which have been successfully developed, produced, and deployed, but the relative importance of which has diminished with the increasing availability of the Atlas intercontinental ballistic missile.

The impact of technological factors is also illustrated by the history of the high-energy fuel program. This project was started at a time when there was a critical need for a high-energy fuel to provide an extra margin of range for high performance aircraft, particularly our heavy bombers. Continuing technical problems involved in the use of this fuel, coupled with significant improvements in aircraft range through other means, have now raised serious questions about the value of the high-energy fuel program. As a result, the scope of this project has been sharply curtailed.

* * *

Stockpiling and Defense Production Expansion

Most of the objectives for the stockpile of strategic and critical materials have been met. Receipts of materials under contracts to promote expansion of defense production are continuing at a reduced rate, as the number of such contracts still in effect declines. Hence, expenditures for stockpiling and expansion of defense production are estimated to decline from $230 million in 1960 to $134 million in 1961.

Amendments to outstanding contracts are now being negotiated where practicable, so as to minimize the delivery of materials no longer required for stockpiling. Arrangements are also under way to dispose of materials excess to stockpile objectives whenever disposal will not seriously disrupt markets or adversely affect our international relations.

International Affairs and Finance

The United States is continuing to support programs to maintain world peace and to improve economic conditions throughout the free world. In helping to improve economic conditions, we are being joined in larger measure by our friends in the free world who have now reached a high level of prosperity after recovering from the ravages of war. Accordingly, multilateral programs are being expanded. At the same time, the pressing need for economic development requires the continuation of substantial economic assistance under the mutual security program.

Expenditures for international affairs and finance are estimated to be $2.2 billion in the fiscal year 1961. This amount is $177 million higher than estimated expenditures for 1960, mainly because of larger disbursements by the Development Loan Fund under prior commitments.

Through the mutual security program as a whole the United States helps promote stability and economic growth in less-developed countries and helps strengthen the defenses of the free world. For these purposes new obligational authority of $4,175 million is recommended in fiscal year 1961, an increase of $949 million over the amount enacted for 1960 (of which $700 million is for military assistance). Expenditures are estimated to be $3,450 million, an increase of $100 million over 1960.

The military assistance portion of this program is carried in the Department of Defense chapter and has been discussed in the major national security section of this message. Economic assistance is discussed in the following paragraphs in this section.

The Development Loan Fund was established in 1957 in order to provide capital to less-developed countries, when capital is not available from other sources. The capital is provided on favorable terms, often including the option to repay in the borrower's own currency. By the end of the fiscal year 1960, the Fund will have made commitments for an estimated 148 loans totaling some $1,400 million. More than three-fourths of the projects it is financing are for roads, railroads, electric power generation, and industry, including industrial development banks. Because many of these projects require several years for construction, expenditures have thus far been relatively small. However, in the fiscal year 1961 they are estimated to be $300 million, an increase of $125 million over 1960. New obligational authority of $700 million is requested for 1961, an increase of $150 million over the amount enacted for 1960. This will provide the loan funds essential to our foreign policy objective of assisting in the economic growth of the less-developed countries of the free world.

* * *

International Lending Agencies

More resources from countries of the free world are being channeled into economic development by increasing the capital funds of international organizations. In the past year the capital of the International Bank for Reconstruction and Development was doubled and that of the International Monetary Fund increased by half.

The Inter-American Development Bank, with planned total resources of $1 billion, including $450 million from the United States, is expected to begin operations before the close of this fiscal year. Expenditures of $80 million are estimated in the fiscal year 1960 as the first installment of the U. S. cash investment in the Bank. In addition, guarantee authority of $200 million will be made available, on the basis of which the Bank can sell its bonds to private investors.

Last October the Governors of the International Bank for Reconstruction and Development unanimously approved in principle a U. S. proposal for an International Development Association, which will be closely affiliated with the Bank. Under this proposal, the Association will make loans on more flexible terms than the Bank is able to offer under its charter, such as loans repayable in the currency of the borrowing country. In addition, it is expected that the charter of the Association will contain provisions under which a member could provide to the Association, for use in lending operations, other member country currencies which it holds. The draft charter of the Association is being prepared and will probably be submitted to the member governments early this year. Legislation authorizing U. S. participation and making financial provision for membership will be transmitted to the Congress at the appropriate time.

Highway Construction Program

Federal payments of $2,728 million from the highway trust fund in 1961 will enable the States to proceed with construction of the Interstate System at a level consistent with the pay-as-you-build principle established by the Highway Revenue Act of 1956 and reaffirmed by the Congress in 1959. Last year I recommended that highway fuel taxes be increased by 1½ cents per gallon for a period of five years to meet estimated expenditure requirements. The Congress after months of delay enacted an increase of only 1 cent for less than two years.

As a result of both the delay and the failure to provide the full amount of revenue requested, the roadbuilding program has been slowed below a desirable rate of progress. The apportionments to the States for future construction had to be reduced and a plan had to be established to time reimbursements to the States so that the trust fund could be kept in balance. By timely action and planning however, potential failures to reimburse States promptly for want of funds in the trust fund have been avoided, and equitable and proportionate programs in every State have been established.

I urge the Congress again to increase the highway fuel tax by another one-half cent per gallon and to continue the tax at 4½ cents until June 30, 1964. This will permit the construction program for the Interstate System to proceed at a higher and more desirable level. I request repeal of the diversion of excise taxes enacted last year for the period July 1, 1961 to June 30, 1964. New reports giving estimates of the cost of completing the Interstate System and recommendations on the allocation of costs among future highway beneficiaries will become available in 1961. At the appropriate time, further recommendations will be made to the Congress for the ensuing conduct and financing of the program.

* * *

Housing and Community Development

I have presented to each of the past two sessions of the Congress

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Corporation of Paterson, New Jersey, developer and manufacturer of unique coated and laminated films and fabrics and industrial and decorated tapes as well as special materials for atomic energy installations and classified military needs. During the past year it also acquired Ampruf Paint Co., Pennsylvania Color and Chemical Company, Inc., a leading manufacturer of special dispersed pigments, and entered into an agreement with Williams-Hounslow, Ltd., British pigment and dyestuff manufacturer, for the joint ownership of a new British company, Williams-Ansbacher, Ltd.

Like all growth-minded companies, Sun is acutely aware of increasing capital needs in the dynamic decade ahead of us. We are convinced that this problem can be solved in a large part through modernization of depreciation schedules which would take into consideration the effects of inflation and rapid obsolescence of manufacturing facilities. Such forward looking legislation would keep U. S. industry competitive with the industry of other nations which have made such adjustments. Leading economists have stated that liberalized depreciation schedules would increase Federal revenue rather than detract from it. Present indications of early legislative action are heartening.

V. J. ALEXANDER

Chairman of the Board,
Union Planters National Bank, Memphis, Tenn.

As far as this part of the country is concerned the prospects are much better than they have been for several years. From the standpoint of agriculture, the farmers have enjoyed an excellent crop as a result of very favorable weather conditions.

V. J. Alexander

My understanding is that the 1959 cotton crop will be much higher than last year, and of course the support the Government will render will be appreciated by the farmers and those who come in contact with the farmers. Probably the program will change again next year, as it has during the past several years as we cannot outline the program from year to year, but, after all, the season we enjoy will be a great help to this part of the country and, in turn, to the banks and other business people.

S. C. ALLYN

Chairman of the Board,
The National Cash Register Company

Because of a combination of important factors, I believe that the Office Equipment Industry can logically anticipate that 1960 will be its best year. My confidence in this respect is based upon an ever-increasing need for the type of equipment manufactured by the industry, upon the new products which are certain to be introduced during the year and the generally favorable economic outlook.

S. C. Allyn

Demand for any product exists in direct relation to the need for the service it performs. The function of office equipment is to save labor and reduce costs. The need for both results has never been as great as it is today.

The amount of paperwork required in the operation of any business today has reached staggering proportions. In part this is the result of changes in our social system, bringing with them the demand for individual employee records for social security, unemployment compensation, group insurance, hospitalization and various other purposes.

Another reason for the upsurge in record keeping is the demand of management for more information, more quickly available and in greater detail.

Added to both of these is the sheer increase in the number of transactions of all types handled in the business world. The number of retail transactions increases substantially each year, the number of checking accounts, now at 55 million, has doubled in 15 years. Last year more than 12 billion checks were written and processed, a number representing more than 65 checks for every one of our 178 million people.

With higher wages, overtime premiums, shorter workweeks and employee benefit measures, the cost of keeping records has increased along with volume.

In the dilemma created by these conditions, management in all types of business is more interested in mechanization of record keeping than ever before. In 1959, sales of office equipment were up at least 10% over 1958. By the most conservative estimates 1960 should show a comparable gain which would take the total volume on the industry over the $3 billion mark.

The Office Equipment Industry is meeting the challenge of the ever-growing mountain of paperwork with the greatest investment in research and development in its history. During the past five years our own company has invested $60,000,000 in this effort, an amount which represents a vastly stepped-up program and is leading to the consistent development of new products. The advent of electronics has created entirely new concepts of speed and economy in the field of record keeping and much of the industry's research activity is in this area.

The past year, which was the 75th Anniversary of National Cash Register, was the best in the history of the company in both sales and earnings. Sales were approximately $420,000,000 representing a record year for both domestic and overseas. We anticipate a substantial increase over this amount in 1960.

Looking at 1960 in terms of general business conditions, I believe it should be a year of exceptional opportunity. The favorable outlook for basic industries, particularly steel and automobile, the rising level of consumer income, and capital expenditures anticipated to be 14% higher than last year, all point to a year of full employment and record business activity.

I believe that 1960 will prove to be an excellent begining for a decade of great advance in the American economy and the status of our people.

HON. ROBERT B. ANDERSON

Secretary of the Treasury

January, 1960, marks more than the beginning of a new year. It is the start of a decade that can bring great rewards to the freedom loving people of this nation and throughout the world. All that is required to realize our truly breathtaking opportunities is that we, as a nation and as individuals, handle our affairs responsibility and prudently.

Robert B. Anderson

In looking back on 1959, the American people can take satisfaction in their achievements. The remarkable strength and resiliency of our free enterprise economy was further demonstrated as output, employment and income rose to new records despite the impact of a long disruption of output in the steel industry. The united support for prudent Government financial policies, which pointed to the achievement of a balanced budget, was heartening evidence of a willingness to conform to the disciplines of economics that have proved sound in the past. The growing and genuine concern of the American people for protecting the dollar against further erosion represents an important step forward in the battle against inflation.

Although we can view developments in 1959 with satisfaction, we cannot afford complacency toward the future. Strong efforts, under conditions of prosperity, must be made to preserve a balance in the budget and to provide whenever possible for retirement of part of our huge public debt. We must continue to exercise responsible leadership in the free world, both in terms of military security and economic progress. And we must re-dedicate ourselves to the strengthening of the moral beliefs on which the future of our civilization must ultimately depend.

If we but do these things, the 1960's can indeed be a decade of great and rewarding progress .

HOYT AMMIDON

President, United States Trust Company of New York
New York, N. Y.

Four fundamental factors will determine the prospects for trust banking and the management of investment funds in 1960: (1) the condition of the general economy, (2) the state of confidence in the dollar, (3) the action of the security markets, and (4) the returns available on invested and loanable funds.

Hoyt Ammidon

We expect, after duly noting the risk of crippling strikes, that the economy in 1960 will show gains approaching those shown in 1959. We expect significant gains in general consumer buying, auto sales, the service industries, business capital expenditures, inventory accumulation and exports. We expect the decline in residential construction to be moderate and a normal offset to a period of general expansion. We believe that anticipated higher interest rates will reflect these gains and will not prevent them. We further believe that the challenge of international competition will be a spur to our economy, to technological progress and to the control of costs.

We expect some further gains in the containment of inflation. We believe that gains are being made through credit policies, foreign competition, the stronger stand of managements against highly inflationary labor contracts, the advance in technological and managerial skills, and Administration efforts for fiscal responsibility. However, we do not believe that the battle has been entirely won, nor do we expect any critical showdown in 1960. Rather, we expect further limited gains in slowing the rate of wage cost increases, in gradual betterment of work practices, and in efforts toward governmental fiscal responsibility. We believe that our economy has the strength to carry forward for a time without complete victory on the cost question. We also believe that, given the continuation of sound fiscal and credit control policies, a basic stability of the currency and price level will eventually be restored by technological progress and coming larger additions to the work force.

We expect security markets to maintain essential stability in 1960, with normally wide price fluctuations and with net changes probably in the direction of higher interest rates and higher equity values. Despite widespread concern about the need for a significant economic correction after a period of great growth accompanied by cost and price inflation, and despite the imponderables of international, political and labor conditions, we believe that confidence in the future will gain during 1960. We believe that this confidence, in addition to supporting domestic investment values, will also stimulate interest in foreign securities.

We expect both increased dividends and higher average interest rates during 1960. Increased returns will be helpful to the management of investment accounts. Higher interest rates, though still moderate after allowing for the impact of income taxes, will help banks and trust companies to offset higher costs. However, banking profit gains during a period of higher rates are offset by security losses and the greater difficulty of obtaining deposits. The greatest benefits from adequate rates lie in their reflection of a strong business trend and in their contribution to monetary integrity.

In summary, despite continuing problems regarding economic stability, inflation containment, the international position, and the special problems of investments and of banking, we expect 1960 to be an excellent year in our field and to point the way to greater opportunities during the coming decade.

T. T. ARDEN

President, Robertshaw-Fulton Controls Co.

Among the factors indicating a bright future for the controls industry are a significant trend toward "programed" controls for home appliances and a vast "hunger" by Europeans for automatic appliances which have been commonplace in the U. S. for many years.

Thomas T. Arden

These "programing" controls will be able to make decisions, in addition to simple "on-off" selections, which involve compiling and sorting facts and situations, followed by automatic execution of the complete task. An example is a new control system for gas range ovens recently introduced by our firm. A single dial handles starting and stopping of all operations, and in addition, permits holding a meal at exactly the desired degree of "doneness" without continued cooking.

The trend toward more completely controlled home equipment will continue to develop, as it has in the automating of industrial machinery, replacing personal supervision of routine tasks and eliminating built-in human tendencies to vary, forget or misunderstand.

Old jobs will be done in new and better ways through use of new control devices and associated equipment. To illustrate, we plan to market by 1961 a revolutionary new air conditioning device. Called a free piston refrigerant compressor, it operates on natural gas, bottled gas or automotive gasoline, and is suitable for central home air conditioning, office and other industrial use, and for automobiles. The remarkably simple unit has only one moving part, and is expected to be completely competitive with conventional compressor units. This device will permit warm-weather utilization of this country's great supply of natural gas which is steadily gaining favor as a heating source.

More and more people in industry are beginning to call the era of the '60's "fabulous," because of predictable new family formations and because of the rapidly rising standard of living in overseas nations.

There is genuine concern that low cost foreign competition will seriously ruffle the U. S. market, but we believe the rising living standard in foreign nations will be to our overall benefit in the immediate years ahead.

In Europe there is an insatiable "hunger" for American-type automatic appliances. The home refrigerator, previously a novelty in Europe, now is in great demand. Automatic washers have been almost unknown in European nations, but the market for this appliance now is rapidly developing.

Despite continued political rumblings in South America, there is a very discernible desire to emulate the European Common Market, with reduction of intercountry trade barriers and resulting economic progress through trade with each other and with the United States. Here, too, equipment utilizing automatic controls would be essential to satisfaction of the resulting rise in South America's general living standards.

There is the realization in U. S. industry, of course, that a lot of things can be made for less money overseas. But as long as there is continued emphasis on research and development by American industry—development of new products and sophistication of present products—there is little intimation that our industrial system can be seriously disturbed. The controls industry, fortunately, has been foremost in accelerating its investment in research and development.

Improved efficiency of its manufacturing facilities is equally important to the controls industry's growth. With the completion of a new plant at New Stanton, Pa., in mid-1960, we will have the newest and most modern plant system in the industry. Even though the New Stanton plant is very large and not yet complete, Robertshaw probably will have to build another equally large plant to produce its recently announced free piston refrigerant compressor unit.

Business for 1960 is difficult to predict, because most first-quarter activity still is in the lap of the "steel gods." I have noted increasing optimism, however, that this continuing very serious situation can rapidly be resolved without further dampening of the economy. I personally am very optimistic for business prospects in 1960 and the years immediately ahead.

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President Predicts Surpluses In Fiscal 1960 and 1961

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a comprehensive program of legislation for the Government's housing and community development programs. Some of these recommendations were enacted in the Housing Act of 1959. This year, legislation will be requested only for the authority necessary to continue important existing programs and provide necessary flexibility in interest rates. The authorization of additional funds for these programs should be subject to appropriation action.

* * *

Public Housing Programs

By the end of fiscal year 1961, about 500,000 Federally-aided public housing units will be occupied and an additional 125,000 units will be under contract for Federal contributions. In the allocation of new contracts authorized in the Housing Act of 1959 emphasis is being given to projects which will be constructed in the near future. The 1959 act authorized 37,000 added units of public housing, to be available until allocated. Accordingly, no additional authorization is requested. Increases of $18 million in 1961 expenditures result primarily from rising Federal contributions to local authorities under past contracts.

Federal Savings and Loan Insurance Corporation

The share accounts of savings and loan associations insured by the Federal Savings and Loan Insurance Corporation have increased fivefold over the past 10 years. With a continuation of this rate of growth, the insurance reserve of the Corporation cannot reach levels commensurate with the mounting insurance liability without an increase in the present premium rate. I am, accordingly, recommending legislation to restore the higher premium rate in effect prior to 1949, to remain in force until the reserve exceeds 1% of the share accounts and borrowings of insured institutions. At the same time, the statutory goal of a reserve equal to 5% of such accounts and borrowings exceeds potential needs and should be reduced to 2%. In addition, the Corporation should be given authority to borrow from private sources, both to increase the available sources of funds to levels adequate to meet any temporary borrowing needs and to reduce its potential dependence upon the Federal Government.

Insurance of Private Mortgages

The mortgage insurance programs of the Federal Housing Administration will continue in 1961 to underwrite a substantial share of the mortgages on residential housing. While it is difficult to forecast mortgage insurance requirements, the general mortgage insurance authorization of the Federal Housing Administration now appears to be adequate to meet demands for mortgage insurance until the next Congress is in session.

Sharp fluctuations in the demand for mortgage insurance during recent years have caused the funds available for personnel under appropriation act limitations to be inadequate in periods of heavy demand to provide the staff required by the Federal Housing Administration for prompt service on applications. Supplemental funds are usually not made available in time to meet this problem. To correct this situation, appropriation language is being requested to permit use of additional income for such expenses when actual demand exceeds the budget estimate.

Legislation should also be enacted to extend the authority for insurance of loans on home improvements. This program, which makes a major contribution to modernization of existing homes, would otherwise expire on Oct. 1, 1960.

Last year legislation was recommended to provide some flexibility in maximum interest rates on mortgages originated under the housing loan and guarantee programs of the Veterans Administration and under certain mortgage insurance programs of the Federal Housing Administration. The action taken by the Congress was inadequate, and some of these programs are now seriously hampered by their inability at present maximum interest rates to attract adequate private capital. The Veterans Administration should be given the same flexibility to adjust its interest rates to market conditions which is now possessed by the Federal Housing Administration in its basic mortgage insurance programs. In addition, the maximum interest rate of 4½% on insured mortgages on armed services family housing should be removed.

The direct housing loan program of the Veterans Administration, which has been extended several times, terminates July 25, 1960, and I am asking for no further authorization. At that time, over $1 billion of loans will be outstanding, and the program will have provided over 150,000 loans to veterans. There is no longer justification for continuing this readjustment program.

Mortgage Purchases by FNMA

The authority of the Federal National Mortgage Association to borrow from the Treasury to purchase mortgages under its special assistance program will be exhausted during 1961. I am recommending legislation which would permit future increases in authorizations to be subject to appropriation review. An additional $150 million is requested for 1961 for this program. The additional funds will be used chiefly to buy mortgages on housing in urban renewal areas, on housing for the relocation of displaced families, and on housing for the elderly.

Special assistance for these mortgages is intended to be transitional, and an increasing proportion of total financing should in the future be obtained from private sources. With annual financing requirements in excess of $1 billion already in sight for these programs, the need can be met only with the full and active support of local communities and private financial institutions.

At the same time, mortgage purchases by the Association's secondary market operations trust fund will continue at high levels. Expenditures for such purchases are estimated at $1,047 million in 1960 and $975 million in 1961. These purchases will be almost wholly financed through the sale of debentures to the public and the purchase of common stock by mortgage sellers. Budget expenditures of $50 million, however, will be necessary for the additional Treasury purchases of the preferred stock of the Association required to support the mortgage purchase program.

* * *

Small Business Program

The increase in financial assistance to small businesses under the Small Business Investment Act of 1958 will continue in 1961. I recommend the enactment of legislation previously proposed to the Congress to encourage the formation of additional investment companies by liberalizing the authority of these companies thus expanding the supply of private capital available to small businesses. Other loans by the Small Business Administration will continue at a high level, but less new obligational authority i recommended because repayments on outstanding loans will increase Efforts to assist small businesse: in obtaining a fair share of Fed eral Government procurement and surplus property will also continue. In order to facilitate smal business financing, the Securitie Act of 1933 should be amendeo to extend the provilege of simplified filings to a wider rango of security issues.

* * *

Agriculture and Agricultural Resources

In the fiscal year 1961, Federal programs for agriculture will again have a heavy impact on the budget, primarily because of continued high agricultural production and the past unwillingness of the Congress to make appropriate modifications in the long-established price support laws. The longer unrealistic price supports are retained, the more difficult it will be to make the adjustments in production needed to permit relaxation of Government controls over farm operations.

Last year I proposed to the Congress urgently needed legislation relating to price supports. Very little of that program was enacted. I recommend that the Congress give this important matter early consideration.

Particularly urgent now is legislation to put wheat price supports on a more realistic basis. Stocks of wheat are continuing to rise in spite of our efforts to move wheat abroad through the International Wheat Agreement, sales for foreign currencies, and grants to disaster victims and needy people. The carryover of wheat stocks is expected to rise to almost 1.4 billion bushels by July 1, 1960, an amount that would provide for more than two years of domestic consumption without any additional production.

The wheat surplus problem has been a long time in the making and cannot be solved overnight. In fact, wheat legislation enacted in this session cannot be made applicable before the 1961 crop. The fact that any significant effect on the budget would be delayed until the fiscal year 1962 underlines the need for prompt action at this session of the Congress.

Authority to bring additional land into the conservation reserve expires after the 1960 crop year. Legislation is proposed to extend this authority through the 1963 crop year and to expand the program by increasing the basic limitation on the amount of payments that may be made in any calendar year from $450 million to $600 million. Specific authority will be requested for the Secretary of Agriculture to give special consideration, in allocating conservation reserve funds, to those States and regions where curtailment of production of wheat or other surplus commodities is consistent with long-range con-

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GUY T. AVERY

President, Acme Steel Company

Any forecast of business conditions in the steel industry during 1960 must be qualified because of the uncertainties existing with regard to the strike situation at the time this statement was being prepared.

Guy T. Avery

We have just witnessed the close of a year which was a study in shocking contrasts. It was a year reduced to a productive period of only 7½ months by an industry-wide strike. Its events and their ultimate solution will be felt in the national economy for several years to come.

In the first half of 1959, steel companies almost without exception were achieving all-time sales records and, consequently, earnings were exceptionally good. There were some who chose to disregard the fact that this high level of business was motivated by the desire of steel customers to build their inventories against the strike they felt certain would occur.

Third quarter reports of steel companies, however, brought the rosy statistics of the first half of the year back into realistic focus. All of the companies shut down by the strike recorded a sharp drop in sales which were limited by their small inventories at July 14. And they all reported substantial operating losses.

The industry quickly reached high production shortly after the Supreme Court injunction brought a temporary halt to the strike, but it is doubtful that earnings in the fourth quarter were satisfactory.

Against such a backdrop, and with a final settlement of the labor controversy not yet accomplished as this is being written, it is particularly difficult to clearly forecast what the year 1960 may hold in store for us.

We do know that our present backlog and rate of order bookings will permit full or near-capacity operations in most areas of our business during the first half of 1960. Beyond that, we are reasonably confident that the demand for our steel products will be strong during the second half of 1960 and will continue favorably into 1961.

The impact upon our earnings of a labor contract settlement cannot be measured with accuracy at this time. Assuming, however, that production is not again interrupted by a continuation of the strike, it is probable that earnings in 1960 will be more than double those of 1959.

There is special reason for optimism in that direction for Acme Steel Company in 1960. One of our major problems in recent years has been the difficulty we have experienced in the purchase of the semi-finished steel needed in the manufacture of our diversified line of steel products. Steel shortages and premium market prices have had the effect of stifling our opportunities for corporate growth.

In mid-1959, shortly before the steel strike began, we started operations in our new $35 million plant which produces basic steel by a process using hot blast cupolas and oxygen converters for the first time in the western hemisphere.

This new facility, which has an annual rated capacity of 450,000 ingot tons, will produce a sizable share of our own steel requirements in 1960. It will improve quality and effect substantial cost reductions as compared with the purchase of semi-finished steel from other producers.

C. J. BACKSTRAND

President, Armstrong Cork Company

The American economy stands on a threshold of the much heralded decade of the Sixties. Ahead lie accelerating family formation rates and expanding markets as well as rising productivity, which will assure still further improved living standards for our growing population.

C. J. Backstrand

While we subscribe generally to the optimistic predictions that are being made for the 1960's and are drawing our plans accordingly, two questions stand out prominently which deserve our attention as we look ahead. First, is 1960 to mark the beginning of a decade of uninterrupted progress and, secondly, what major obstacles lie in the path of such expected progress?

In answer to the first question, we anticipate further gains in over-all business activity during 1960 approaching those that were attained in 1959. Capital expenditure surveys now suggest that business investment in new productive facilities will expand considerably in 1960 providing a substantial stimulus to employment and incomes. The renewed expansion in capital spending reflects on one hand the resumption of some programs deferred when business was recently depressed and, on the other, the provision of facilities to meet the requirements of what some have called the "Surging Sixties."

The re-establishment of normal inventory positions in key areas is a second factor of real strength, particularly for the first half of 1960. When inventory demand is added to rising business orders for capital items and to the expanding demands of consumers for goods and services, the general business picture becomes bright indeed.

The construction industry may prove to be a neutral factor in the economy in 1960 as increases in non-residential activity and repair and modernization offset a decline in new home building. Gains are being projected in 1960 for commercial, industrial, institutional and religious building. Repair and modernization expenditures are likely to advance in 1960 as families forced to withdraw from the new home market because of the cost or unavailability of mortgage money decide to expand and refurbish their older dwellings.

While the total demand for building materials and flooring products in physical terms may show only modest gains in 1960 over the previous year, recent trends suggest that premium quality items with unique functional and esthetic characteristics will gain still further acceptance.

Consumer durable goods production, as well as the output of machinery, mobile home and office equipment, hampered in recent months by metal shortages, are expected to recover rapidly over the next few months and to maintain high levels throughout the year. Accordingly, the market for industrial goods, and particularly for those materials that offer demonstrable advantages to efficiency-minded, quality-conscious manufacturers, should be clearly greater than in 1959.

Mounting competition for the consumer's favor has led American business managements to a realization of the critical importance of the package as a prime mover of merchandise. As a result, the packaging industry has enjoyed fairly steady growth through good years and bad. Still further growth for virtually all types of containers and closures is foreseen for 1960.

With so much strength apparent across a wide front, it does appear that the American economy will start the decade of the 1960's on an auspicious note. We recognize, however, that despite the progress that has been made in taming the business cycle, it is still a phenomenon of our free market economy. In terms of the first question raised earlier, then, it would seem unwise to project an uninterrupted and steeply rising business trend for the entire decade of the 1960's.

Turning to the second question, the actual realization of the unprecedented potential of our economy will depend upon the willingness of responsible people to work aggressively to reduce and, wherever possible, eliminate such major impediments to our national progress as reckless spending at all levels of government requiring the continuance of tax rates at levels that diminish incentives and prevent capital formation required for growth, short-sighted labor-management agreements that lead to repeated price increases, and above all, the creeping tendency to turn to government for "something for nothing." These are some of the factors that lie back of such familiar problems as inflation and a deterioration in our country's external financial position as foreign competition makes new inroads on American industry shackled by government restraints and labor demands. The promise of 1960 and the years beyond will be realized to the extent that we are prepared to grapple realistically with our problems.

G. T. BAKER

President, National Airlines, Inc.

The business outlook of the airlines during 1960: new high in revenue traffic; heavy economic turbulence and headwinds.

Airline travel will show a substantial increase over 1959—an otherwise normal traffic growth accelerated by jet equipment.

G. T. Baker

The enormous capacity and schedule performance of Jet-Age equipment, however, demand new-market development programs and fare-structure re-analysis on a scale never before required in the history of the industry.

At some point this year, jets will offer more lift capacity than all other types of transport aircraft. To meet this capacity, an astronomical number of passengers must be wooed and won. Increased coach and other economy services, more beguiling vacation packages must highlight the industry's drive to corral the mass travel market. Airline management, however, faces these formidable challenges during 1960 heavily handicapped by economic millstones in the form of mounting taxes, climbing maintenance and operation costs, and the demanding unrealistic posture of labor leaders—the same economic factors that are adversely affecting the nation's sales in the world's markets.

Another major problem lies in the competition the schedules airlines are receiving from MATS, the Military Air Transport Service that is virtually a global airline. As was stated before a Congressional Sub-Committee some time ago, "If the scheduled airlines were permitted to carry at published rates and fares, the one billion ton-miles of cargo traffic and the 400 million ton-miles of passenger traffic handled by MATS over airline routes, they could accelerate and expand their re-equipment programs."

Airlines, perhaps more than any other industry, face unique tax problems over and above those of other industries.

Taxes, not necessarily corporate taxes of the type paid by most industries, will call for even more midnight oil-burning in airline business offices next year. As long ago as 1958, the most recent year for which full figures are available, the airline industry paid out more than half of its total net profit in aviation gasoline (prior to jets) and oil taxes, or a total of $25,000,000. The jets and prop-jets gulp down fuel in awesome quantities—about four gallons of kerosene to one gallon of gasoline consumed by piston engines. The industry will be financially vulnerable to any further increase during 1960 on the fuel tax front.

Meanwhile, the industry is in the midst of a vast re-equipment program which has already reached a cost of $3 billion for jet and jet-prop equipment plus the logistics for servicing and handling them.

The outlook, then, is for even narrower profit margins than the industry has been forced to subsist on for the past few years.

In 1958, when the first pure jets went into service, the profit margin for the domestic airline industry was down to approximately three cents on the dollar.

The shrinking process continues.

How the industry can continue to maintain forward momentum in the face of such paper-thin profit margins is a sobering question. Many investors, including financial institutions tend to shy away from any industry which offers such meager profits.

Can the airlines, individually and as an industry, overcome these problems of the Jet Age? Can they continue to hold the line against expenditures that increase in faster proportion than income?

The final answer may lay at collective bargaining tables.

The airline industry, because of the nature of its business, is more sensitive to wage levels than most other industries. Approximately 50 cents of each revenue dollar are paid out in wages. When that is compared with the narrow profit margin earned for its shareholders by the airline industry, it becomes clearly evident that the cost of wages represents the razor's edge between profit and loss for the airlines.

Increased labor costs and the threat of work stoppages implied at every bargaining table have created a sword of Damocles over the airline industry. It could be the sword that kills the Jet-Age golden goose.

Responsible labor leaders must exhibit more business statemanship and a more mature approach to some of the problems set forth herein if airline management is to break through the problems imposed by the new air age.

Their attitude, in short, largely will determine whether the airline can surmount the problems and challenges during 1960 to keep the industry a vital and dynamic force in the nation's progress and economy.

FRED W. BARTLETT

Chairman, Board of Directors
Socony Mobil Oil Company, Inc.

Socony Mobil economists estimate that demand for oil products in 1960 will increase over 1959 by about 4% in the United States and by about 7% in the remainder of the Free World. The domestic increase in 1959 has been about 4%; the increase for the rest of the Free World, about 7.5%.

Fred W. Bartlett

In addition to the effects of the protracted steel strike on the general level of economic activity, oil has been beset by economic and political problems largely peculiar to the industry.

The prime economic problems include:

(1) Oversupply, resulting from excess world-wide producibility of crude oil, excessive refinery runs in the United States, and surplus tanker tonnage.

(2) Slimmer profit margins, stemming from oversupply and from the sharpening competition in an already severely competitive industry.

(3) Continuing sizable capital investments, even if on a reduced scale, in a time of reduced profit margins.

(4) Rising costs and the threat of further inflation.

The main political problems—often inseparable from the economic difficulties—embrace:

(1) Misunderstanding of, and consequent attacks on, percentage depletion. The reduction of the 27½% rate would curtail oil exploration in the United States and eventually lower the level of reserves which this country has available and which it needs for its own security.

(2) Continued Federal regulation of the wellhead price for natural gas under utility-type controls which have no proper place in such a competitive risk activity.

(3) Certain features of the oil import regulations, such as government surveillance of prices in a strongly competitive industry and the inequities involved in the bases for allocating import quotas.

(4) High taxes on gasoline which are forcing motorists to bear a disproportionate share of the total tax burden.

(5) Special-interest pressures for further government intervention in the form of, for example, end-use controls on fuels and arbitrary regulations on shipping. Such economic distortions would limit the consumer's freedom of choice and raise his costs, for the benefit of a favored few.

(6) Political (and economic) instability in many countries.

(7) The growing pressure for refining facilities in consuming countries beyond the point of economic efficiency.

Most, if not all, of these problems will be with the industry for some time to come. Some will at least be eased by rising demand. But many of them, ironically enough, stem from the very success of the privately owned oil companies in assuring adequate supplies of raw materials and the refined products that people

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President Predicts Surpluses In Fiscal 1960 and 1961

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servation and production-adjustment goals. The rental rates needed to induce farmers to withdraw cropland from production under the conservation reserve depend on the income prospects from farming, which in turn are a reflection of the levels of price supports. Therefore, the future authorization for the conservation reserve program should not be increased above the 1960 level unless needed price support legislation is enacted for wheat.

Estimated expenditures for agricultural programs in fiscal 1961 are $5.6 billion, which is $510 million more than the estimate for the current year but $907 million less than was spent in 1959. Total new authority to incur obligations requested for agriculture and agricultural resources in 1961 is $4.6 billion. This amount includes $1.3 billion to restore, to the extent necessary, the capital impairment of the Commodity Credit Corporation resulting from previous price support losses and $1.4 billion to reimburse the Corporation for estimated costs and losses through the fiscal year 1960 of other programs financed through that agency.

Stabilization of Farm Prices and Farm Income

Most of the recent year-to-year variations in expenditures for agriculture and agricultural resources reflect changes in expenditures for price supports and other programs to stabilize farm prices and farm income. During the five fiscal years, 1955-59, Federal spending for these programs has accounted for 70% to 80% of the total for all agricultural programs. In the fiscal year 1961, these programs are estimated to cost $3.9 billion, an increase of $450 million over 1960, but a decrease of $1.2 billion from 1959.

* * *

Rural Electrification and Telephones

About 96% of our farms now have central station electric service, as compared with 11% in 1935. The expanding use of power in the areas served by electric cooperatives financed by the Rural Electrification Administration continues to require substantial amounts of new capital every year to provide additional generating capacity and heavier transmission and distribution facilities. More than one-half of the total power sales by the REA system are made to rural industrial, recreational, and other non-farm customers. These non-farm users now comprise over 80% of the new customers being added.

The Rural Electrification Administration currently finances the capital needs of the cooperatives by borrowing from the Treasury at the statutory interest rate of 2% and relending at the same rate. Legislation is proposed under which REA would (a) borrow from the Treasury at not to exceed the average rate of interest payable by the Treasury on recently issued long-term marketable obligations, and (b) make future electric and telephone loans at the same rate plus one-fifth of 1% to cover administrative expenses and estimated losses. Legislation now before the Congress to place the operations of this agency on a revolving fund basis should also be enacted.

It is vital, looking ahead, that legislation be developed to enable telephone as well as electric borrowers to obtain funds from a mutually owned financing institution to meet the needs for the future growth of these borrowers. Under this longer range plan, loans would also be available from the Rural Electrification Administration to meet special circumstances. The Secretary of Agriculture will work with REA cooperatives and other interested parties in developing such a proposal.

* * *

The TVA Program

Under legislation enacted during the past session, the Tennessee Valley Authority plans to issue an estimated $115 million of revenue bonds in 1961. These funds will be used to help finance construction of a second unit in the Paradise steam powerplant and of other units under way, including new generating capacity in the eastern part of the TVA area. The Authority will start construction of the Melton Hill project for navigation and power. In accordance with this administration's policy and as authorized under the Tennessee Valley Authority Act as amended by the recently enacted revenue bond legislation, the power facilities portion of this project will be financed from net power proceeds and revenue bonds, and the remaining portion will be financed from appropriations. With the completion of the Wilson lock, the present lock at Wheeler Dam will be a bottleneck for shipping on the Tennessee River. Appropriations are therefore recommended for 1961 to begin construction of a new lock at Wheeler Dam.

Research for converting sea water and brackish water into fresh water, carried on cooperatively by the Department of the Interior and non-Federal groups, has progressed to the point where some processes are in the development stage. Construction will begin in 1960 at Freeport, Tex., on a demonstration plant for conversion of sea water, and $1.5 million is recommended in the 1961 budget for the Federal cost of building the first brackish water plant as well as a second sea water plant. Advance planning will be completed in 1961 on two additional demonstration plants.

* * *

Labor and Welfare

Budget expenditures for labor and welfare programs in the fiscal year 1961 are estimated to reach an all-time high of $4.6 billion, of which three-fourths will take the form of grants to States and localities. The total expenditures are estimated to be $128 million more than for the current year. The largest increase is for promotion of public health, mainly for research and hospital construction, as a result of much larger appropriations by the Congress in previous years. Significant increases are also estimated for the support of basic research provided by the National Science Foundation and for the defense education and public assistance programs of the Department of Health, Education, and Welfare.

Budget expenditures for labbor and welfare programs will be more than double the amount a decade ago. During the same period, trust fund expenditures for these programs, including social security and unemployment compensation, will have quintupled to an estimated $16.2 billion in 1961.

New obligational authority recommended for 1961 totals $4.5 billion, about the same as for 1960 but $356 million more than for 1959. Reductions from 1960 are recommended in the grant-in-aid programs for assistance to schools in Federally-affected areas, for hospital construction, and for waste treatment works construction. Larger appropriations are proposed for other presently authorized activities in the fields of science, vocational rehabilitation, education, welfare, and health. In addition, a number of new programs are recommended to meet important national needs, particularly in the education and labor fields.

In the last several years great strides forward have been made in the social security, welfare, and health fields. The Secretary of Health, Education, and Welfare is continually reviewing the various programs in these fields for the purpose of determining where improvement should be made. As needs for improvement are found, appropriate recommendations will be made.

* * *

Government Statistical Services

Adequate and timely national statistical information is essential for recording and appraising the performance of the Nation's economy, and for formulating public and private policies. Activities planned in various agencies for the fiscal year 1961 will help close significant gaps in our statistical information and make improvements in current data. Obligations for these purposes in the various functional categories of the budget are estimated at $62 million, including $20 million for the decennial census and other periodic statistical programs.

This budget includes funds for tabulating and processing basic economic and demographic data collected through the Eighteenth Decennial Census, and for the final publication of the results of the 1958 censuses of business, manufactures, and mineral industries. Other recommendations include the initiation of a new series on the service trades and the improvement of data on retail trade, on consumer prices, on health, on crop and livestock pro-

Continued on page 41

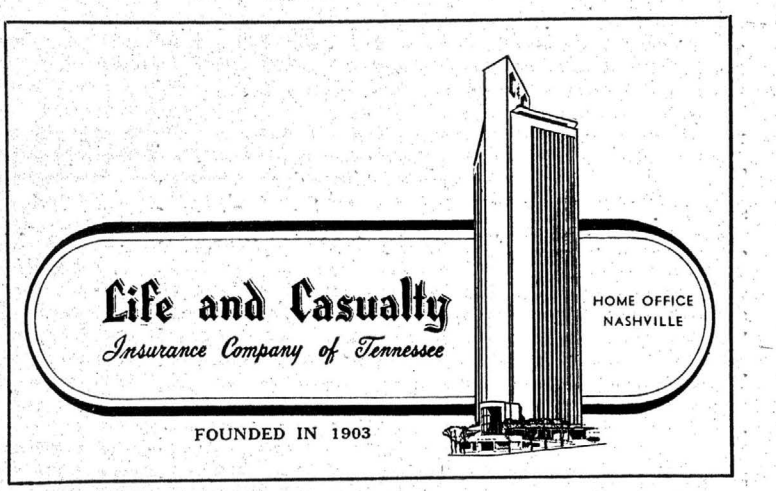
SUMMARY OF BUDGET RECEIPTS AND EXPENDITURES

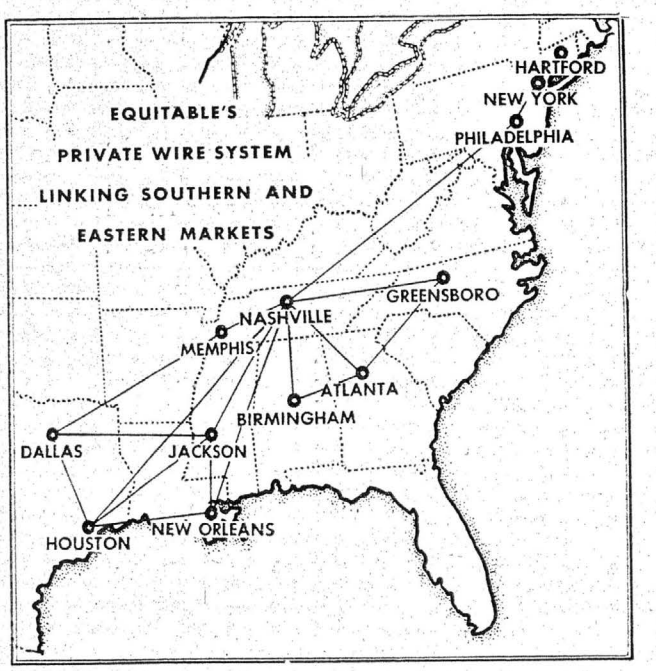
Based on existing and proposed legislation

(In millions)

Description	1959 actual	1960 estimate: Under existing laws and authorizations enacted or recommended	1960 estimate: Proposed for later transmission	1960 estimate: Total	1961 estimate: Under existing laws and authorizations enacted or recommended	1961 estimate: Proposed for later transmission	1961 estimate: Total
Budget Receipts:							
Individual income taxes	*$36,719*	$40,306	----	*$40,306*	$43,706	----	*$43,706*
Corporation income taxes	*17,309*	22,200	----	*22,200*	22,300	$1,200	*23,500*
Excise taxes	*8,504*	9,100	----	*9,100*	7,891	1,632	*9,523*
Employment taxes	*321*	333	----	*333*	340	----	*340*
Estate and gift taxes	*1,333*	1,470	----	*1,470*	1,620	----	*1,620*
Customs	*925*	1,176	----	*1,176*	1,376	----	*1,376*
Miscellaneous budget receipts	*3,160*	4,015	----	*4,015*	3,923	12	*3,935*
Budget receipts	*$68,270*	$78,600	----	*$78,600*	$81,156	$2,844	*$84,000*
Budget Expenditures:							
Major national security	*$46,426*	$45,627	$23	*$45,650*	$45,544	$24	*$45,568*
International affairs & finance	*3,780*	2,058	7	*2,066*	2,180	62	*2,242*
Veterans services and benefits	*5,174*	5,043	114	*5,157*	5,471	----	*5,471*
Labor and welfare	*4,421*	4,424	17	*4,441*	4,563	6	*4,569*
Agriculture & agric. resources	*6,529*	5,111	2	*5,113*	4,906	717	*5,623*
Natural resources	*1,669*	1,759	26	*1,785*	1,933	5	*1,938*
Commerce and housing	*3,421*	2,896	107	*3,002*	3,262	*—553	*2,709*
General government	*1,606*	1,704	7	*1,711*	1,911	†	*1,911*
Interest	*7,671*	9,385	----	*9,385*	9,585	----	*9,585*
Allowance for contingencies	----	----	75	*75*	----	200	*200*
Budget expenditures	*$80,697*	$78,005	$378	*$78,383*	$79,354	$461	*$79,816*
Budget surp. (+) or def. (—)	*—$12,427*	----	----	*+$217*	----	----	*+$4,184*

*Includes proposed postal rate increases of $551 million. †Less than one-half million dollars.





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need and want. The solution, or alleviation, of these problems lies at least partly in increased public understanding of our business.

JOHN C. BARBOUR

President, New Jersey Bank & Trust Co.
Passaic, New Jersey

My brethren and I in the Banking Fraternity when called upon to make prognostications regarding the business outlook for 1960 are merely called upon to be forecasters of the economy. To put it another way, we are a reflection of the economy as a whole, and we either benefit or are harmed by certain factors beyond our control.

John C. Barbour

When appraising the outlook from my vantage point, one is aware of two very vital forces at work, namely inflation and the tight money policy of both Federal Reserve and the U. S. Treasury Department.

I think the fiscal authorities have done an excellent job and are winning the battle at the present time. Despite the skillful handling of the money policies the underlying inflationary forces are still at work in the economy, as evidenced by results of the recent steel situation.

In my humble opinion, it looks like a continuation of tight money and a high level of interest rates for the visible future. From my own personal experience at New Jersey Bank and Trust Company during this period, I cannot say that we have turned down any legitimate requests for loans, especially commercial loans. We are, like all banks, very keenly aware of the amount of money a customer has maintained on deposit over a period of years. We are, like banks in general, quite selective.

One problem facing us during the coming year, like our brethren, is having funds to take care of the demand for automobile loans which should rise in 1960. However, we do feel that the demand for mortgages will subside somewhat as housing starts are expected to decline somewhere between 100,000 and 200,000.

I mention both the above types of loans as they play a very important part in the earnings of our loan portfolio.

One fortunate factor for this bank, in the coming years, is that we have been in the forefront of automation. This will help us reduce operating costs in our fight against inflationary forces.

In my opinion the plus factors will enable the banking business, as a whole, to have a favorable year in 1960.

THEODORE P. BEASLEY

President, Republic National Life Insurance Co.

As we at Republic National Life review business for the year just closed and look forward to conditions as they may affect our business in 1960, we are convinced that it should be a very good year for our company and for the life insurance industry as a whole.

The American economy, as it exists at this stage in history, encourages and obliges the people of America to look more and more to life insurance companies for an answer to their problems. With high income taxes a man of modest means finds the purchase of life insurance to be the surest way of providing an estate for his family, while a person who is wealthy finds himself looking more and more to the purchase of life insurance as a means of staying liquid enough to meet the heavy burden of estate taxes.

Theodore P. Beasley

This is our reason for believing that the present economy and method of taxation will bring about a constant increase in the amount of life nsurance beng sold. Consumer spending for 1960 should increase with the prospect that there will be a greater number of employed persons at rates of pay exceeding those in 1959, thereby providing a possibility for greater sales of life insurance.

Turning to the investment picture as it affects our operations, we feel that some considerable volume of real estate loans heretofore warehoused will be absorbed by institutional investors, who may be seeking to put year end funds to work promptly. The decrease in the rate of housing starts and the slow down of existing house sales could possibly result in some shortage of mortgage loans ready for delivery, and thus accrue to the benefit of mortgage originators who presently have loans stockpiled, since they would benefit from a greater availability of investors and the possibility of some price betterment. Mortgage loans will, no doubt, continue to compete with attractive yields available on corporate securities and Federal Government obligations.

Although peace now reigns in the steel industry, there still remains the threat of a possible strike in the railroad industry.

We do feel that interest rates are very apt to continue high during 1960 with possibly some increase in rates before a leveling off is experienced. If the Congress eliminates the present interest rate limitation on long-term Federal borrowing, it should relieve the pressure on bank credit, as the Treasury is enabled to market its obligations over longer term periods.

Other factors that should affect the year 1960 are the fact there is bound to be increased spending for plant and equipment expansion and modernization. There is also bound to be some prospect of heavy inventory accumulation in metals and consumer durable goods, at least during the first half of the year. It is reasonable to also anticipate additional spending by Federal, state and local governments, which can affect interest rates and business conditions generally.

All in all, we at Republic National Life look forward to a most satisfactory record of new life insurance sales in the coming year, as well as the possibility of a better renewal experience on outstanding life insurance.

S. CLARK BEISE

President, Bank of America, National Trust & Savings Association, San Francisco, Calif.

Nineteen-sixty marks our entry into a decade hailed in every quarter as promising higher standards of living, higher personal income, more efficient and easier methods of production for all Americans. The availability of products and services predicted during the next ten years are not figments of imagination but stem from responsible reports of scientists, industrialists and businessmen. Whether or not these reports are translated into reality depends on the effort we exert.

S. C. Beise

During the first year of the '60s we must adjust our habits, our thinking and our philosophies to the end that we will recognize the action required to permit us to achieve those goals as well as the rewards of achievement.

Every aspect of an increasing standard of living emerges from one common base, increased productivity. But increased productivity depends basically on capital and capital can come only from savings, the savings of individuals, businesses and government.

There is no question in my mind that our savings today are grossly insufficient to take care of the investment needs of our country if we are to achieve our greatest growth potential.

Today we, as a nation, are saving billions of dollars a year less than those needed for capital investment in business and industry, our defense program, educational expansion, transportation facilities, urban development and research.

The development of an adequate savings program is a challenge facing the American people today and in the immediate years ahead.

It is incumbent upon business and industrial leadership, at all levels, to take the initiative during 1960 in helping to educate the people on the problems facing our economy, on the need for high productivity, for heavy investment programs and for commensurately increased savings.

The public must become acutely aware of the serious nature of the challenge we face and the direction in which we should move if we are to attain our greatest growth potential. The people must learn how to identify waste and extravagance. They need clear expositions in lay language of how to convert waste to savings and to transform low productivity to high productivity.

Responsible leadership should counsel people to become more discerning in their expenditures and to be more conscious of the broad purposes in saving.

Such leadership will serve to dispel our present apathy toward the lasting and permanent goals of saving and replace it with a better understanding of the nation's needs.

ROBERT S. BELL

President, Packard Bell Electronics

The fast-growing electronics industry, fifth largest in the nation, continued to expand in 1959 with an all-time high factory sales volume of $9.2 billion, an increase of 16% over 1958. This record will be broken in 1960 by another 10-12% increase.

Television sales will increase to approximately 6,400,000 sets, compared with 5,800,000 in 1959. Another 2,000,000 will reach the used set market by the end of 1960. There will be some 10,000,000 home radios sold in 1960, about 899,000 above 1959. Stereophonic high-fidelity equipment sales should increase by 300,000 units to a total of around 1,800,000.

Robert S. Bell

Industrial electronics will begin a decade of rapid expansion this year. While total industry volume is expected to double to $20 billion by 1970, industrial electronics (data processing, process control, closed-circuit TV and communications) will more than triple to an annual volume of $9 billion, almost half of total industry sales. High cost, which has held back industrial automation, is being overcome by new computer techniques developed for military use. Closed-circuit TV will find increasing acceptance as an industrial and educational tool during the years ahead.

One of the most important and immediate capabilities of the electronics industry for the coming year lies in the development of communication satellites. It is within the realm of possibility that satellites equipped with electronic coding systems might substitute for, or replace, existing postal, telegraph and radio systems of the world.

Every year the percent of military gear that is electronics grow greater. It now represents about one-third of defense procurement and can be expected to increase substantially in 1960. Electronic equipment for missiles alone cost approximately $1.5 billion this past year. Missile electronics will reach $2 billion or more during 1960.

Long range future benefits predictable by the use of electronic devices include an inexpensive mass source of nuclear power. Low cost conversion of salt water into fresh water on a large scale will result from an electronic process. Electronics will play a part in developing new sources of food proteins from the sea, the mass production of appetizing synthetic foods and fully automated housekeeping. The TV set of 1970, exclusive of viewing screen, could dwindle to the size of a fountain pen.

Some of these electronic benefits will come closer to realization in 1960. Right now, for example, electronic measuring devices are being used inside an atomic reactor for the first time. This major contribution to atomic research helps to gather needed information concerning fuel rod materials, which directly affects the efficiency of atomic reactors and the cost of producing atomic power.

The electronic industry carries on a large segment of the research and development activity of the nation. From laboratories will come the many advances needed for defense and space study. Some of the many uses to which this new knowledge will be applied will be to bring better health, longer life and a higher standard of living to all people. This year, 1960, starts a decade of electronic "miracles" which will translate many of these prophecies into realities.

HON. EZRA TAFT BENSON

Secretary of Agriculture

The agricultural picture for 1960 has many favorable aspects. There will be about 3 million more U. S. consumers for the food and fiber produced on our farms. With economic activity expanding, these consumers will have the highest buying power per person in history. With foreign markets also expanding, a strong demand for farm products is assured.

Ezra Taft Benson

Food supplies in 1960 will be a little larger than in 1959. There will be more meat per person. Taking into account the growth in population, per capita consumption of food will probably be about the same as in 1959.

The value of U. S. agricultural exports, which dipped sharply in 1958-1959, will increase in 1959-1960. The volume of exports will probably be the second highest in history, exceeded only by the 1956-1957 record. Cotton shipments, only 2.8 million bales in 1958-1959, are expected to double in 1959-1960. Foreign demand appears to be stronger also for animal fats, oils and oil seeds, rice, fruits and vegetables, and will continue high for wheat and feeds. There is a renewed surge of economic activity and trade abroad. This, plus the continued growth of foreign gold and dollar holdings, the general convertibility of most major currencies, and some easing of trade restrictions, adds up to a favorable export picture.

Farm output hit another new peak in 1959, some 25% above the 1947-1949 average. Led by big increases in corn and cotton, total crop production equaled the tremendous 1958 record—which was 11% higher than ever before. The wheat crop, however, dropped by nearly one-fourth. Although the prices farmers received for crops were a little lower in mid-November than a year earlier, a number of price supported crops were selling above the levels of the preceding year. Strong domestic and export demand and delayed marketings pushed soybean prices above the support level. Feed grain prices in mid-November were above the levels of a year earlier, reflecting a good demand for big supplies. Except for corn and cotton, price support activity through Oct. 31 was running substantially below the comparable period of the preceding season. However, government stocks from previous crops were considerably larger than a year earlier.

Cattle numbers on farms have been rising for two years, and an increase in slaughter with some weakening of prices is likely this year. Hog production, which rose sharply in 1959, will continue heavy during most of the first half of 1960, but will be reduced during the last half of the year because of a smaller spring pig crop. Hog prices, after allowing for seasonal changes, will probably average higher than the current levels. We look for some increase in milk production with prices averaging a little higher than in 1959. As for poultry, the number of layers on farms on Dec. 1, 1959, was down 4% from a year earlier, and prices of eggs should show some improvement this year.

We believe that prices received by farmers have made their major adjustment to the record production of 1959. Overall, prices for 1960 probably will average nearly as high as in 1959. Prices paid by farmers may increase a little further this year mostly because of higher prices for items produced by industry.

With some decline in cash receipts from marketings and a further inching upward of production expenses, mostly originating outside the farm sector, some further drop in realized net income is likely this year, perhaps half as much as in 1959.

On the other hand, total agricultural assets are now an all-time high of $208.2 billion, while total farm debt is $24 billion. The net equity of U. S. farmers is $184.2 billion—an increase of $141 billion since 1940.

Despite continuing problems, U. S. agriculture all in

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President Predicts Surpluses In Fiscal 1960 and 1961

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duction, and on State and local government finances.

* * *

Social Insurance and Other Welfare

The social security insurance system now provides basic protection against loss of income from death, disability, and retirement to about 85% of our labor force. Another 8% are covered under the railroad retirement system and other public retirement systems.

At the present time 10 million of the 16 million people aged 65 and over are receiving monthly old-age or survivors insurance benefits. This vast insurance system, which will pay $11.7 billion in old-age, survivors, and disability benefits to 14.6 million people of all ages in 1961, is administered at a cost of about 2% of the social security taxes.

Our social insurance and public retirement systems provide basic protection to the worker and his family. For those who have no such protection and whose incomes are insufficient to meet basic needs, the Federal Government shares, through grants to the States, in providing four categories of public assistance payments. These are (1) old-age assistance, (2) aid to the blind, (3) aid to dependent children, and (4) aid to the permanently and totally disabled. In 1961, the Federal share for payments, made to an estimated monthly average of 5.9 million beneficiaries, will total an estimated $2.1 billion, or about 58% of the total Federal-State-local public assistance expenditures. This contrasts with Federal expenditures of $1.1 billion, representing a Federal share of 52%, for payments to 4.9 million individuals in 1950.

Public assistance has long been recognized as primarily a responsibility of the State and local governments, because need for these payments in individual cases can best be determined at the local level. I am particularly concerned about the growing Federal share, especially because it tends to weaken this sense of State and local responsibility.

While we are spending hundreds of millions for aid to the needy, there are large gaps in our knowledge of the causes of dependency and of the best ways to alleviate or prevent it. I believe that appropriations to initiate a program of research and demonstration projects designed to identify and alleviate these causes are highly necessary and I have so recommended in this budget.

* * *

The 21 million veterans who served during World War II or the Korean conflict were eligible for benefits from the highly successful readjustment programs. For the 16 million World War II veterans the GI bill provided unemployment and self-employment compensation payments to 9.7 million veterans; education and training benefits to 8.4 million veterans; and loan assistance to 5 million veterans for the acquisition or improvement of homes, farms, and businesses. Except for the loan guarantee and direct loan programs, which will terminate on July 25, 1960, the World War II readjustment benefits have essentially expired. Similar readjustment programs, which will continue into 1965 for veterans of the Korean conflict, have already provided 2.3 million veterans with education and training benefits and 700,000 with loans. The special unemployment compensation program for Korean conflict veterans which ends in 1961 has aided 1.3 million veterans. No further extension or liberalization of these benefits is needed.

* * *

The plans presented in this budget meet the Nation's immediate needs and will support continuing sound economic growth in the future. The achievement of these plans, however, will in the last analysis depend on the people themselves.

I believe our people have the determination to hold expenditures in check, to pay their own way without borrowing from their children, to choose wisely among priorities, and to match sound public policy with private initiative. It is that determination which is the key to continued progress and sound growth with security. It is that determination which reinforces the recommendations I have made.

DWIGHT D. EISENHOWER

January 18, 1960

Pressprich Branch In Hong Kong

The opening of the company's first foreign office in Hong Kong, British Crown Colony, on Jan. 18, 1960, has been announced by the investment banking firm of R. W. Pressprich & Co., New York, N. Y. It will be located at 603 Tak Shing House.

Norman L. Yu, who has had a wealth of experience in the investment banking field, has been named representative for the new Pressprich office.

Members of the New York, American and Midwest Stock Exchanges, R. W. Pressprich has offices located in Albany, N. Y., Boston, Mass., Chicago, Ill., Philadelphia, Pa., and San Francisco. The company underwrites, distributes and deals in government, state, municipal, housing authority, public revenue, railroad, public utility and industrial bonds; equipment trust certificates and investment stocks.

W. R. Batkin Opens

VALLEY STREAM, N. Y.—William R. Batkin is engaging in a securities business from offices at 48 Birch Lane under the firm name of William R. Batkin Co.

Embassy House Assoc.

Embassy House Associates is engaging in a securities business from offices at 61 Broadway, New York City. Partners are Jack Davis, Eli Fishbein and Irving Fox.

Am. Ry. Car Inst. Elects Officers

John W. Scallan was elected President of the American Railway Car Institute at its annual meeting and Herman Altschul and H. H. Rogge were named Vice-Presidents of the Institute. Mr. Scallan is President of the Pullman-Standard Car Manufacturing Co.; Mr. Altschul is Vice-President-sales of General American Transportation Co., and Mr. Rogge is President of the American Car & Foundry Division of ACF Industries, Inc. The Institute also returned to office G. T. Barker, of the firm of Hardy, Peal, Barker & Rawlings, Vice-President, and Walter A. Renz, Secretary and Treasurer.

Van Ingen Group To Market Calif. District Bonds

B. J. Van Ingen & Co. Inc., New York, has been selected by the Ventura Port District, California, to form an underwriting group to distribute approximately $10,000,000 revenue bonds to finance conrevenue bonds to finance construction of a public small boat harbor. The harbor will be located approximately 65 miles north of the City of Los Angeles at Ventura, Calif.

The 317-acre site has been acquired by the District by payment of $1,000,000: $800,000 from proceeds of a State Loan and $200,000 through sale of a note to the Bank of America N.T. & S.A., both of which will be retired from sale of the revenue bonds. Construction bids have been received covering about 80% of the work with surety bonds posted. The balance of the construction contracts will be let as construction on the project progresses.

Jack T. Campbell, Manager of the District, stated "that the District has, after many interviews and much investigation, determined to lease the project under a master lease to a group, designated the Ventura Marina, Inc. This group is highly qualified and experienced and has ample financial stability with which to successfully operate the public small boat harbor. The master lease group will guarantee the payment of rentals sufficient to meet all debt service requirements; in addition the District will also receive a percentage of the gross income. The master lease group will be obligated to pay expenses of operation and will post a bond guarantee fund equal to annual debt service requirements. The Bank of America N.T. & S.A. has been appointed Bond Trustee and California Paying Agent under the Bond Ordinance."

Arthur D. Little, of nationally known Consulting Engineers of San Francisco, have estimated that the project will produce a minimum gross income of about $2,000,000 when in full operation.

Form Liberty Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Liberty Investment Company has been formed with offices in the Liberty Life Building to conduct a general securities business. Officers are Leslie B. Cohen, President; J. L. Pressman, Vice-President; and Howard M. Browning, Secretary-Treasurer.

Kennedy, Frank and Miller, Inc. Formed

SECAUCUS, N. J. — Kennedy, Frank & Miller, Inc. has been formed with offices at 1291 Paterson Plant Road to engage in a securities business. Officers are Harvey Frank, President; Robert J. Kennedy, Secretary; and Alan J. Miller, Treasurer. All were formerly with Family Funds of New York.

Guardian Sales

Guardian Sales & Planning Corporation is engaging in a securities business from offices at 225 Broadway, New York City.

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all was never in a sounder financial position than it is now at the beginning of 1960.

With increased emphasis on the food for peace program, more aggressive agricultural marketing and utilization research, and an expanded rural development program; and if our recommendations for realistic, up-to-date price supports and an expanded conservation reserve are favorably acted upon by the Congress, U. S. farmers and ranchers can look forward to a truly prosperous, expanding and free agriculture in the years to come.

JOHN J. BERGEN
AND
A. M. SONNABEND

Chairman and President, Respectively, Hotel Corporation of America

1960 will see increased business for all types of hotels and motor hotels. This forecast is based on a number of economic and social factors, including population growth, prosperity, more business competition, increased vacation time and the ever-growing desire of the American public to travel.

John J. Bergen

A. M. Sonnabend

Both of the major segments of the hotel industry, those designed for the resort trade and the traveler and those units catering primarily to the businessman, will enjoy higher sales during the coming year. When business in general is faced with the prospect of increased competition, one of the key methods employed to counteract this competition is more personal calls on customers and potential customers. This necessitates more travel which can be directly converted to increased business for hotels.

Jet transportation has enabled a businessman to make trips in shorter periods of time, in some instances eliminating overnight stays. However, this factor is more than compensated for, in our opinion, by the trend toward more business travel.

Another important feature in stimulating business at large hotels, those designed to cater more to the businessman, is the increased use of conventions as a business-getting tool by companies and industry groups. Many large cities recently have opened convention facilities for groups running into the thousands, and others will be available within the next year.

These new facilities may, in some cases, mean a changing pattern of hotel business from older to new facilities. The effect of such movement on various cities and therefore on hotels could be an important factor in determining new construction, not only on the part of the hotel industry but also on the part of city convention bureaus.

The non-business segment of American people is traveling more and more. With higher wages, more leisure time and the desire to see new places, a tremendous demand has been created for accommodations specifically related to the individual or family seeking pleasure or while en route to a destination.

Motor hotels, an area in which HCA has become a recognized industry leader, are becoming more and more prominent as a factor in the industry.

We should like to emphasize, however, the dangers of building motor hotels without careful planning. The competitive picture in the motor hotel field is such that without such planning, units that should be profitable might be running at a loss because of lack of foresight. To counteract this, we developed guides and criteria for establishing new properties, particularly motor hotels. Other operators are urged to do likewise.

WILLIAM B. BERGEN

President, The Martin Co.

The year just ending was a time of dramatic change for the nation's defense industry.

During 1959, it was made crystal clear that aircraft as a military weapons system are gradually becoming obsolete. They are being replaced, of course, by missiles. And it is for this reason that Martin, for 50 years a manufacturer of manned airplanes, is now to all practical purposes, out of the conventional plane business. The transition, however, has not been merely a matter of going from the production of one product to another. It has meant a complete metamorphosis in the nature of the defense industry.

William B. Bergen

The days when sorties of planes darkened the skies over enemy territory are past. These planes have been replaced by weapons systems requiring a fraction of their number, but capable of delivering many times their destructive force. In fiscal 1955, the Department of Defense spent $718,000,000 for missiles and $8,000,000,000 for manned aircraft. In fiscal 1960, government expenditures for missiles will rise to $3,900,000,000 from an estimated $3,360,000,000 in 1959 and aircraft spending will fall to an estimated $6,600,000,000, down from approximately $7,100,000,000 in 1959.

Although the number of missiles produced is a closely guarded secret, it is obvious, considering the potential of each missile, that their numbers in no way approach the estimated 11,000 planes produced in the most recent peak year of 1953 when we still were relying heavily on manned aircraft for defense.

Reflecting this greater reliance on missiles, sales of The Martin Company for 1959 are expected to exceed $500,000,000, marking the ninth consecutive year in which sales figures have been higher than the year before. Earnings, too, are expected to increase over the $4.01 a share achieved in 1958.

The company is producing three operational missiles, Mace, Bullpup and Lacrosse. We are developing the Titan, which, when it reaches combat-ready status sometime in 1960, will be the most advanced Inter-continental Ballistic Missile in the United States arsenal. Pershing, a U. S. Army missile with an unjammable guidance system, is to have its first firing early in 1960.

The nature of companies like Martin today is basically a research and development business, the purpose of which is to create a relatively smaller quantity of highly complex but infinitely more effective delivery systems. This naturally results in a higher unit cost per weapon.

A completely new industry is evolving in the transition from planes to missiles. Even before these missiles became operational, their power plants and other components are in demand for the nation's burgeoning space programs. The success of companies involved in space age projects today will depend to a large extent on how well they will be able to adapt to this newly created environment.

Their future, and this includes the future of The Martin Company, will depend on the extent to which they meet the following requirements:

(1) A diversification in fields linked with the missile industry. At The Martin Company, over 3,000 of our 7,500 engineers are in electronics. Other specific areas of diversification at Martin include guidance control systems such as Missile Master, now a vital part of the nation's home defense system; ground support units which insure the operational readiness of highly advanced missiles such as the Titan; missile check-out gear such as Martin's Master Operations Control, which automatically monitors complex missile countdown procedures, and, capability in solid and liquid propellant systems. All of there reflect Martin's "systems concept" of engineering and manufacturing. Our object in diversification is to join the many different skills and talent that go into the research, development and production of space age systems, under one corporate roof. Martin is also producing nuclear power sources and fuel elements. This, too, is a field with broad implications in the space age.

(2) Constant research into the basic sciences and fields which now might seem to be unrelated to tomorrow's profits must be maintained in order to meet the as yet unknown demands of life in the space age. The Research Institute for Advanced Study, supported by Martin, is involved in just this kind of research.

(3) The progress of space age companies will to a large extent depend on their ability to adapt quickly to the rapidly changing state of the art and scientific and defense needs. Martin is proving its own flexibility in its diversity and broad concepts of research.

We are rapidly approaching the time in which financial resources alone will in no way assure the success of our nation's defense system or the companies which are producing the hardware to back it up.

Success in 1960, and for generations to come, will depend upon the amount of creative thinking, hard work and courage with which we approach the space age.

ESKIL I. BJORK

Chairman, The Peoples Gas Light & Coke Co.

The year 1959 saw continued growth and development of our markets. Gross capital expenditures aggregating approximately $41,000,000 were made during the year by pipeline and storage companies of the System for new facilities to increase its supplies of natural gas and to transport more gas to the market area, and by the parent company to expand its distribution system in Chicago. For the last two years the total figure for similar expenditures was $128,000,000.

Eskil I. Bjork

During this two-year period the peak day delivery capacity of the System has been increased by about 350 million cubic feet to one billion 829 million feet. Of that increase, 95 million became available as the result of expansion moves in 1959.

From all sources, the amount of natural gas available in Chicago by the end of 1959, on a peak day, was 760 million feet compared with 560 million two years earlier. System pipeline companies have been expanded: Natural Gas Pipeline Company of America brought an additional 185 million cubic feet to market late in 1958 on a peak day basis; the delivery capacity of Texas Illinois Natural Gas Pipeline Company was increased by 20 million late in 1959.

Gas available to customers of the Natural Gas Storage Company of Illinois, our storage subsidiary, was increased by 70 million feet a day in 1958 and by 75 million in 1959.

Mainly by virtue of the increased flow of gas to the area, consolidated gas sales of Peoples Gas System for 1959 reached a new high.

In Chicago, The Peoples Gas Light and Coke Company began to receive gas during the year from another pipeline serving the area.

Within the two-year period about 93,000 space heating customers have been added by Peoples Gas in Chicago, about 50,000 of them in 1959, to bring the total at year end to approximately 340,000.

All of the single-family and two-family applicants on our waiting lists at mid-year had been offered gas service, as had a substantial number of commercial and industrial customers, and multiple-family premises.

While the waiting list of space heating applicants has grown somewhat since mid-year, the plans of Peoples Gas System for bringing additional supplies to the market in 1960, if timely approved by the Federal Power Commission, should, with other sources of gas expected to be available to the company in 1960, substantially reduce if not eliminate the present waiting list.

Notable also was the success achieved in the first full year of promotion of gas for year-round air conditioning, and in expansion of the summer air conditioning load.

Although it is too early to be specific, the storage company plans to seek FPC authorization in 1960 to further increase peak day withdrawals. Peoples Gas also expects to acquire additional gas next fall from the other pipeline source previously mentioned. And 1960 System pipeline expansion projects are contemplated with an estimated total cost of $75,000,000 to provide additional peak day capacity of 185 million cubic feet.

Consummation in December, 1959, of a reorganization plan involving the dissolution of Texas Illinois Natural Gas Pipeline Company and the assumption of its assets by Peoples Gulf Coast Natural Gas Pipeline Company, a wholly-owned subsidiary, was important to the Peoples Gas System.

It is now the aim of System management to seek to merge Peoples Gulf Coast into Natural Gas Pipeline in 1960, and to achieve the economies and other operating benefits that such a merger would make possible.

Sales of gas dryers by Chicago dealers and by Peoples Gas reached record levels, as did sales of gas ranges. And the rapidly-increasing number of outdoor gas lamps in the yards and patios of Chicago homes has made them a symbol of modern living, just as they once typified the nostalgic appeal of the past.

ROGER M. BLOUGH

Chairman, U. S. Steel

America must meet the problem of continuing inflation caused mainly by unrealistic nation-wide union wage demands if it expects to attain adequate economic growth at home and good markets for its products abroad. The 116-day strike and the national emergency it caused has hurt everyone—those in and out of the companies affected, and especially the strikers themselves and their families.

Roger M. Blough

It is hoped that industrial peace—and the job security that can come only from a soundly based industrial peace—will soon prevail.

Despite the economic consequences of the steel strike, we are optimistic about the future of the steel industry. Accordingly, despite heavy strike losses, U. S. Steel Corp. plans to proceed with authorized projects that require further expenditures of more than $650 million.

In the 1950's alone, our nation's capacity to produce steel has increased by almost one-half. Yet, during the past two years, the American steel industry has produced less tonnage than in any two-year period since 1949-1950. In strong and welcome contrast to this discouraging record, the six months ahead, in the absence of further work stoppages, promises to be one of heavy steel demand.

In 1958, steel ingot production totaled but 85 million tons as the industry suffered from the impact of a sharp drop in the nation's use of steel during the recession, combined with heavy reduction of stocks by steel customers—about 10 million tons in ingot equivalent—to the lowest level since 1950.

During the first half of 1959, steel operating rates moved up rapidly as steel consumption increased along with general business activity and as consumers rebuilt their depleted stocks and even expanded their inventories because of a possible steel strike at mid-year. But all of the inventory accumulation of the first half and more was wiped out during the 116-day steel strike which hobbled production during the second half of 1959, and prevented the steel industry and its employees from sharing fully in the strong resurgence of our national economy.

According to our estimates, total inventories of steel at the end of November were lower relative to the economy's needs than at any time in the postwar period. The high output of December only slightly alleviated this problem. Consequently, strong demand for steel to rebuild inventory should be expected during the first half of 1960 even were there to be no change in national industrial output.

There are certain questions still clouding the over-all business outlook in addition to the danger of the continuing of cost-push inflation—the threat of work stoppages in several sectors of the economy, the possibility that there may be a slowdown in residential construction, that the initial momentum of a good automotive year may be lost from forced production cutbacks in November and December, and that there may be some curtailment in business expansion plans.

However, although these serious threats cannot be dis-

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counted lightly, the resumption of the rising trend that brought national output to new highs last summer appears a reasonable expectation. In brief, the early part of 1960 can see a heartening outpouring of goods, larger employment and a very high level of individual income.

Because of the immediate need for steel to refill consumers' depleted stockpiles and the expected high rate of steel consumption, total demand for steel in the next six months should be enough to warrant steel industry operating rates in the 90's, or near capacity. This could mean ingot production as high as 70 million tons in the first half.

Steel imports, however, will undoubtedly continue to take a large share of the domestic market for certain steel products. In contrast with the traditional position of the steel industry, steel imports may again exceed exports for the second straight year.

RICHARD C. BOND

President, John Wanamaker, Inc.

Forecasting, at best, is a risky business. But attempting to forecast retail sales for an entire year would seem to us to be Foolhardy. Retailing has an extremely sensitive ear to the ground and is subject to the emotions and whims of its customers, 90% of whom are women.

Richard C. Bond

Under these circumstances, the most distant projection we would want to make would be for the first six months of 1960 which really include two retail seasons, namely, the spring and early summer. Further, we will confine our forecast to one phase of the retail business, namely, the department store field.

Our forecast, therefore, is that the department store business, in the first six months of 1960, will be somewhere between 3% and 5% ahead of the same period in 1959. This estimate is based mainly on the fact that employment will hold steady and people will have somewhere between 2% and 3% more purchasing power. Department store sales and total national income follow a strikingly similar pattern and while there are some off-sets to this bullish forecast—namely, the possibility of a nation-wide railroad strike, a renewal of the steel strike, stepped up foreign competition, tighter money and fewer housing starts—we believe this estimate to be on the conservative side, particularly if there is no renewal of the steel strike and a settlement prevails in the railroad picture. Such strikes would loom up as catastrophic in our economy and if they came about, all bets would be off.

In addition to the plus factors of higher income and fuller employment, there is the intangible one of confidence. The American people tend to buy when confident, particularly if this confidence is based on peace and prosperity. These two factors would seem to be very much in the picture, particularly for the first six months of 1960 and, therefore, add a very definite plus to our bullish forecast.

A word or two about the composition of the sales pattern for the first six months of 1960. Due to the fact that there will probably be fewer housing starts, home-furnishings, as such, will probably be adversely affected. Food sales should about hold their own, even with falling food prices. Apparel and other soft goods should definitely be on the rise due to stiffening prices, more flattering fashions and greater general demand. Probably the two specific spots that offer the greatest opportunity for sales increase in the coming six months, would be women's sportswear and children's wear.

Finally, it is our opinion that quality stores will do better than those catering to the cheaper trade for as people have more money, they have a constant desire to trade up at every income level.

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Our Reporter on GOVERNMENTS

BY JOHN T. CHIPPENDALE, JR.

The flow of investment funds into fixed income bearing obligations continues to show signs of expanding and the purchases of Governments by the so-called "small investor" is becoming more prominent. It is evident that the "magic" 5s of 1964 brought the savings bank type of investor into marketable Government obligations and evidently they were satisfied with the treatment and experience which they received. Accordingly, these same investors went after the recent 12-month Treasury bill issue in a rather sizable way. It seems as though a 5% return, whether it be with a set coupon rate or on a discount basis for a Government issue, has plenty of attraction for these investors. Because of this fact, it would not be surprising if they would again be after the Treasury refunding issues provided the income is satisfactory.

Initial Financing Successful

The first new money raising and refunding operation of the Treasury in the new year has been carried out successfully and the cost of these two ventures were in line with existing money market conditions. The policy of credit restraint, along with the demand for loanable funds, is keeping interest rates at or about the high levels that have been prevailing in the past several months. In addition, the Treasury must confine its quest for new money and the refunding of obligations as they come due, to such issues as will meet the demands of investors as well as the prevailing laws of the land.

This means that the current rate of interest will have to be paid by the Federal Government in its operations, and the maturity of the securities which are being used for such purposes will have to be less than five years. As a result, short and intermediate-term rates will continue to remain high since these are the areas in which the demand for funds is very large, both from non-Federal as well as Federal sources.

Treasury's Hands Tied

The use of an obligation with a maturity of more than five years by the Treasury, unless sold at a sizable discount from 100, is precluded under prevailing money market conditions. Even though there is a great desire and need to extend the due date of the Government debt, and the opportunity is presented when obligations are maturing as will be the case on Feb. 15, there is not a hope of this taking place because of the 4¼% interest rate limit on Federal securities with a payable date of more than five years.

Accordingly, it is expected that the Treasury will announce on or about Jan. 28, the kind of securities which will be offered to the holders of the 3¾s that will come due on the 15th of next month. This large issue of more than $11 billion is held in the main by Federal Reserve Banks and Government agencies but the non-Federal owners are still significant enough (about $5.8 billion) to get the kind of treatment which will make it a successful operation.

The February Financing

Therefore, money market specialists are again trying to figure out what the Treasury will use in way of issues in order to put this February refunding over in a satisfactory manner. Because of the large position which the Central Banks have in these 3¾s it is believed in most quarters of the financial area that a short-term obligation with, say, a year maturity will be part of the package deal which will be made to owners of the maturing certificates. In addition, it is believed that an obligation with a due date of a note will be used by the Treasury in this impending operation. Also, some money market followers would not be too surprised if a short and a long note were to be offered by the Treasury.

Current Market Operations

The improvement which has been evident in certain of the near-term and middle-term Government issues is attributed to purchases which have been made with state funds. There are indications that money which has been raised through the sale of tax-exempt securities has been put to work in some measure in selected Federal obligations.

According to reports, state pension funds are still making commitments in the long-Government bonds with the 3½s of 1990 being this week's favored issue.

Whitesell With Federman, Stonehill

Federman, Stonehill & Co., 70 Pine Street, New York City, members of the New York Stock Exchange, announced that Clarence J. Whitesell is now associated with the firm as manager of the Institutional Department. He was formerly syndicate manager for Cohen, Simonson & Co.

Lawrence & Overall Open

WASHINGTON, D. C. — John C. Lawrence and Sidney R. Overall have formed Lawrence & Overall with offices at 919 Eighteenth St., N. W., to engage in a securities business. Mr. Lawrence was formerly with Stanford Corporation and O'Connor & Sons.

Federman, Stonehill Appoints M. J. Bayer

Federman, Stonehill & Co., 70 Pine Street, New York City, members of the New York Stock Exchange, announced that Mitchell Jay Bayer is now associated with their firm as Manager of the investor's service department.

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WILLIAM T. BRADY

President, Corn Products Co.

The year ahead, and the years that follow it, should be interesting and eventful for our industry. During the past ten years the food business enjoyed an era of unprecedented growth. Sales of retail food stores chalked up at about $35 billion in 1950, climbed at this year's end to a record figure of some $52 billion.

William T. Brady

There is no doubt in my mind that this spectacular growth will continue. However, in my opinion, it will be marked by two transitions of great importance.

The first is in the mind of the consumer. During the 50's the nation's eating habits were upgraded in many ways and particularly in favor of finer, tastier, more interesting and more varied convenience foods. There is no indication that today's homemaker will settle for anything less than the most delicious of meals. But, there is now a greater awareness on the part of the public of the role of food and nutrition in active good health, longevity and well being. The growing mass of evidence pointing to the relationship between the food we eat and our susceptibility to heart and other diseases can't help but produce a noticeable effect on family menus.

If we in the food business are to continue to cater successfully to consumer needs and demands, we must therefore emphasize new product development. Our goal will be to bring food enjoyment and good nutrition more closely together, a goal best achieved through research, where despite considerable strides made to date, a great deal remains to be done.

Secondly, I anticipate for the 60's the transition to a true world food industry, with international brands well on the way of becoming as well known as national brands in the United States.

Until recent years, only the traveler fortunate enough to cross national boundaries enjoyed the culinary treats of other countries. Exchanges in ideas, technologies, people and products have been stepped up. People the world over will increasingly be able to get the year around the foods which now they have only been able to obtain seasonally. The American corner grocery, for instance, carries beef bourguignon, ravioli and the makings of an oriental dinner, while stores overseas feature hot dogs and the ingredients for apple pie. The transition is already well under way and the opportunities it presents to our business are almost limitless.

We have just completed a gratifying first year of the Corn Products-Best Foods merger and are now geared in every area to meet the demands we see ahead. We regard them as excellent growth opportunities for the company.

Again, we are stepping up our entire research activities. And we have suggested that the entire industry join with us in a major drive on the world-wide problems of hunger and improper nutrition. Our overseas affiliates are making a splendid contribution within their respective countries and are expanding rapidly. Finally, we are doing more and more to develop our own management people and management methods to keep ahead.

We foresee a more rapid rate of growth in the 60's than in any comparable period.

HARLLEE BRANCH, JR.

President, The Southern Company

The impressive growth of business and industry in the Southeast is expected to continue at an accelerating rate during 1960.

In the service area of The Southern Company system, comprising most of the states of Alabama and Georgia, Southeastern Mississippi and Northwest Florida, we expect the use of electric power to exceed the record year of 1959 by 10%. This compares with a predicted increase of 8% for the electric industry as a whole.

Harllee Branch, Jr.

During the first 9 months of 1959, 151 new industries announced plans to construct production facilities in our service area. These plants will represent investments of $53.5 million. This is at an average rate of nearly 17 plants and $6 million of investment per month. As far as we can foresee, this acquisition of new industry will continue during 1960 without diminution. One of the most important assets of the Southeast, as a location for new manufacturing plants, is the record of success of existing plants. Once established, many manufacturers find it profitable to enlarge their plants and expand their operations. In the first three quarters of the past year the number of such expansion plans made public was 99 and the amount to be invested in increased productive facilities is $86.5 million.

The selection of our service area as the site for so many new manufacturing plants—1,350 in the 12 years from 1947 through 1958—is naturally gratifying. Equally gratifying is the diversity of these new enterprises. Paper, chemicals, transportation equipment and electrical machinery are products of rapidly expanding importance. Each year new types of industry which had previously evidenced little or no interest in our area have decided to locate here. Their decisions are influenced by the growing purchasing power of citizens and thus by the increasing size of the consumer market; by the favorable climate, diversity of raw materials, human resources, and others.

Despite the fact that power revenues from the textile industry have grown more than 40% in the last 10 years, this industry is percentagewise a smaller factor in our industrial sales than in former years. This is due to the many new types of industry established in the Southeast. The year 1959 was one of increasing productivity for the textile industry in our area and 1960 should see operations maintained on a high plateau. A firmer price structure should be of substantial benefit to textile operations.

The expansion of business and industry which we are predicting for 1960 is the normal growth trend of the area. It is neither reduced by the prospects of a business recession nor expanded by the exaggerated characteristics of recovery from a depression. However, cur forecasts are based on the assumption that there will be no extended interruptions in steel and other industrial production due to work stoppages in 1960.

To meet the requirements for electric power in the immediate future and in the years further ahead, the Southern system companies are engaged in the largest construction program in their history.

Expenditures for new generating, transmission and distribution facilities for the three-year period 1960-62 are expected to exceed $500 million, and to exceed $180 million in 1960 alone.

HON. STYLES BRIDGES

U. S. Senator From New Hampshire

In this election year, with an early July adjournment of Congress prior to the national party conventions, an accelerated legislative pace can be expected from the very opening of Congress. Even with this accelerated pace, only the most pressing legislation, including the annual appropriations bills, will be undertaken, in my opinion.

Sen. Styles Bridges

The big imponderable at the moment, as far as legislation affecting business is concerned, is the scope of labor legislation, if indeed any at all is proposed. The settling of the steel strike before the end of the so-called cooling-off period may have averted any major labor-management legislation at this session of Congress. On the other hand, there is a great deal of public sentiment in favor of establishing some sort of machinery so that the economy of the country cannot be brought to an utter standstill, or seriously slowed down while prolonged negotiations are carried on.

More and more, the Soviet challenge to this country is an economic one throughout the world and the machinery of our whole economic system must be geared to meet that challenge. In the stalmate of nuclear warfare, it is on the economic front that our battle for survival will be fought. While collective bargaining will still be the foundation for negotiations between labor and management, it must be kept sufficiently in hand so that this country is not hampered in meeting the Soviet challenge.

Government spending will continue at the general $80 billion level with the major portion going for defense and associated items, so that the government impact on the national economy will remain the same. As long as such is the case, no substantial tax cut can be anticipated, but some adjustment of inequities in the present tax structure should be undertaken. With the continued high level of government spending, interest rates will remain at least at the present high level because the Government will continue to be competing with private interests in the money market.

It is too early yet to predict what effect the steel strike has had on the economy in so far as it relates to the income of the Federal Government. The budget for fiscal year 1960 was precariously in balance, and and loss of revenue due to the effect of the steel strike would unbalance the budget. Undoubtedly some loss has occurred at the present, but it remains to be seen whether industry can catch up with the pent-up demand sufficiently for the loss to be made up in the six months before the fiscal year ends on June 30, 1960.

The year ahead will see continued determined effort to control inflation, although the pressures of a possible unbalanced budget and the steel settlement, which has hitherto been a pattern for all industry, will be extremely great. The President last year had control of inflation as one of his primary aims, and this year it will have even greater priority.

No business forecast for the coming year can overlook the Space Age with which we usher in the new decade. Despite all sorts of gloomy predictions, this country is forging ahead in rocket and missile development, and we are making gains in narrowing the gap which their head start gave to the Soviet Union. Of course, the effects on business, as we progress further into the Space Age, are so far reaching that at this early stage one can only speculate rather than predict.

1960 should be a banner year in general for all business, with new records being set in many instances. Any readjustment which will test the strength of the boom will not come, in my opinion, until 1961.

MILTON F. BROWN

President, Mercantile National Bank at Dallas, Dallas, Texas

The outlook for 1960 appears generally favorable when viewed from the Southwestern perspective. The Southwestern economy turned in a remarkable performance in 1959, overcoming weakness in three of its major economic sectors to reach new record levels. While the year to year comparisons do not show gains as large as they have in the past in relation to the national figures, this is in part due to the outstanding 1958 record. The recession of that year had only a negligible effect on business activity in the Southwest.

Milton Brown

The surplus of oil in the petroleum industry has been well publicized. While this is a condition which may continue to exist for several more years, there are indications that the problem may be less severe in the future. Now that the industry has had a year's experience under the mandatory import quota system, more accurate adjustments can be made in overall operating rates. In addition, the development of better forecasting techniques is allowing managements to anticipate and avoid undue inventory accumulations in refined products. Given normal weather conditions, the coming year should show at least slight improvement over tumultuous results of 1959.

Comments on the outlook for the agricultural sector must also be prefaced by the assumption that weather conditions will be favorable. Crop production and livestock marketings are expected to be higher in 1960 bringing further pressure on farm prices and income. On the other hand, the cost of products purchased by farmers will probably rise—causing a corresponding decline in profits and a worsening in the parity ratio.

The aircraft manufacturers with plants in the Southwest appear to be facing another year of reorientation as the change from manned aircraft to missiles continues. However, electronic component manufacturing and related research activities have been stimulated by this shift. The net result has been the rapid development of a relatively new but highly significant industry in this area.

The prospects for the building trade do not appear so favorable. Whereas this segment of the Southwestern economy was one of the primary sources of strength in 1958 and 1959, construction activity is in a downward trend which is not expected to be reversed before 1961.

Aided by the general economic improvement and a strong basic growth rate, a substantial increase in chemical production is anticipated in 1960. If the capital expenditures currently being planned materialize, another jump in petrochemical—plastic capacity along the Gulf Coast will occur this year.

Consumer confidence is apparently high as reflected in the retail sales figures. Purchases of both durable and non-durable goods are again at peak levels. Automobile sales were up about 30% in the Eleventh Federal Reserve District in 1959.

The sharp increase in the demand for credit is also indicative of the pace of economic activity in the Southwest. Gross loans rose almost 10% in 1959 and a further rise is expected in 1960. Since deposits have not risen proportionally, money is "tight" and interest rates have been forced higher. In order to restrain the inflationary pressures currently evident in the economy, there appears to be little likelihood that the rigorous monetary policies being pursued by the Federal Reserve will be relaxed over the near-term.

In summary, 1960 should be a good business year. Unless the economy is hampered unduly by strikes, or disrupted by unforeseen international difficulties, gross national product may approach the $500 billion mark. In the Southwest, further gains in employment, income and production are expected.

HARRY A. BULLIS

Former Chairman of the Board, General Mills, Inc.

The business outlook for 1960 is excellent in the highest degree—particularly now that continuous steel production is assured. The $500-billion-mark for our gross national product (total of all goods and services produced) will be passed early in the year and a high average for the entire year will be attained.

Harry A. Bullis

The causes of the vigorous forward movement are clear. From the recession low, total personal incomes have grown markedly. Consumption will soon have a total at least $30 billion above the low in the recession a little more than a year age. Total production of all goods and services in last June's quarter had advanced by more than 10% in physical terms.

Yet, in all these months, we did not add to our stocks of goods. Thus we need to increase production once again in order to fulfill the demands of our people's growing incomes and to add approximately an extra $10 billion of goods in 1960 to restore our total inventories to levels consonant with our expanding income.

Total construction in 1960 is expected to set a new high for the sixteenth successive year at a little over $58 bil-

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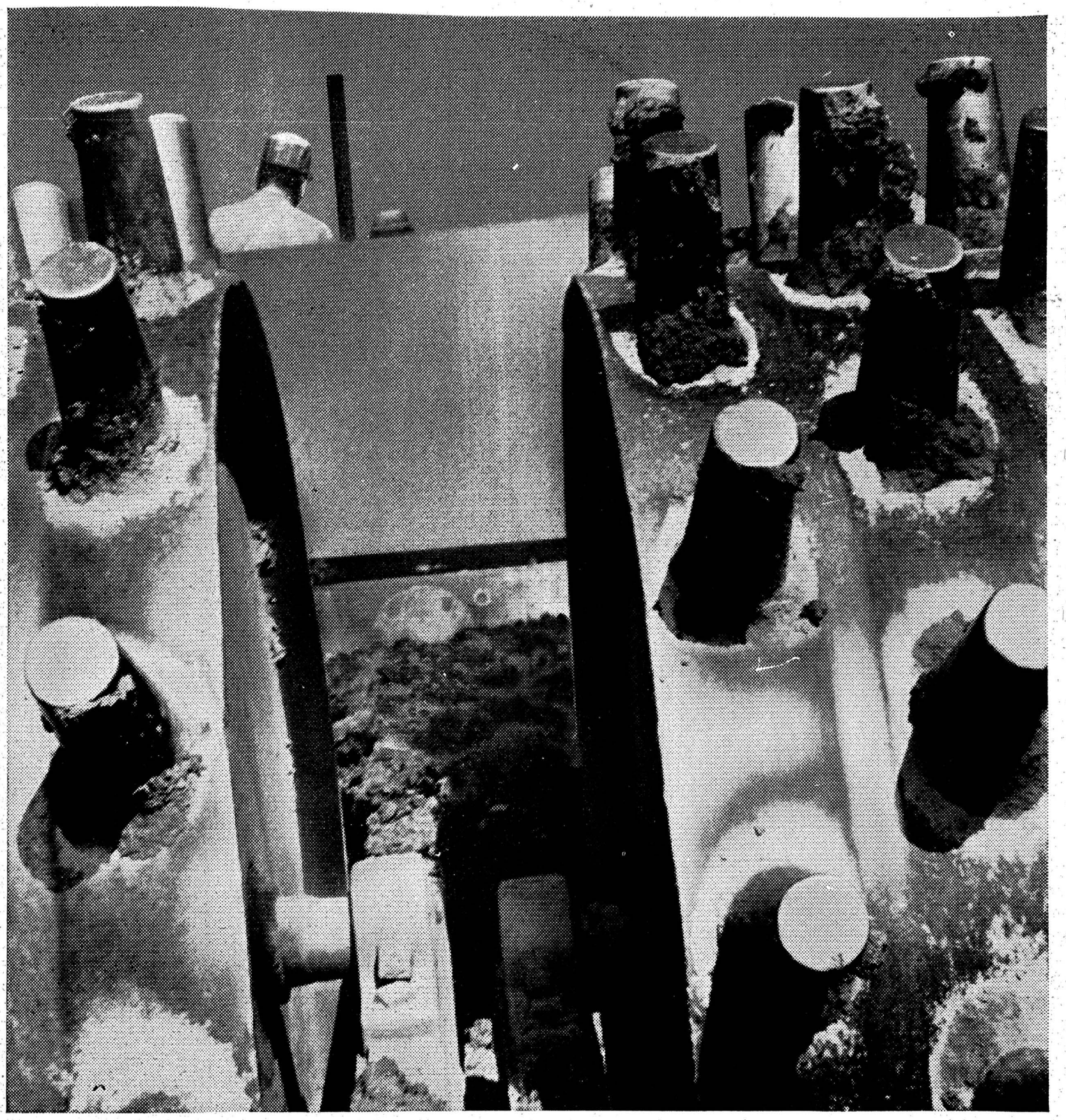

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lion. Business plant and equipment expenditures are expected to be up about 10%. Public construction will reach a higher level, and highway construction is expected to hold to last year's greatly increased level of almost $3 billion, up from $600 million a year or two ago.

Housing starts are expected to be down 10%, or from 1,328,000 in 1959 to 1,200,000 in 1960. Because people are buying better houses and not because the cost of the house construction is expected to rise very much, total outlays for houses next year are expected to be down only about 7%.

Food manufacturers are expected to increase their capital spending about 8% more than in 1959. New and improved "convenience foods" will accelerate their growth and other family food spending will also increase.

Based on steel being in supply, 1960 will be a good automobile year. The estimates of automobile production are around 6,750,000 cars.

Money rates will undoubtedly be tighter, not alone because the business demand hardens the rate but also because the Federal Reserve Board is anxious to keep foreign balances here in order to check the outflow of gold.

In my opinion, great economic growth can be expected for the first half of the decade of the 60's, even though the climb may be interrupted for short periods when individual corporations will have to roll with the punches, ride out intervals of slow growth, but always be prepared to take advantage of periods of expansion.

Economic recessions may come from inventory liquidation, the marked decline in capital outlays by industry, or by a failure of the money supply as has so frequently occurred in our nation's history with most devastating results.

But we are short of inventories, not long, and an inventory recession plants the growing seeds for recovery from it. Capital expenditures of industry in my opinion, will not decline because labor will be short, wages will be high, and research and development outlays will bring forth many new wanted products. Business has not been wise in its capital outlay retrenchment in any of our three postwar recessions. Business executives should have learned by experience not to postpone expenditures for needed plant expansion. Finally, with our banks possessing a liquidity twice that of 1929, we should have a safe foundation for the expanding monetary supply we shall need to finance the remarkable growth in the economy I foresee through 1965.

WILLIAM H. BURGESS

President, Electronic Specialty Co.

As the United States becomes increasingly aware of the tremendous opportunity for selling merchandise in the world market, 1960 will mark the beginning of an era of unprecedented world wide prosperity. True, competition will always be present and there will be an increasing awareness of economic competition from World Communism. However, the United States' gross national product will continue to increase. This will provide a basis for expanding defense expenditures which will place increasing emphasis on space exploration.

William H. Burgess

These funds will accrue from tax dollars which will flow back to private industry. As electronics will require an even greater percentage of the defense and space budget, the potential for a company such as Electronic Specialty Co. will be greater, and the outlook will be for a continuous increase in business of at least 50% in 1960. In 1959 Electronic Specialty Co.'s gross sales increased over 100%.

HON. HARRY F. BYRD

U. S. Senator from Virginia
Chairman of Senate Finance Committee

We are entering a new era of atomic energy, rocketry, space, etc. Our population is increasing. Our resources are great. Our productive know-how and capacity are yet unsurpassed. Representative democracy with free enterprise should thrive soundly on these elements for the good of all mankind.

Harry F. Byrd

With responsible citizenship, good government, and fiscal soundness there could be no fear for the future. Without these there can be neither solid progress nor security with military preparedness. These are simple requirements. But we are showing weakness at many points.

Our strength has been sapped by paternalism in federal bureaucracy grown too big, usurpation of power by the federal Supreme Court grown too mighty, and force of labor leaders grown too arrogant. These have undermined our system, changed our attitudes, and hobbled our will for freedom. We are faced today with growing inflation, sinking foreign trade balance, dwindling gold reserves, Russian gains in the continuing race in scientific, military and economic fields. These are serious weaknesses. They are dangerous conditions which must be reversed.

The President has predicted surpluses in the current fiscal year and for fiscal 1961, but this may be premature. If they develop, they will be largely the result of inflation. Both the President and the Budget Director forecast rising expenditures.

The federal debt this month is reaching its all-time peak in the history of the Republic. It will reach $293 billion. There are no plans for paying off this astronomical debt.

Interest on the federal debt is averaging about 3%. New issues of recent months are costing nearly 5%. Should the whole debt of nearly $300 billion ever be refinanced at the new rates, the interest cost would be upwards of $15 billion, compared with $9.1 billion now.

Federal debt and deficit financing are heavy factors in continuing inflation. Purchasing power of the dollar has dropped for the past seven consecutive months. It is down to 47.3 cents on the 1939 index. And all present indications point to continued cheapening of our currency.

The terrible burden of our federal debt is the result of 24 deficits in the past 29 years. Half of these deficits were incurred during years when we were fighting neither war nor depression. There have been four deficits totaling $23 billion since the Korean War was stopped. Budget Director Maurice Stans sees rising expenditures in the future.

The total cost of Federal Government in the United States has gone up nearly $16 billion since the Korean War. And the great increases in this period were not for military and foreign aid. They were in domestic-civilian programs. These frequently involve multi-year or permanent commitments for heavy spending in the future.

Much of this domestic-civilian spending is for subsidies through all kinds of federal loans, grants and payments. The Federal Government is now subsidizing industry, business, private finance, agriculture, transportation, power, housing, health, education, States, localities, individuals, etc. When they take subsidies they give up independence and freedom. They submit to bureaucratic control.

Subsidies and inflation feed on each other, and both of them feed paternalism. Paternalism centralizes power in Washington bureaucracy. By the process of cheapening our money and centralizing power we have descended to a level of state socialism which is obivious if not admitted.

In the process of centralizing power the Federal Government usurps State and local revenue sources at the same time it encourages greater expenditures at all levels. Like the Federal Government, States and localities are finding it difficult to pay their bills.

Both are trying to push their costs on the Federal Government—States sacrificing their sovereignty and localities their autonomy. Taxpayers, pinched by levies at all levels, look for tax loopholes and avoidance at the expense of their self-respect.

The profligacy of the Federal Government has permeated the whole economy. We have increased total debt in the United States nearly $200 billion in five years. Most of this increase is private. The American people now have nearly a trillion dollars in debt on their backs; more than $350 billion in public debt, and more than $550 billion in private debt.

In our present condition and state of mind it is no wonder that the Warren Supreme Court has been able to usurp legislative powers and executive authority, strike at State sovereignty, deprive citizens of tradtional freedoms and set free persons convicted of Communist subversion.

Some of the best legal experts in the nation have recognized the pattern of the Warren Court's decrees as undermining our institutions, and invading our privacy.

Without the great strength developed in this country in its earlier days, it would be difficult to survive this latter-day federal bureaucracy and judiciary. Federal usurpation, combined with abuses by irresponsible labor leaders, curtail sound progress and insidiously sap national strength.

The privilege of the rank and file of labor to organize is generally conceded. It is also conceded that legitimate labor unions should have the privilege of collective bargaining when they are bonafide represenatives of their membership.

But when irresponsible labor leaders have the power virtually to shut down the country, our national security is imperiled; when they have the power to stop production and wages, our economy is impaired; when they have the power to force wage increases unjustified by increased production, they create inflation.

More than 60 million man days of labor were lost during the past year as a direct result of strikes. Strikes almost invariably increase production costs. Some of the undue production costs are felt directly, but much of the damage is hidden. For instance, our products must compete in foreign trade markets.

This is a matter of great importance at this time. The comparative level of our imports affects our balance of payments with other countries. We are in balance of payments difficulty now. Serious imbalance siphons out our gold. This, among other things, involves the value of our money.

The level of imports is not the only factor in this problem; there are others. But in 10 years we have purchased abroad, invested abroad, and given away abroad $17 billion in gold and liquid dollars more than we have earned from foreign nations through exports of goods and services.

The 1959 deficit is running at the rate of $4 billion. In 1958 it was $3.4 billion. Such deficits can not continue indefinitely if we are to keep the dollar strong.

Our tolerance of increasing federal paternalism and spending, increasing usurpation of power by the Supreme Court, and increasing arrogance by labor leaders is a clear sign of national weakness developing among us. These are three menacing subversions of our system which must be brought under control.

GEORGE R. CAIN

President, Abbott Laboratories

To attempt forecasts at this moment in the history of the ethical pharmaceutical industry might, at first glance, seem a bit hazardous. The hesitant might look at the glaring headlines and the widespread interpretations of the Kefauver Subcommittee hearings and wonder what they all will mean to the industry. Certainly, just now, the furor about drug prices can't help but be uppermost in our minds. After all, never before have we had such attention from press and public. So what will the consequences be for 1960?

George R. Cain

There is, I believe, only one way to approach the whole issue—and that is with a patient and urbane confidence born of our accomplishments and high purposes. As an industry, we have little for which to apologize and much of which we can be proud. We are a prime example of how well the free enterprise system works for the benefit of society. We illustrate the values of incentive in action. We practice a philosophy of service to the health professions which has helped to bring about a truly remarkable rise in general health levels—and at prices that, over-all, are in line with the economic means of the great majority of people, and in line with the legitimate aims of any industry.

If we base our actions upon this fabric of beliefs, if we can tell our story convincingly, the net result of the Kefauver hearings will react to our benefit. So I predict that in 1960 the industry will emerge from all the sound and fury better understood than ever before by the general public. The hearings will in the long run be good for us and good for the American people. From them will come a better climate of understanding.

Our progress in new products, the yardstick of success, will continue but possibly at a bit slower rate than in recent years. On the other hand, one never knows when a new discovery will spark a series of better products in any given area. On such discoveries will depend any spectacular gains in 1960.

In all probability industry research expenditures in 1960 will climb well past $200,000,000 mark for the first time. This will be intensve and efficient research which will advance the frontiers of therapeutic knowledge—but to what extent no man can say.

Possibly the greatest tangible gains in 1960 will be in overseas operations, an area in which the American pharmaceutical manufacturers have made significant, if little understood, progress. We at Abbott, for example, will be breaking ground for four new plants—in England, Italy, Australia and Colombia. The peoples of the world are as hungry for better health as for the other essentials of life. Continued growth, in keeping with the health needs of the world, can be expected in our overseas markets. Such projected gains, of course, are always subject to political and economic upheavals in specific countries. But these should not affect over-all progress.

In sum, for 1960, we foresee in general the same kind of growth that has been the hallmark of the industry since World War II. On the threshold of the sixties we see every reason for pushing toward the goal of better health and longer lives for more people everywhere.

HON. HOMER E. CAPEHART

United States Senator from Indiana

Probably the most important subject Congress should deal with at this session is the farm problem. But it being a political year I doubt that it will.

The farm problem is everybody's problem. Industry should be as interested in solving it as any other segment of the population. Not only is the farmer himself affected by low prices but so are the farm implement people, the automobile industry, the railroads, the truckers and the entire community around the farm. It may be true that there are not as many farmers as there used to be and that they are not so strong politically but that ignores those who deal with the farmer and whose state of economic health is dependent upon that of the farmer.

Sen. Homer Capehart

Farm prices this year are expected to slump 15% below 1958. The "parity" squeeze tightens, too; in relation to prices they pay, the prices farmers receive are at a 19-year low. Hogs recently hit $12 a hundred pounds in Chicago, the lowest in nearly four years, however, on the farm they are much less. Corn brings $1.12 a bushel in Chicago (down from $1.21 a year ago), but is selling on the farm for less than $1 a bushel. Cotton was the cheapest in December for any December in a decade. And the predictions are that farm income will slide further this year. Yet the cost of living is at an all-time high.

It is costing the taxpayers more to run the Department of Agriculture than at any time in history. From its establishment in 1862 through the 1953 fiscal year it cost $27.6 billion to operate the department. Since 1953 we have spent $29 billion and by next June 30, we will have spent a total of nearly $36.6 billion.

Obviously there is something wrong and yet Congress seems reluctant to settle down and face the problem.

For several years I have been pressing a bill which I

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. . . a hand in things to come

Shaping another sun

7000 degrees . . . an inferno approaching that of the sun's surface has been created by the scientists of Union Carbide. The energy comes from the intensely hot carbon arc. Through the use of mirrors, the heat is reflected to form a single burning image of the electric arc at a convenient point. Called the arc-image furnace, it extends the limits of high-temperature research on new materials for the space age.

For years, mammoth carbon and graphite electrodes have fired blazing electric furnaces to capture many of today's metals from their ores and to produce the finest steels. But, in addition to extreme heat, the carbon arc produces a dazzling light that rivals the sun. In motion picture projectors, its brilliant beam floods panoramic movie screens with every vivid detail from a film no larger than a postage stamp.

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UNION CARBIDE

...a hand in things to come

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believe would be a long term solution of the farm problem. It would seek to create a crash program for greatly stepped up research into increased industrial uses of farm products. This would not be an overnight solution but in the long run I am confident it would give the answer to our mounting surplus which is costing the taxpayers $1 million a day in storage alone.

The farmer could produce all he wanted to and find a demand for it. It would bring prosperity not only to him but to the farm implement people, the railroads and the truckers who haul the farm products to the market and the entire farming communities.

Soybeans are an example of how industry can utilize farm products, corn products are another. In fact, the relatively small staff of the utilization research agency of the Department of Agriculture knows of more than 100 other farm products which with a little more research could be adapted to industrial uses.

As I say this is a long term plan. Something must be done to relieve the immediate situation. Governor Rockefeller's proposal to take 60,000,000 acres out of production and put them into the conservation reserve has merit. In fact, I have a bill pending to take 40,000,000 acres out of production.

In view of the steel strike settlement, the question of some additional labor legislation will probably go over until the time when the atmosphere is not so surcharged by politics.

I intend to see the lifting of the interest ceiling on FHA mortgages. The banks and other money lenders are just not interested in letting their money go for 5¾% when they can do better elsewhere.

Also, I am in favor of lifting the interest which the Federal Government is permitted to pay on its long term bonds. Having to rely on short term borrowing is no way to manage the national debt. It is too costly.

ELMER S. CARLL

President, Industrial Trust Co., Philadelphia, Pa.

Nineteen fifty-nine will close as one of the most prosperous years in the history of the country. Most economists seem to feel that although any all out boom in business for 1960 has been successfully counteracted, neverthless, conditions are sound and healthy for a good year.

Elmer S. Carll

Any appraisal of 1959 must include: a large Government deficit and its effect on inflation, the unsettled steel strike, increased foreign competition, not only in automobiles and steel, but many other items merchandized here for less than we can produce them, a tight money market, high interest rates, threat of a rail strike, the outflow of gold, the scientific achievements of Russia, the continuing cold war and the increased cost of defense.

While department store sales are high and demand for goods in many other areas is strong, the house market, especially in new houses, has dropped off below the normal seasonal decline at this time of the year.

Continued efforts to stem inflation with the consequent tight money and high interest rates has put considerable pressure on the supply of mortgage money. The heavy discount on insured and guaranteed mortgages requires builders to turn more to conventional mortgage financing with higher interest rates and shorter maturities, which increase the monthly carrying charge. Any increase in monthly carrying charges reduces the percentage of potential buyers and will materially affect house sales in 1960. This reduction will not only affect builders supplies, but will also have its affect on appliances, furniture and other items required in the furnishing of new homes. Foreign imports should also make further inroads on the domestic markets in 1960.

A tight mortgage market should continue through most of the year although there may be some easing about mid-year when foreward mortgage commitments presently in existence will be very much depleted or exhausted. The present mortgage situation and the near future prospects do not argue well for housing starts in 1960, certainly not for the first half of the year. Unless there is a material change in the economy and the policies of the Government and the Federal Reserve, house starts in 1960 will be much less than the 15% reduction many are forecasting.

With the high earnings of most corporations this year, evidenced by stock splits, increased dividends and year and extra dividends, we have in prospect for 1960 a continuance of Federal Reserve tight money policies, at least until there is real evidence of the beginning of a slump in business. Other factors to be considered are (1) Continuance of the Cold War and high defense costs. (2) high interest rates and a tight money market, (3) increased foreign competition, (4) continued threat of strikes, and (5) reduced housing production.

On the other side of the ledger there are, (1) prospects for a balanced budget which helps for a sound dollar, (2) serious thinking to find a way to reconcile differences between labor and management without work stoppage and the consequent loss to the economy, and (3) prospects for a higher dollar volume in construction other than housing.

While many conditions have all the ear marks of 1928 the many built in stabilizers, such as insured deposits, better control of the stock market through the S. E. C. and Regulation "U" and "T," Social Security and many others should insure no major depression.

ORVILLE S. CARPENTER

President, Texas Eastern Transmission Corp.

There is good reason to expect that 1960 will be an excellent year for the gas industry. New residential customers have been created by high rates of construction activity, and the generally favorable business climate anticipated for the year should further stimulate industrial sales.

Orville S. Carpenter

According to current estimates, sales of gas in 1959 rose about 9% over 1958. Specifically, residential sales were up 7.5%; commercial up 6.5%, and industrial rose 10.2%. Under any circumstances, this is a remarkable achievement for the industry.

Residential construction activity has a direct bearing on gas sales because it creates potential new customers. Housing starts for 1959 are estimated at 1,350,000 units, the second highest total ever recorded, and close to the all-time high of 1,396,000 units reached in 1950. Although the outlook for residential construction in 1960 is for somewhat fewer residences, a reasonably high level of activity is expected.

To relate the level of residential construction more directly to the gas industry it is estimated that from 70-75% of all new houses use gas for spaceheating. Furthermore, the American Gas Association estimates that approximately 500,000 new heating customers will be added in 1960 through conversions from other fuels.

With the expectation that 1960 will be a good business year the outlook for industrial gas sales also is encouraging. A close relationship exists between the level of industrial production and industrial gas sales. The largest industrial users of gas are the processing industries such as chemicals, refining, steel and cement and the electric power companies. With the settlement of the steel strike, high levels of output in most of the large gas consuming industries should be reached in 1960.

The optimistic outlook for the gas industry does not stem from higher sales volumes alone. The industry, which depends heavily on senior capital, appears to be making good progress in its efforts to impress upon regulatory commissions the importance of money costs as a factor in setting rates of return and 1960 should see these efforts result in less emphasis being placed on the conventional 6% rate of return. The resulting benefits to the gas industry should be tremendous.

Some progress is also being made toward stabilizing the price of gas in the field. On its own system Texas Eastern has accomplished much through its outright purchase of the Rayne Field, Louisiana, gas reserves of about one-trillion cubic feet and through contract renegotiations eliminating many price redetermination and favored nations clauses.

In summary, the outlook for gas in 1960 is most favorable in view of the country's overall economic outlook and the progress that is being made toward the resolution of certain longstanding problems.

O. W. CASPERSEN

Chairman of the Board and President, Beneficial Finance Co.

If the forecasts for business activity for the year 1958 were more pessimistic than the facts warranted, the optimistic projections for 1959 underestimated the remarkable resiliency and bounce in the American economy. The pace of recovery was faster than anticipated. The Production Index, the GNP and the Employment Index reached and exceeded former levels earlier than anticipated. Unemployment improved a lot but did not quite drop to pre-recession levels. It was on its way there until distorted by the steel strike. Money became tight not because there was less of it, but because the demand for it increased so much.

O. W. Caspersen

The economy was generating a considerable boom. Consumer incomes were at new peaks and consumers were spending it. Contrary to 1958 they had swung back to buying cars and other consumer durable goods and were using considerable consumer credit in the process. Business was building new plants and equipment and modernizing a lot of old plants. It looked as if the accelerating pace of business activity would soon have to pause for breadth and that the boom would peak out in the spring of 1960. Then the steel strike took some of the steam out of the boom. It dropped GNP by $5 billion in the third quarter. Fortunately, transfer and other payments maintained consumer disposable income with little change. Consumers refused to scare and retail sales and the use of consumer credit continued higher. In the early weeks the strike caused enforced unemployment mainly in the steel industry. However, toward the end of the third quarter, it began to cause secondary unemployment in industries which felt the shortage of steel and Secretary Mitchell had to figuratively eat his hat.

The cooling off period in the steel strike has not settled the issue of work rules, but its effect on the economy is unquestionably to stretch out the life of the boom. Whether the strike is settled before, or after, the 80 day Taft-Hartley period, and despite possible labor turmoil in the railways and on the docks, business is on its way to new heights that will carry through 1960 without a readjustment. Indicated spending for business, plant and equipment for 1960 is up 10% over 1959, and at the previous peak of 1957. Advertising expenditures are budgeted 10% higher than in 1959.

It is inconceivable that wage disputes will be settled without wage increases. Acceleration and cost of living clauses in wage contracts will also add to consumer incomes. And consumers have indicated in the postwar recessions that they may switch their spending for hard goods to soft goods and services but they continue to spend freely bolstered by the income stabilizers built into the economy. When they spend they help their budgets by the use of consumer credit.

In the process they have confounded the alarmists who preached that the load of consumer debt accumulated in boom periods would cause heavy losses to creditors and put a drag on the recovery while consumers had to pay off their debts before being able to spend for new goods. The expected losses did not materialize, consumers maintained their buying and furthermore shifted to buying durables again.

There are some uncertainties ahead in 1960. There is the adverse balance of international payments, the relative unfavorable balance of trade and the possibility of less residential housing because of tight money. Nevertheless, we expect to see GNP, Production, Employment, National Income and Consumer Credit all make new all time highs.

GEORGE S. CASE, JR.

President, The Lamson & Sessions Co.

Business looks bright for 1960. Shortages in steel that have to be made up will mean higher volume for the bolt and nut manufacturers as well as for all the metal trade. This higher volume, together with the shortages, is to the advantage of the American manufacturer. Steel production has been low for two years so a lot of ground will be made up.

George S. Case, Jr.

It is not likely that the American manufacturer will receive any immediate help from the unfair foreign competition. However, those of us who forge metal have found we can move it further, into a wider variety of shapes, and more accurately. As a result, we have new markets opening to us which heretofore we could not reach. These markets are not easily serviced by low wage paying foreign producers. The opportunity offered here is great and the market is larger than that we may lose abroad.

It seems to me likely that the decade ahead will have its problems as well as its opportunities. It will pay to keep costs down and to watch out for hidden danger as the problems could add up to a worse recession than any since World War II.

Despite these problems the opportunities look better in the decade ahead. There could be even more dramatic progress than in the decade behind us. Cold war tensions might be eased without increasing the danger of the free world becoming satellites of the Communist areas. Nothing is as valuable as our freedom. It must be preserved because without it there is no meaning in this life. However, if cold war tension could be eased without the danger of our losing our freedom, there would be real growth throughout the world in all kinds of ways.

I am sure 1960 will be an active year and the decade ahead will be one of great progress even if that progress is interrupted at intervals.

HON. EMANUEL CELLER

U. S. Congressman from New York

Nineteen-sixty will bring in a great industrial expansion. The spending delayed by the steel strike will burgeon into a great development and building of additional installations. Furthermore, the money for all this capital spending is present—on the books of the big companies.

Emanuel Celler

Nineteen-sixty will see more formidable competition from abroad. The rebuilt economies of Japan, Germany, France and Italy will mean more rivalry for American business. This is healthy. The interplay of competitive forces means great productivity and wider distribution of goods for all. I have confidence in American business industry. It will meet the growing challenge of foreign competition by itself growing more competitive.

Automation is bound to come in even greater degree to bring down costs. Europe's Common market nations and the Outer Seven nations will all offer acute challenges but the two-way street of trade will stimulate industry to greater effort. Our manufacturers will find mass markets for their products in these countries, for as the standards of living in foreign markets rise, so will the demand for American products. These American manufacturers are already building their own plants in these areas, buying European companies or setting up U. S.—foreign ventures.

In the meanwhile, in 1960 our economy in the United States will place on the assembly lines and pour out goods and services at the astronomical figure of half a trillion dollars a year. Thus, 1960 should be a year of prosperity. American consumers will buy goods and services more than ever. They will buy cars, houses, air conditioners, freezers, ranges, clothes driers, dish-

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Prospects for Foreign Trade Profits in 1960

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guarantee insurance. This means that private investors will be called upon to furnish the remaining $12 billion annually needed to close the gap between the capital exporting and importing nations.

Since the end of World War II the average annual amount of long-term loans granted by the world's commercial banks to overseas customers has been less than $300 million. In no year did the figure surpass $500 million and it is improbable that the rate will reach more than $1 billion a year by 1970. Investment guarantee concessions by the less-developed nations along with treaties avoiding double taxation in the capital-exporting countries and new laws to encourage the outflow of private capital abroad will lift direct foreign investment and reinvestment by businessmen in the West to $8 billion a year.

Sees Increased European Securities Flotation

Thus the remaining $3 billion required annually to finance the development needs of the capital-importing nations of the Free World must be raised through indirect investment—or flotation of securities in the world's financial markets. Despite the gloomy experience and bad taste left over from the defaulted bond days of the Twenties and Thirties, it is altogether possible that this rate of stock and bond issues will be attained some day. The trend that set in during the past two years for more U. S. and European underwriting houses to offer securities of foreign businesses undoubtedly will show a sharp upward curve in the years to come. Three principal reason are given for this observation. First of all, the old established Wall Street investment firms which suffered losses between the World Wars have made way for the smaller internationally-minded brokerage houses eager to lay a foundation for their foreign operations. Practically all of the new securities floated for overseas firms during the past two years have been arranged by this streamlined aggressive kind of brokerage house. Second, interest rates generally are lower in the U. S. than in the country where the capital is required. And third, dearth of outlets for accumulated reserves built up by the many giant investment trusts, mutual funds, pension savings, etc., beckon new types of investment avenues.

European Trade Prospects

Now let us hop over to Europe, the leadoff Continent on our round-the-world tour.

Recent liberalization of import controls by Western Europe in a responsive effort to help alleviate Washington's balance of payments problems, along with sustained economic growth in that area, will lift Europe's purchases from the U. S. at least 10% or $400 million, in 1960. The first of these nations whose economic and trade outlook will be analyzed is the **United Kingdom,** where 1960 is regarded by London as "A Year of Challenge." The number one question is whether Britain can maintain the present upward curve without running into inflation, balance of payments problems and a weakening pound. If wages and prices can be kept in line, then the pound will remain strong. Industrial output should rise about 5% compared with last year's 10% when the country was climbing out of its mild recession. Although the general picture is bright, there are dark spots in shipbuilding, coal and aircraft industries. Capital goods expenditures will take up the slack from declining consumer buying and investment plans are on an upward scale. The looming European economic split will not affect exports to the Common Market area in 1960. Imports will expand slightly faster than exports just as they did in 1959. Purchases from the U. S. will be up at least 25% as a result of recent lifting of quotas. Additional liberalization of dollar import restrictions is certain but full convertibility of sterling is not in the cards for this year.

After a year of reform and belt-tightening, **France** will resume her earlier expansion rate in 1960. Production already is gaining momentum and will rise 5%. Abnormal steel and auto exports last year pushed up overseas shipments by 9% while imports fell 7% as result of the throttled economy. But in 1960 imported goods, particularly raw materials, will jump 8% due to sweeping relaxation of quotas and other curbs on dollar goods and in the Common Market. French exports will be up 5%. Gold and dollar reserves exceed $2 billion and will remain high, bolstered by rising tourist receipts, the competitive position of French products in world markets and one of the strongest of European currencies.

Belgium's economy will experience slow recovery but the coal glut will continue to stymie overall production and employment. Exports will improve moderately as the government concentrates on finding new world markets for its businessmen. Textile and steel industries will continue the comeback but more aggressive U. S. sales as result of import relaxation by England and France will hamper the textile lines. End of steel strike here also will cut into Belgium's bonanza from America's emergency requirements in 1959. Imports from U. S.—down 5% last year — will hold at the present level. The recent series of laws designed to promote Belgium as distributing center for the Common Market will bolster investments from the U. S. in 1960.

Checking the rate of economic expansion is the principal worry in the **Netherlands.** Orderbook backlogs, investments and consumption, due to escalator wage

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washers, television sets—more than ever. Then, too, they will buy more vacations.

Whether the United States should pour more of its wealth into public services is a question the people must decide in 1960. The manufacture and sale of consumer goods alone will not, in my opinion, serve the best interest of the United States. A decade hence can find us tragically reduced and stagnant in the areas of education, public health and public resources. If the United States does not at the time of prosperity, invest in the future, the forecast for 1970 will be in shocking contrast with the glowing expectations of 1960.

One fly in the ointment is inflation. This must be watched by the Administration and appropriate measures must be taken to prevent any unwarranted rise. But a balanced budget without regard to our public and defense needs can adversely affect all of us.

Nineteen-sixty should, for all intents and purposes, be a good year for business, labor and the consumer. But we must not lose sight of the dangerous lags which can rise to plague us.

WALKER L. CISLER

President, The Detroit Edison Company

In the electric power industry, exploration of the foreseeable future is the constant responsibility of all management people. This is mainly because the planning, financing and construction of a major facility such as a generating plant takes from three to four years. To allow for this leadtime, electricity requirements must be ascertained with reasonable accuracy some years before the actual advent of the anticipated new load.

Walker L. Cisler

This is particularly important in a business whose public service obligations are so clearly defined. Only long foresight and careful planning can assure the economic soundness of programs for expansion of power plant and system capacity. And close economic balance is absolutely essential in maintaining the favorable rates and ample power supply which have become the symbol of the American electric power industry. Comments on future prospects should perhaps begin with a review of the picture at home—which in this case is the 7,600-square-mile Southeastern Michigan territory served by Detroit Edison. The nationwide economic recession of 1957-8 was felt most keenly in this area. Yet the past 12 months have seen a remarkable recovery, at a pace which appears somewhat to exceed that throughout other parts of the country. Personal income figures show that in the past year Michigan made the greatest gain of any state in our nation—an estimated 17%.

In this same period, unemployment was greatly reduced, and automobile production was 25 to 30% over that of the previous year.

It is true that many companies in our area, including our own—and many thousands of people—were adversely affected by the steel strike. Nevertheless, 1959 turned out to be a reasonably good year and now that the strike issues are settled we believe 1960 will be an even better year both locally and nationally.

As to nationwide electric power industry prospects for 1960, the electric power companies are planning and working toward new records in generating capability, production, sales and revenues.

By the end of this year, total generating capability of the industry, according to Edison Electric Institute studies, is expected to advance 7.2% over 1959 for a total of 176.7 million kilowatts.

Electricity production for 1960 should run more than 7.5% higher than in the past year to a total of about 760 billion kilowatthours.

It is estimated that sales throughout the industry will rise 8% to a new total of 675 billion kilowatthours, and number of customers will approximate 59 million.

The revenues of the nation's electric companies should be some 7% greater than in the preceding year—about $9.8 billion for 1960.

Incidentally, though the Russians are working hard and productively at the task of expanding their nation's electric power supply, there is little indication that they will catch up with the United States at any time in the foreseeable future. Their goals call for 110 to 112 million kilowatts by 1965. In that year, the United States is planning for 245 million kilowatts, topping Russia by at least 133 million kilowatts.

Any look at the future of electricity must include some brief review of atomic power reactor progress in this country. Our local example is the Enrico Fermi Atomic Power Plant project, located near Monroe on the western shore of Lake Erie. This is one of the 16 atomic power projects, undertaken by various companies throughout the nation, which will cost $570 million and will ultimately afford 1,400,000 kilowatts of electric power.

At the Fermi project, construction of the non-nuclear portion—the steam turbine-generator facility being built by Detroit Edison—is proceeding on schedule in careful coordination with the Power Reactor Development Company's reactor plant construction program.

Non-nuclear tests of assembled reactor plant components are being carried forward by Atomic Power Development Associates, Inc., basic designers of the reactor. These tests will continue through next June and both the nuclear and non-nuclear portions of the plant are scheduled for completion during the latter half of this year. Subsequently, a year-long program of low-power nuclear testing is planned, with full-power operation at 100,000 kilowatts of electrical capacity expected in late 1961.

In conclusion, it seems that the key to success in meeting the challenge of world competition in the decade of the 1960s is in continuing and accelerating all our productive endeavors.

Thus we can best strengthen our own economy and reaffirm our leadership in an effort that is sure to benefit ourselves and the people of the world.

L. L. COLBERT

President, Chrysler Corporation

Estimates for the final weeks of the year indicate that retail sales of new passenger cars in the United States during 1959 will exceed 6 million and may reach 6,100,000 units, including close to 600,000 imported cars. This gives the past year an increase of 1,400,000 new-car sales over 1958 and makes it the industry's third best year.

L. L. Colbert

Clear signs indicate that the automobile market will be even better in 1960 than it has been in 1959. We at Chrysler Corporation believe that 1960 retail sales, including imports, will reach and probably exceed 7 million units. This would make it a near-record year, second only to 1955 when 7,200,000 cars were sold at retail.

Some previous industry estimates of retail sales for 1960—made early last fall on the asuumption that steel production would soon be resumed were well below 7 million units. But the continuation of the steel strike pushed a substantial volume of automobile production over into 1960. Hundreds of thousands of sales that would have been made during the fourth quarter have been postponed and these postponed sales have caused car manufacturers to revise their 1960 estimates upward and to raise production schedules accordingly.

The automobile industry is planning to produce about 2,240,000 cars during the first quarter of 1960. This would make it the highest first quarter production in automotive history. Moreover, production will probably continue at high levels throughout 1960—in part to keep pace with the expected high rate of retail sales and in part to replenish new-car inventories depleted as the result of steel shortages. New-car inventories are now at their lowest level since the end of 1954.

There are many other reasons for anticipating an excellent automobile market in the year ahead. Here are a few:

(1) Chrysler Corporation's Valiant and the other new compact cars introduced last fall—which have provided motorists with an "economy option"—have helped to stimulate the entire market. There is greater public interest in new automobiles of all price classes than the industry has seen in any new-model introduction period since the fall of 1954. Dealers all over the country have reported heavy showroom traffic, and many say it is the heaviest they have ever seen.

(2) General business conditions are promising. The gross national product is running close to the half-trillion dollar level. Personal income is high and rising. Individuals' savings at the midpoint of 1959 were more than three times the amount of their debt, including the mortgages on their homes. Consumers are in a position to buy new automobiles and other durable goods as well.

(3) Consumer confidence is high. It has remained high even through the steel strike. And if further interruptions in production can be avoided and business conditions remain favorable, consumers will have an increasing inclination and ability to buy. Many economists are predicting that consumer spending will push total 1960 sales of goods and services to new records.

(4) The demand for good used cars continues to be strong and steady, and used-car prices are firm. This is an important stimulant to new-car sales, because a healthy used-car market keeps trade-in allowances high.

These are only a few of the many good reasons for estimating 1960 retail sales of passenger cars at 7 million—which would be close to the record level reached in 1955. A 7-million-car year in 1960 would not be so far from being an average year as it was in 1955. Before 1955, there was only one year when more than 6 million cars were sold at retail in the United States. Since 1955, three of the four years—including 1959—have been close to or above the 6-million mark.

We in the automobile industry expect increasing automotive demand not only in 1960—but throughout the Sixties. We are entering a decade when the base of automotive demand is going to be well above that of the 1950's. The population of the United States is now 28 million greater than it was ten years ago, and the number of households has increased from 42 million to 51 million. The population will continue to increase by more than 3 million a year, so that by 1965 it will probably be close to 200 million, over 20 million more than at present, and the number of households will have increased by 4 to 6 million. The number of young people between the ages of 15 and 24 will increase very rapidly in the years immediately ahead, and by 1965 this age group is expected to be 25% larger than at present. These young people will provide a strong market for cars, especially used cars and economy cars.

With about 58 million cars now in use, as compared with 36 million ten years ago, the annual scrappage rate has also increased in the same period from 2½ million to well over 4 million. By 1965 we expect that the number of cars in use will range between 66 and 69 million, and that the scrappage rate will probably reach 5 to 5½ million.

There are additional reasons for anticipating an excellent market for cars throughout the Sixties. The growing population continues to spread into the suburbs; and suburban dwellers must depend on their cars, since a great majority of the outlying communities make no provision for public transportation. Along with the suburban trend has come a greatly increased emphasis on outdoor living and recreation. Also, the number of multiple-car households is increasing. In 1954, some 4 million households owned two or more cars. In 1959, the figure jumped to 7 million.

Closely related to this growth of multiple-car households is the tendency of more and more people to regard the automobile not only as an all-purpose family vehicle, but also as a personalized and highly specialized means of transportation. People are looking for the specific cars that best fit their needs. This consumer attitude is illustrated by the steady increase in station-wagon sales, by the interest in the small imports, and by the enthusiastic public reception of the new American-built economy cars.

All signs point to a growing automobile market throughout the Sixties. This market will not only be bigger but more diversified. The needs of motorists are changing steadily in line with changing patterns of living. And as the automobile industry responds to these changing needs, it will continue to provide a strong stimulus to the whole economy.

HAROLD E. CHURCHILL

President, Studebaker-Packard

Industry forecasters predict that Americans will spend $16 billion for cars in 1960. They variously estimate that new car registrations will be from 6.5 million to seven million units. All forecasts, however, will have to be modified if transportation facilities or production of basic materials in key industries are affected by labor problems during the model year.

Harold E. Churchill

Studebaker-Packard Corporation's target for 1960 is an increase in passenger car sales of one-third over 1959.

All indications give evidence that the manufacture and sales of Lark-size cars is one of the most dynamic growth cycles of American industry. With greater competition in the field, the year 1960 will witness an acceleration of demand and production of convenience-size cars.

It is estimated that by 1964 annual domestic registrations of American-built cars will exceed 7,000,000 units on average, and that the average annual new car registration figure for the six years ending with 1964 may be about 6,600,000 units, compared with the average for the six previous years (1953-1958) of 5,770,000 units.

By 1964, we anticipate that of the above new car registrations, about one-third will represent compact cars. In units, we visualize that the sale of American-made Lark-size cars will grow from about 660,000 units in 1959 to about 2,250,000 units in 1964.

If our analysis is substantially correct, we project Studebaker's share in the U. S. automobile market as increasing, in terms of units, by between 15% and 30% over the 1959 level during the next five years

In the steadily growing convenience-size car market, Studebaker's prospects for 1960 are excellent.

The company is the only American manufacturer offering a complete line of body styles in the field, available with either six-cylinder or V-8 engines. This line includes a new four-door station wagon and the only domestically produced convertible in the low price range.

So far, during the 1960 model year, the four-door station wagon and the Lark convertible have accounted for 25% of the total sales volume. Dealers report that 9.6% of S-P's retail deliveries have been Lark convertibles, well above the industry average of 4.5%.

In addition, Studebaker is offering the lowest priced V-8 cars in the industry.

Although more than half a century old, the manufacture and sale of motor vehicles is today as promising as it was in 1900. The automobile business is probably the country's oldest and largest growth industry.

Trends that will increase car ownership in the future include growth, an expanding suburbia, increase in family income, growth of less populated states with greater travel distances, decline of public transportation facilities, and the new national highway system offering more pleasant, convenient use of cars.

Trends favoring the Lark-size car will include increasing popularity of its economical and maneuverability features, more multiple car ownership by families, traffic congestion in urban areas, and greater competition for the consumer dollar by more recreational products and activities.

People are increasingly buying selectively; they are buying a particular product rather than a corporate name and corporate image. This will assure a favorable arena for free and equal competition among big and small manufacturers.

The next decade might be termed the "Sensible Sixties." It will be an era of functional design providing the car owner a sound investment, with maximum return for the transportation dollar invested.

Forecasters predict over 70 million cars will be sold during the next 10 years. Nearly 100 million vehicles will be on the road by 1970. We expect more than 30 million of these will be Lark-size cars.

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Prospects for Foreign Trade Profits in 1960

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increases, are on a steep upgrade. The government will impose such measures as dearer money policy to retard the fast growth. Credit will be tight and the Dutch guilder will continue strong. Many new industries will sprout up. Refinery capacity, already Europe's largest, will be expanded further. Foreign investment, especially American, will not be encouraged because of Holland's overcrowded Western regions where U. S. firms locate. Imports and exports will rise again, but emphasis will be away from American machinery and preference toward Common Market products. More mergers will Euromarket companies are certain.

Spain's newly-acquired status as a full member of the Organization for European Economic Cooperation and bilateral treaties with France and West Germany augur well for 1960. In fact, optimists say the outlook is "momentous." Trade with England is growing and last year's devaluation has checked inflation. The sweeping Foreign Investment Petroleum Law allowing 100% external capital will draw $35 million in 1960 according to government estimates. Eventually Spain will become a member of the European Common Market. Until then U. S. must compete for this market at disadvantage despite $400 million in aid, most of which has been grossly misused. Spanish industrialists show little inclination to import newly freed raw materials, machinery and spare parts due to political speculation and indecisive national leadership. Import capacity, while expanding, still is insignificant.

Little change is expected in **Portugal** during 1960. But Lisbon has much to gain from membership in the "Outer Seven" and will be a target for closer commercial ties in the future. American exporters will be faced with increasing competition in this already limited market.

Labor Shortage in Western Germany

In **Western Germany** new records will be set in 1960 for overseas sales and purchases from abroad, capital investment and gross national product—sure to increase another 5%. Exports will reach $10 billion and imports $9.5 billion. Order books are bulging in the automotive, chemical, electrical equipment and consumer goods industries. Textiles have picked up and even the hard-hit coal mines should show some improvement. Because the leading problem is the acute manpower shortage, industrial investment stresses modernization and automation. Prices and wages will be up but serious inflation is not in the offing. Bonn will assist the U. S. in the balance of payments deficit here by pre-paying America's postwar economic aid and granting long-term loans to underdeveloped nations.

Denmark's activity is the highest since end of World War II. Industrial production—up 8% last year — will continue to climb steadily during 1960 while unemployment is one of the lowest in the world. Membership in the "Outer Seven" is bound to bolster the already accelerated output and sales in the building materials, metals, food-processing, chemicals, textile and clothing industries. Both exports and imports will improve again but unfavorable weather in 1959 will cut into presently healthy exchange balances. Nevertheless, trade controls and duties will be relaxed.

In **Norway** rising exports and higher investment in plant and housing will stimulate demand for consumer goods and heavy machinery imports. Expanding shipbuilding industry will be supported by government credits in order to compete with Germany and Japan. Norway will make a concerted bid for American investment.

Main difficulty for **Sweden** in 1960 will be keeping the price-wage spiral and growing Government spending from unleashing internal inflation. Labor troubles are also certain as the proposed 4% turnover tax on most goods inspires unions to demand a 6% wage increase. Timber and steel exports rose sharply in 1959 but the steep grade cannot be maintained. Imports will climb substantially as inventories are depleted. New orders are showing an upward trend and gross national product will advance 4%. Impact of the Free Trade Area on Sweden—the chief supporter of the "Outer Seven" — will be small in 1960 but closer ties with European trading partners will mean a great long-term market potential and much less dependence on U. S.

Switzerland's dark spot in her record-level economy is future relations with the Common Market and "Outer Seven" countries. Although the Swiss played a leading role in setting up the Free Trade Area, they stand much to lose if integration of the two trading areas, which is their goal, does not materialize. But now that Washington finally has interceded and wants to act as intermediary, there is no doubt one European regional trading area will be in existence by 1962. Swiss output capacity is expanding steadily as exports and home consumption gain. Only bottleneck is the labor shortage, which could upset rising import trend.

In **Italy** the most important aspect in the 1960 outlook is the increased capital exports. Italian investments will be heavy in Argentina, Mexico and other Latin Republics. Balance of payments will be in the black, with imports and exports up. However, the latter will expand at a faster rate due to the extended Government export credit insurance. Italy will liberalize imports further as her currency remains strong and industrial production will climb sharply. A recent poll reveals 62% of industry expect business expansion. Foreign investment inflow will continue to make records. Only unsolved problem is the two million unemployment in farming and impoverished Southern areas.

Austria's fast pace of gross national product will expand another 5% in 1960. All industrial sectors are booming, with construction and tourist industries leading the way. Export markets are improving at a rate of 8% a year. Energy build-up enables Austria to export 13% of her output to five neighbors. Foreign investment in Austria is rising sharply. Bilateral exchange with

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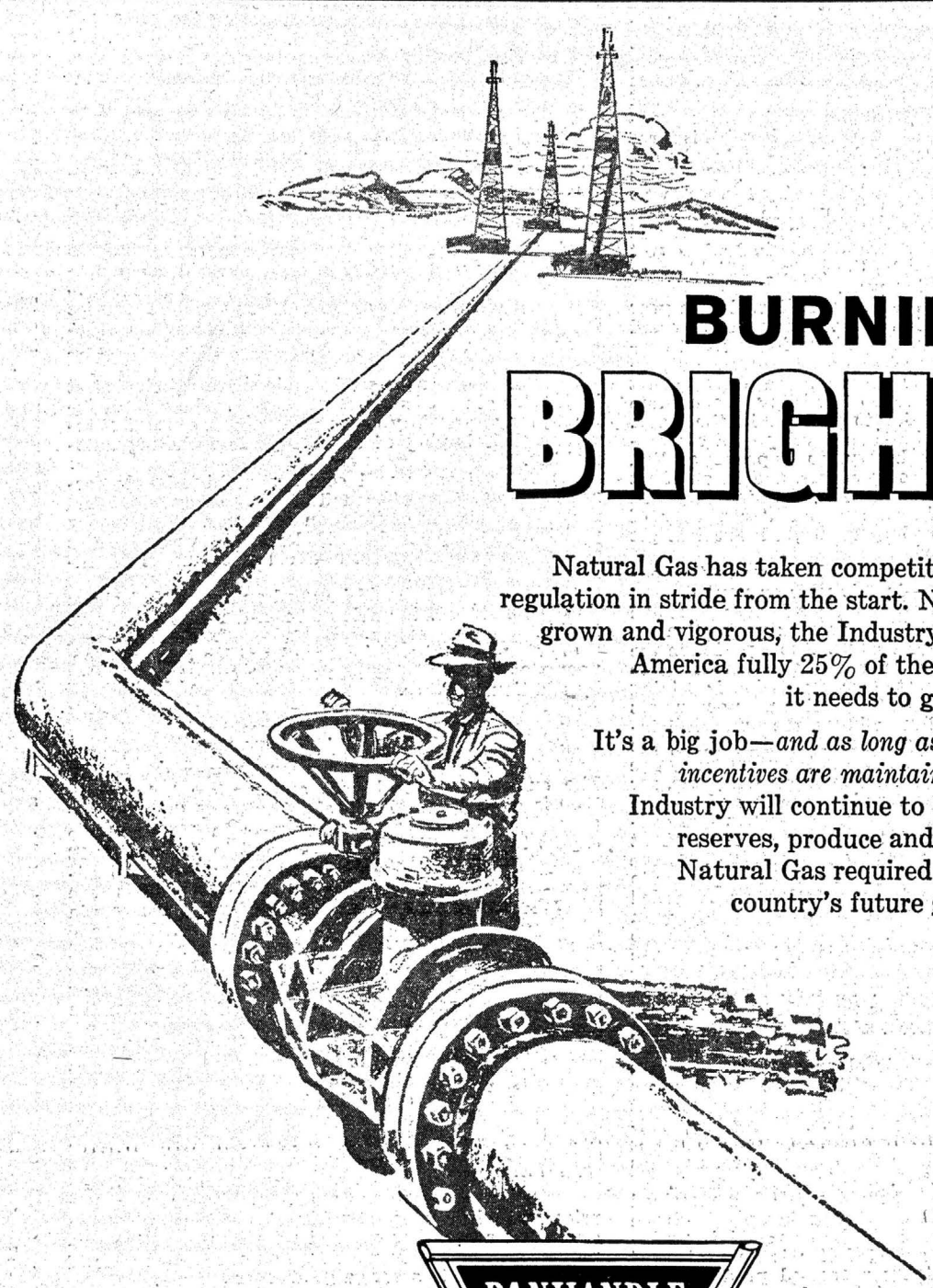

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HAROLD W. COMFORT

President, The Borden Co.

The year 1960 will be the most prosperous to date in the history of the food industry. Moreover, it will usher in a decade of growth unsurpassed by even the phenomenal revolution in food buying that followed World War II. And, in terms of value received, the consumer will be getting more for her food dollar than ever before.

Harold W. Comfort

Food supplies generally will be plentiful this year. Dairy products will be in abundant supply, with prices comparable to last year's. According to industry forecasts, milk production will increase about one-quarter of a percent. Although per capita consumption of dairy products will likely remain at around 690 pounds (in terms of whole milk), total consumption can be expected to gain about 1.7%, with the estimated volume of 1960 milk production going into Government surplus as manufactured products lower than it has been in several years. In keeping with the postwar trend, lower per capita consumption of such high fat products as butter and heavy cream only can be expected. However, ice cream consumption should increase. There should be a sharp advance in per capita consumption of buttermilk, cottage cheese, and other skim milk products. A slight gain in the use of fresh fluid milk is forecast, with about half the 125 billion pounds of milk produced this year consumed in this form. The sales increase will particularly benefit the dairy farmers, who receive the highest price for milk used in this manner. Because of the better balance between production and consumption and an abundance of relatively low cost feeds, dairying promises to be the most profitable area of agriculture in this coming year.

For the food industry as a whole, 1960 will be a year that will see the introduction of a vast array of new and improved products, particularly of the instant and convenience variety, but few of a radical nature. Companies will concentrate their research and development efforts on major modification of existing products, to make them faster and easier to prepare in the home. There will be greater emphasis on development of packaging and processing machinery, to improve quality, flavor and keeping ability of products, and in an effort to hold down rising production costs. The industry will offer existing products in an even greater variety of package sizes, particularly larger ones, a move that got strongly underway in 1959.

There will be, however, no radical change in the conduct of the food industry—in this year or next decade. As in the past, it will be tied to the two factors that have always principally controlled its growth: population increase, and rising consumer income. At no period in the nation's history, however, have the two combined to move ahead so much so fast. Our population is gaining at the rate of 1.8% a year, or 3.2 million new consumers this year alone. As the base widens, the numerical increase each year becomes greater. More important, the "population mix"—the distribution of population by age groups—is changing sharply. In the next ten years, for example, the number of persons between 15 and 19—the "teen-age" group—will increase, according to one estimate, by almost 63%. And teen-agers consume about 20% more calories than normally active adults. So the total volume of food consumption can be expected to rise at a faster rate than the population, accompanied by a further switch in types of foods consumed, with greater emphasis on proteins. Also, the teen-age group will be making more "buying decisions" in 1960 and the next decade—two girls in three are married in their teens and forming households. Better education, more venturesome, more pressed for time, these new housewives tend to buy a greater variety of the more costly, highly processed foods.

And they, along with their older counterparts, will have the money to spend. Two-fifths of all families now have an income of more than $4,000 a year—the point at which discretionary spending begins. A fifth of all families earns more than $7,500 a year. Although incomes have been rising faster than the cost of food, families have made no significant change in the percentage of their after-tax income going for food. It has remained constant at about 22% for the past two decades. With the average family's volume of purchases remaining relatively stable, more of its food dollar is going toward the purchase of more highly processed products with "built-in" services, more "exotic" and luxury foods. And, through better education, we can expect a continuing move in the direction of more nutritious foods. According to Government estimates, about one-third of the population in the 1930's was poorly fed by nutrient standards at the time; today, by the same standards, the figure is 10%, and that more through ignorance than need. In the past 20 years the consumption of high-protein animal foods has increased per capita by 100 pounds. This trend is likely to continue, with a notable effect on the dollar volume of food purchases. Total food expenditures, $73 billion in 1959, are expected to rise another $3 billion in 1960, and may reach the incredible total of $115 billion a year by 1970.

To equip itself to produce the goods the public will demand, the food industry will invest more than $600 million in new and modernized plants and equipment in 1960. Much of this expenditure will go toward stepping up capacity, rather than for replacement. The result will be not only a greater volume of output, but an increased efficiency that will enable manufacturers to hold down prices while maintaining already narrow profit margins.

RALPH J. COMSTOCK

President, First Security Bank of Idaho, N. A.
Boise, Idaho

A sharp upsurge in business is expected in the first half of 1960. This is a continuation of the mild boom that had been disrupted in mid-1959 by the strikes in steel and other metals industries. However, good business in 1960 assumes settlement of strikes on a basis that would not lead to further price increases.

Ralph J. Comstock

Substantial increases are expected in gross national product and personal and national income. Overshadowing the year, however, are threats of additional labor difficulties. Production indexes should exceed those of 1959 by at least 5%. Trade should increase by a like percentage.

Patterns in segments of the economy should be somewhat as follows:

(1) In the first half of 1960 industrial production should approximate that of the first half of 1959. Part of this is a result of restocking inventories so seriously depleted during the prolonged steel and copper strikes of 1959. The outlook for lead and zinc is slightly improved over that of one year ago. Lumber production will decrease slightly from the early 1959 levels because of housing decreases.

(2) Total agricultural and cash farm income will be slightly lower in 1959, but considerably above the 1957-8 levels. The huge crop surpluses and the large inventory of cattle indicate pressures on prices of these agricultural and livestock goods.

(3) Housing construction will be somewhat lower than in the excellent year of 1959. Tighter money markets and high discounts on mortgages continue as major deterrent factors. However, demand for industrial and commercial buildings will increase. Local government construction of schools and public service facilities should equal that of 1959. Highway construction, however, is moving at a slower pace because of shortage of funds.

(4) Continued increases in savings are anticipated at high rates of returns offered to savers. The rate of increase may be slightly lower, especially if consumers increase their buying of durable goods including automobiles.

(5) Interest rates will continue at high levels corresponding to those of the fall of 1959 so long as demand for goods and fear of inflation continues. Tight money policies on the part of the Federal Reserve authorities will continue in an effort to avoid or overcome the inflationary pressures.

(6) Retail trade should be good and somewhat above the levels of 1959. Durable and non-durables will share in this.

(7) Employment will increase by at least one million, unemployment will decrease slightly except as affected by additional strikes.

GEORGE H. COPPERS

President, National Biscuit Company

The outlook for the biscuit and cracker industry in 1960 is a good one. National Biscuit and the industry generally had an encouraging year in 1959 and we expect to see continued improvement in the coming 12 months. The great majority of business leaders and economists are anticipating considerable progress in the decade of the 1960s. With the possible exception of a prolonged resumption of the steel strike, there are no visible reasons why the new decade shouldn't get off on the right foot.

George H. Coppers

All of the conditions which contribute to growth seem to be favorable. Population, employment and disposable income will be up in 1960 and these factors are positive assets to the entire food field. We believe that raw materials for food manufacture and processing will be in ample supply and that commodity prices will hold at reasonably steady levels. Nabisco concluded a two-year contract with its production employees this past year which runs until the summer of 1961 and seems to assure a good labor climate.

Our company, and others in the industry, introduced a number of new products in 1959. In our case several of our new varieties made an excellent contribution to the increased sales volume we experienced last year. Additional new items in several product lines will make their appearance in 1960. Like most other segments of the food industry, biscuit and cracker manufacturers are seeking to build more convenience and service features into their products—to improve both product and package for easier serving, handling and storing by the consumer.

Every company in the industry has become extremely consumer minded. Competition and consumer interests have made it increasingly important for all of us to sharpen our marketing programs and to broaden our product and consumer research activities. At Nabisco we have taken two steps in this direction which we feel are important to us in this key area of marketing and research.

This past year we establish a new products division headed by a Vice-President. His division includes personnel experienced in research, production and marketing and will enable the organization to investigate the whole new product area. The formation of this group removes the burden of new product activity from the several departments occupied with day-to-day operations and places it with an organization specifically set up to do this work as a primary responsibility.

Also in 1959 we established a general advertising department which we believe will increase the efficiency of this phase of our marketing program. With the growth of our several divisions and subsidiaries, both in the United States and abroad, and the development of a number of separate advertising programs, the corporation's advertising picture has become increasingly complex. The new department has the job of coordinating these separate efforts, pooling resources and information and ensuring greater flexibility for the company's consolidated advertising activities.

The industry has done considerable spending in recent years to modernize plant and equipment to take advantage of recent innovations and developments in production machinery and methods. These expenditures by the industry will continue, for most of us have learned that the job of keeping plants up-to-date never really ends. While Nabisco will not undertake any major new construction in 1960, we think we will have to add to production capacity by 1961. We will, of course, continue to improve existing processes and to expand to older plants some of the new equipment and techniques which have been proven in our newer bakeries.

One area of concern to us is the steadily rising cost of distribution and selling. We feel that this area, of prime consideration to the price and profit structure, must receive increased attention. We have made some headway in recent years but we are undertaking a thorough review of our several distribution systems to try and learn where other improvements can be made.

JOHN J. COTT

President, Cott Beverage Corporation

The soft drinks industry will make great strides in the coming year, the first year of what will be the "Golden Sixties" for our industry.

The general trends are based on three long-term factors. They are expanding population, an increasing number of volume retail markets and the growth of vending machines.

John J. Cott

In addition, however, there are specific causes for optimism based on proved performance in the past year — for 1959, with its excellent weather conditions, is bound to be a record year for us.

The specific factors in an optimistic forecast based on recent developments relate to the size and content of certain of our products.

One was the introduction of the big 16-ounce bottle, a "more-for-your-money" package which rapidly gained consumer acceptance and, significantly, did so in an outlet of rapidly burgeoning importance to the industry, the supermarket.

The change in packaging of soft drinks is in line with a natural trend to the bigger package in many lines.

Another factor was the spread to new brand names in cola drinks, a factor which can be said, without exaggeration, to have opened wide the cola market.

For Cott, a share in these two trends has been a significant fact, with the introduction and national distribution of the successful Big Giant Cola line.

Another important consideration for all of us is the potential for American soft drinks in the world market.

Areas where this promising trend can be pursued with growing success are South and Central America, the Middle East, Far East, Africa and Europe.

With respect to general trends mentioned earlier, the question of population growth is a prime one. The Government estimates this growth at 2.5 million a year for the decade ahead. It is not, however, merely a matter of selling more soft drinks to more people—there is also every expectation that consumption per person will grow.

In the 1950's, per capita consumption of soft drinks rose from 158 to 189 per year. I think it is a perfectly feasible goal to expect that by the mid-point of the next decade that figure will rise to 250 bottles per year.

The factor of the supermarket can hardly be stressed too greatly. This kind of store is named by more than 33% of the nation's bottlers as their best sales outlet.

The trend to the fast-moving big package mentioned earlier is a response to this fact.

Vending machines are another factor I mentioned—and the figures make it clear that here is another pattern of development which is of the greatest significance to our industry.

Estimates of industrial construction for the decade before us run to $10 to $15 billion per year. That, in turn, means thousands of new plants located throughout the country which will have to be equipped with vending machines—and soft drinks are the top sellers in such machines.

All of these facts in themselves represent an opportunity on which the industry must capitalize. One of the ways in which we intend to do so is by greater emphasis on promotion and advertising direct to the consumer.

With the aid of intelligent planning, aggressive merchandising, hard-hitting promotion and advertising, the coming year will be the foundation stone for the "Golden Sixties" which await the industry.

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Prospects for Foreign Trade Profits in 1960

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Russia will expand in 1960 but Austria desires to switch over to regular trade channels. Commercial relations with the "Outer Seven" countries will be stepped up but de-emphasized with the Common Market members.

In **Turkey** business activity will get a much-needed boost from the recent $144-million deal with three U. S. firms to build a steel mill, with most of the money coming from loans from Washington. With arrangements finally agreed upon to pay off the $300 million debt to American and European exporters, **Turkey** will be shopping for heavy equipment, furnaces, coke ovens and building materials for the expanding steel development.

Before moving on to the Middle East, a brief stop seems advisable in two Eastern European countries. In **Yugoslavia,** it is well to note that President Tito is out to break trade ties with Communist nations and may be successful in 1960. Negotiations for British and Canadian credits are underway. French and German companies report sizable capital equipment orders from Yugoslavia. Rolled steel, chemical products, fertilizers, wool and cotton are high on the list of import needs so that this market certainly is worth exploring in 1960. Yugoslavia will become self-sufficient in wheat this year and now will emphasize capital goods imports to expedite the industrialization program.

Predicts More U.S.S.R. Trade With the West

Russia's trade will be up with the West in 1960. The Soviets have a huge shopping list for Western suppliers. Moscow especially wants chemical and electronic equipment and forge and press machines in exchange for iron and manganese ore, oil, coke, pig iron, rolled iron, steel, mineral fertilizers, cotton and grain. Aid to underdeveloped countries is high up on Soviet's "must" list for 1960, with 95 industrial projects scheduled for "countries that freed themselves of colonial dependence" and 288 technical assistance offers.

America's trade with the **Middle East** will be up another 5% in 1960 as political relations appear to be inproving for the time being and U. S. aid to Nasser will be sizable. But as soon as Sahara oil flows to France in sufficient quantities to capture some of the Middle East petroleum markets in Europe, you must count on more unrest in the Arab nations and an international oil policy as well.

In **Iraq** political instability will continue to affect the economic structure. Despite the expected rise in oil production as demanded by the government, petroleum revenues will not meet the budget deficit—a regular feature of the economic scene since the 1958 revolution. Restrictions on imports from hard currency countries in the West and encouragement of barter deals with the Soviet bloc have aggravated the already stagnant commercial life. But the authorities will gradually ease import controls on Western nations to revive the market hampered by hoarding of commodities and abnormal price hiking.

Public confidence is spreading in **Lebanon** and gold and exchange reserves are climbing steadily. U. S. and European exporters are relaxing terms on sales to Lebanon. Income taxes will be abolished in order to encourage foreign capital. Imports will be up moderately although the trading pattern may shift slightly to the Soviet bloc as the East purchases large quantities of Lebanese fruits. Currency will continue to strengthen but a real inflationary spiral is possible for the first time. Textile industry remains in trouble while petroleum refinery production has been cut by 35% due to opening of new installations in neighboring Syria and Jordan.

Austerity in **Saudi Arabia** has meant that fiscal health has been restored. The outlook is good as a new development program begins. Import licenses will climb substantially after last year's decline as construction equipment will be required in quantities to build roads, houses and schools. Aramco production of oil, down slightly last year, will continue the declining trend.

In the **United Arab Republic,** considerably increased volume of trade with the West will be a feature of 1960. More specific interest by Western firms in Egyptian enterprises also is due as result of changing political climate and revised investment laws welcoming American capital. But continued imbalance of imports over exports will be accentuated by heavy loan repayments to Soviet bloc. U. S. will offset this deficit partially by shipping $130 million of surplus agricultural products. Egyptian cotton exports to West also will be larger but the bulk still goes to Iron Curtain countries. The price is too high for British buyers.

African imports from the U. S. will be up moderately even though the spreading drive for freedom among millions of natives and sporadic labor turbulence will retard economic progress and the ability to buy American goods.

Recent discovery of oil in several areas of **Libya,** principally by American companies, offers a completely undeveloped market for U. S. and European exporters. Now is time to get a foothold in **Libya** while pipelines are being built. Heavy spending by petroleum companies already has accounted for a 40% rise in imports in past three years, as new laws welcome private investment.

Political upheavals in the **Belgian Congo** during 1959 did not impede the Colony's rapidly expanding market potential. However, the U. S. share of Congo's imports continues to decline due to lack of imagination in selling to this long-neglected territory. The second 10-year development plan begins in 1960, which means another $1.5 billion will be available for transportation, power, housing and educational projects. A $100 million outlay for hydroelectric development is under consideration in the U. S.

Ghana's billion dollar second-development plan beginning this year will open up many new markets for U. S. exporters. Heart of the program will be the $280 million Volta River hydroelectric project which will require heavy purchases of transportation, con-

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LEWIS J. COX

President, Iron Fireman Manufacturing Co.

Our company is forecasting a 7% increase in sales volume for 1960. This is an average increase covering the four fields in which we are active—(1) residential heating and cooling equipment, (2) commercial industrial steam generating equipment for power and heating and cooling industry made components for military aircraft and missiles, and (4) machined components for commercial and military aircraft. The outlook for 1960 has been enhanced by the settlement in the steel industry and by the strength of the general economy in recent months.

Lewis J. Cox

In looking at specific industries, it should be noted that the residential heating and cooling industry made a substantial increase in the year just ended. Unusual strength has been shown in boilers and furnaces for home use, both gas-fired and oil-fired. A major factor contributing to the higher sales volume has been the high level of new housing starts during 1959. Most economists are less optimistic regarding the outlook for new housing starts in 1960. If, as predicted, housing starts are at a lower level, the sales potential for domestic heating equipment will be affected; however, it is expected that the demand for home modernization plus an increasing preference for better heating and cooling equipment will make 1960 a good year for the industry.

The market for commercial-industrial steam generating equipment should offer excellent opportunities in the coming year. Industrial production will be up, and new plant and equipment expenditures should exceed expenditures of last year by almost 10%. There may be some pluses and minuses in various construction categories, but there should be no let-up in the need for schools, hospitals, churches, and other similar new-community projects. The industry will be helped by the demand for gas and combination gas-oil heating and power equipment in many communities where natural gas will be available for the first time in adequate supply.

Aircraft and missile production are in a large measure keyed to defense requirements and the level of government spending. It seems a certainty that emphasis by the Federal Government in the field of missiles will create new opportunities for the electronics industry, although the direction which the missile program is taking will, undoubtedly, affect the demand for aircraft parts and components. Our own company, during the past year, enjoyed substantial growth in gyroscopes and relays for missile and aircraft applications, and we anticipate further progress in 1960.

KENTON R. CRAVENS

President, Mercantile Trust Co., St. Louis, Mo.

The year 1960 is expected to be one of high industrial activity. Industrial recovery started in 1958 and it continued until mid-1959. At that time it was interrupted by strikes in steel and other industries. The recovery was resumed in the last few weeks of 1959. Since the steel dispute has now been settled, it is believed that recovery will continue at least until mid-year. This expectation is based upon the anticipation of inventory accumulation, a modest increase in plant and equipment expenditures, an increase in spending by consumers, and an increase in state and local expenditures.

Kenton R. Cravens

In 1959, the banking system was forced to sell United States Government securities at substantial losses in order to provide the funds to finance the increase in loans. Interest rates were rising during most of that period. It is felt that the demand for funds will continue heavy in the first half of the year and interest rates are likely to be firm. American monetary policy is now considering more and more the impact of their decisions on our international balance of payments and flow of funds. The European recovery may cause funds to move to Europe and American interest rates may rise as a result. While words like "money panic" are too extreme, we are likely to experience "tight" money for some time. The scarcity of loanable funds has already had an impact on construction and it is likely to curb some borrowing by industry.

After mid-year, the rate of industrial recovery will, undoubtedly, slow down and it is possible that weaknesses in the economic picture will become more apparent. The recovery movement will tend to lose some of its momentum, and the restraining effect of lower construction expenditures will be exerting some influence. At that time, businessmen are likely to adopt more cautious policies.

Nineteen-sixty will be the first year of a decade which is expected to be one of unprecedented growth. It would be a mistake to expect that the growth will be uninterrupted or that all industries will participate in it. The promise is great, but businessmen should be extremely cautious about committing funds and making plans without realistically appraising some of the weaknesses as well as the strengths in the American economy.

MARK W. CRESAP, JR.

President and Chief Executive Officer, Westinghouse Electric Corporation

America is entering a period of growth and progress without precedent—a decade many people are calling the "Golden 60's." During the 50's, man successfully harnessed the atom to do useful work. In the 60's, he will step into outer space.

Mark W. Cresap, Jr.

For the electrical industry, which is so closely tied to America's growth and development, the 1960's hold promise of increased responsibility and increased reward.

The 60's will demand more work-saving conveniences for the home; more efficient and automatic machinery for the factory; more compact and reliable equipment for the nation's defense; and new knowledge to speed our progress into space.

To meet this challenge, the electrical industry will:

—Again double within 10 years the output of electric power which is the "muscle" of our modern civilization;

—Concentrate management and technical effort on finding better ways to make better products at lower cost—the first line of defense against inflation;

—Invest unprecedented sums in research and development to help find the combination to our future well being and to maintain technological leadership.

Electrical manufacturers, in 1960, expect to obtain 13% more new orders than in 1959—and 1959 has been a peak year. This new business will come from many directions.

Consumers will spend more than ever before for electrical products, bringing an increase of some 5% or more in the sale of appliances and other electrical products for the home.

New orders for all types of capital goods will be about 20% higher than in 1959. The electric utility industry already is thoughtfully looking ahead to the power demands looming for the mid-1960's.

The commercial and industrial markets will produce an increase of 14% in new orders as 1960 launches the massive surge of new construction and modernization which will be a trademark of the next decade—a decade that will see $600 billion worth of construction of all types. That is 20% more than the value of all real estate standing in the United States today.

And the Armed Forces also will be demanding more from the electrical industry, which shoulders an ever greater responsibility as the electrical and electronic requirements for the space age become increasingly complex.

Westinghouse is organized to bear its full share of the responsibilities our industry will assume in the decade ahead. Westinghouse stockholders and employees stand to benefit from the success of these efforts.

In 1960, Westinghouse sales are expected to exceed all previous records, as all product lines gain in volume to produce billings at least 10% over 1959. At the same time, incoming orders should increase about 15% over the 1959 total.

As in the past, we will plow back a large sum for research and development, investing approximately $190 million to seek new knowledge, develop new products and find new and better ways to build them. It was just such research and development money invested in the mid-1930's that launched Westinghouse research in atomic power. That research has blossomed into an important part of our business today.

During 1960, the first atomic power station built in the United States for export will go into operation at Mol, Belgium. At home, the first atomic-powered aircraft carrier, the eight-reactor USS Enterprise, will be launched. And New England's first atomic power plant will be completed. All these are new Westinghouse atomic "firsts."

For Westinghouse, atomic power has come of age as a profitable business, but the pioneering is only well begun. Scientists at the company's new Astronuclear Laboratory face, in 1960, new frontiers, as they seek to apply atomic energy for tasks in outer space—another chapter in this story which has read like science fiction since World War II.

The $190 million we invest in research and development during 1960 will advance other projects which hold as much promise today as did nuclear energy 20 years ago.

The principle of thermoelectricity has offered a fascinating challenge to scientists for many years, just as did nuclear energy. But only recently have breakthroughs been achieved which are bringing us to the point of practical application. Thermoelectricity, simply stated, results in heating or cooling directly from a flow of electricity; or generating electricity directly from a source of heat.

Widespread consumer applications of this principle do not appear likely before the mid-1960's. But eventually we can have refrigeration and air-conditioning directly from the flow of electric current through suitable materials; or we can directly generate electricity from a coal fire, a nuclear reactor or any other heat source without need for intermediate apparatus.

Another field of research which will continue to receive concentrated scientific effort during 1960 is that of "molecular electronics." This new means of creating electrical devices 1,000 times smaller and lighter than their conventional counterparts will make possible the compactness and the great reliability of performance which is vital for the equipment which will be used to explore outer space.

Westinghouse scientists within the last year have used molecular electronic principles to control the "growth" of germanium crystals so that the material for semiconductor devices such as transistors can be produced in exactly the form in which it is used—a major advance in production of the electrical systems for tomorrow's apparatus.

The sometimes delayed value of research and development was demonstrated once again in 1959 when a 1944 Westinghouse invention proved the answer to a 1960 problem. "Stratovision"—the system of transmitting television programs from a high-flying airplane—was adopted during the year for application to the needs of educational TV.

Beginning in September, 1960, the Midwest Council on Airborne Television Instruction will beam TV programs from the air to reach 5,000,000 students in 13,000 schools and colleges over six midwestern States. Stratovision will make this possible at a cost per student which will be only a small fraction of the cost of achieving the same educational program by conventional television.

Even though new knowledge and new products will create new demands for power, the electrical industry during 1960 will launch aggressive marketing programs to further stimulate the use of electricity in home and industry.

As one example, Westinghouse in 1959 invested $2.5 million in its Total Electric Home Program and will push an even more comprehensive program in 1960. The Total Electric Home uses electricity as its only source of power for lighting, cooking, washing, cooling, entertainment and—most importantly—heating. There are now about half a million electrically heated homes in the United States. If the industry organizes to effectively promote electrical living, there can be eight million electrically heated homes by 1968.

Such tremendous increase in power demand means a challenge for the nation's electric utilities which, within 20 years, will have to put into operation facilities equal to the entire world's present installed electric generating capacity. Westinghouse utility specialists, during 1959, developed a comprehensive program to enable utilities to eliminate guesswork from their future expansion planning.

This technique, called Powercasting, uses computer programming by which utilities can "build" models of their systems on paper and determine the optimum expansion to give greatest efficiency and maximum return on investment. In 20 minutes, a high speed digital computer can reproduce the experience of the next 20 years, showing when additions of equipment should be made and how large these additions should be.

During the past year the company also developed a new industrial control system called PRODAC. PRODAC can control and monitor operations of electric generating stations, blooming, slabbing and plate mills, paper mills, chemical processing plants and other mass production operations.

Westinghouse laid plans during 1959 to grow with the steady growth in demand for its products. These plans include both new facilities and extensive rearrangement and retooling programs. During the year, the company:

—Announced a $25 million expansion and modernization program for facilities at Lester and East Pittsburgh, Pa., and Sunnyvale, Calif., where heavy electric power apparatus is manufactured;

—Broke ground at Muncie, Ind., for a large power transformer plant, which is part of a transformer division project that constitutes the largest single capital expenditure in the history of Westinghouse;

—Completed a new plant at Trafford, Pa., for production of power circuit breakers;

—Announced plans for construction of a Westinghouse research center in Churchill Borough outside Pittsburgh, which will double the size of the present Westinghouse research laboratories facilities at that site.

JOSEPH F. CULLMAN 3rd

President, Philip Morris, Inc.

The cigarette industry will sell one-half trillion cigarettes in 1960. Looking ahead to the next decade, we anticipate a sharp increase in the population of the United State and a similar gain in cigarette smoking, based on a marked gain in the size of the smoking age group.

J. F. Cullman 3rd

Total domestic cigarette consumption in the United States will reach about 545-billion units in 1965 and by 1975 it will grow to nearly 710-billion cigarettes. The increases over the 1959 record sales by the industry, therefore, will be about 90-billion and 255-billion cigarettes, respectively.

We estimate that domestic cigarette consumption in the U. S. in 1959 will reach between 455- and 460-billion units, to set a new record which will be between 4% and 5% over the previous peak of 436-billion cigarettes set in 1958. In 1957, smokers in the United States consumed 409.4-billion cigarettes. These totals represent about 96% of all cigarettes made in this country; the 4% balance is sold for export outside the United States.

Smokers now have become accustomed to expecting exciting new products and packaging from the cigarette industry and the day when a handful of brands could control by far the major share of the total market defi-

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Prospects for Foreign Trade Profits in 1960

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struction and electrical equipment as well as machinery and fuel. Cocoa, rubber and banana yields are increasing rapidly as result of new irrigation systems and wide use of fertilizers.

In the **Federation of Rhodesia** and **Nyasaland** revival of copper prices and exports coupled with thriving tobacco shipments were responsible for the largest favorable trade balance in history amounting to $112 million in 1959. The Federation's mineral output will recoup completely from the 1957-58 letdown. Transportation is expanding rapidly and will spark the mining industry into a major supplier for the world boom. Recent liberalization of import controls and anticipated loans from the new International Development Association will help U. S. sales.

The downturn in **South Africa's** economy has been halted and expansion is the watchword for 1960. Disposable consumer income will climb as a result of snowballing move to increase wages of unskilled native labor. With a $200 million balance of payments surplus in 1959, import permits now will be liberalized. This year will witness a sharp pickup in inventory investment. But tariffs will rise in line with the mood to give maximum protection to secondary industries. South Africa still looks for that spectacular boom the day Washington finally approves a hike in gold price but this is a few years off, although getting closer.

A 10% gain in America's exports to the Far East is likely as a result of relaxation of curbs on dollar goods by Japan, Australia, New Zealand and Malaya.

India's import policy for first part of this year will not be changed but some relaxation is expected by mid-year. Raw materials and machinery for heavy industries, particularly those in the export line, will be required in quantity. The U. S. and Russia will intensify competition to gain the upper hand in this expanding market. But New Delhi, influenced by the Red Chinese invasion of Indian territory again is leaning toward closer links with Washington. Wave of licensee arrangements signed in recent months with U. S. businessmen will continue. Private trade associations plan a concerted campaign to promote jute and manganese sales abroad. Washington's first double taxation treaty with the so-called "tax sparing" clause included will be ratified by the U. S. Senate in 1960. This should spur the outflow of more American capital to India.

The second Five-Year Plan in **Pakistan** will be slow getting started. Emphasis will be on sugar, textile and metals production. Foreign exchange reserves are up over a year ago but still are far from healthy. West Germany's Afro-Asian trade drive will concentrate on Pakistan. But Karachi will be recipient of the major share of U. S. aid, particularly from the Development Loan Fund, which means imports from America will rise moderately.

Optimism characterizes **Japan's** business for 1960 but much will depend on the U. S. economic trend. Steady growth is expected, with expansion of the consumers' market taking the place of the 1959 investment boom. Personal expenditures will increase 7% in 1960. Observers believe that the liberalization policy on dollar imports will have substantial impact with U. S. exporters benefiting by a $150 million gain, particularly in sales of light machinery, construction materials, fuel, consumer goods and machine tools. Japan also will insist upon the abolishing of all discrimination on her goods by other nations. Overall exports and imports each will be up 10%. Increasing emphasis will be placed on high-quality products for shipment to U. S. in a sincere drive to stop quotas on Japanese items. Production will jump 14%, with greatest rises in the iron and steel and auto industries. Inflation is no problem and the yen will remain most stable of Asian currencies.

Hong Kong's foreign trade continues to leap steadily, with impressive gains of 20% each month for exports and imports not uncommon. This Colony's recent economic growth is one of the highlights of Far Eastern commercial life, with commodity activity brisk in most lines. U. S. voluntary controls on Hong Kong's textiles will not work and the Colony also will capture more Southeast Asian markets. Aggressive sales here by U. S. exporters will be rewarding.

Prospects in **Thailand** are for one of the best years economically in her long history. Rice shipments in 1960 are expected to exceed 1958 and 1959 exports by 40%. Rubber sales abroad established a five-year record in 1959 and should surpass this figure in 1960. Tin exports also have increased during the past year and are on the rebound, Tungsten, lignite, iron ore and cement production will be up in addition to greater rice, rubber and tin output. Last year the Thais imported an incredible $400 million of goods with 17% coming from the U. S. This market offers an untold potential to far-sighted exporters here.

Lifting of controls on U. S. goods recently makes Singapore an important distributing center for American goods in the Asian area. Purchases from U. S. should be up at least 25% in 1960. England will spend $20 million for jet-age air bases.

Philippines trade will be diverted more and more away from Europe and U. S. to Southeast Asian nations. Strong prices are expected for copra, hemp and metals. The Philippines will benefit from Cuban hostility to U. S. as Washington undoubtedly will juggle sugar quotas in 1960 in response to demands from Congressmen. With exports increasing, the peso will firm so that sporadic rumors of devaluation must be discounted. Finding of oil in "commercial quantities" may not be as awe-inspiring as President Garcia declares but it must not be overlooked as a future dollar saver.

Export outlook for **Australia** is good as earnings should rise about 12%. Wool prices will remain around current levels. Another campaign to increase exports of manufactured goods is planned. Relaxation of import restrictions has worked surprisingly well and strong pressure is being exercised to abolish all import controls. Imports from the U. S. will be up sharply. American exporters are likely to show a 20% gain in sales as such luxury goods as

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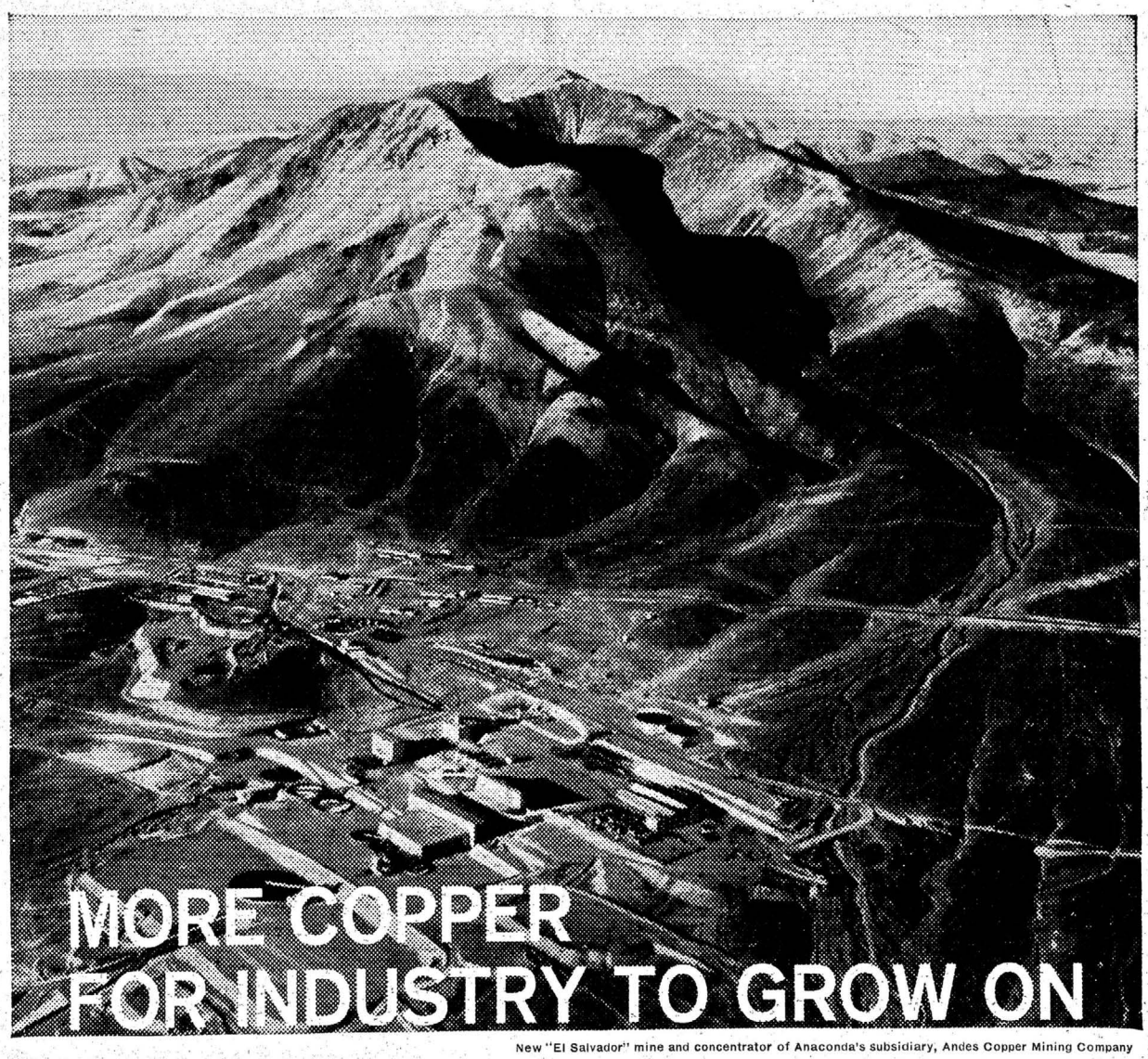

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THE FREE WORLD'S SUPPLY OF COPPER was significantly increased when Anaconda's new mine, El Salvador, recently went into production. Located 7800 feet up on the western slope of the Andes in north central Chile, El Salvador is the largest new copper mine that has been opened since 1945. Soon to produce at a rate of 100,000 tons of copper a year, it has proved ore reserves for 40 to 50 years. And there are additional reserves which have not yet been fully developed. It promises to take its place as one of the few really great copper mines thus far discovered.

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Chile is perhaps the Earth's most bountiful storehouse of copper ore. And in the future, Chilean copper production can repeatedly set new records. This is one important reason why nations and industries dependent on copper can rest assured of increasingly adequate supplies of this versatile red metal.

Expanded copper production in Chile is part of an over-all program in which Anaconda is continually applying more than 60 years of experience—not only to the development of new copper sources—but also to meeting the expanding needs of industry for more and better products in the entire nonferrous metal field. The Anaconda Company, 25 Broadway, New York 4, N. Y.

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nitely seems to have passed. To meet this insistent demand for new and better products the cigarette industry, led by Philip Morris, has intensified its research and development activities.

Research is the key by which we and the industry are able to introduce new products and bring continuing improvement in products to anticipate and meet the swiftly changing consumer taste patterns.

1959 marked the sixth successive year in which both our sales and earnings topped the previous year's totals. The record sales volume achieved last year came largely from products the company did not have five years ago. Actually, they accounted for about 80% of the company's peak volume. The new products included its lightly mentholated, high filtration Alpine cigarette rolled in high porosity paper; high filtration Parliament featuring its exclusive one-quarter inch recessed filter, Marlboro filter cigarettes and the premium quality Benson & Hedges brand of cigarettes.

Reflecting the steadily increasing sales and profits, we recently increased by 20% the dividend on common stock. At the November 1959 board of directors meeting the common dividend was placed on a regular quarterly basis of 90 cents a share. This move put the stock on an annual basis of $3.60 a share.

The company has paid consecutive annual dividends on its common stock for 32 years, the last ten of which have been at the regular rate of $3 a year, or 75 cents a share each quarter. The first payment at the new, higher, 90-cent regular quarterly rate was made on Jan. 15, 1960 to common stockholders of record Dec. 18, 1959.

Alpine, the company's new high filtration, light menthol cigarette, shows a remarkably high growth rate and, in a recent five-week period doubled its sales volume. Alpine is now in distribution in more than one million retail outlets in all 50 states. In many major markets it has moved into third place in the menthol field. Alpine was introduced by Philip Morris Inc. in August 1959. High filtration Parliament, introduced by the company in January 1958, is one of the leading brands in this cigarette market. In its first year, Parliament showed a 235% sales gain and, for the first two years, the increase is approximately 370%. Marlboro, a regular filter brand manufactured and sold by the company, has been a constant volume leader for the company and in the industry since its introduction in 1955. Marlboro now represents over 50% of industry's total volume of flip-top box cigarette sales. Benson & Hedges cigarettes, another Philip Morris product, is the sales leader among premium quality cigarettes. In addition, sales of the company's Philip Morris brand cigarettes continue to maintain their industry position among non-filter cigarettes which now represent about 50% of the total market.

In estimating that the industry will sell one half-trillion cigarettes in 1960, we also predict a continuation of the trend toward filter cigarettes, including the newly popular mentholated filter products. Indicative of this is the fact that seven new filter brands were placed on the market by the industry last year.

The surging increase in our population obviously will place new demands on all consumer goods industries. To meet the increased packaging demand of new food products and packaging demands of all types, Milprint, Inc., the company's subsidiary which leads the flexible packaging field, has acquired for future expansion needs considerable property in Milwaukee, Wisconsin, where it has its headquarters. Early in 1960, Nicolet Paper Corp., a Milprint subsidiary, will open a 100% plant expansion in West DePere, Wisconsin. This new facility, which will cost more than $2,000,000, will include a new paper making machine for production of a new and improved glassine paper. Milprint also has just increased its capacity with a new and highly modernized, automated ink room.

Polymer Industries, Inc., another Philip Morris subsidiary, which is well known for its technical skills and achievements in the industrial adhesives and textile chemical fields, also has charted for opening next Spring the nation's most advanced, automated solvent mixing and polymerization plant. In 1959 this company doubled its research, manufacturing and office facilities in Springdale, Conn., where the new $500,000 polymerization plant now is being erected.

R. C. DALY

President, George A. Fuller Company

Once again it is time to look into the crystal ball and predict the future of the construction industry for the year to come. This crystal gazing has to be tempered by judgment of three very important factors now affecting our industry: the supply of steel; the money market, and the carryover of the construction volume now in progress.

R. C. Daly

The full import of the steel strike cannot yet be evaluated. We do know that this strike has retarded many construction projects and will continue to retard them for some time to come. The best estimates are that the influence of this strike will carry on through the first half of 1960. The strike further affected the expansion plans of many of the industries, curtailing production dependent upon steel supply.

The other factor affecting private building is the tight money market and the cost of obtaining money. This increased burden on buildings in some cases puts them in the marginal category, making owners skeptical of proceeding.

Despite the uncertainty in steel supply and the tight money market, there appears to be sufficient volume of work in progress and contemplated, bolstered by the Government projects, both State and Federal, to indicate that the year 1960 will see approximately the same volume of construction installed as has been installed for the year 1959. A break in the tight money market situation and no further interception in the production of steel could conceivably produce a better year for 1960 than is presently foreseeable. In any event, barring a resumption of the steel strike, the construction industry for 1960 should see a prosperous year.

L. M. CURTISS

President, American Investment Co. of Illinois

The 1960 results for the consumer finance industry will parallel those of industry generally, since our business is closely tied to the performance of the economy as a whole. Our estimates, of necessity, are based on the expected results of our own company, American Investment Company of Illinois.

Lawrence M. Curtiss

Many predictions which we have read for 1960 indicate that the first six months of the year should see a continuation of the upward surge which had its beginning in the last half of 1959. Most experts agree that this will not be a full-fledged boom but rather a rapid expansion of the economy, based on the rebuilding of inventories plus normal demands. The second half of 1960 should see a continued growth but at a less rapid rate than occurred in the first half.

Our own observations would indicate that personal incomes, which to a large extent determine the demand for consumer finance, should continue to grow during most of 1960. Gross National Product should exceed the $500 billion mark slightly and there should be some reduction in unemployment to approximately the 3 million level. We do not look for any basic change in the tax structure during 1960, either individual or corporate, and thus disposable income (the real income available for repayment of consumer credit) will increase at a slightly lower rate than total personal incomes.

It would appear that consumer confidence will remain strong during 1960, particularly in view of a settlement of the steel strike. This confidence, of course, is the basis of the expansion of consumer finance and consumer credit. A prolonged strike in the railroad industry could, however, lessen this confidence.

Most experts aree predicting an increase in the sale of new cars during 1960 and a continued replacement of obsolescent hard goods which were purchased in the last big buying splurge of these goods in 1950. Offsetting this demand to some extent could be a decline in new housing attributable in part to a lack of funds for mortgages.

There has been a great deal of discussion about the tightness of money which, of course, has its effect on the consumer finance industry. It has been our experience at American Investment Company that "tight money" does not have an appreciable effect on the larger companies in our industry, except as it affects interest rates. Usually, in such a money market, consolidations of smaller companies with the larger companies become more pronounced and the normal expansion of the industry continues at a slightly slower pace. We do not look for any easing of interest rates during 1960, neither do we expect a substantial increase in these interest rates.

The degree to which the American consumer is willing to obligate his future income for the repayment of consumer finance obligations depends directly on his confidence in the amount and stability of that future income. Normally an election year tends to add to this confidence and we can see very little in prospect which will tend to undermine it. Consequently, we look for the consumer finance industry to continue its growth during 1960 and we would expect that profits of the industry would tend to keep pace with this growth.

During the 1959 legislative sessions several states increased the amount which could be lent by consumer finance companies under state laws. A few increased the rate of charge which could be made and several more permitted the sale of credit insurance to the borrowing public. The total effect of this favorable legislation will not become apparent until sometime during 1960. It is our expectation that these legislative changes will tend to offset the increases in interest rates which occurred during 1959.

Normally, our industry tends to be less cyclical than others and considerably more stable. This usually means that our rate of growth may not be so spectacular as some others, but it is steadier. Generally speaking, the consumer finance industry tends to lag slightly behind the rest of the economy in reaching the tops of booms as well as recovering from the bottoms of recessions.

Our own observation was that the consumer finance industry did not feel the full effects of the recovery from the last recession until some six months after the general economy had pointed upward, or until late 1958. Thus, we expect the consumer finance industry to continue the "boom" growth for some months after the rest of the economy may be peaking-out at the end of 1960.

Competition in the consumer finance field is increasing from the stronger emphasis on consumer loans by commercial banks. We are glad to see that other lending institutions are recognizing the tremendous need and demand for consumer loans. We feel that this increased competition presents a challenge which our industry and our own company particularly, are well equipped to meet.

In summary, 1960 looks to us to be a favorable year for the economy, generally, and for the consumer finance industry. Consumer confidence will remain strong throughout the year with a possibility of some setback from a major strike. Earnings in the consumer finance industry should be good in 1960 and with a few exceptions the results of consumer finance companies during the year should set new records.

One major factor which should contribute to the growth of the consumer finance industry as we progress into the Sixties will be the anticipated increase in population, particularly in the 20 to 25 year old bracket. We do not look for this to have a material effect in 1960 but it will be increasingly important in the mid-Sixties.

We welcome the advent of a new decade with confidence, recognizing that it will present many problems and challenges. We feel, however, that our experience has well equipped us to meet these problems successfully.

JOHN H. DANIELS

President, Archer-Daniels-Midland Company

In any valid appraisal of the future we must assume that the economic war with the Communist nations will continue toward ultimate stalemate and that the world population explosion will not be checked for at least the next decade.

John H. Daniels

These conditions will lead in turn to an intensification of trade with the underdeveloped countries and the gradual solidifying of the Atlantic nations into a massive economic group pledged to conquering hunger and disease, as well as Communism.

Against this background, the most likely course of our economy in the Sixties is visible:

Domestic industrial growth will be paralleled by investment and industrial participation abroad.

Selectivity will govern this future growth as it has in the past. For example, the electronics and chemical industries will continue to expand because the consumers of the world need and want their products.

Rising world demand for food and fiber will gradually but inevitably lift agriculture out of its current chaotic condition, demonstrating that the solution of the "agricultural problem" must ultimately be economic rather than political.

Research—the industry of innovation and invention—will continue to increase in importance. Research will exert special influence on agricultural products as new food and new industrial uses are developed.

There will, of course, be problems for business and industry in the Sixties:

The business climate of the community—is business welcome or is profit a bad word? How strong is the free enterprise system?

Inflation will remain an ominous threat. Productivity currently cannot keep pace with demands of organized labor. The only solution is full awareness of the long range implications of inflation and the moral strength to decide that we favor the self-denial necessary to avoid the alternative of more Government regulation.

A greater unity of purpose between management and labor must be achieved through an understanding of the issues and the alternatives facing us.

These, then, are the conditions and the problems we can expect to prevail in the next decade. Challenging they are, but laden with opportunity for progress, too.

Every sign points to sustained and realistic growth in the United States and in the free world in the next decade.

JAMES M. DARBAKER

President and Chief Executive Officer, Copperweld Steel Co.

For 1959, Copperweld will have the highest sales volume in its history and the outlook for 1960 is most encouraging.

Throughout 1959, four of the company's five divisions operated at a high production level. At the Wire and Cable Division, production was curtailed due to a 47-day strike. The company realized substantial benefits from its modernization and expansion program which was launched in 1955 and completed in 1958. The success of that program has led the Board of Directors to approve a new $15,800,000 expansion and improvement program which will be undertaken during the next three years. It will involve equipment to produce new products and to improve present manufacturing facilities.

James M. Darbaker

This project will permit the Wire and Cable Division to increase substantially the production of Alumoweld. The Aristoloy Steel Division will be able to produce alloy steels having higher strength-to-weight ratios and improved resistance to high-temperature fatigue. Ohio Seamless Tube Division will install new electric-weld lines which will produce heavy-wall steel tubing up to 7 inches in diameter. And

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Prospects for Foreign Trade Profits in 1960

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textiles and appliances are being shipped to Australia for the first time. Both Japan and Europe will enter the investment scene but the rush to have U. S. products licensed in Australia will continue.

In **New Zealand** the forecast is for considerable improvement. A further build-up of foreign exchange reserves is apparent and import restrictions will be relaxed. U. S. exporters will be able to ship more raw materials, machinery and textiles but trade with Iron Curtain countries will rise. Expansion of several industries, notably paper, will be accelerated. Plans for a common market with Australia will not make much headway in 1960.

Latin American Imports From U. S. A. to Decline

As this imaginery tour approaches Latin America, it must be realistically kept in mind that U. S. exports are in a declining trend due to exchange shortages, import controls, the Russian economic offensive, political disturbances, coffee surpluses and instability of commodity prices. Although the 1960 dip will not be as sharp as last year's 15% drop, in all probability Latin American purchases from the U. S. will fall another 10%. But the most far-reaching economic event for the Republics in 1960 will be the actual beginning of the South American common market, consisting of seven countries now, with Mexico and Venezuela sure to join later.

The second stage of **Argentine's** self-imposed austerity program will mark 1960. Main problem will be to tackle the $330 million estimated budget deficit. Foreign trade will be balanced as gold and exchange reserves will increase in line with stepped-up exports and $200 million in additional credits from U. S. and Europe. Peso will maintain its recent stability. Tight money will restrict consumer goods consumption. Crude oil production will jump 60% but booming auto industry will swallow up exchange savings. With president Frondizi facing a hostile Congress and more labor turbulence expected in 1960, the country's future lies in the hands of Armed Forces. Imports will be up slightly.

Elimination of multiple exchange rate system by **Uruguay** lays the groundwork for some improvement in the deteriorated economy. However, it will be a hard, frustrating pull since last year's crop failures, flood effects, decline in meat output, large trade deficit, work stoppages and rapid inflation create the worst crisis in her history. Prospects are for a low-quality and reduced wool dip, more strikes and a weakening peso. New reform bill placing taxes up to 300% on imports will cut down further purchases from U. S.

Paraguay's trade balance is growing, with the 1959 surplus largest in years despite a decline in exports and increase in imports during last half. This will carry over into 1960 as low sugar prices, the dip in lumber demand from Argentina and poor cotton crop will hurt. Meat and wool prospects are good while collection payments are among the most prompt in Latin America. But possibility of a successful revolution against the dictatorship is drawing closer.

In **Brazil** another trade gap of roughly $300 million again faces the Republic. Refusal to comply with International Monetary Fund demands for devaluation and further austerity means a continued dollar crisis. But Brazil will turn away from U. S. to Russia for aid and trade in 1960. After nearly three years of threats, Rio is now concluding exhaustive barter deals of coffee, cocoa and vegetable oils for Soviet heavy machinery, petroleum and oil-drilling equipment. A large credit from Moscow also is expected. Exports will continue to recover the 1956-58 dip but imports from the U. S. will slide further. Brazil's credit position will weaken as the cruzeiro will hit 250 due to heavy currency issues for financing of Brasilia. Growing unrest by industry and Congressmen against Administration is probable in view of coming elections.

Government in **Chile** is performing an excellent job in handling finances and rebuilding the economic foundation. In 1959 Chile had a favorable trade balance and attained a "good" credit rating for the first time in years. Businessmen both in Chile and U. S. have great confidence in the Alessandri Administration. Austerity will be maintained while the new escudo replacing peso will strengthen the currency further. Last year's jump in exports of 30% indicate an easing of import regulations and increased purchases from abroad. New legislation will make foreign investment more attractive. Copper production will be high and the industrial index should gain another 5% in 1960.

Peru's financial and economic stability are on the comeback. Confidence in the sol is returning and the currency will strengthen further. Sugar and cotton exports are up and the outlook for 1960 is still more promising. The U. S. will increase Peruvian sugar quotas while cotton prices will be higher. Import quotas are being lifted gradually and prospects are for greater purchases from abroad. An increase in local petroleum prices has spurred activity in the industry, with a number of companies making substantial outlays for expansion. Incentives provided by the new Industrial Promotion Law will lure more foreign capital.

Optimism prevails throughout **Colombia.** Collections are paid promptly and all outstanding debts on the 1957 bail-out loan have been paid. Another export surplus is likely this year as Colombia has learned the hard way to live within her means. Thus any import increase will be kept at a minimum. More loans from U. S. are assured to finance rapid development of sparsely-populated areas, hydroelectric projects and transportation.

Bolivia's outlook remains gloomy as U. S. exporters tighten terms and restrict sales. One of the worst cases of inflation in the

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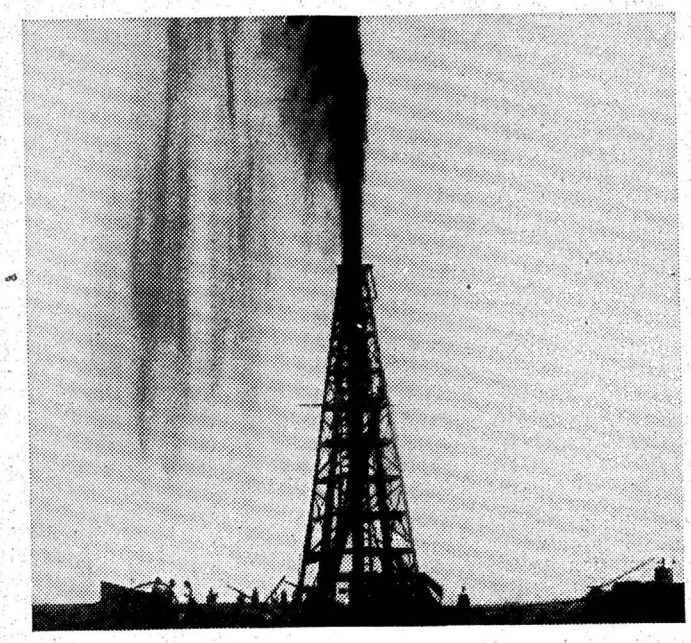
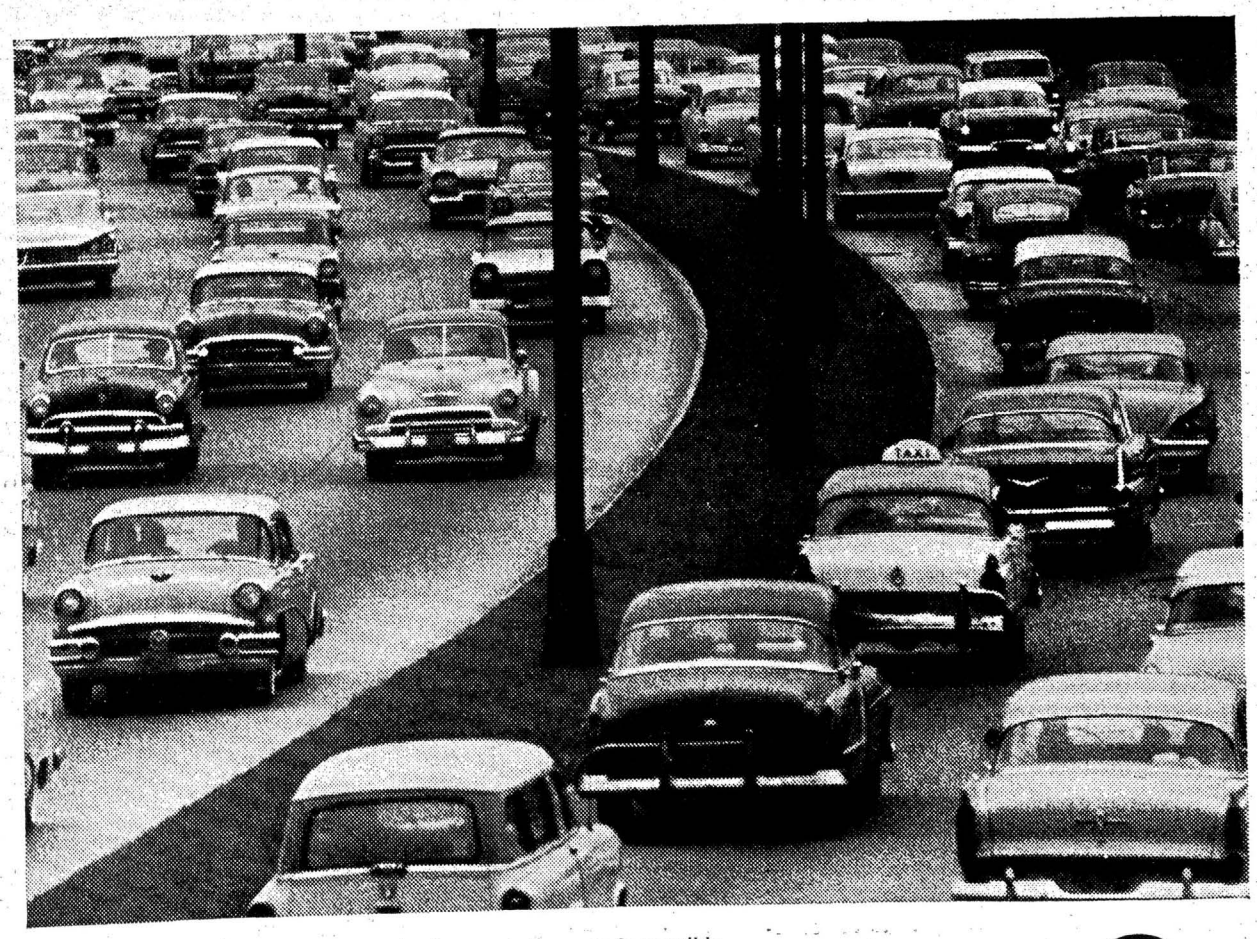
NEWS ON TEXACO PROGRESS

The gusher that brought in 50,000,000 cars



YESTERDAY. When, in 1901, a great gusher blew in at Spindletop — spouting its black geyser against the South Texas sky — the whole world learned for the first time that it could have petroleum in abundance. And it was at the Spindletop field that Texaco came into being — to obtain and market Spindletop oil.



TODAY. America's millions of motor cars have only been made possible by the petroleum industry's high production of oil. Today, Texaco is the largest producer of domestic crude oil. Its integrated operations are worldwide in scope. And its laboratories are investigating not only petroleum's valuable energy, but also atomic energy. By keeping in step with the future . . . Texaco continues to grow.

TEXACO

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at the Superior Steel Division, the company will be in a position to produce larger coils of strip steel.

Wire and Cable Division

During 1959, at the Wire and Cable Division, Glassport, Pa., guy and messenger strand sales to the power and telephone industries were at the highest level in the history of the company. Other sales increases were achieved for machine-straightened wire for use in industrial and military antennas and for copper-covered steel grounding electrodes for utility use. Interest in the Division's new product, Alumoweld, an aluminum-covered steel wire for use by the electrical industry, has exceeded expectations. Sales of Alumoweld have been limited because of lack of sufficient production capacity. The new expansion program will provide additional production facilities and lead to greater sales of this product in 1960.

Superior Steel Division

At Superior Steel Division, Carnegie, Pa., sales of stainless, high carbon and alloy strip steels were considerably higher in 1959 than in 1958.

The highlight of operations during 1959 was the completion of the installation of a new 25-inch Sendzimir cold rolling mill. This $1,750,000 mill is considered one of the finest and most modern cold rolling facilities in the country and provides the potential for considerably higher production in 1960.

Aristoloy Steel Division

During the past year, operations at the Aristoloy Steel Division, Warren, Ohio, were maintained near the limit of the plant's capacity.

Production records were established on many of the facilities of this Division in meeting the heavy demand of outside customers and of the company's own steel-consuming divisions.

During the year, plant metallurgists developed new procedures for quality control, particularly in the field of stainless products.

Ohio Seamless Tube Division

Ohio Seamless Tube Division, Shelby, Ohio, broke all previous shipping records on hot mill production of tubing. Improvements of facilities enabled the Division to increase the size range of the hot-finish tubing made on the Assel mill from 5¼" O.D. to 6" O.D.

Extensive improvements were made in the Division's fabricated-parts department to facilitate handling and fabrication of tubing.

Technological improvements were made which included better instrumentation for the control of heating billets for piercing and better equipment for sizing mill changes.

Flexo Wire Division

Sales of the Flexo Wire Division in Oswego, N. Y., were substantially higher in 1959 than in 1958. Modification of equipment and the installation of new stranding machines enabled this Division to produce a better quality of wire at a higher rate of speed.

This new equipment, together with other facilities planned for installation in 1960, will permit this Division to branch out into areas not presently served.

Copperweld International

Sales by the Copperweld Steel International Company were made in 66 foreign countries last year. In 1959, Copperweld International accepted its first orders for Alumoweld. Inquiries on this new product have come from many countries and it is anticipated that there will be a substantial foreign potential for this product when the additional production facilities are installed.

DEANE C. DAVIS

President of National Life Insurance Company
Montpelier, Vermont

The year just ended has established many new records for the American economy. For example, in June, the Federal Reserve Board Index of Industrial Production achieved an all-time high of 155. Also, 1959 will be remembered for the longest steel strike on record, or 116 days of both unused manpower and machine productive capacity. Money rates during 1959 reached the highest level in more than 30 years and tended to exert a salutary restraining effect upon an economy almost snowballing with activity prior to the steel strike.

Deane C. Davis

Every strike, and particularly one of the magnitude of the recent steel work stoppage, tends to become a national tragedy. Personal hardships on the strikers and the workers in related industries inevitably result, and the loss of wages often exceeds gains which may be achieved for a long period. At the same time, and perhaps ironically, the restraints imposed on the economy by the steel strike during 1959 provide assurances that 1960 will be a year of excellent business conditions. The replenishment of inventories and the supplying of the pent-up demand for goods unfilled during the strike, as well as an impressive increase in estimated capital expenditures, will provide a strong stimulus to the economy for the year ahead.

The nation continues to have with it the threatening specter of further inflation, and the efforts of the Administration to preserve the purchasing power of the dollar merit high commendation. The present generation unfortunately has lived in an atmosphere of inflation for so long that it tends to become increasingly imbued with a philosophy which suggests that further inflation of the currency with resulting loss of purchasing power is inevitable.

Because of this mistaken philosophy, more and more people tend to turn to equities of one kind or another in the erroneous belief that their economic salvation rests in the ownership of such property. Anyone who carefully has studied the history of inflation in other countries knows that this does not necessarily follow. However, its appeal cannot be denied, with the result that life insurance companies and other savings institutions must make a stronger effort to impress upon the populace the need for caring for first responsibilities first.

A long-range rosy picture readily can be painted for the American economy with substantial justification, but the future is not without the challenge of great problems. Inflation already has been mentioned. Another problem stems from the fact that the changed international position of the United States as contrasted with that of ten years ago is bound to produce many unanticipated effects. Thirdly, the high costs of production in the United States, due in part to high-unit labor costs, raise a serious question with which the national economy must cope.

The economic future of the United States is dependent upon the continuation of saving and thrift as laudable virtues, nothwithstanding the charm of a stock market which makes it easy to show how large fortunes could have been accumulated, if individuals had enjoyed the benefit of hindsight.

A man's responsibility to his family is just as great today as it ever was. Even though equity prices rise, there is no substitute for life insurance. There is no other means by which an individual immediately can provide an estate which will care for his responsibilities in the event that he is not here personally to care for them. Because of this simple truth, and because 1960 promises to be an active year for the national economy, it is my view that the life insurance industry will enjoy another outstanding and prosperous year of public service.

RUSSELL L. DEARMONT

President, Missouri Pacific Railroad

As we stand on the threshold of this next decade which independent and government economists are in agreement will be an era of spectacular growth and expansion in every conceivable way, the question might well be asked: Are the railroads equipped to render the kind and quality of service the public has a right to expect?

Russell L. Dearmont

Rail management knows that it should invest at least $1 billion annually over the next 10 years for freight cars and motive power alone, to say nothing of general improvement to their properties. The big problem confronting them is where the money is coming from to finance all the excellent programs they want to carry out.

Unlike other agencies of transportation, which have their ways partially or entirely paid for by the taxpayers, railroads pride themselves on the fact that they pay for the ways over which their trains operate.

We want no government subsidy. What we do want and need are two things: A change in government regulations that will enable us to meet competition, and a change in our outmoded work rules that will enable us to realize the efficiencies that should result from the $15 billion mechanization and automation program carried on since the end of World War II.

These two goals cannot be reached unless and until the public and rail labor leaders realize the railroads are no longer the transportation monopoly they used to be . . . that they are subjected to more kinds of government regulation and competition than any other industry in the United States.

Outlook for 1960

Our national forecasters tell us 1960 will be the best year in history. According to them, business activity will mount to new heights . . . income will rise sharply . . . employment will be up. Total spending in the United States is expected to reach an annual rate of half a trillion dollars for the first time.

A disturbing factor in this optimistic forecast is the prevailing labor situation, particularly in our own industry. If the steel industry settlement does not result in a continuance of the upward inflationary spiral that has haunted us for the past 10 years, then the economic future appears bright. So far as the railroad negotiations are concerned, I'm hopeful our labor leaders will have a more realistic understanding of the competitive situation which now confronts our industry and as we sit at the bargaining table will see the justice of our efforts to eliminate featherbedding. If they do, the future of railroading will be much brighter.

Because of this qualification, it is difficult to assess the value of a 1960 estimate at this time, but in our preliminary estimates of freight revenue we feel that there should be a small increase over 1959. If this estimate is reasonably accurate, I would assume that the net results for the year will be somewhat comparable to the recent year.

Review of 1959

Compared with 1958, the past year was a good one for the Missouri Pacific Railroad. Obviously, if it had not been for the steel strike, it would have been much better.

Carloadings, which had been running about 8% ahead earlier in the year, started declining in the fourth quarter, due primarily to the steel strike. We expect to end the year with an increase of 4%.

Operating revenues are estimated at $304 million, compared with $291,800,000 in 1958. They would have been approximately $5 million higher if the steel mills had remained in operation.

Estimated operating expenses of $232 million will be $9 million higher than 1958, of which $7,600,000 is for higher wages and employee welfare benefits. Tax accruals will be approximately $24½ million—up about $3,700,000 compared with 1958, of which $2 million represents increased Federal Income Taxes and $1,700,000 increased employee benefit taxes.

Balance after all charges and mandatory appropriations will be about $7,362,000, equal to $3.93 per share of Class A stock, compared with $2.80 in 1958.

Dividend of $2.40 per share was paid in 1959 on the Class A stock, from 1958 earnings.

E. H. DIXON

President, Middle South Utilities, Inc.

Since 1949 the Middle South, comprised of the states of Arkansas, Louisiana, and Mississippi, has led the nation in new discoveries and increases of reserves of crude oil, natural gas, and natural gas liquids. Not overshadowed by this development, the area now ranks first in the nation in the production of bauxite; second in barite, bentonite, sulphur, natural gas, natural gasoline, and petroleum; fourth in salt; and fifth in manganese ore.

E. H. Dixon

The development of the area's natural resources has been greatly responsible for the maturing economy of the Middle South. In the past decade over $2 billion has been invested in new plants and facilities dedicated to the chemical, petrochemical, petroleum refining, aluminum building materials, and pulp and paper industries. Over $1.5 billion has been invested in the Louisiana Tidelands by the gas and oil industry and billions of additional dollars are expected to be spent in the future for drilling, exploration, production, and pipelines.

The effect of the economy of an area on the utility system providing it with service is shown by the almost directly proportional relationship between the improved operating results of the Middle South System and the development of Arkansas, Louisiana, and Mississippi.

At the end of 1949 Middle South System operating companies were serving 625,461 electric customers, had an owned capability of 750,000 kilowatts, and a gross plant of $340 million. Ten years later, at the end of 1959, System companies were serving more than 890,000 electric customers, had owned capability of 2,742,000 kilowatts, and a gross plant of approximately $850 million.

Certainly, we cannot predict with complete accuracy those events yet ahead. Guided, though, by the steadily increasing gains that have taken place, we are viewing the future with the same enthusiasm with which we review the past.

As an example of our confidence in the future of the Middle South, System companies have now under construction two new generating units scheduled for completion in 1961. One of these units will have a capability of 230,000 kilowatts and the other will have 325,000 kilowatts of capability. Thus, we are producing tangible evidence of our faith in the future.

HARRY A. DeBUTTS

President, Southern Railway System

Today's economic forecaster has easy access to one of the most useful aids possible. It is readily available in most book stores and the cost is nominal.

To put it simply, all he needs is a map of the South. If he will point to that map and predict that "this is the region to watch next year—for industrial growth, for diversification, for expanding markets and a healthy economy," his reputation is secure. The South will make him a prophet.

Harry A. DeButts

In the first 11 months of 1959, for example, there were 256 new industrial developments along Southern Railway System lines alone. They included new industries, large new warehouses and distributors, and major additions to existing plants.

Businessmen who had apparently been looking at their maps of the South either spent or authorized almost $366 million to construct and equip these new plants and expansions. In doing so, they created almost 20,000 new job opportunities, with payrolls that will give the region's economy a lift for years to come.

To be understood fully, 1959's growth must be seen as part of an industrial "chain reaction" that has been going on in the South for years, particularly the burst of expansion in the last two decades that has involved thousands of new developments and billions of dollars in plant investment.

This industrial momentum and the new projects we know to be in the planning stages lead us to expect continued growth in 1960. Southern Railway backed this

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world plagues the nation. With the country near bankruptcy and dollar loans scarce, Bolivia will turn to Russia in 1960. A $60 million emergency credit from Moscow to Bolivia's ailing oil industry is imminent.

Recovery in **Ecuador** has been slow though optimism is much more noticeable than a year ago. Domestic business remains dull but banana, cacao and wood exports have been expanding. A marked shift in trade from the U. S. to Japan and Europe, including the Communist satellites, is occurring. Chief gains are being made by France, Italy, Czechoslovakia and Yugoslavia. More bilateral exchange with Latin American neighbors is certain.

In **Venezuela** a gradual broadening of controls and reforms can be expected in 1960. Actually these will be only protective measures, just as the recent extension of license restrictions on most U. S. luxuries were taken as a precaution. Imports of consumer goods from this country will be down at least 50%. Although Venezuela has remained the largest Latin American buyer from U. S. up to now, another 20% drop this year will give first position to Mexico. Venezuela still boasts of a $1 billion trade surplus annually and gold and exchange balances are more than half of that amount. But the determined anti-Communist President, Romulo Betancount, still faces such problems as the enormous debt inherited from the previous Administration and political infiltration. Heavy outflow of refugee capital to U. S. and Europe will ease while the increased number of recent bankruptcies should taper off. Collection payments will remain slow but the bolivar will not be devalued. Iron ore and diamond production will jump again in 1960 while petroleum output will hold at about the peak 2.5 million barrels per day.

Only a relatively small part of Central America will enjoy economic progress in 1960. Communist-sponsored unrest and infiltration in **Panama** will handicap business somewhat. Last year Panama increased purchases from the U. S. by 30% but will be forced to go easier now as retail sales may find resistance. Merchandise handled by Colon Free Zone and traffic through the Canal will continue to set records.

Costa Rica's coffee output is at an all-time peak but the Latin American coffee Agreement quotas impede exports. Exchange earnings also will suffer from one of the smallest banana crops in years. Costa Rica is the leader for Central American integration and intends to become the central distributing center for this regional trade area. A new foreign investment law is one of the most liberal in world. Large deposits of rare metals have been found recently. But short-term prospects are hampered by the budget deficit and likelihood of austerity.

Political stability and industrial development in **El Salvador** are impressive. A large increase in coffee exports to Japan is foreseen as result of the close relationship and pending commodity deals. El Salvador also is in line for more U. S. loans. Outlook is for greater imports.

Guatemala's industry will show some improvement but low prices and limitations on exports of coffee resulting from the Latin American Agreement will handicap the entire economy. Exchange balances will continue to dip. However, the quetzal will not be devalued despite rumors to the contrary. Petroleum exploration has been most disappointing after an optimistic beginning.

Stability will be the keynote of **Mexico's** economy in 1960, with a firm peso the base for a new ambitious industrial expansion. Gargantuan plans to make Mexico one of the largest automobile producers in Latin America will become a reality. Several Government heavy machinery, railroad and textile plants will be converted as a nucleus for the auto industry. Practically every major car manufacturer in the world has submitted proposals to participate in Mexican production. Petro-chemicals and steel industries also will expand. The trade deficit will be cut further in 1960 as earnings from coffee, cotton and metal exports will improve. Imports from Europe will be up sharply while U. S. shippers will have to sell harder in face of growing competition. Moreover, concrete Soviet trade offers resulting from recent exhibits and missions in Mexico cannot be taken lightly. But they will not trigger any substantial trade. Chances are Mexico will turn down the $100 million credit bait from Moscow in favor of more loans from America.

In the **West Indies**, Communist infiltration and political uncertainties also make the outlook gloomy. Deterioration of the **Dominican Republic** is spreading on a broad scale. Thus political stability of the past few years is threatened. Defense expenditures are climbing and Trujillo is faced with a balance of payments deficit for first time since 1940. The peso will remain at a discount for sometime.

Uneasiness in **Cuba** appears justified over further nationalization of industry and banking facilities. American exporters will have to tighten terms unless they can afford longer delays in payment. Imports will decline steadily for next five years until economic stability returns. Sugar crop and demand from Europe will be good in 1960. But U. S. sugar quotas will be cut in retaliation for expropriation of American property. Dwindling gold and exchange reserves and preposterous illusions about obtaining U. S. financial aid means Castro will tie himself still closer to Moscow in trade and intrigue.

Our country-by-country round-up today will end on a more optimistic note in **Canada**, where business will be good through most of the year. But the pace of recovery will taper off in the waning months. Settlement of the U. S. steel strike will place strenuous demand on Canada's primary industries. Rising interest rates will delay some government projects. Shortages of mortgage money will cause a slowdown in home building and household appliance sales. The Canadian dollar premium should narrow as so-

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would you answer?

People scoffed when the explorer, Shackleton, placed this ad in a London newspaper. Who would answer? Thousands did! Risking life in the Antarctic or facing a thorny problem in industry, man always responds to challenge.

Natural gas, for example lay idle under the earth. How could it be put to work? This challenge created the long distance pipeline. Today, through our 11,000-mile system, 18 key states are supplied with the world's finest fuel. Natural gas! More than 2 billion cubic feet daily . . . the equivalent of over 100,000 tons of coal.

Delivered dependably and economically 'round the clock in any weather.

From natural gas and oil . . . heat, power, petrochemicals that mean ever wider service to man.

TENNESSEE GAS TRANSMISSION COMPANY
HOUSTON, TEXAS

DIVISIONS: Tennessee Gas Pipeline Company · Tennessee Gas and Oil Company · Bay Petroleum Company
SUBSIDIARIES: Midwestern Gas Transmission Company · East Tennessee Natural Gas Company
Tennessee Life Insurance Company · AFFILIATE: Petro-Tex Chemical Corporation

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belief with $38 million worth of orders for new locomotives and cars in 1959—48 new diesel units and 1,240 gondola and hopper cars.

Southern planned in 1959 an addition to its own map of the South. During the year we concluded an agreement to acquire the Interstate Railroad, an 87-mile line in southwest Virginia, subject to Interstate Commerce Commission approval.

Allied with Southern, the Interstate will give the productive bituminous coal fields it serves readier access to expanding markets along the 8,100-mile Southern Railway. Already there are 47 coal-burning electric power plants served by our lines, and more expansion is planned.

The area served by the Interstate stands to gain in industrial development as well, due to Southern's active interest in attracting new industry to areas it serves. This has already happened in territories served by four other short-line railroads Southern has acquired in recent years.

They are the Louisiana Southern, south of New Orleans; the South Georgia and the Live Oak, Perry and Gulf Railroads, in Georgia and Florida; and the Atlantic & East Carolina, running from Goldsboro, N. C. to the Atlantic coast. Recent industrial developments in these areas have involved a total investment of more than $100 million and have created job opportunities for more than 2,000 people.

Statistics, however impressive, do not tell the full story. Vigor, enthusiasm and the sense of new beginnings found everywhere in our territory are changing the map of the South and making it industry's blueprint for building a strong and successful future.

ARTHUR O. DIETZ

President, C. I. T. Financial Corporation

In 1960 and in the years to follow, the use of consumer instalment credit will continue to increase and will reach new record levels as it grows in proportion to the expansion of the entire U. S. economy.

Arthur O. Dietz

Sales of new cars which account for the largest single segment of instalment credit should rise some 13% in the year ahead to a total of $6.8 million. This forecast assumes there will be no further sustained labor trouble in the steel industry and includes a projected sale of up to 500,000 imported cars.

Within a few years, annual new-car sales can be expected to average 7.5 million units and 8-million car years are in sight.

While there seems to be some increasing concern, in the minds of a few persons, over the increased volume of instalment credit, the expansion of credit purchases actually is a sign of a vigorous and healthy economy. It is an indication of the confidence consumers have in the future of the nation's economy and in their own personal prospects.

Recent rises in consumer instalment credit, which brought total outstandings to $38.4 billion by the end of October, were somewhat accelerated by pent-up demand following the 1957-58 recession. In addition, there was a spurt in auto sales in October as consumers sought to acquire new cars before production cut-backs were brought about by the steel strike.

Taking a longer look ahead, an indication of the kind of growth we can expect in the coming decade is the often-repeated and seemingly well-grounded forecasts by most of our best-qualified economists and business leaders that it will be the period of greatest growth in the history of the United States.

U. S. population will reach 180 million in 1960 and during the next 10 years, population **gain** will equal the nation's **total** population just 100 years ago.

Consumer expenditures will rise just from sheer increase in population but sharp changes in the age groupings within the population will add tremendous additional demand for goods and services. By far the most rapid increase will be in the 15 to 29 age bracket. Next year we will have fewer than 36 million persons in that bracket but by 1970, this group will have grown by 50% to more than 50 million. This is the group that can be described as being in the "age of acquisition"—in the family-forming age (or soon to be) when demand for automobiles, houses, appliances and other durable goods is at its highest.

Expenditures of couples under 30 years of age are 27% above average for automobiles, 36% higher than average for housing, even somewhat higher for the major appliances and 75% above average for furniture.

With these facts, it is obvious that such mass consumption must be supported by sound mass financing —consumer instalment credit. Younger consumers, in particular, having been reared in an age of credit buying can be expected to make greater use of time buying than did their parents.

It is no exaggeration to say that the economic growth we hope for in the coming years cannot be realized to its full potential without vast increases in the amount of instalment credit used.

Soundly extended and wisely used instalment credit, regardless of dollar amount, is no cause for concern and the records of C.I.T. Financial Corporation for the past half-century prove conclusively that the average U. S. time buyer is always an excellent credit manager.

GEORGE S. DIVELY

Chairman and President, Harris-Intertype Corporation

A favorable general business atmosphere seems assured for most of 1960. With the carry-over of production delayed by the steel strike added to the generally high level at the start of the year, new highs can be expected. Important influences that could help prolong this prosperity are the exercise of restraint by businessmen in keeping inventories in line, effective government control over money rates and credit, and good business planning. Factors which may complicate the picture are labor unrest, international tensions, "space" developments, and the usual unsettled atmosphere of a Presidential election year.

G. S. Dively

In a deeper sense, the threat of greatly increased foreign competition resulting from noncompetitive wage and price levels in the United States compared with the rest of the world continues to be a fundamental problem. An important weapon to combat this threat is accelerated development and adoption of technological improvements in machines and methods. However, it will also require deeper recognition by government, labor and management that unsound wage and price levels can cause dangerous unemployment and costly "dollar deterioration."

Printing, Publishing and Broadcasting

The printing, publishing and broadcasting industries, which include most of our customers, should benefit as American business looks forward to a period of competitive selling supported by strong advertising and sales promotion. U. S. advertising expenditures increased about 10% in 1959 over 1958, bringing the industry back to its long-term growth trend which is twice as fast as the national economy. This trend is expected to continue; and inasmuch as advertising accounts for three-fourths of the total revenue of printers, publishers and broadcasters, it provided the basis for a good year in 1959 and the coming year should be even better.

Harris-Intertype's outlook also appears favorable for 1960. The company has doubled in size during the past five years, reaching $65 million annual sales. Two programs of major importance in this growth will continue to receive strong emphasis:

Product Development—About 5% of our sales dollar is spent on engineering and research development, probably the most extensive program in its industry. Of $20 million invested for product development in the past decade, almost half or about $10 million is represented by products just beginning to reach the commercial market. Current engineering and research is concentrated on printing presses, conventional and photographic typesetting machines, radio-TV transmitters and automated studio equipment, printing plates and bindery products.

Acquisitions—Continuous exploration of further company purchases will be pursued. Fields of interest include various complementary areas in the printing equipment and supply field, and the electronics field with emphasis on communications equipment and instrumentation. The sixth acquisition since 1953 came in December with purchase of Polytechnic Research and Development Company, the nation's leading producer of microwave test equipment. Its purchase brings Harris-Intertype's electronics business up to 20% of total sales.

LELAND I. DOAN

President, The Dow Chemical Co.

In forecasting the fortunes of business it is always necessary to make assumptions. And, of course, you can assume optimistically or pessimistically somewhat according to your own inclination and to what influences or trends are apparent. I prefer to assume that there will be no major influences to upset and deter economic activity in 1960 as was the case in 1959. In that year industrial production reached an all-time high in June and then, after the beginning of the steel strike, gradually dwindled until the mills reopened. It has since been recovering.

Leland I. Doan

If we can avoid major work stoppages I believe industrial production will climb gradually to new highs through at least the first half of the year, then perhaps level off or tend to move up and down in short swings through the second half. The chemical industry should make substantially greater gains than the economy as a whole. There was no appreciable inventory build-up during 1959 and it is therefore free to follow its normal pattern, which is for chemical production to rise more sharply than production generally. This occurs because of the industry's diversification and the fact that its products are essential to all other major industries. In general, the health of the chemical industry is inclined to be somewhat more vigorous than that of the overall economy.

If these conditions prevail we will be approaching capacity in some lines, and I would, therefore, expect to see more capital spending than during the past two years —although not as much as in the peak year of 1957.

Competition will continue to be keen but I think we might see a modest rise in the index of chemical prices. Chemical prices have been declining for three years in the face of continually rising costs. This obviously is a trend which cannot go on indefinitely, and I do not believe the industry can much longer absorb higher costs without better prices to partially compensate for them.

All these things are, of course, generalities. There will be exceptions with regard to individual companies and specific product lines.

The chemical industry's research expenditures will undoubtedly be at an all-time high, both for the development of new products and in its efforts to reduce costs through improved processes.

CRIS DOBBINS

President, Ideal Cement

Shipments of cement in the early part of 1959 and continuing through July were at a greatly increased rate over the previous year. Failure of Congress to finance the Interstate Highway Fund prior to the closing of the fiscal year on June 30 brought a severe decline in highway awards until late in September when the financing was provided and, because of the lateness of the season contracts awarded since then have been slow in getting underway. Thus, what started out to look like a year which might use 12% or 15% more cement than was used in 1958 will probably reflect not more than 7½% increase over the 1958 figure—in the neighborhood of 325 million barrels on a national basis. (Last year the total was just over 302 million.)

Cris Dobbins

The question of percentage depletion remained unsettled throughout the year in spite of the urging of the administration that corrective legislation be enacted. As a result litigation between the taxpayers and the Internal Revenue Service continues on a broad front and the uncertainty with respect to ultimate tax liability continues with ever larger amounts involved. Legislation has been proposed which in one bill could settle the matter for past years on the basis of court decisions to date (which have held in favor of the taxpayer), and for future years a figure which would recognize the principle of percentage depletion and the need for it in the industry on a reasonable and sound basis. Such a settlement would in an intelligent manner clear up a most vexing problem for the industry and its stockholders, as well as for the Treasury Department.

New housing starts have already turned down partly due to high interest rates, and there is every indication that the housing program in 1960 will continue to lag behind the high pace established early in 1958.

Construction of new cement manufacturing plants continues and present productive capacity either under construction or in the planning stage totals some 425 million barrels annually, about 30% more than current consumption. Foreign importation of cement continues to be a troublesome factor in some areas of the country. Competitive pressures will probably be greater in the industry this year than for some years past.

Perhaps one of the most significant developments in the cement industry recently is the tendency toward amalgamation of allied lines with cement production. There have been recent instances of ready mixed concrete companies buying or building cement plants; of cement companies buying or building ready mixed concrete and concrete products plants; and companies in other lines of building materials adding cement production to their activities. Thus, for the first time on a significant scale, the cement industry as a wholly separate entity seems to be undergoing a change, the effects of which could be quite far-reaching.

While immediate prospects are somewhat clouded because of the uncertainty of the steel settlement, long range the continued increase in population and the attendant increasing demands for housing, schools, hospitals, shopping centers, roads and streets, etc. should continue to provide gradually increasing markets for cement. Meantime, there are certain to be fluctuations in the overall economy which are bound to have short-term effects on some plants and some companies in the industry.

FREDERICK G. DONNER

Chairman, General Motors Corporation

It is my belief that 1960 will be a good year for business generally. The country can look forward to a record output of goods and services provided unnecessarily prolonged and widespread strikes are avoided.

Frederic G. Donner

In the automobile industry, availability of steel will be the limiting factor on production for some time to come. Later in the year, the rate will depend on market demand. We believe demand will be brisk. Employment and income can be expected to continue to rise. With business and consumer confidence maintained, this will also be true of spending.

Competition in our industry will be more intense than ever. Introduction of the new smaller American cars has brought added interest into the market place. The potential car buyer has an unusually wide choice of makes, including a variety of imports. More new models are offered in a wide range of attractive styles and designs, while prices generally are unchanged from 1959.

In addition to expanding consumer demand for passenger cars, a growing market for trucks is anticipated.

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Prospects for Foreign Trade Profits in 1960

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called "hot money" will be repatriated due to climbing interest rates in U. S. and Europe. Trade deficit should improve as Dominion exports become more competitive. Highly controversial issue regarding American investment will not alter steady capital inflow but purchases from U. S. will be more carefully watched by Ottawa.

Summary

Of the 52 countries analyzed, U. S. exports will be up for 38 and down for 14. The greatest increase in America's overseas shipments will be in agricultural products, cotton, foodstuffs and vegetable oils, followed by aircraft, petroleum, scientific instruments, vehicles, textiles and capital equipment. On the import side, the slight increase in U. S. purchases from abroad will be represented chiefly by vehicles, textiles, apparel, raw materials and coffee, with the last two up because of higher prices rather than volume of sales. Lumber imports are expected to drop sharply.

With gross national product certain to exceed $510 billion—up 6% from the 1959 record—and with practically all segments of the U. S. economy reaching new peaks, the American foreign trader surely will realize substantially better profits in 1960.

*An address by Mr. Diamond before the Houston World Trade Association, Houston, Texas, Jan. 4, 1960.

Form Martinelli, Hindley

Martinelli, Hindley & Co., Inc. is engaging in a securities business from offices at 99 Wall Street, New York City. Vincent Martinelli is a principal of the firm.

Forms RMC Associates

MONTCLAIR, N. J.—Richard M. Carlisle is engaging in a securities business from offices at 460 Bloomfield Avenue under the firm name of RMC Investment Associates.

Barth Opens New Branch

SAN JOSE, Calif. — J. Barth & Co. has opened a branch office at Town & Country Village, Stevens Creek Road, under the management of James E. Ryan.

Hamershlag, Borg Admit

Charles G. Stachelberg has been admitted to limited partnership in Hamershlag, Borg & Co., 25 Broad Street, New York City, members of the New York Stock Exchange.

Landsberg Partner

James A. Corcoran has become a partner in Landsberg and Company, 123 Greenwich Street, New York City, members of the American Stock Exchange.

Weintraub Associates

FOREST HILLS, N. Y. — Carl Weintraub has formed Carl Weintraub Associates, Inc. with offices at 1 Continental Avenue to engage in a securities business.

Oppenheimer Co. Names

Oppenheimer & Co., 25 Broad St., New York City, has appointed Harold Nelkin director of their institutional research department.

Joins Marshall Associates

(Special to The Financial Chronicle)

CHICAGO, Ill.—Daniel E. Boone has become affiliated with Marshall & Associates, Inc., 75 East Wacker Drive.

Business and Workers

"The placement agencies have encountered a lack of interest among employers in participating in a youth-employment program. And there has been little cooperation from labor unions, some of which feel that added emphasis on youth employment might deprive a union member of a job.

"We specifically urge that business firms and business men review and revise their personnel policies and operations in order to encourage a substantial increase in the employment of younger people.

"If employment is to be meaningful as a delinquency deterrent, it will be necessary to make summer employment and part-time employment for youth much more generally available than is now the case."—New York Chamber of Commerce.

In business, let us remember, people, whether old people or young people, are normally employed to do useful work!

Taylor Inv. of Wyo.

CASPER, Wyo. — Herbert J. Taylor has formed Taylor Investment Co. of Wyoming, Inc., with offices at 150 North Central, to engage in a securities business. Mr. Taylor was formerly local manager for Allen Investment Co.

Taylor Investment Co. will maintain branch offices in Buffalo, Cheyenne, Cody, Laramie and Sheridan, Wyo., as well as a branch in the Boston Building, Denver, Colo., under the management of Gerald M. Greenberg.

Joins J. M. Dain

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — LeRoy C. Kopp has joined the staff of J. M. Dain & Co., Inc. 110 South Sixth Street, members of the New York and Midwest Stock Exchanges.

Mason, Garlington

ATLANTA, Ga.—Mason, Garlington and Wilcox Company is conducting a securities business from offices at 3272 Peachtree Road, North East. Lawrence Mason is a principal of the firm.

On its way . . . the first business day of '60

Again Chessie starts the New Year by sending to its 90,000 shareowners on the first working day of 1960 the results of the previous year's operations, shown in the highlights below.

Chesapeake and Ohio, on the threshold of its 175th anniversary, ended the year stronger, financially and physically, than at any time in its long history. Working capital rose above $60 million, highest level ever.

Freight revenues produced an excellent first half-year and held up well despite the steel strike. Revenues from merchandise freight increased $10 million and non-export coal traffic showed a similar $10 million increase. C&O progress also was marked by eighty new industrial plants locating along its 5,100-mile system.

With the favorable general business predictions for '60, a year of uninterrupted industrial activity would mean C&O revenues and earnings greater than 1959.

1959 HIGHLIGHTS

	1959	1958
Dividend Paid per Common Share	$4.00	$4.00
Earned per Common Share	5.60	6.36
Operating Revenues	(millions)	
Coal and Coke	$162	$177
Merchandise	161	151
Other	25	28
Total Operating Revenues	348	356
Expenses, Taxes, etc. — Net	302	304
NET INCOME	$46	$52
Working Capital at Year End	$61	$55

For a copy of Chessie's 1959 Flash Annual Report, write

Chesapeake and Ohio Railway

3800 Terminal Tower, Cleveland 1, Ohio

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Our forecast is that 1960 sales in the United States may well total in the area of 7,000,000 cars, including 500,000 imports, plus 1,000,000 trucks. This total of 8,000,000 units would represent more new cars and trucks sold than in any year except 1955.

All General Motors' 1960 lines of cars and trucks have won enthusiastic acceptance from the public. While it is still too early to determine the extent of the demand for smaller cars, we are confident that larger cars will continue to be the choice of the majority.

DONALD W. DOUGLAS, JR.

President, Douglas Aircraft Co.

Predictions for the aircraft and aerospace industries during 1960 must be tempered with prudence, owing in large measure to the swiftly changing and evolving nature of the requirements placed upon the industry designers and manufacturers.

D. W. Douglas, Jr.

Generally speaking, it may be said that the pattern of transition which began to emerge about three years ago, is still very evident and may be expected to continue well into the foreseeable future.

Nevertheless, the industry holds a substantial backlog of military and commercial orders which promises that the year will be both stable and active.

If the nature of 1960 activity could be summarized in one word, that word would probably be "competition." The trend in defense orders is moving steadily to vehicles requiring for their reliable operation electronic devices of increasing complexity, thus bringing into the aerospace field additional companies not closely identified with aircraft in the past.

Assuming that the defense budget will not deviate greatly from $41 billion, it becomes apparent that many manufacturers must rise or fall upon their established ability to fulfill defense contracts to the satisfaction of the using services.

Inasmuch as the greater part of the industry will be engaged in the production of defense items and allied equipment, any 1960 prediction must assume that there will be no major international upheaval.

Indications are that 1960 will see stepped-up progress in scientific probes of space, which dictates increase in research and development programs. These are of paramount importance to national security but it is difficult to calculate their effect on the aerospace industrial economy during any given calendar year, as many—perhaps most—extend through longer ranges than the current 12-month.

The delivery rate for commercial aircraft will be accelerated during 1960, and because there has been substantial write-off of development costs, it may be expected that the year-end balance sheets of those producing turbine-powered transports will show improvement.

The trend toward more sophisticated rocket-powered vehicles will probably bring with it a gradual decrease in aerospace employment, following the requirements for higher skills but fewer people. The employment census could also be effected by any governmental decision to cut back or stretch out existing programs.

Further and serious competition may be expected for both domestic and foreign markets, stemming from the vigorous efforts of overseas manufacturers to hold and consolidate the gains which they have made, especially in the production of power plants.

The immediate and enthusiastic acceptance by the travelling public of the jet transports augurs well for the receipt of additional orders by the plane-makers and the steady increase in air freight tonnage suggests that cargo versions of the new jets may soon be on the assembly lines.

Barring international complications, we may expect a period of good vitality during 1960, steady growth in the national production of missiles and space-age vehicles, and additional expansion of the jet transport market.

ROGER DRACKETT

President, The Drackett Company

Sales of our company in the current fiscal year ending Sept. 30, 1960 are expected to be about 12½% above those of the preceding fiscal year. These expectations are based on our belief that the year ahead will be one of general, steady increases in the American economy rather than one of a boom nature. This forecast presumes settlement of perplexing problems in industry generally that marked the start of 1960.

Roger Drackett

Dollar volume in our first fiscal quarter ended Dec. 31, 1959, will be about 15% ahead of the same period in the previous fiscal year. Between these two periods the company's sales of all consumer products increased both in dollar and unit volume, as well as in total share of their respective markets.

Population growth, innovation, and diversification — three factors favorably influencing the national economy—are expanding our markets. Every rise and shift in population stimulates new home demand. Our drain cleaning, toilet bowl cleaning, metal polishing, and window cleaning products benefit from the total increase in homes. Most new dwellings, however, have a larger percentage of glass than homes built a generation ago, a factor in larger sales of window cleaning products. With research and development expenditures approximating $10 billion annually—almost four times those of 1950—numerous new and improved products are creating new business and employment opportunities. Like many companies we have diversified our products and services to utilize more efficiently our varied resources of skills, materials, and markets. We have also benefited from the broad national economic trends.

Our confidence about the years ahead perhaps stems from the past performances. The company in 1959 had the highest sales in its 44 year corporate history, the recession early last year having little or no effect on our volume. Net sales in 1935 were $1,432,400 against fiscal 1959 sales of $28,399,758; and net profits were $105,171 and $2,334,407 respectively in the two periods. The 1959 figures reflect sales of the Judson Dunaway Corporation, acquired Oct. 31, 1958. Sales in 1959 were about twenty times what they were in 1935, and profits have risen at a somewhat higher rate.

Profits for the current fiscal year, from present indications and barring unforeseen unfavorable national or international developments, are estimated at 10% ahead of fiscal 1959.

First fiscal quarter profits at the start of December appeared to be running about 12-15% ahead of the like 1959 period. At that time we had non-recurring expenses, such as the almost entire absortion of the Judson Dunaway acquisition costs.

Earnings per share in the first fiscal quarter will range between 60 and 70 cents a share depending on the number of preferred shares converted—on a share for share basis—during this period. Net in the quarter ended Dec. 31, 1958 was 51 cents a common share. In 1959 for the first time the market price of Drackett common shares exceeded the call price of the preferred. In fact, so many preferred shares were converted that the company decided to call the preferred outstanding. It will be redeemed at $26.75 a share on Feb. 15, 1960, but can be converted into common stock until 3:00 p.m. on Feb. 10, 1960. Thereafter, Drackett for the first year since its incorporation will have no preferred outstanding, no bonds, and no bank loans.

In the fiscal year ended Sept. 30, 1959 we reached record high levels in sales, net earnings, dividend payments on common stock ($831,938), earnings retained ($965,991), net working capital ($5,914,380), taxes on income per share ($2.76), and gross plant and equipment ($4,225,282) excluding the plant peak reached during soybean development. What is past, however, is prologue to the present and future, two periods with which managements ever are concerned.

Research and development expenditures therefore, will be more in 1960 than in 1959, when they were up 85% over fiscal 1958. Materially improved formulas of two products were put on the market during 1959. We hope to market test several new products this year.

Plastic products of the company were not helped particularly by metal strikes. Rather operations of both the Calmer Division and the Maclin Company benefited from the improvement of many industries that buy their products. Although we added new plastic products, as part of our continuing development program, nothing new of a startling nature was marketed in 1959. Both Maclin, maker of thermo-plastic molding compounds, and Calmar, producer of plastic sprayers and dispensers, operated at record high levels in 1959. Additional space adjoining the Los Angeles plant was leased to provide enlarged facilities to improve both production and research in the plastic division, whose sales and profits continue to grow despite severe competition.

Advertising, promotional, and selling activities on household specialty products will be expanded during this year. Our 1960 advertising budget calls for a 10% increase in appropriations. This follows a substantial increase in the preceding year. Our sales force was enlarged substantially again in 1959, following a 26% expansion during the previous year; therefore, we look for only a normal selling staff expansion in 1960. Since we have leveled off to a 52 week advertising program, the volume of sales handled in any one quarter varies little from any other quarter.

Expanded production, necessary to meet enlarged sales, can be handled with our present plant capacity, though we are adding production lines to certain plants to produce more economically. Expenditures for plant equipment and machinery in 1959 totaled $1,076,428 against $736,349 in 1958. We expect to spend about $700,000 on plants and equipment in 1960. In the last fiscal year we completed the East Stroudsburg, Pa. plant, whose operations are better than expected, and finished the Toronto, Ontario plant which opened late last autumn.

No overseas plants are planned by Drackett during fiscal 1960. Although none of the production from the Toronto plant is going outside of Canada, we are, as a result of our new Dominion plant, in a better position to make overseas shipments if and when we feel the opportunity presents itself.

Decentralization, a policy we initiated with the opening of the San Leandro, Calif. plant in 1953, continues to receive careful company study and application because we are constantly mindful of the ever-increasing transportation costs on our finished products. This decentralization policy may mean additional facilities in 1960.

Acquisitions and mergers always are being considered —that being the basic philosophy of the company. We are always studying companies whose products will fit into our manufacturing and selling patterns. No new financing is contemplated to restore our cash reserve funds, which are down as a combined result of higher accounts receivable and larger inventories—required to handle an increased volume of business—outlays for new plants and equipment, and the payment of long term loans. The cash reserve funds should be restored by maintaining a proper relationship between dividends and earnings retained in the business.

GUILFORD DUDLEY, JR.

President, Life & Casualty Insurance Company of Tennessee

If the economy of the nation booms in 1960 and on through the "Soaring Sixties" as predicted by practically all the economists, the life insurance industry will undoubtedly get its share of the growth. The impact of the recently-enacted Federal Tax Bill on life companies for the year 1959 and retroactive on the year 1958's earnings will be a great one insofar as stock companies particularly are concerned. The stock companies picked up the tab for most of the increased budgetary requirements of the Treasury on this and the mutuals got off relatively light. However, neither segment of the industry is happy about the bill. Those companies making the greatest progress were penalized the most and in the case of our own company, the taxes were more than tripled.

Guilford Dudley, Jr.

This can be offset to some extent by increased earnings on assets and, of course, the tight money market causing interest rates to rise has been helpful to life companies as well as to banks.

Considering all these factors, however, I feel that the gain in life insurance in force during 1960 will follow the ever-upward pattern of recent years and that we will see new high marks of increase in assets of the life insurance industry as well as increase in earnings on these assets during the year.

We are probably more fortunate than most industries in our market place. Let's take a quick look at the remarkable nature of this market. Our population is at an all-time high and growing steadily with about four million births each year. Life expectancy for today's new-born child is approximately 70 years, a record in itself. This means simply that there will be more people needing more products and services, occupying more homes, and living longer and longer with the constant improvements in health care and medical science.

Another plus side on the economic outlook, of course, is the fact that employment is at an all-time high and in most instances wages and salaries have steadily increased, resulting in consumer income being at an all-time high also.

The only soft spot in the economy, of course, is the unsettled nature of the steel strike which will have a plus or minus effect upon the entire nation's economy as well as the world's one way or another.

In the December, 1959 issue of Dun & Bradstreet's publication, "Dun's Review in Modern Industry," the following statement was made, "By 1970, today's rosiest forecasts will look like short-sighted pessimism if all American business can follow the pattern projected for their companies by the top industrial leaders who make up the President's Panel of Dun's Review. These men expect on the average to increase their sales 75% by 1970, profits will rise even higher, the immediate prediction is for 100% gain in the next ten years."

All I can say is, if these experts are right, and I hope they are, we will get our share of it.

J. RUSSELL DUNCAN

President, Minneapolis-Moline Company

The year 1960 heralds the start of a new decade which promises to be one of the most exciting, productive and satisfying periods in man's history. Business, industry, agriculture and the man in the street all have their hopeful sights on these years. The decade, however, promises to be less than rewarding for one part of the population—the American farmer—unless something is done quickly to put him in the proper perspective in the eyes of the public. The farmer too long has been made the whipping boy for a number of economic ills, including so-called high food prices.

J. Russell Duncan

As President of a manufacturer of farm machinery, I call upon all others in our industry, manufacturers, distributors, dealers alike, to get behind a hard-hitting educational program designed to acquaint the public with the economic facts of life as they apply to the farmer, and his importance to the well-being not only of the United States, but of the entire world.

I recommend that individual state secretaries of retail farm equipment dealer associations spearhead the educational program which will open the eyes of the public to the farmer's importance.

Here are some of the facts that should be put across:

. . . In 1958, only 11.1 billion man-hours were spent to produce crops and livestock, a record low. This compares with 15 billion as recently as 1950, and with 34 billion in 1920.

. . . Farm field hands currently produce four times as much per man-hour as during World War I.

. . . The productivity rate in livestock production has about doubled over the same period.

. . . Today's farm worker grows enough food, fibre,

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and tobacco to supply himself and 23 others; the Civil War farmer supported only four others.

Summing it up, I maintain that the American farmer has contributed in an outstanding way to holding the line against inflation at every turn, and that the American public should be told as strongly as possible about this contribution.

EDWARD J. DWYER

President, The Electric Storage Battery Company

The year 1959 was a good period for the battery industry. The rapid recovery of business from the 1958 recession to new highs in industrial activity and personal income created a favorable business climate, which even the long steel strike did not seriously impair.

E. J. Dwyer

Since batteries serve so many areas of our modern business and personal life, the industry has benefited from record peacetime demand. Moreover, it appears highly probable that over-all sales of all types of batteries will continue to grow during 1960, even though some segments of the market may show modest decreases.

In 1959 the Electric Storage Battery Company experienced improved sales in virtually all its product lines — dry batteries for flashlights, radios, toys, etc., safety equipment, sunglasses and corrosion-resistant cements, as well as storage batteries for motor vehicles and myriad industrial and military applications. Looking ahead, we anticipate that our sales volume will continue to increase as our economy expands.

While changes in the over-all economy will have different effects on the several markets served by our industry, product lines generally appear to have gradual growth characteristics. New products and technical improvements in industrial and consumer equipment using packaged power should broaden the possible applications for all types of batteries.

Like other industries, the battery industry is facing increasing competition from foreign goods. To offset this competition and, at the same time, to take advantage of the growing foreign markets, our industry is stepping up its export and foreign manufacturing operations. We are convinced that by building superior quality and longer life into our products we can compete successfully in foreign countries, despite unfavorable price differentials.

In summary, we believe that the battery industry will experience further growth this year. Speaking for our company, we anticipate continued improvement in most segments of our business in 1960, and we believe we will again increase our sales, our profits and our participation in the various markets we serve. Looking beyond 1960, we believe intensified and broadened research programs will result in profitable new products and continuing growth.

HON. ALLEN J. ELLENDER

U. S. Senator From Louisiana

Without a doubt the darkest cloud presently visible on our economic horizon is the threat of a continued upward spiral in the cost of living, a development which I fear will be further aggravated by the recently announced settlement of the steel strike. The settlement finally reached was a "soft" one, ill-designed to halt the constant devaluation of our currency, and the slow but steady rise in the cost of living.

Allen J. Ellender

I would like to see both management and labor join together to stabilize wages and prices voluntarily, and, if possible, to actually make a start on rolling back the cost of living, looking towards the time when our economy can be stabilized and our currency placed again on a sound basis.

It strikes me that every effort should be exerted to convince these two major segments of our economy of the need for such action, for, unless inflation is stopped through voluntary effort, there will almost certainly be a hue and cry raised for the imposition of government-policed wage and price controls.

In my judgment, this extreme could result in great violence being done to our traditional free enterprise system, under which the United States has grown strong and prosperous.

In the field of agriculture, where the United States, unlike most of the other nations of the world, has been blessed with overabundance, I foresee no major legislation by the Congress, with one exception, namely, wheat.

It is imperative that ways and means be formulated to reduce the drastic overproduction in this commodity, before, as a result of its own impetus, wheat production drags down all of American agriculture.

In this regard, the primary roadblock in the way of achieving remedial wheat legislation is the growing misunderstanding which divides farmers and consumers—a misunderstanding based primarily on a lack of appreciation of the difficulties inherent in farming.

It is unfortunate, but too many American consumers believe that the American farmer, alone, among all other segments of our economy, is getting an outright dole

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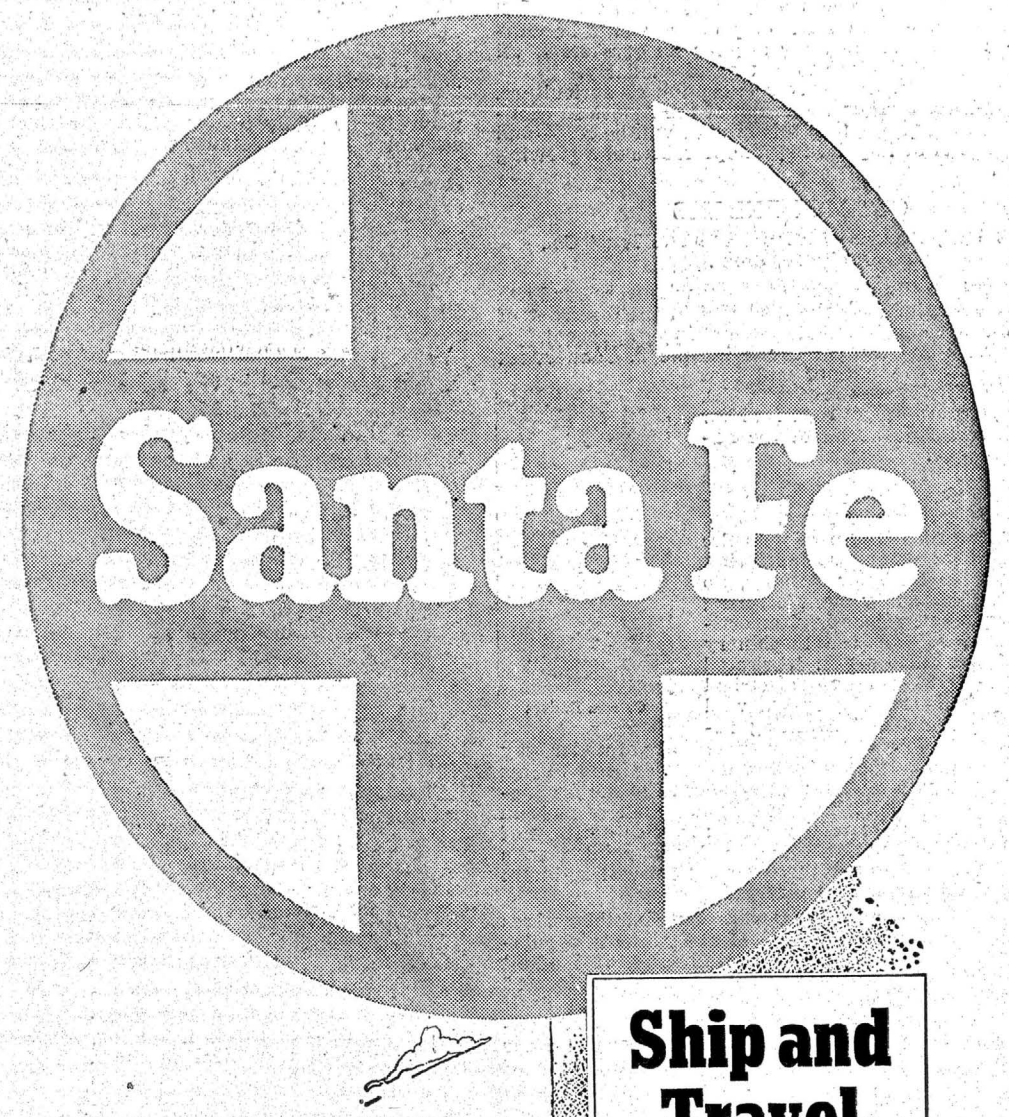

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from the Federal Government—that no other segments receive similar help.

This is not so.

As I have said many times in the past, in my judgment the American farmer would be more than willing to put an end to Federal support, if only others would be willing to do likewise. Farmers ask for no quarters if all segments of industry are to be treated similarly.

In any event, with the sole exception of agriculture, 1960 should see further expansion of the American economy. I can only hope that this growth will be real—and that it will not be impaired by the pressures of a growing inflation.

OSTROM ENDERS

President, Hartford National Bank & Trust Co., Hartford, Conn.

Connecticut, to the surprise of many who were ready to write New England off the books, is in the forefront of growing states. In terms of personal income, recent figures indicate that the per capita income in Connecticut is highest in the nation, and that average family income is over $7,000, some 18% above the average for New England and 30% ahead of the national average.

Ostrom Enders

Since the war, Connecticut has been the scene of a remarkable industrial growth, with expansion of existing firms keeping pace with the steady influx of new industries. From 1950 to 1956, for instance, no fewer than 1,034 new manufacturing firms began operations in Connecticut. Of these, 252 are machinery manufacturers, 219 are in fabricated metals, and 93 produce electrical machiney. This certainly speaks well for Connecticut's metalworking future, as nearly 70% of the new firms that got under way in that period are metalworking industries. Add to this Connecticut's nation wide rank of second in the production of machine tools; its nation wide rank of first in the ratio of skilled-to-total workers; its rich heritage of over 100 years as a national industrial focal point: there's reason enough to believe that Connecticut will maintain and increase its industrial prowess.

New companies coming to Connecticut find themselves within 500 miles of some 34% of the nation's population, accounting for 35% of all retail sales. 34% of all the manufacturing firms in the country are located within 250 miles from Connecticut. Connecticut itself offers a rich and active market for all kinds of consumer and industrial products, and the nearness of other market areas is emphasized by the rapid perfection of air, rail, and highway networks. Companies coming to Connecticut find some 18,000 competent suppliers of industrial parts and materials ready to serve them, and interested and active groups eager to assist them in finding the best possible plant space or location.

The loss of certain traditional industries—which some thought was evidence of industrial decay—has been nothing more than a change and shift which gives Connecticut a new role in the nation's economy. The building that used to house some old mill now houses as many as four or five smaller firms—doing research, making precision parts, plastics, electronic components—producing products that are high in value but low in weight, thus reducing transportation and material costs, serving a great variety of customers and diversified markets.

Our lack of natural fuels—coal and oil—may soon become meaningless by virtue of the work being done in Windsor, Connecticut by Combustion Engineering, and by many others who are developing nuclear and chemical power. Our large force of skilled and inventive labor adapts easily and imaginatively to the new skills and techniques required of them. Our pleasant living standards, in the attractive setting of Connecticut's hills and lakes and shore areas, bring us—and keep—the people needed to staff and manage our new industries.

Connecticut is ready for the future, and our growth and progress will be aided by wise and careful business leadership; leadership that has given Connecticut a rich past, a dynamic present, and a promising future.

BAYARD L. ENGLAND

Board Chairman, Atlantic City Electric Company

A new era for our company will take form during the early sixties.

New company construction projects, including a new generating station in the eastern section of its territory, the completion of an accounting and data processing center near Atlantic City and other general construction plans, totaling $119 million have been budgeted by the company for the next five years. This represents the largest construction program in the company's history.

B. L. England

During the next five years the company will reach one quarter billion dollars invested in facilities to serve Southern New Jersey. This will be five times the company's plant investment in 1947.

The present trend of growth, development and improvement in Southern New Jersey should accelerate during the early sixties. This forecast is based on a compilation of public, industrial, commercial and residential projects definitely being constructed or planned for the eight county area this company serves.

The company's 12 District Managers compiled reports of actual projects in their respective areas totaling $250 million scheduled for completion during the next three years.

This excludes several major projects partially completed and many expansions and renovations now underway. It also excludes money earmarked for state, county and municipal street and highway improvements.

The company's new generating station, the first power plant to be built in the Coastal region since 1911, scheduled for completion in 1962, will cost $27 million. It will be located on the Great Egg Harbor River in Upper Township, Cape May County. The first generating unit installed at this new plant will have a capability of 136,000 kilowatts. It will be a semi-outdoor power plant with boilers and generators located outdoors and turbines housed in the main building.

The company's Managers also reported there were 63 new industries and expansions of present industries added to the company's lines in 1959, averaging over one each week of the year. A total of 5,600 new customers were added during the year bringing the total number of customers to 227,000.

The Electric Industry will continue several hard hitting national campaigns designed to promote the total electric home including all year electric air-conditioning. At present there are 500,000 electrically "climate controlled" homes in America and thousands more will be added in 1960. Our estimate is that there will be four million such homes by 1968. During the past year ACE added 600 electrically heated homes to its lines bringing the total of such homes to 2600.

In our business, like most others in Southern New Jersey, we feel our opportunities lie in growth. With this growth comes an ever-increasing expansion of our local economy. Our area expansion has been phenomenal in the past decade but it will be far more phenomenal in the next five years.

ROBERT FAEGRE

President of Minnesota and Ontario Paper Company

The forest products industry is quite optimistic over prospects for the decade ahead and Mando hopes and expects to reach a new high in sales volume during 1960.

Along with the upswing in general business activity we look for a rising trend in market demand for Mando newsprint and specialty printing and converting papers.

Robert Faegre

Gains are also anticipated for the company's Insulite building materials line of structural, insulating, decorative and acoustical products. While home building may be off as much as 6% this year, this loss will doubtless be more than made up by higher rates of residential additions and alterations and by new commercial and industrial construction.

The rapid expansion of suburban centers and industrial facilities to support population growth also points to stronger demand in 1960 for poles, timbers and the preservative treating services supplied by the company's National Pole and Treating division.

With a favorable outlook for its three principal product divisions, Mando aims to contribute a solid "assist" to the marked improvement seen in over-all business activity.

ROBERT C. ERB

President, Melville Shoe Corp.

The generally accepted forecast for 1960 appears to be a 5% to 7% increase in total national product, and a 3% to 6% increase in total retail sales. For footwear alone, we are inclined to accept the upper limit, and look for a 6% increase—despite the prospect that general merchandise and apparel sales will probably not increase quite that much. This is based upon the very satisfactory rate of spending for footwear in the last few months and the facts of continuing population growth.

Robert C. Erb

There are many more millions of feet in this country than there were only a few years ago. Currently, the greatest population increase is occurring in age groups which consistently buy more shoes than the population as a whole. This special factor—the big increase in the number of teen-age and young adult customers—leads in the direction of increased pairage. In the next five years the number of persons in the United States aged 15 to 19 will increase 28%. (A 5% increase in 1960 alone!) The number of persons aged 20 to 24 will increase 19% in the five years—or nearly 4% a year. These are good shoe customers, who buy more pairs per year than older age groups—and all of this is over and above the continuing increase in the number of children under 15.

It may well be that shoe production in 1960 will increase somewhat less than shoe sales at retail. There is some indication that 1959's large production (greatest in history) was in excess of retail sales. This was due chiefly to inventory deficiencies at the beginning of the year—arising from the fact that retail sales in 1958 were larger than production. The pipe lines have now been filled, and 1960 production will necessarily be geared to the rate of sales at retail. However, if our expectation of increased retail sales is correct, this should assure that shoe production will exceed 600 million pairs, by a comfortable margin, for the second successive year. In view of the continuing population growth of the country, the industry will undoubtedly reach the 700 million level in not too many years.

HERMAN FIALKOV

President, General Transistor Corp.

The phenomenal growth of the semiconductor industry will continue unabated in 1960.

It is expected that sales of domestic producers will near the $450,000,000 mark, exceeding those of 1959 by more than 30%. Unit costs, both for germanium and silicon types, are expected to continue their slow but steady decline as manufacturing techniques improve and use of semiconductors becomes more general in the electronics field.

Herman Fialkov

Japanese imports continue to rise, but so far have not stunted growth of the semiconductors industry in the United States. Lower labor costs have made it possible for the Japanese to undersell comparable American products by nearly 40%.

In view of this threat, United States manufacturers are speeding research into mechanizing production, thereby replacing the delicate and costly hand work now involved. Semiconductors, both in the transistor group and the diode and rectifier group, are becoming increasingly important and having far reaching effects in the military, medical and industrial electronics field, as well as in the home entertainment field. As a result, the semiconductor industry will have exploding new markets.

It is estimated now that in five years sales will total nearly $750 million and pass the $1 billion mark in 10 years. Major markets will continue to be industrial and military, with computers and data processors accounting for the greatest utilization.

Germanium types continue to enjoy the major share of the market, but growth of silicon types will be greater in the years immediately ahead. Each has special characteristics which will keep both types alive for years to come.

Silicon is still more costly than germanium, but advancements in manufacturing techniques and the expansion of markets is expected to bring about lower prices.

Part of the speed-up in growth in 1960 will come about as a result of mesa diodes and tunnel diodes. Perhaps the greatest advantage in the tunnel diode is the low noise characteristics it embodies.

Emphasis throughout industry is on stability in operation and reliability of components. This is mandatory because of the increasing use of semiconductors in airborne navigation and communication equipment, as well as in computers, where accuracy is so important. Environmental requirements are of increasing importance, especially in the military, hence silicon devices are in greater demand in this field than in the general industrial field.

In the past year, military purchases represented about 35% of the total market, but are increasing and soon will represent 50% of the total market. Industrial share is presently between 40 and 45% and will drop only slightly, with the real reduction in share being in the entertainment field.

This does not mean that there will be a reduction in use in the industrial or entertainment field. Actually numbers of units purchased by users in these fields will increase, the change being only in relative share of the market.

Electronics will continue to be marked by exciting new developments over the next decade, and semiconductors will be important components in each new device.

ERNEST S. FIELDS

President, The Cincinnati Gas & Electric Co.

Keeping pace with the continued growth of the Greater Cincinnati area, The Cincinnati Gas & Electric Company will spend $93,000,000 during 1960 and 1961 on expansion. This is in addition to more than $31,000,000 spent in 1959.

Ernest S. Fields

A large part of these funds will go for completion by October, 1960, of a new 172,000 kilowatt unit at the Miami Fort Generating Station, for a new 250,000 kilowatt unit at the Walter C. Beckjord Generating Station scheduled for completion in the Fall of 1962, and for relocation of facilities to clear areas for the expressways and highways programs. The remainder will be spent on other plant and equipment including facilities to serve additional requirements of residential, commercial and industrial customers.

With the two new generating units CG&E's total generating capacity will be increased to 1,475,000 kilowatts by the end of 1962.

To assist in financing the expansion program, CG&E will have to borrow about $30,000,000 in 1960. The com-

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pany has spent $271,000,000 on expansion in the last 10 years.

CG&E's electric sendout during 1959 exceeded the 1958 sendout by about 13.7% and the gas sendout was up about 3%.

The population of the area continues to grow at a pace that adds from 7,000 to 10,000 residential electric customers and 5,000 to 6,000 residential gas customers each year. Along with our new generating facilities, we will have many improvements in the supply and distribution of gas.

To further augment the supply of gas during extreme cold weather, CG&E recently completed construction of a huge underground cavern, 350 feet beneath the surface, for storage of liquid propane. This project, costing $2,000,000 includes a processing plant to vaporize the propane from the cavern and mix it with natural gas.

Greater Cincinnati, located near the center of the Country's population, has many advantages to offer as a site for manufacturing plants and headquarters for companies doing a national business.

HARVEY S. FIRESTONE, JR.

Chairman of the Board & Chief Executive Officer, The Firestone Tire & Rubber Company

The rubber industry will enter the "Soaring Sixties" in a strong, healthy condition and with a very bright future. We are on the threshold of a 10-year period that promises unprecedented growth for the industry as it meets an ever-increasing demand for its products.

H. S. Firestone, Jr.

The year 1960 should be the greatest year in the history of our progressive industry. The general upward trend, which was briefly interrupted in 1958, was back in stride in 1959 and is pointed toward greater heights.

I am basing my optimistic forecast for the coming year and the decade which follows on the great promise existing in the national economy, the rapidly increasing number of motor vehicles in use, the rapid growth of foreign markets, the improved technology within the rubber industry, the expansion of existing production facilities and diversification into broadened fields of activity.

In support of the promise existing in the general economy, we can expect approximately a 7% rise in both gross national product and disposable personal income in 1960. There is a dramatic growth in the number of families forecast for the next decade and there will be more cars on the road, resulting from increase in population, increase in number of family units, increase in number of multiple car families.

European countries, now in a boom, are experiencing a rapid growth in the number of vehicles in use. An extensive expansion of the synthetic rubber industry in foreign countries is now in process and will continue. Many American companies have operational or manufacturing interests in these foreign growth industries.

The technology in the rubber industry has never been higher and is constantly producing improved products, many special purpose items, and new applications for its products. In addition to expansion of products and facilities within the general field of rubber, the industry will greatly expand into allied and related fields. Diversification will be a key word for the rubber industry in the 1960's.

The year 1960 will see record consumption of rubber, both in the United States and the world. There will be a continued increase in both the amount and the percentage of synthetic rubber utilized.

In the tire business, the backbone of the industry, there promises to be an increase in total tire demand to 127,000,000 units, an increase of 10% over 1959. We expect another record-breaking year in passenger car replacements, which will reach between 68 and 70 million units.

I believe this optimism is well based and the first year in the challenging decade is almost sure to be the biggest one yet for the rubber industry.

A. R. FISHER

Chairman, Johns-Manville Corp.

Barring unforeseen developments, the business outlook for 1960 appears to be excellent.

We should expect a resumption of the rising trend of business that began early in 1958 and was interrupted by the steel strike. Johns-Manville is so highly diversified that in order to appraise the 1960 outlook in the various areas affecting our company we must cover several specific segments.

A. R. Fisher

In the construction segment our sales will reflect activity not only in residential construction, but also in industrial plant, commercial and institutional construction and in water and sewer systems.

In these areas, sales of our products are dependent not only on new construction but on repair and modernization of existing facilities. This latter category should be somewhat higher than in 1959 in line with its long-term upward trend as well as the carrying over of projects from last year as a result of the steel strike.

Despite the demand for new housing and the need for it, based on a relatively high number of existing houses that should be replaced, a drop in the rate of new housing in 1960 seems inevitable because of tight money.

We believe that inflation control is a paramount issue today and that it cannot be achieved without the cooperation of everyone. On the other hand, we are greatly concerned with improving the machinery for financing new housing so that demand can continue to be met without contributing to further inflation.

We expect the rising trend in new industrial plant construction to continue in 1960. Manufacturing activity in general has not yet caught up with capacity attained by previous expansion. But growth in certain industries is so dynamic that the gap in their capacity utilization has already been closed or will be closed in the near future.

With the improvement that has taken place during the past year in the cash flow of corporations, we expect a continued increase in the rate of expenditures for cost reduction, modernization and repair, and research and development, in spite of the restricting effect of tight money.

The upturn that took place in new housing in 1958-59 should mean a continuing high rate of new construction of stores, restaurants and garages during 1960, since this type of construction usually lags behind new housing. It should also contribute to the demand for water and sewer systems, although municipal financing will be limited by the high cost of money.

The increasing trend of expenditures for new schools and other institutional buildings was slowed down during 1959, apparently as a result of rebellious taxpayers. However, the need in these areas is so urgent that post-

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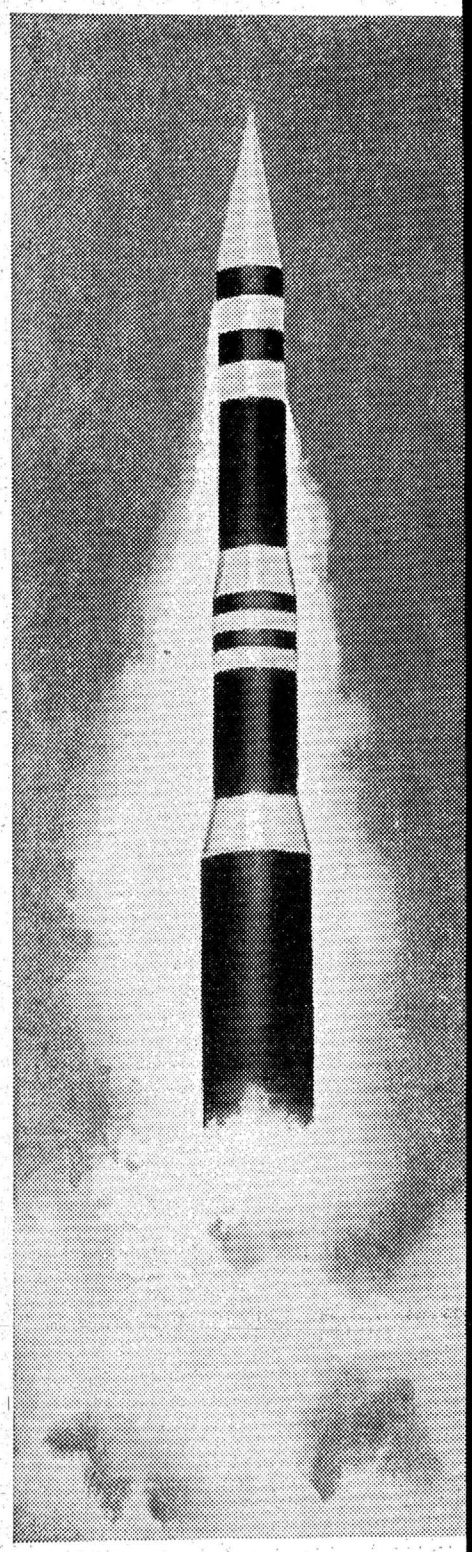


UNION PACIFIC Railroad

OMAHA 2, NEBRASKA

New Role for Railroads in Nation's Defense

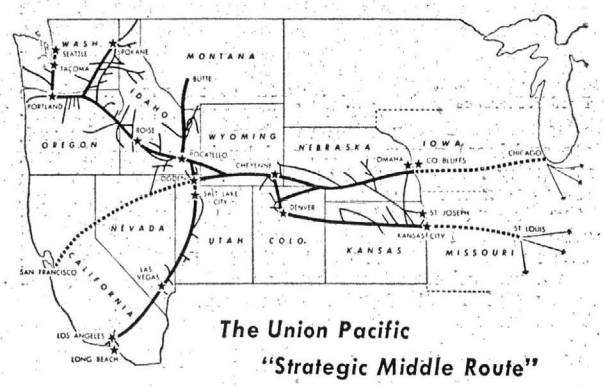
The nation's railroads will become an integral part of the Strategic Air Command's defense program if the mobile-missile plan now being favorably considered by Defense Department officials is adopted.

The plan will base long-range missiles on special trains which will constantly roam the country on unfixed schedules. Mobile missile-carrying launcher-trains would act as a deterrent to global nuclear war. They would augment the effectiveness of immobile bases in countering possible attack.

Union Pacific has kept pace with military science for defense by constant progress in mobile equipment, acquisition of powerful diesel and gas-turbine locomotives, development of improved operating techniques and electronic communications.

Our outstanding safety record speaks for itself . . . and safety, along with a roadbed unsurpassed for smoothness, are big factors in transporting everything, from delicate instruments to massive missiles, on dependable 'round the clock schedules.

Union Pacific is geared to handle skillfully the transportation of the greatest flow of peace-time commodities in history . . . and is well prepared to join with other railroads in accepting this new role in the nation's defense program.



The Union Pacific "Strategic Middle Route"

Dependable Freight and Passenger Service

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ponement can only be temporary and the long-term upward trend should be resumed in 1960.

Before the steel strike it appeared that the recovery phase of the business cycle would probably reach a peak during the latter half of 1960. It now seems reasonable to believe that the strike, which has now been settled, will have the effect of stretching out the upward movement at least until early in 1961.

HENRY FORD, II

President, Ford Motor Company

For some time now, we have heard predictions that golden years lie ahead. The 1960's have been described as a decade that promises the prosperous, growing economy that is vital to a thriving automobile industry.

Henry Ford, II

Economists optimistically cite a population that may reach 215-million, or 12-million more families, in the next decade. They point to a gross national product that will soon reach $500-billion and half again as much by 1970.

On the whole, therefore, the future for the automotive industry is strongly optimistic. In more specific terms, our Ford economists predict:

— New-car sales could exceed the seven-million mark in 1960.

— Normal replacement demand for automobiles will pass the five-million figure in the early years of the 1960's.

— A normal new truck market approaching 1.5-million units a year by the end of the decade.

— The overall proportion of multiple-car owners rising from 12% of the total at the beginning of 1959 to the 15-16% area in 1965.

— By 1965 the normal rate of new-car sales will be close to 7.5-million units a year.

There is no automatic factor working toward a given sales volume for the coming year, but a combination of high economic activity and good public reception of new models could push new-car sales above the seven-million figure.

The increase in replacement demand is inevitable. Of some 51-million cars on the road, more than 32-million are less than seven years old—indicating a relatively high standard of living. Maintaining this "young-car" ownership would require an average of 5.7-million new cars a year, and this figure does not allow for an expected annual growth in the 1-6-year "car-age" bracket.

Rising incomes will be the chief basis for further increases in the number of mutiple-car families.

Although all of the previously mentioned factors should result in the normal rate of new-car sales close to the 7.5-million range by 1965, it should be remembered that a swing in the business cycle could easily cause a particular year to be well above or below the expected normal.

Besides the increase in passenger cars, we can see a big growth in the truck population in the next 10 years.

The number of trucks on the road is expected to increase 40% by 1970. This is based on such expanding economic factors as our huge highway construction program and the continuing growth of truck-dependent suburbs. By 1970, the normal new-truck market probably will approach 1.5-million units a year.

FRED F. FLORENCE

Chairman of the Executive Committee,
Republic National Bank of Dallas, Dallas, Texas

During 1959 the American economy demonstrated again its resiliency and staged a remarkable recovery from the effects of the 1957-1958 recession. The year that just ended was quite satisfactory for business generally, and Gross National Product, industrial production, total employment, personal incomes, and the value of all construction contracts awarded, all reached new peaks. These records were set in spite of labor disturbances, principally the steel strike.

Fred F. Florence

Gross and net earnings of business enterprises as a whole were good, wholesale and consumer prices were fairly stable, and overall business activity was at a high level. The demand for credit from all sources, greatly exceeded the available supply of funds, particularly long-term credit needed to finance the huge volume of mortgage loans, the borrowing requirements of Federal, state and local governments, and business expenditures, principally for plant and equipment. Also, there was a heavy demand for consumer credit. The natural result of the strong demand for funds and of the limited supply available, was increased interest rates, but the increased cost of money and the decline in its availability were normal reflections of prosperity resulting from an unusually high level of business activity.

The business outlook for 1960 gives promise of favorable economic conditions, satisfactory earnings, rising employment, and considerable growth — the greatest uncertainty being the possibility of further labor disturbances.

The following comments and estimates assume that there will not be another steel strike in 1960, and that other important negotiations between industry and labor during the year, will be concluded without prolonged strikes and damaging results.

Capital expenditures for plant, equipment and modernization may increase to $38 billion. The shift in business policy from one of decumulation to one of accumulation should rebuild inventories to more normal levels, increasing total production substantially.

Residential construction will probably decline in 1960, but expenditures for all types of construction, including housing, are expected to remain at approximately $54 billion.

Total consumer expenditures have established a new record each year since 1946, and another new peak may be reached in 1960.

Federal Government expenditures for goods and services probably will not rise substantially, but such expenditures by state and local governments may increase approximately $3 billion. Estimated Federal, state and local government expenditures may total about $101 billion.

The indications are that Gross National Product will rise to about $508 billion in 1960, a new peak. If business activity rises as anticipated, total employment will probably increase considerably, workers may feel assured of steady employment, consumers generally will likely continue to spend their current income freely and use their credit, whenever necessary, and a strong demand for capital funds and bank credit will prevail during 1960.

These developments re-emphasize the need for strong, experienced management for banks and other business enterprises, and will require the exercise of a high degree of statesmanship to assure continued favorable business conditions in this country. And, it should be realized that the avoidance of unsound policies and practices by government, business, labor and the general public, is essential to the maintenance of an orderly and sustainable rate of growth in our economy, which is both desirable and possible.

ROBERT W. GALVIN

President, Motorola Inc.

Although the outlook is still clouded by possible labor difficulties in the railroad industry, all indications point to a continuation of prosperity for the economy generally and the electronics industry particularly in the year ahead. Motorola expects to continue a sound growth pattern in consumer, industrial and military electronics with an overall increase of about 10% in 1960. If this is achieved, our sales may go over $300 million. Our earning prospects are equally favorable for 1960 and the company should improve over the record 1959 year. However, it would be meaningless for me to forecast what earnings may be at this time.

Robert W. Galvin

Motorola mobile two-way radio business continues to improve each year and 1960 should prove no exception. In addition, we believe we will begin to capitalize on several new communications products introduced in the last year or so, including personal pocket radio paging systems and closed circuit television equipment. Our already established portable two-way radio products and our microwave equipment will also benefit from the needs of business and industry for faster, more efficient communications.

While there is an excellent long-term prospect for the commercial aviation products being acquired from Lear, Inc., 1960 will be a period of consolidation and investment in new facilities. We fully expect, however, to begin to serve the commercial aircraft market immediately and anticipate a relatively short transition period. Sales of these products should increase even though the earning potential of the new subsidiary, Motorola Aviation Electronics, Inc., will not be realized until later on.

Our electronic products for the home are expected to continue to lead the upward trend in business, with sales in 1960 significantly higher. We markedly increased our share of the television business last year and continue to lead in sales of stereo hi-fi instruments. we also had dramatic increases in the sales of home radio products and expect this trend to continue despite foreign competition.

One of the most encouraging trends to us is the upgraded taste of consumers for fine furniture. This has been reflected in the fact that Motorola's greatest success is in console television where both our own line of furniture and the Drexel line of television and stereo consoles have proved so popular. We also expect that 1960 will witness the "settling down" of the stereo industry; stereo instruments have now achieved true high fidelity, sufficient power, and furniture styling to please the most exacting consumer. While there is still a major education job to be done in stereo hi-fi, 1960 should result in a much more mature understanding of stereo by dealers and consumers.

We are quite confident that our investment in greatly expanded production facilities and in development and engineering behind our transistors will result in increased profitability for the semiconductor business. We have invested nearly six years and millions of dollars in developing a sound and profitable semiconductor activity and the last quarter of 1959 indicates that we will capitalize on this effort from now on. Motorola is already the leading producer of power transistors in this country and we believe that our quality Mesa transistor is second to none.

Prospects for our sales of military electronics have suffered noticeably with the cancellation of the B-70 Bomber contract. Fortunately, this will not affect employment of production or technical people to any great extent. Total 1960 volume will be approximately the same as 1959.

Sales of car radios and other electronics equipment to automobile manufacturers continue to be satisfactory and because automobile sales in 1960 appear most favorable, we expect to have a good year also.

It is too early to determine with any degree of certainty the degree of growth for The Dahlberg Company acquired by Motorola last fall. We are working closely with the management of this hearing-aid firm and plan to expand both sales and service in the coming year. I am most confident, however, that this subsidiary will prove to be a substantial asset to Motorola.

W. RANKIN FUREY

President, The Berkshire Life Insurance Co.

The term "routine prosperity" already applied to the 1960 business outlook by at least one financial editor, could, I believe, be a very compact and reasonably accurate forecast. Within "routine prosperity," however, will lie many challenges, the solutions for which will determine the outlook for the years beyond.

W. Rankin Furey

Although prices will probably continue to edge upward, it is almost inevitable that spending will also increase. Never before has so much cash been in the hands of so many people, and barring events yet unseen on the horizon, or highly improbable changes in human nature, that cash will continue to circulate. The unprecedented scramble between, and even within, various industries to direct cash flow into their particular tills, will continue.

Hopefully, 1960 may, and certainly should, see definite and realistic steps taken to curb an inflation which has already seriously affected our national and personal economic lives. Whether the initiative for the action will emanate from the ranks of labor, management, government or simultaneously and improbably from all three, is difficult to foresee. More likely, inflation will meet defeat at the hands of the man in the middle of the squeeze, the consumer. That inflation be curbed is the biggest single challenge of the year.

In the very face of rising prices and increased spending, however, it is quite likely that 1960 will be a year of increased individual thrift. It should be, for thrift is a sure curb for inflation and the finest possible tonic for the long-term health of the economy.

As the first of the 60's passes, I suspect that more and more businesses and industries will be devoting more and more time and money to finding ways to get a better return on all wages, including executive and managerial salary dollars. The problem of expecting more and more remuneration for thinking and doing less, appears to be seriously prevalent at almost all levels and in practically all business, industrial or service organizations. This cause of inflation must be curbed—productivity must keep pace.

Prosperity, as always, will include pitfalls. The ability to achieve sound and permanent prosperity will, therefore, be determined by our ability in 1960 to place prosperity on a completely sound foundation.

EDWARD M. GAILLARD

President, The Union & New Haven Trust Co., New Haven, Conn.

From all reports and indications, industrial production, sales, the income of individuals and business activity generally are running at high levels—at or near record levels in some instances. The steel wage settlement, announced recently, has removed the major uncertainties for business during the immediate future. While reports indicate that no immediate price increases by major steel companies are expected, the terms of settlement would appear to be highly inflationary in the long run. When the wage boosts are put into effect, price advances will undoubtedly follow, giving stimulus to the wage price spiral, with resulting further erosion of the dollar which is, of course, harmful to the economy.

Edward M. Gaillard

Barring the outbreak of other crippling strikes such as a possible rail walkout, the prospects are now for booming business for the first six months of 1960, with possible record production and sales in steel, automobiles and related industries, due to the need for replenishing inventories and to the continuation of consumer buying at high levels. Some other lines of businesses may not fare so well. For example, residential building will be off because of very high costs of materials and labor and competition for the funds necessary to finance such projects. Increased profits can be expected in some lines, but rising costs and increased competition will prevent earnings gains in others.

Money and credit are very tight and interest rates are at the highest level since the late twenties and early thirties. Credit in the next six months can be expected to continue tight, and interest rates can be expected to

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continue firm with any change more likely to be upward than downward.

The prospects for banks during the first six months of 1960 are for a continuation of strong demand for loans at high interest rates, with the result that gross operating income should be at high levels. However, rising costs and keen competition among banks and other financial institutions will tend to hold down net operating income.

While the immediate prospects for business appear bright, there are, in my opinion, many unhealthy forces in our economy and many unsound trends have become increasingly in evidence. Time will not permit to enumerate or discuss them here, but if these unfavorable factors cannot be corrected in the near future, they will prove very damaging to the nation's economy. Therefore, the long-range outlook is clouded with uncertainty.

EARL A. GARBER

President & Chief Executive,
Harbison-Walker Refractories Co.

The year 1960 will see the refractory industry and Harbison-Walker Refractories Company, in particular, at new record levels. New record highs are expected to be set in the operations of most of the major consumers of refractories. The heavy industrial markets include iron and steel, nonferrous metals, and various mineral products like glass and cement. Refractories are essential wherever high temperature furnaces are used or where other rigorous industrial conditions are met.

Earl A. Garber

In line with the chief consumer of refractories—iron and steel—the refractories business should expand rapidly in the first half of the new year. The expansion will be most rapid in comparison with the last half of 1959, a period depressed by the steel strike. Looking into the second half of 1960, reffractory shipments are expected to hold close to the record high level attained in the first half.

New technologic factors have been developed very rapidly in the metallurgical industries in recent years. There is every indication that they will continue in the future and possibly accelerate even more. In keeping with the new conditions, Harbison-Walker dedicated its new Garber Research Center in 1959 and continues to expand the research function. New Products and materials are being developed in expanding numbers.

The recent expansion of the various basic-oxygen steelmaking processes, in particular, is and will continue to make a profound change in refractories. The product mix of the industry is being modified radically. Some old product lines are declining. In turn, their place is being taken by newer products such as recently developed types of basic refractories, monolithic products, and other specialized refractories.

Both the service conditions the refractories have to meet today and the economics involved have brought about the changes. New products developed by refractories research have also been made available to improve conditions in customer furnaces. In practically all cases the change has been to a higher quality of refractory. This has generally been the history of the refractory industry, but not to the degree presently being experienced or expected in the future.

As part of improved service, Harbison-Walker today not only offers an ever improving quality in its products, but also is extending its geographic coverage of markets both within the United States of America and also in foreign operations. Further diversification is typified by the recent announcement of the formation of a joint venture, Harbison-Carborundum Corporation. The product involved is one of extremely high quality and refractoriness.

All in all, the new year will be one of considerable expansion in operations for both the refractories industry and Haribson-Walker. The decade of the 1960s, indeed, is anticipated as one of great growth, changing conditions, and economic opportunity.

FREDERICK V. GEIER

Chairman of the Board,
The Cincinnati Milling Machine Co.

For several generations we in America have enjoyed the most favorable living standards, and we have come to assume that we had an automatic built-in improvement of fully 3% per year. We have been apt to overlook the fact that productivity gains do not come from the use of out-of-date machines, but they flow from management innovations and advanced methods, using more accurate and productive machinery.

Frederick V. Geier

In the metal-working industries there are outstanding examples of plant improvement and modernization programs during the past decade. However, by and large, American industry is not keeping its machine tool equipment up-to-date. This is evident from the rising percentage of over-age equipment in use, as reported in the "American Machinist" Inventories of Metal-Working Equipment. It is also evident from the subnormal purchasing of machine tools during the past two years, even though the general economy recovered to a high level during 1959.

We are living in a time of rapid advance in science, technology and industry. Clearly, during the past decade the pace of progress and of competition has been accelerating.

In nations great and small, improved living standards and industrial development have become primary goals of government policy. In links of this chain—better living standards, industrialization, production equipment, mechanization—lead back directly to machine tools. They serve as the cutting edge of economic progress.

The rapid reconstruction and industrial development of the war-torn nations have made their industries more advanced and competitive at this time of rising worldwide demand for industrial growth. Recognizing this demand, as well as the modernization needs of their home markets, the machine tool industries in leading overseas countries have been active in technical progress and expanding capacity. The building of machine tools has also become a major aim in communist countries.

In the United States there have been notable technical advances in machine tools, yet purchases of new machines have lagged. New orders for machine tools in 1959 came to about 60% of normal volume for the industry. Due to the spotty pattern of orders and the longer lead time for producing special machines, 1959 industry shipments reached only 50% of normal output.

Given generally favorable conditions for capital expenditures in 1960, mac ine tool builders believe the accumulated replacement needs for productive new equipment will be reflected in more active machine tool buying. Normal rather than boom levels of new orders are generally expected. Industry output should steadily recover from the subnormal levels of 1958-59.

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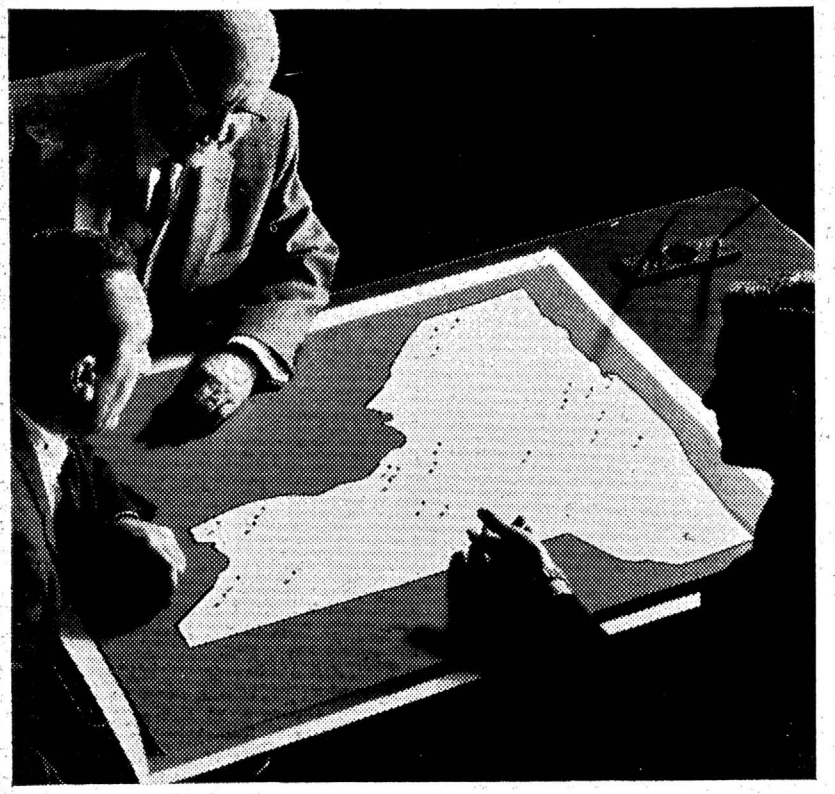

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BRUCE A. GIMBEL

President, Gimbel Brothers, Inc.

Department and Specialty store sales should show increases of 3% to 4% in downtown locations and even stronger gains in the suburbs for the spring season. It is too early at this stage of the game to make much of a forecast for the fall season but there appears to be no reason to believe it will not be at least as favorable as 1959. There is every indication that women's and children's apparel and accessories will show stronger gains than home furnishings, furniture and basement divisions (housing starts are likely to be down again this year). The public has given every indication of a desire to upgrade the quality of their purchases and alert merchants will certainly do wel lto be cognizant of this trend. Although 1960 will certainly do well to be cogthere is likely to be a renewed tendency for wholesale prices to start creeping up again as a result of the long range inflationary effect of the steel settlement. Our stores will adhere to their traditional policy of meeting competition and doing everything in their power to keep prices down.

Bruce A. Gimbel

R. L. GRAY

President, Armco Steel Corporation

Business in 1960 should show a decided upturn from the turbulent year just past, as almost every segment of the economy looks forward to expanding production and sales. To support a generally faster business pace next year, the steel industry should produce between 125 and 130 million tons of steel. This would be a new all-time high, and about 40% above the approximately 90 million tons produced in strike-restricted 1959.

R. L. Gray

Based on its expected annual capacity of 150 million tons on January 1, 1960, the industry should operate at an average rate of about 85% next year — higher than this figure in the first half and somewhat lower in the final six months.

The low level of steel inventories now in the hands of steel consuming industries, however, will have a vital bearing on the pattern of steel production in 1960. In terms of "day's supply," these inventories have shrunk to a point unmatched since World War II. Naturally, steel users are anxious to rebuild their inventories to a more efficient working level. They need not only to fill their production lines but to replenish their distribution systems with finished goods as well. So a healthy portion of last year's steel production is sure to go toward building inventories, particularly in the first half of 1960.

A review of the major steel consuming industries indicates that almost all of them will show significant advances over 1959.

The auto industry, which enters the new year with extremely limited stocks of finished cars, may produce as many as 6,750,000 automobiles in 1960. Present schedules call for a higher production rate in the first three months of the year than at any time in the industry's history, and the total number of cars assembled is likely to be second only to the record 7.9 million turned out in 1955.

Dollar volume of construction may be up only slightly, but greater emphasis on industrial and commercial building will bring a heavier demand for steel products.

The outlook for capital spending for new plants and industrial equipment in 1960 is extremely bright, and the total could easily top the peak reached in 1957. The steel industry itself will spend heavily for new facilities, and a number of expansion plans in other industries which were shelved in 1959 because of steel shortages will move ahead in 1960.

Sales of household appliances are almost sure to show a moderate increase from the levels of 1959. In this market, the effect of a slight decline in new housing starts will be offset by increases in disposable income. And, in most cases, inventories of appliances in dealers' hands are relatively low and need strengthening.

Purchase of steel by the railroad industry will show a marked increase in 1960, moving up from the very low level of the year just past.

Steel exports will be greater next year than in strike-restricted 1959, though they will be well below the average of recent years.

A rise in demand for petroleum products is forecast and a small increase in drilling for both oil and gas seems certain.

All in all, 1960 could well be steel's biggest year yet now that uninterrupted production is assured.

There are some shadows of concern, however, which must temper the outlook.

Other major labor controversies impending in 1960, if they result in strikes, would have a damaging impact on the nation's production and payrolls.

Imports of steel, as well as incoming shipments of many other vital materials and finished goods, will have a continuing influence on American business. Due partly to shortages caused by the strike, imports of foreign steel hit a new high in 1959. As long as steel production costs in the U. S. remain at levels so much above those of foreign producers, imports of steel will continue to displace jobs and wages of American steelworkers.

In summing up, if ways can be found to solve the labor disputes now on the horizon for other industries, and if industry as a whole can check further increases in its cost of production, 1960 could well be the most productive year in our nation's history. And with this record production would also come record prosperity with new highs in employment and personal income.

LOUIS J. GLICKMAN

President, Glickman Corp.

In the relatively brief history of real estate syndication, the prospects have never been brighter than they are now and appear to be for the future.

Real estate is the second largest income producing industry in the nation, and the financing and ownership of real estate through modern syndication techniques has become a vital factor in this industry and in the nation's economy.

Louis Glickman

A recent survey of syndication investors, conducted by Glickman Corporation, indicates that investors plan to invest more of their capital in syndication than in any other investment form. With the nation's economy expanding there are unequaled opportunities for the employment of this fresh flow of investment capital that is available from syndication investors.

Vast sums will be needed for housing, office buildings and factories. Tremendous demands will be made on the traditional methods of financing this expansion. Syndication, a modern concept, will help meet this challenge for the increased demands for capital.

Simply stated, syndication is the ownership of a property by a large number of investors. It took its present form just after World War II, as the cost of realty climbed to new heights. First, real estate operators enlisted investors from among their families and friends. Now they have turned to the general public. Today, approximately $12 billion in property is syndicated, and the amount is reportedly increasing at the rate of $3 billion a year.

For the prudent investor who is seeking a means of equity investment that returns higher than average earnings and provides a hedge against inflation, real estate is the answer. Until syndication, however, the initial high cost of participating in realty ventures barred the average person. Syndication solved the problem by parceling out the large investment to the public in small portions. Just as mutual funds have brought stock investment within the reach of the majority, syndication has made real estate investment available to previously ineligible investors.

The same survey which indicated that real estate syndication investors plan to invest more funds in the medium shows that their primary motive for chosing syndications is the stability of the investment. Significantly, this choice was in preference to the high rate of distributions, indicating the cautious and prudent nature of the investors.

At present, the majority of syndication investors are executives, businessmen and professional people with annual incomes in the upper-middle range. The future will see this base broadened, as lower income investors become aware of the soundness of a syndication investment and follow the lead of the mature, cautious and prudent investors who have already discovered the medium's advantages. The result will be an impressive increase in the amount of capital available through syndication investors, and a corresponding increase in the importance of syndication in the overall real estate picture.

With these facts and expectations in mind, I cannot help but be optimistic about the immediate and projected future of real estate syndication. The time and the situation are primed for its growth.

PAUL W. GOODRICH

President, Chicago Title & Trust Co., Chicago, Ill.

The outlook for real estate and building activity in the Chicago area in 1960, in common with the rest of the country, is likely to reflect the financing problems associated with high interest rates. Competition for mortgage funds from other types of investments is acting as a restraining influence, particularly on home building. New home construction in 1960 in the Chicago region will probably be somewhat lower than in 1959. However, some easing in mortgage money may be evident by the second quarter of the year. The prospect of a balanced Federal budget (or a much lower deficit) should reduce the need for government borrowing as compared with 1959.

Paul W. Goodrich

An important development in housing has been the growth in apartments as compared with single-family homes. Approximately 26% of all new housing units in the Chicago area in 1959 were apartments whereas only three years ago the proportion was 17%. An increasing demand for the conveniences of apartment living, plus relatively easier financing than for single-family homes, accounts for this trend.

The vacancy rate of rental apartment units in this area has risen steadily in the past two years. However, vacancies were abnormally low for a great many years, and this probably represents a return to a more normal situation. New apartment projects have not experienced rental problems and vacancies tend to be concentrated in older units.

Commercial and industrial building presents a more encouraging picture than housing. Indications are that capital spending programs by industry will result in a good level of construction in the present 12 months. New commercial shopping centers are being planned, although at a slower rate than two or three years ago. Industrial and commercial construction should help cushion the decline in home building in the current year.

In terms of longer-range outlook, the Chicago area will continue to experience growth and development. Ambitious urban renewal programs within the city are underway. Industrial development remains an important source of economic strength for this region. The St. Lawrence Seaway will add significantly to the volume of trade and commerce within the next few years.

Population studies indicate that all major metropolitan areas will grow significantly in the next 15 years. About 40 million people will be added to our population between 1960 and 1975 and most of these will live in metropolitan centers. The problems of housing, industrial development, and urban planning will tax the resources of municipal authorities and the building industry.

JOSEPH GRIESEDIECK

President, Falstaff Brewing Corporation

America's record-breaking business achievements and brewing industry progress should gain momentum in 1960, starting an era we may well refer to as the "Soaring Sixties." Barring prolongation of the nation's steel difficulties, our American economy should forge ahead to new highs at a rapid rate. Inventory accumulation and business expansion are expected to be vigorous during the first six months and during the last half the rate of spending by both business and consumer may be heavier.

Joseph Griesedieck

Before 1960 ends America's economy should pass the half-trillion-dollar mark, possibly reaching $510,000,000,000 on the value of total output. During this election year we might well see expansion of the nation's labor force, a probable reduction in the rate of total unemployment, substantial increases in personal consumption expenditures, more government purchases, larger capital spending by industry and even greater production.

The Sixties seem especially sunny for the brewing industry. "Newcomers" to our adult population will continue to increase by millions annually due to higher birth rates 21 years ago. This influx of "new" consumers is expected to be even more substantial during the second half of the decade.

Total industry beer consumption, nearly static in recent years, may approximate 86,600,000 barrels in 1959 and should increase about another million barrels in 1960. We brewers are predicting approximately 93,000,000 barrels consumption by 1965 and about 101,000,000 barrels by 1970.

Falstaff Brewing Corporation in 1959 will have established new records for both net sales and barrelage. Sales should be close to 4,750,000 barrels for the year.

Under normal growth patterns we anticipate an increase of about 5% in sales in 1960. Our detailed planning on the opening of additional major markets may be culminated by some activity in this direction during the year. We will, of course, continue a dynamic, pattern-setting marketing and promotion program to achieve even greater depth sales in our present 27-state area despite keener competition.

ALLEN J. GREENOUGH

President, The Pennsylvania Railroad Co.

The outlook for the railroad industry in 1960 is promising, but the actual results for the year will depend very largely on how quickly and satisfactorily labor agreements are reached in a number of industries, including our own.

A. J. Greenough

If a steel strike is not called again in January and assuming a reasonable settlement of the wage and work rule issues now pending between the railroads and their employes, I would estimate that in the first half of 1960 the railroads will carry some five to seven per cent more traffic than in the first half of 1959 when we were busy helping to overcome the effects of the recession.

I cannot venture to predict the outcome of the labor issues, but I am very hopeful of reasonable solutions—as I imagine most labor and management people are, and certainly the rest of the country is. If, however, these differences are not settled without

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serious loss of traffic or wages, the effects could substantially arrest the potential upsurge in the general economy.

Barring such troubles the general economy is ready to go into high gear. The peak level activity in steel, as industry replenishes inventories depleted during the recent strike, will spur continued growth in consumer expenditures. Both durable and non-durable consumer goods production should be at near-record levels. This, coupled with the continued growth of the over-all economy, is bound to be favorable to the railroads with their unique capacity for mass transportation and their ability to handle substantial increases in business at relatively little additional cost.

The biggest short-range problem facing the railroads is lack of enough freight cars to serve a rising economy. The Pennsylvania has the good fortune to be in the midst of the largest freight car acquisition program in railroad history—some 23,500 modern cars, and additional locomotives to go with them. Unfortunately, this is only a small part of the total needed if the industry is to do its job right.

Longer-range continued progress in freeing the railroads to compete freely and fairly with other forms of transport, begun with the Transportation Act of 1958, can and should come in 1960. At the same time, of course, problems of subsidized competition, excessive taxation, the passenger deficit, and suburban service have certainly not been resolved, but they are moving much closer toward solution. Growing awareness in government circles and among thinking people as to what is involved and the required remedies therefor are bringing this about.

As these problems are solved—and I am confident they will be solved, one by one—the basic advantages of rail transport will strengthen the competitive advantage of the industry and at the same time reduce the over-all costs of transportation for the economy. This development, coupled with an expanding business potential, should produce substantially brighter prospects for the railroad industry and for the Pennsylvania as time goes on.

GEORGE GUND

President, The Cleveland Trust Company, Cleveland, Ohio

Businessmen in general are confident about the outlook for 1960, and I share that feeling. First of all it is clear that the carryover of activity from 1959, resulting from the steel strike, will provide an upward push in the first part of 1960. Steel mills have a very large backlog of orders which will keep them operating at or close to capacity for at least several months. Automobile producers have scheduled a record output of cars in the first quarter. Assuming that a second long strike does not occur, gross national product should climb above the $500 billion mark by mid-year, perhaps in the first quarter.

George Gund

Aside from the post-strike rebound, several factors promise to be on the plus side of the 1960 business scoreboard. One of the most important is spending by business concerns for new plant and equipment. While the rise in such outlays from the 1958 low point has not been notably vigorous so far, a substantial increase is in prospect for 1960. Present indications are that total expenditures will be more than 10% above the 1959 figure of about $32½ billion, with a reasonable chance of exceeding the all-time peak of $37 billion in 1957.

The outlook is also favorable for larger consumer incomes and spending. Employment will increase and the average number of hours worked per week in factories is likely to edge upward. The same is true of average hourly and weekly earnings in manufacturing. Consumer spending for services and nondurable goods should continue to advance at a steady gait. Purchases of durable goods will show a bigger percentage gain, chiefly due to larger automobile sales. In fact the automobile industry is anticipating its best year since the record performance of 1955. New passenger car production in 1960 will probably run between 6½ and 7 million as against 5½ million for 1959.

Inventory accumulation will be another plus factor. It will operate strongly on the upside in the early part of 1960 when steel users are restoring their depleted stocks. This stimulus will slacken after steel needs have been filled, but for 1960 as a whole the increase in business inventories will probably amount to between $6 and $7 billion as compared with around $4½ billion in 1959.

A rise is also in prospect for purchases of goods and services by the Federal Government and by state and local governments, particularly the latter. Combining the two, the 1960 total should be around $102 billion or a gain of $4 billion over 1959.

On the downside, residential building will experience a fairly sizable decline from the very high level of 1959. The number of new nonfarm dwelling units will probably drop by 10 to 15%.

Interest rates will remain high in 1960. They may advance somewhat from the recent level, but are not likely to show the sharp rise which took place in 1959.

Total business volume in 1960, as measured by gross national product, will probably be about 6% greater than for 1959.

H. FREDERICK HAGEMANN, JR.

President, Rockland-Atlas National Bank, Boston, Mass.

The year 1959 was one of continued upward trend in general business activity interrupted, however, by the longest steel strike in history. Even with most of the nation's steel mills shut down and over 500,000 steel workers idle, the rest of the economy remained steady. The Federal Reserve Board index of industrial production brings this fact out very strikingly. Beginning the year at 143 and rising to 155 in June, the index did not go below 147. The latest figure for November is 148, and undoubtedly December will show a further gain. With a likelihood of some inventory accumulation, large continued business capital expenditures and consumer spending, the prospect, at least as 1960 starts out, is for a strong demand for bank loans at firm to rising rates. Overhanging the promise that 1960 will be a year of record activity for the United States economy, is the growing concern about the American dollar, and the related question of the United States gold position. Since World War II the purchasing power of the dollar at home has shrunk about 40% as the result of persistent creeping inflation. So long as the currencies of other countries also deteriorated, there were no serious international repercussions. Today, however, the situation has changed dramatically. Other major trading nations have taken steps to put their financial houses in order. The pound, the mark, and the French franc are now hard currencies and in demand. The dollar is less in demand and there exists, particularly in the minds of foreigners, some doubt as to its future value.

H. F. Hagemann, Jr.

Deficit financing and the enormous expansion in bank credit and the money supply have made the United States the world's highest cost producer. With the exception of 1957, the United States has had an adverse annual balance of international payments in each year since 1951. As a result, we have lost some $3.3 billion of gold in the last two years, which serves as a warning that we are out of step with world economics. Recognizing this, the administration has taken some steps to keep expenses down and to cut down foreign payments. The Federal Reserve has also permitted interest rates to rise in a relatively free market and this has also helped to restore confidence in the dollar. Europeans have gained some confidence from these actions and while gold still continues to leave our shores, the rate of withdrawal has declined. The inflationary settlement of the steel strike with the administration putting up no resistance to the union demands, will not help the dollar in foreign markets.

To secure worldwide confidence in the dollar and stem the outflow of gold, fiscal sanity including continued credit restraint and high interest rates are essential. The wage price spiral must ultimately be broken if the dollar is to be stabilized. Some cutting of expenses and curtailment of subsidies and gifts, both foreign and domestic, are also absolutely essential. We cannot continue to live beyond our income. The time

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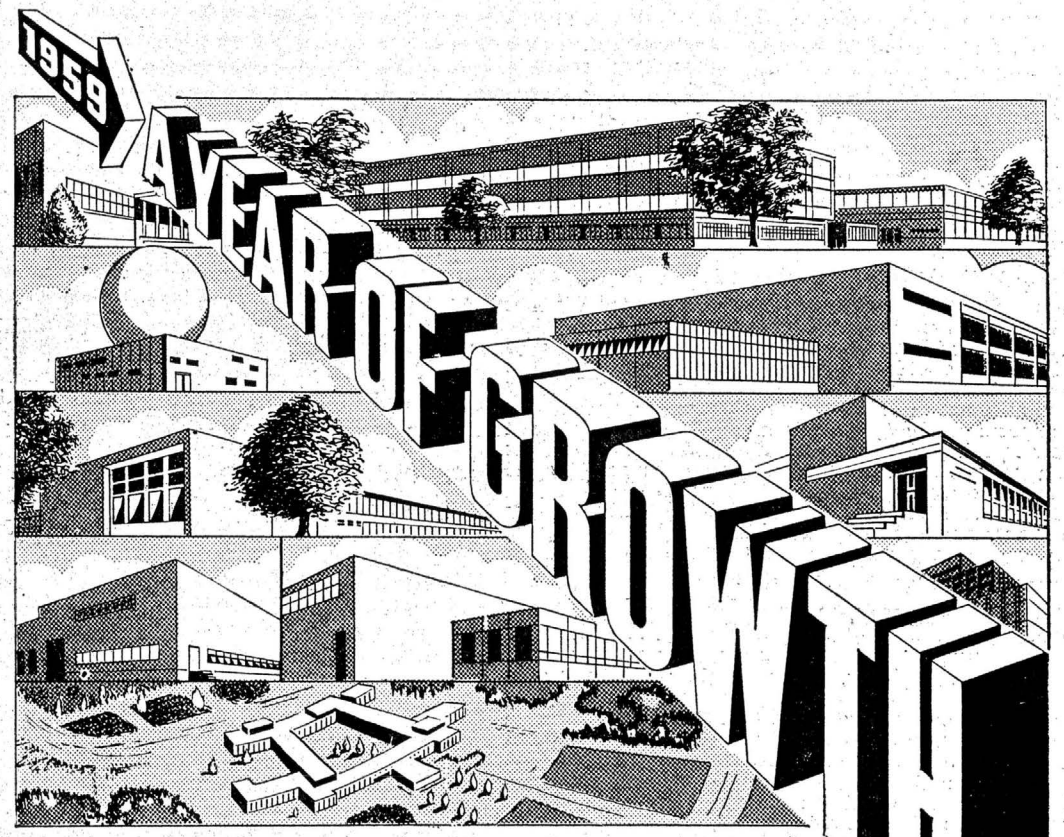

Above are sketches of a few of the new industrial plants erected in New Jersey during 1959.

Industrial growth during the year 1959 was healthy in the New Jersey area served by Public Service Electric and Gas Company. More new industries came to New Jersey, at the Crossroads of the East, than during the previous year. The final quarter was particularly successful, and there is every indication that industrial progress here will continue during the coming months and years.

Throughout our territory there is visual proof of the growth of industry, as well as new commercial centers, new office buildings and new residential areas. New, modern, landscaped industrial establishments are seen in the Delaware Valley section, as well as in Central and Northeastern New Jersey. Shopping centers and housing developments have risen in many parts of the area served by Public Service. Urban renewal is taking place in many cities.

The years ahead hold great promise. All of these facts reflect the growth of New Jersey, and Public Service is growing along with this great state. We are planning and building ahead to meet all demands for our services.

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has come for the politicians to declare themselves. Simplified there are just two camps—(1) Those in favor of honest money and the protection of savings, insurance and pensions; and (2) those in favor of dishonest printing press money and the destruction of savings, insurance and pensions. The voters should find out in which camp their representatives for office belong.

Booms need increasing amounts of credit. Between 1946 and 1958, governments, corporations, and individuals borrowed some $435 billion. There is an ultimate limit beyond which credit cannot be expanded. Booms always have a beginning and always have an ending. Foreign distrust of the dollar and the absolute necessity of high interest rates to prevent an even more rapid outflow of gold are working against the extension of the present boom, and raise a serious question about the overall business activity for 1960. These factors cast a serious cloud and cause me not to share in the unlimited optimism expressed by most for the year 1960.

CHARLES W. HALL

President, The Oneida National Bank & Trust Co., Utica, N. Y.

The general business climate during 1959 has continued at a very steady level as reported from Utica, N. Y., a busy and important industrial city located in the heart of the Empire State. Looking forward into 1960, we find no clouds on the horizon that give cause for concern. A current review of industrial leaders indicated they are anticipating a volume of business equal, or better, than the past year. This will mean good employment, reflecting a strong purchasing power that bids well for a high level of retail sales. The anticipation is that there will be at least a 10% increase in the coming year.

Charles W. Hall

Home construction starts for 1960 are anticipated at about the same level as has been our experience during 1959. These home starts have for the most part taken place in the low and moderate price range and there is no important surplus of new homes unsold. At the present time there are no large, heavy building contracts under way and other than some new buildings to be needed for our growing population in schools and colleges there is not much construction pending.

A few miles to the west of Utica is located the Griffiss Air Force Base which is the military supply base for the eastern seaboard. This base, which has been increasing in its importance to the government, is presently employing approximately 8,000 civilians and the total payroll is now running at a level of $45 million per annum. It has a very influential and important place in the employment of this Central New York area.

There have been steady gains in the banking deposits of this area and at present all normal needs of the people are being met at a satisfactory level. The general outlook for Central New York in a broad sense is favorable.

CARL E. HANSON

President, Bishop National Bank of Hawaii

The Hawaiian economy, which has been growing at a faster pace than the nation as a whole in the last five years, broke practically all records in 1959. Added to the underlying growth forces were (1) the achievement of statehood after 50 years of concerted effort, and with that the sudden development of intense nationwide business interest in Hawaii, and (2) the inauguration of 600 mph jet air service, resulting in the closing of the time-distance gap between Hawaii and the rest of the world.

Carl E. Hanson

As a result, Hawaii recorded a 40% increase in the number of visitors from overseas, bringing the year's total to close to the quarter-million mark. Construction activity rose by 20% above 1958, to a volume nearly double that of five years ago. During the year new plants were opened or started for the production of refined oil products, cement, plastic cups, steel pipe, boxes and cartons, corrugated containers, rubber products, envelopes, steel reinforcing rods, and a wide variety of other items. Overall, Hawaii's basic agricultural industries (sugar and pineapple, primarily, but including coffee and others) registered fair to moderately successful records. Defense activity continued at a high level.

These developments were reflected in a 4½% increase in employment during the year, with unemployment the lowest since World War II. With the labor market already tight at the beginning of the year, much of this increase was possible only because of a net inflow of residents from the Mainland, resulting in population growth at nearly twice the normal rate.

Banks and other financial institutions, of course, played a key role in these developments. Bank loans rose 14% during the first half of 1959 and appeared to continue that rate of rise during the second half, for a 20%-25% increase during the year. Total bank deposits rose by less than 10% during the first six months of the year, thereby increasing the loan-to deposit ratio of Hawaii's banks to a figure in excess of 50%. Hawaii, therefore, is experiencing the same tight money market that exists across the nation—and for the same reasons.

Another interesting financial development during the year was the growing interest of Mainland capital in Hawaii—as illutrated by the Sheraton purchase of the four Matson hotels and the Equitable Life Assurance Society's financing of a new 50-acre shopping center. Unlike most areas of the world which have developed their economies in the last 100 years, the new State has historically been financially self-sufficient because of a high rate of personal saving. In fact, until recent years, Hawaii had been a capital export area. Changing saving patterns, rapid economic expansion and need for funds, and growing Mainland financial interest in the islands have now altered this picture, as shown by the increase in life insurance investments in Hawaii in the last five years from $88 million to approximately $200 million.

There is every indication that the fast economic pace of 1959 will be maintained through 1960.

GEORGE W. HANSON

Treasurer, Atlantic, Gulf & Pacific Co.

As it does every year, the outlook for the dredging industry depends largely on the amount of the annual appropriation decided on by Congress for harbor and channel improvements. Many projects with great potential benefits await action. In its March 26 issue, "Engineering News-Record" published a message titled, "Needed: a better 'public plant' to serve our growing nation." Under one of the several headings, the message states, "Our ports and harbors are antiquated, inefficient. Many of the piers still in use were inadequate even before the turn of the century, but through a patchwork of modifications and repairs have been kept in uneconomical service. The new St. Lawrence Seaway creates a big demand for expenditures for harbor facilities. Inland ports will mushroom and coast ports must improve to say in business." Senator Allen J. Ellender, Louisiana, Chairman of the Subcommittee on Public Works of the Senate Appropriations Committee, in an article titled, "The Case for More Spending on Water Resources," in the Nov. 16 issue of the "U. S. News & World Report," said, in part, "The American taxpayer is asked annually to pick up the check for river and harbor, flood-control, irrigation, power and other resource-development projects in foreign countries under the Mutual Security Program on the basis that such projects are essential to the economic development of those countries. Yet, the same individuals who cry, 'We cannot afford this pork barrel,' when Congress appropriates money for the development of America, urge even larger appropriations for foreign aid. I think it is high time for the United States Government to start thinking and planning as much for the Americans of the future as we do for the future growth of other countries. . . . I am a little sick of having the pork barrel label placed on water-resource-development projects in this country."

George W. Hanson

Owing to larger and deeper-draft vessels, and the ever-increasing number of industries seeking waterside locations both for expansion and new plants, improved harbors and channels are imperative. These important facilities must not fall behind the Nation's growth in other directions.

Industry and commerce follow the dredges; that fact is too narrowly realized. When the Houston Ship Canal, connecting Houston with the Gulf of Mexico, was first proposed it was derided as the "damnedest fake out of doors." Instead, it has made Houston the greatest city in the Southwest and, more than once, the second largest port in the Nation. Relatively, many other such examples can be cited and many such opportunities still lie ahead.

With Uncle Sam being our largest customer (and a competitor as well), we reaffirm that our activity in 1960 depends to a great extent upon the amount Congress decides to spend for the development and improvement of the Nation's channels and harbors.

ROBERT M. HARDY, JR.

President, Sunshine Mining Company

Perhaps the most significant observations to be made concerning non-ferrous metal mining are centered around the precious metals, gold and silver.

We all know that the United States is losing gold in the economic battle for survival. The reasons are many, but are best seen in the light of what is happening in the mining of gold. In South Africa, the average yield per ton of ore is $9.20 (U. S. funds). In the United States there are many gold properties capable of producing ore of this grade, but prevented from operating by higher costs. Herein we have a most interesting situation. South Africa produces and is gaining gold. The United States cannot produce at South African yields and is losing gold.

Robert M. Hardy, Jr.

Gold is the great common denominator. In its reflection we may see what is happening to our economy.

Silver presents a different story with a similar ending. Throughout the world, consumption far exceeds production and the supply has been balanced with demand in recent years by demonetization of silver coinage in other lands. Today the trend is toward greater foreign coinage of silver, but we see supply and demand balanced by sales from the U. S. Treasury at prices below the world market. This bargain sale is stripping our Treasury of an asset that is not readily replaced, for the Treasury alone is consuming more silver in coinage than is produced each year in the U. S., and the sales compound the drain.

The net result is loss of silver which, when combined with the loss of gold, does not forecast an optimistic future for the U. S. dollar. As further depreciation of the dollar occurs, not only non-ferrous metal mining, but also the other segments of our economy, will suffer.

ROBERT E. HARVEY

President, Merritt-Chapman & Scott Corporation

I look for 1960 to be one of the nation's most prosperous years. With the settlement of the steel dispute, only the possibility of work stoppages in key industries poses a major threat to the upsurge in business predicted by government as well as private economists. Nearly every branch of our economy is expected to reach record levels of production and employment. Spending for new plants and equipment may hit an all-time high.

Robert E. Harvey

In an economy so dependent on steel as ours, the optimism of the steel industry offers strong basis for confidence in 1960. Surveys of industry leaders indicate that production this year may climb as high as 130-million tons — 13-million tons more than the record output of 1955. As a result of the prolonged strike, only 93-million tons were produced last year.

Merritt-Chapman & Scott Corporation's diversified operations are tied closely to the economic barometer reflected by the levels of steel production. Our Company's industrial units include the Construction Department, Milton Steel Division and three major subsidiaries—Devoe & Raynolds Company, Inc., New York Shipbuilding Corporation and Tennessee Products & Chemical Corporation. Two maritime service activities, marine salvage and derrick heavy-hoisting, round out Merritt's roster of operations.

Construction, the nation's biggest single business, may hit near-record levels this year. In the fields of heavy and industrial construction alone, surveys show that new contract awards are expected to top $21.5 billion in the United States, 6% over 1959 and just under the all-time peak of $21.7 billion set in 1956. Of this total, $11 billion will be earmarked for private construction and $10.5 billion on public works ($3.3 billion for highways).

Outside the U. S., scores of major new projects are planned in Africa, Asia, Europe and South America—all spurred by the common goal of greater economic development. They include hydroelectric dams, highways, bridges, pipelines and power stations. Construction of enlarged airport facilities to handle the huge new airports of the jet age is contemplated by many foreign countries. On the basis of past experience, it is fair to assume that U. S. contracting firms probably will be awarded a large share of this work.

With a backlog of $220,000,000 at year's end that included three of America's biggest competitively bid projects, Merritt's Construction Department entered 1960 with employment at a peacetime peak. Its scope of operations encompassed the U. S., Canada, the Panama Canal Zone and such distant points overseas as Iran, Israel and Australia. We expect our high rate of construction activity to continue this year.

New York Shipbuilding ended 1959 — a year highlighted by the launching of the NS SAVANNAH, the world's first nuclear-powered passenger-cargo vessel—with near-record peacetime employment. It entered 1960 with a backlog of $260,000,000 that insures a high level of activity into 1962. The volume of new business ahead for the shipbuilding industry will depend both on how vigorously the merchant marine replacement and naval preparedness programs are advanced, and on the extent to which Congress appropriates sufficient funds to build the vessels it already has approved.

Merritt-Chapman & Scott's product operations are largely on a short-term delivery basis and react quickly to economic trends.

Devoe & Raynolds, one of the nation's major manufacturers of consumer paints and industrial finishes, is a case in point. The automotive, appliance and equipment industries are among the company's larger customers, and 1960 prospects are bright in these fields. Devoe's sales of automotive finishes can be expected to increase, for example, if automobile manufacturers realize their production goal of 7,000,000 cars this year.

Chemicals, metallurgicals, fuels and building materials comprise the product lines of Tennessee Products & Chemical Corporation. Ferroalloys, a key ingredient in steel production, account for a large share of Tennessee's business and the company's volume is accordingly tied closely to conditions in the steel industry. Steel's anticipated record year is expected to result in the greatest demand for ferroalloys since 1955.

Since the reinforcing steel produced by Merritt's Milton Steel Division is sold to the construction industry, the near-record volume of work expected in heavy construction should enable this M-C&S operation to continue at a high level of activity and employment.

While marine salvage activity always is governed by the unpredictable frequency of accidents at sea, Merritt's Marine Salvage Division generally is most active when the volume of ocean shipping is heaviest. Operations of our Derrick Division normally reflect the ton-

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nage of heavy cargo shipped through the Port of New York. When the volume rises — as it usually does in boom periods — there is a resultant increase in the demand for derrick services.

In common with almost every segment of America's business community, Merritt-Chapman & Scott looks to the months ahead with confidence. We share with all industry the hope that setbacks dealt the economy in 1959 by the extended steel strike will be more than compensated by the advances realized in 1960.

ERNEST HENDERSON

President, Sheraton Corporation of America

Everything seems to point to a record year, now that we have reached the beginning of what may be known as the Spectacular Sixties. Although labor disputes may temporarily reduce the nation's momentum on its path to greater achievements, even such misfortunes—by creating a backlog of demand—seem to guarantee the further stretching-out of prosperity.

Ernest Henderson

The most hopeful signposts pointing towards greater economic growth are the indications that labor leaders are perhaps realizing that greater productivity alone can produce higher wages without the accompanying penalty of higher price levels. In our Sheraton Company nearly $20 go to employees in wages and benefits for each dollar paid in dividends to stockholders. Surely it must become clear that labor has an even greater stake in efficient operations than do shareholders, since workers receive such a large proportion of the available dollars taken in.

The two question marks presently visible in our economy that may affect adversely our national prosperity are:

(1) The possibility that those who influence our monetary policies in their desire to curb inflation in the face of rising wage demands, and discourage drains on our gold reserves, may precipitate through tight money, another stock market collapse. Such an event—by diminishing the liquid wealth represented by common stocks —could start a new downward business spiral.

(2) The possibility that peace talks will be successful and bring about a cut-back in armament spending. Although heavy, dislocation of industry would follow from a much desired termination of our differences with Russia, the transition should be manageable—as was our transition a decade and a half ago from a wartime to a peace economy.

Tourist business and business travel are the two principal feeders for the hotel industry. These are likely to break all records in this 60th year of the 20th century. Sheraton expects accordingly to break all its own prior sales records, even after adjusting for newly acquired units.

The greatest single advance in our industry will probably be recorded in the Honolulu area where hotels are enjoying the bonanza accompanying Hawaiian Statehood. The four Sheraton hotels recently acquired on Waikiki Beach and two new ones now under construction furnish a quite tangible foundation for an optimistic view of a good year ahead.

G. CARLTON HILL

President, The Fifth-Third Union Trust Co., Cincinnati, Ohio

A final settlement of the steel labor issues before the expiration of the Taft-Hartley injunction, and assurances that the railroad labor problem will be resolved without a strike, should usher in an extremely high level of business activity during the first half of 1960.

G. Carlton Hill

During the initial quarter of the New Year, inventory rebuilding in steel should be in full swing. Further, the simultaneous re-establishment of other inventory needs, essential to effectively service the requirements of a highly active economy, could moderate, if not nullify, the temporary relaxation of credit demand that usually develops after the Christmas Holidays.

Initially, the credit requirements to accommodate the broad inventory needs of industry might result in the liquidation of corporation investments in short-term government securities. This, in turn, could place the Treasury in the position of seeking buyers elsewhere for the large weekly bill maturities now held by these corporations.

In an atmosphere of this kind banks, at the very time they might be laying plans to meet the increased credit requirements of all type of borrowers, would be required to give major attention to the Treasury's needs. The fusion of the Spring credit demands into this situation could greatly intensify a relatively tight credit situation.

Current mass consumer confidence reinforces the distinct likelihood of the materialization of high level economic activity and strong credit demands during the first half of 1960. However, over-indulgence—the excessive use of credit—ultimately brings its own corrective, so, as events unfold, we always must be alert for indications of indigestion in the consumption field, a certain forerunner of a cyclical reversal of the business trend.

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The Economic Outlook for '60

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the overall increase is more than 10%, bringing plant and equipment outlays to a rate of close to $40 billion by the end of 1960. For one thing, the recent Commerce-SEC release showing reduced rates of increase for the latter part of 1959 are probably good news for 1960, indicating a substantial carry-over into 1960 of projects that became a casualty of the steel strike this year. Moreover, a study of these survey results in other expansion periods shows a tendency around this stage of the upswing for actual outlays to exceed planned outlays.

Information about corporate appropriations for capital expenditures also indicates a strong year for 1960. On a seasonally adjusted basis appropriations in the third quarter this year were the strongest since 1955. And with the steel industry excluded these appropriations registered a 10% second-to-third quarter rise, exceeding slightly the 9% increase between these quarters in 1955.

On the basis of this evidence it seems reasonable to expect that plant and equipment outlays of businesses next year will be close to $5 billion above their 1959 volume. While this would be a strong expansion, it does not imply any lurching boom. If this increase is realized, these outlays by the end of next year would be only slightly above those of the 1957 peak in rent terms. And the expansion from the low quarter of 1958 to year-end 1960 would be about 35%, compared with 44% for the corresponding period during the last expansion.

A Sleeper in Inventories

The inventory situation may turn out to be a sleeper in the 1960 economic scene. Obviously the steel strike has resulted in the depletion of inventories of steel and related items. During 1960 the steel industry apparently will need to produce about 12-15 million tons of steel beyond steel consumption in order to restore a reasonably normal level of inventories. But this is by no means the end of the inventory story. The fact is that inventories quite generally are on the low side relative to sales at all levels of activity — manufacturing, wholesale, and retail. And the anticipated further expansion of business activity will itself justify and, indeed, require the accumulation of additional stocks. If by the end of next year inventories were brought into the same relationship to sales as existed at the end of 1955, an accumulation of about $6 billion would be required in 1960. If the year-end 1956 inventory-sales ratio were to be achieved by the end of next year, the indicated accumulation for 1960 would be about $10 billion. The full extent of the latter increase may well not occur. Inventories were heavy relative to sales by the end of 1956. Credit will be tight. Efficiency in the use of inventories has been improving. And during the fore part of the year rapid accumulation of some items will not be easy. Nevertheless, it is reasonable to expect that 1960 will see substantial pressures for the accumulation of stocks of goods in the first half of the year, and quite probably well into the second half. For the year as a whole an accumulation of $7 billion seems not unreasonable at the present time. About half of this would represent the current short-fall in stocks, while the remaining expansion would be needed to service rising levels of sales.

The remaining item in capital outlays is, if course, residential construction. These have already fallen over 9% from their May peak, and units are now being started at about a 1,200,000 annual rate. While starts exhibited some recovery from October to November, a decline seems likely to continue somewhat further. Credit conditions, given current FHA and VA rates, make financing difficult. Costs once again are moving upward. And the vacancy rate for rental units in the second quarter was 6.7%, the highest in four years, and it was only slightly lower in the third quarter.

Residential construction may, however, exert only limited further downward pressure on the

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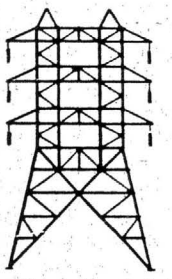

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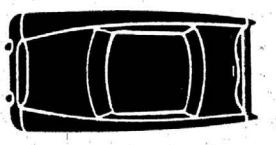

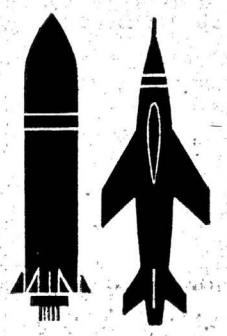

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WILLIAM A. HEWITT

President, Deere & Company

Appraisal of the outlook for farm equipment industry sales in 1960 necessarily begins with estimating their most important single determinant: cash receipts from farm marketings and government payments. Farmers' cash receipts reached an all-time high of $34.3 billion in 1958 and declined to an estimated $33.2 billion in 1959. Preliminary estimates for 1960 anticipate a further decline. In each of these years cash receipts from crops is expected to remain fairly constant at about $14 billion. The decline to date and that expected in 1960 is accounted for by lower receipts from marketings of livestock and livestock products.

William A. Hewitt

Conditions such as these normally result in lower industry sales of farm equipment; therefore, the most probably outlook for 1960 is for moderately lower sales. However, the financial position of farmers as a group remains strong and their purchasing power is substantial.

The long run factors which create a strong demand for larger capacity farm machinery continue unabated. They form a solid foundation for an optimistic view of the future and should somewhat lessen although not offset entirely the influence of lower cash receipts in 1960.

As usual the weather and government farm programs will play important parts in determinng sales in 1960, but these two factors are very difficult to predict.

CHARLES W. HOFF

Chairman of the Board, Union Trust Co. of Maryland Baltimore, Md.

The year 1960 opens upon a firm economic foundation, even though accompanied by a sense of uncertainty in some quarters due to inability to measure precisely the ultimate effect of the steel strike. There is ample evidence available today to indicate a fundamental uptrend which will make for a prosperous year.

Charles W. Hoff

It is possible that the steel strike—regardless of the serious shortages it caused—may have prevented or at least postponed a recession. Depleted inventories are being rebuilt, but damaging consequences may result if the strike is resumed.

Money rates will hold at present levels, and may well rise a fraction under the law of supply and demand. Even in a tight money market funds will be available for plant expansion —especially so if a balanced budget reduces the needs of the U. S. Treasury to compete for new funds. While tight money may reduce new housing starts, it will not too seriously affect investment in fixed assets where appropriate—nor for that matter with the sales in the automobile and appliance industries.

Also helpful will be the expected gains in exports, which declined in early 1959.

One main objective will be an inflation free economy, but to achieve this will require a great deal of effort from government and private sources alike.

In Baltimore, with highly diversified manufacturing and commercial interests, the economy may be expected to follow the national upward trend.

DR. BISHOP C. HUNT

Vice-President & Economist, John Hancock Mutual Life Insurance Company

At the beginning of 1959, the national economy was recovering both broadly and briskly from the most severe recession since the end of the War. Despite the steel strike, which is estimated to have idled—directly or indirectly — upwards of a million workers in the month of October alone, industrial production for the year as a whole achieved a new record.

Dr. Bishop C. Hunt

The significant dynamical feature of the year's production record was the virtual completion of recovery from the low point of recession reached in the Spring of 1958. New peak levels in the output of the nation's factories and mines were in fact attained before the first effects of the steel strike became apparent. In other words, production had already come to exceed pre-depression levels by an amount which reflected underlying growth at the average annual rate of the last 40 years. The strike but interrupted a broad and soundly based upward thrust in our economy.

By the end of 1959, in terms of gross national product or total expenditure on goods and services, we were actually at the threshold of a $500 billion economy, a level implicit a year ago in forces making for a return to capacity levels of operation, augmented by normal growth.

Barring the unexpected, the national economy will attain and surpass that peak during 1960, and the record for the year as a whole surpass that of any previous year. To this end, its performance in 1959 was clearly preparatory.

It might be said that as the economy goes, so goes life insurance. In periods of economic expansion, the growth of life insurance naturally accelerates. But it is a fact that in periods of lesser buoyancy or even depression its growth nevertheless continues, although at a slower rate. Life insurance in the United States is truly an outstanding growth phenomenon. Since the beginning of the century, at least, it has experienced only one interruption and that was both minor and brief.

As of Dec. 31, 1959, the total in force reached a new peak of $534 billion, an increase of $38 billion during the year; an increase, moreover, which exceeds the *total coverage* in force 40 years ago. The industry's invested assets—in other words, accumulated savings which are the counterpart of insurance protection—increased approximately $7 billion, or 6%, to the vast sum of $114 billion.

The prospect of high levels of general business activity and employment in the year ahead promises higher levels of individual and corporate incomes. We may, therefore, confidently expect the achievement of new records in American life insurance—more people will come to enjoy more life company protection than ever before, not only against the hazards of untimely death or dependent old age, but also against the costs of hospital and medical care, and against the loss of income because of disability.

The average rate of return earned (before taxes) on life company investments rose from 3.85% to 3.95% in 1959. There is no reason to doubt that the upward trend in progress since the end of the War will continue, given the almost certain maintenance during the coming year of current levels of interest rates on new investment. It is entirely possible that a rate in the neighborhood of 4% will be attained. Unfortunately, as a consequence of the higher rates of Federal tax which have been imposed upon life companies, the cost of insurance to policyowners will not be lowered in proportion to higher rates of investment earnings.

PETER F. HURST

President, Aeroquip Corp.

Prior to the steel strike, which dominated the business scene in the last half of 1959, there was convincing evidence that the economy was in the early stages of a renewed period of prosperity, having made an admirable recovery from the doldrums of the 1957-1958 recession. However, just as activity was fast picking up momentum, the steel strike seriously upset the picture, especially among the manufacturers of capital goods. As Aeroquip's customers cover the entire range of the capital goods industries, we encountered an unhappily familiar pattern of requests to postpone deliveries.

Peter F. Hurst

The effect of the steel strike was to postpone until 1960 the staunch tide of progress that characterizes the present status of America's economy. The economy is all set to move full speed ahead.

The corporations to whom we sell our products represent a typical cross-section of American industry and we are finding growing confidence in every direction. Inventories are relatively low, demand is strong and the outlook is most promising. The consensus is that, assuming labor harmony, 1960 will see new records established in national production, employment and income.

One of the most significant forces at work in 1960 will be the large backlog of capital expenditures. With the general business outlook as favorable as it is, industry is very anxious to establish the necessary facilities to take advantage of the opportunities that our growing nation and economy will afford in the years ahead.

On our part, we have already launched the most ambitious expansion program in Aeroquip's 20 years of operations. During the fiscal year ended Sept. 30, 1959, which was the best in aeroquuip's history, a record domestic expansion program was started.

Like many other firms, we learned a great deal during the 1957-1958 recession. One lesson was the danger of laxity in periods of high sales and earnings. Another lesson taught us by the recession was the clearly demonstrated fact that efficient equipment and up-to-date facilities have to be "a must" at all times. Turnabouts come unexpectedly and competition intensifies very suddenly. There is never a period of grace which allows you to "get into shape" to meet challenges.

Another impetus behind our capital expenditure program is the high expectations we have for the future progress of the nation's capital goods industries. We mean to be prepared with the right facilities, both physical and technical, to take advantage of this.

Of course, our attitude is not unique. It is based on views and experiences shared by many corporations. The sum effect is an accumulation of plans for capital expenditures that should provide the thrust to lift our economy upward to unprecedented heights.

We anticipate that a highlight of 1960 will be the further growth of business activity by American enterprises overseas. At Aeroquip, we have been very much aware of the "revolution" that is taking place in Europe's economic life. We have been more than spectators to this development and have initiated the construction of plants in Baden Baden and Hannand Muenden in West Germany. In addition, we formed a wholly-owned subsidiary in Switzerland to serve as a holding company for our expanding foreign investments.

The financial health of nearly all of the nations in Europe makes these countries extremely attractive industrial market places that cannot be ignored.

Conditions are ripe for a top year in 1960. Let's hope no events of single-minded short-sighted purpose stall this hopeful outlook.

AUGUST IHLEFELD

President, Savings Banks Trust Company, New York, N. Y.

There is good reason to expect a larger gain in deposits of mutual savings banks in 1960 than was achieved last year, despite the intensive competition for available savings that prosperity generates.

August Ihlefeld

One reason for this expectation is the notable progress that the Federal Government is making towards balancing its budget. As a result, the United States Treasury will have less occasion to offer large amounts of new high-yielding short-term obligations, tailored to attract liquid savings out of thrift institutions. Last October's offering of "magic 5s" provided particularly keen competition for savings banks.

A second development improving the outlook for savings bank deposits has been the taking of steps by the mutual savings banks to strengthen their competitive position. Most significant has been the increase in the proportion of earning assets of mutual savings banks invested in Government-underwritten and other high quality mortgages from 64 to 66%. Because of the attractive rates of return given by mortgage loans, the higher proportion of mortgages increases earnings and so makes possible the payment of higher rates of interest-dividends to depositors by many institutions.

Mutual savings banks also are strengthening their competitive position by improving service to depositors and conducting effective educational and promotional programs to stimulate thrift. Liberalization of New York State's law restricting branch powers of savings banks would help to provide efficient savings banking service to fast-growing suburban areas.

A third factor that improves the outlook for all savings institutions has been the increased stability of commodity prices. The wholesale price index registered little change in 1959, small increases in other prices being offset by lower food prices. The cost of living index rose less than in the previous year. Waning of public fear of chronic inflation would remove a serious threat overhanging the growth prospects of all savings institutions.

Mutual savings banks will continue to regard mortgage loans as a favored investment outlet for new funds so long as they offer higher yields than other classes of quality investments. With a larger volume of new corporate bond offerings in prospect for 1960, however, many savings banks are likely to add substantially to their holdings of such issues when they are made available at relatively attractive yields.

WILLIAM E. IRVIN

Executive Vice-President, The Idaho First National Bank, Boise, Idaho

The new year begins with a high level of optimism prevalent in most sections, and this is also true in Idaho.

The Idaho economy is sound, and 1959 has been satisfactory from the standpoint of general business conditions. We have received only fair prices for most of our agricultural products. The productivity of our soil and the efficiency of our farmers have enabled them to keep abreast of increasing costs and show a normal amount of progress. I point out the latest figures reflect a continual decrease in the prices received by farmers for all farm products and an increase in prices paid by farmers for all necessary goods and services.

William E. Irvin

It is serious — and the present surpluses aggravate the situation. We need the production because we have an expanding population and untold numbers of growing acres are going out of production each year—to industrial installations, to expansion of urban areas, and to road construction. Vision is needed to keep our agricultural plant in a sound condition to meet our almost immediate production requirements.

Mining, another great industry in Idaho, is suffering and is in an unfortunate situation. Low metal prices have taken most of the profit out of the mining business. and that applies particularly to lead, zinc, silver, and cobalt. Gold mining has come to a complete standstill. We are stimulating and encouraging foreign competition to enable our offshore friends to survive Communist pressure. This program is being carried on under the direction of the State Department and under the mantle of foreign aid. Right or wrong — good or bad — our domestic mining industry is suffering.

Lumbering in Idaho has been good, and the prospects for the coming year are also favorable, but one wonders —with the extreme tightness of the money market and almost an absence of mortgage money at a reasonable price—how long we can continue to have home building and other construction hold up at the present rate.

The steel strike and demands of industry and labor

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do not hold any great promise that the squeeze on our basic industries will be improved.

It is true, Idaho looks to 1960 with optimism because our people are resourceful individuals who can adjust to meet conditions and circumstances, which in themselves would not make the future loom up like boom times; but neither do we expect to go without the normal luxuries to which we have become somewhat accustomed.

P. M. JARVIS

President, Swift & Company

A dynamic decade is ahead of us, with more goods and services, more people to buy them.

With a probable 45 million additional people to feed in the 1960s, and with the indication of increased production, there is great opportunity.

P. M. Jarvis

An expanded market is certain, and a steady rise in personal income seems inevitable.

There will be an even higher premium on innovation—new, improved products and packages, lower costs, and better service. The most successful merchants and processors will be those who are alert to changing conditions and who utilize to the fullest their knowledge and research—product-wise and market-wise.

The meat industry promises to set a fast pace in the 60's. This will be highlighted in the first year, as total meat production is likely to set a new record—slightly higher than the 28.1 billion pouods produced in 1956 and about 1 billion more than in 1959.

If government forecasts prove correct, there will be an increase in beef production in the last half of 1960, with supplies of medium and lower grades of beef larger than during the same period in 1959. Supplies of better grades of beef should continue about as plentiful as this year.

Pork production should rise moderately during the first half of 1960, largely due to increases in supply already in progress. There are indications that producers in Corn Belt states plan a reduction in the spring pig crop. Supplies for the last part of the year come largely from this crop, so a reduction in pork production for the last half of the year is probable. The net for the year appears to indicate only a slight overall gain in pork production.

Lamb and mutton production for 1960 will show some increase, and a nominal increase in veal production is expected. The retention of calves in herds has been an important part of the recent buildup in cattle numbers.

Broiler production is expected to be about the same as in 1959, remaining at close to record levels.

HON. JACOB K. JAVITS

U. S. Senator From New York

THE BUSINESS OUTLOOK FOR 1960 is considered promising on all sides—in view of the settlement of the steel strike and assuming that there are no other national emergency strikes this year. Others are more competent to make predictions which are based upon standard indices, theories on cyclical trends and forecasts of production, construction and merchandising. I feel that I can be the most helpful by indicating what needs to be done in 1960, if the United States economy is to be made secure, rather than by endeavoring to read the "crystal ball" of business in 1960.

Sen Jacob K. Javits

The year 1960 will mark the intensification of the economic struggle with the Communist block. We will see more clearly than in 1959 that the cold war of aggression, subversion and invective is phasing out, and that the grim economic struggle is phasing in. The urgent need for increased productivity by the American economy will become more evident. I look for receptivity to new means for achieving this increased productivity through increased automation encouraged by more liberal tax depreciation policies and a greater concentration on adjustment assistance, particularly for affected individual workers, by both government and business. Also for some cooperation between management and labor under the demands of the public to increase productivity.

There will be increased emphasis on foreign aid and technical assistance for development of less developed free world areas as we recognize the dangers we face in Asia, the Middle East, Africa, and South and Central America from the Communist economic bid. It has become almost in the nature of a seduction of less developed countries which are not too experienced in free institutions, by the U.S.S.R., which has seemingly been able to pull itself into the industrial age by its own bootstraps—notwithstanding the sacrifice of free institutions and religious and ethical values we hold often dearer than life itself.

The new economic struggle will call for extensions of credit and utilization of manpower on a scale we have heretofore not even contemplated. I see new partnerships between ourselves and the industrial nations of Western Europe, Japan, Australia, Canada and others, taking firm root for this purpose.

In the field of trade, there will be an enormous

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The Economic Outlook for '60

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economy. From 1,000,000 to 1,200,000 private housing starts for 1960 still looks reasonable. This would be a decline from the total for 1959, but not far from the current annual rate. The decline in outlays from current levels, therefore, should not be over $2 billion.

$5 Billion Consumers Services' Rise

Now to the consumer — the market, in short, for about two-thirds of our output of goods and services. Consumer services, being the kind of item that it is, can no doubt be expected to plod on up at something like a $5 billion per year rate of increase. If this is reasonably safe, it is also reasonably unimportant since this is heavily an imputed item, is quite steady, and its changes have a minimum of short-run repercussions on other parts of the economy, such as inventories. Outlays for nondurables can also be expected to behave with a reasonable degree of circumspection, turning in a rise roughly parallel to the expansion in consumer incomes.

Outlays on durables have, apparently, never heard of the stability of the propensity to consume. Any lingering doubts about the passivity of these outlays should have been resolved by events of the last two years. These outlays fell sharply early in 1958, and this was a major exogenous factor in the recession. The easy explanation that people did not like the new cars must square with the fact that sales of these same new models held up very well right through December 1957, though business activity had been declining for some months.

A major question regarding the current outlook is whether consumers feel confident enough about their economic situation and prospects to lay out for themselves in the months ahead a weak or strong volume of spending on durable items relative to their incomes. The most useful evidence on this question will be available soon when the nationwide survey of consumers, just completed by the Survey Research Center, has been fully analyzed. Though the analysis is not yet complete, I understand the preliminary results indicate some short-run uncertainty and misgivings, partly associated with the steel strike. It also looks, however, as if their longer-range confidence remains unimpaired, and this would be reassuring. And, with the steel strike settled, it would be reasonable to expect this to have a salubrious effect on the attitudes and buying plans of consumers generally. It seems probable, therefore, that purchases of durable items by consumers should rise about as rapidly as their incomes, with the possibility of a bit more strength with the impasse in the steel industry resolved fairly promptly.

Sums Up Potential Demand

Let us now look back over our analysis and see where we come out. The arithmetic implied by this analysis suggests an increase in gross national product from 1959 to 1960 of roughly $30 billion —government, up $5 billion; some improvement in net exports; plant and equipment outlays, up $4 to $5 billion; change in inventories of $7 to $8 billion, up perhaps $4 billion from the 1959 average; residential construction, down perhaps $2 billion; and purchases of goods and services by consumers, up $18 to $20 billion.

At the outset this question was posed: Will the increase in aggregate demand for output be large enough to provide reasonably full utilization of our productive resources? The evidence examined here points in an affirmative direction.

III

Where might trouble develop in this picture? There are, I think, three possible sources. First, a steel production settlement generally regarded as inflationary would obviously have to be regarded as something jeopardizing the prospects for orderly and sustained expansion.

Possible Financing Difficulties

Second, we might have difficulty financing the expansion. This is a possibility. The demands for bank credit will be heavy to finance working capital requirements at a time when the supply of bank credit may be fairly inelastic. With a fairly strong outlook, the Federal Reserve can probably be expected to keep bank reserves under tight rein. Indeed, year-to-year changes in member bank deposits recently have been only somewhat over 1%. Moreover, internal bank

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In 1960

LILCO will spend

$48,000,000

to serve growing LONG ISLAND

$32,000,000

will be spent on new electric generating plants and other related equipment such as transmission lines, distribution lines, and substations.

$11,000,000

has been allocated to gas properties, mains, and other equipment to meet the constantly growing demand for this superior fuel in home and business.

$5,000,000

for the erection of gas and electric operations centers similar to the one recently placed in operation at Brentwood, L. I.

In the last five years expenditures for construction of new plants and equipment to serve Long Island consumers have totaled over $236,000,000. And the 1960 budget exceeds last year's by $3,000,000 to meet the needs of the industrial plants, commercial establishments, apartments and homes now under construction all over the Island.

In short, LILCO's investments in new equipment are a multi-million dollar vote of confidence in the prosperity and growth of 1960—and a pledge that Long Island will be supplied with the best in economical, adequate and dependable gas and electric service.

50th YEAR LILCO SERVICE 1910–1960

LONG ISLAND LIGHTING COMPANY

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effort to expand exports and imports, both in a European free trade area and in the less developed areas. Trade with the Communist bloc may be preferred in larger amounts for non-strategic goods, but only if the Communists will accept GATT trading rules of non discrimination.

The dangerous lag in rockets and missiles anticipated for the early 1960s will come in for great attention. I expect governmental and private efforts to accelerate facilities in higher education through aid for building additional classrooms and dormitories, through increased teachers' salaries and increased student loan and scholarship programs. The lag in higher education is just more than we can allow.

The campaign of 1960 will bring a great clash on policies for agriculture. I believe that what will result will be a greater understanding of long-term trends, and therefore willingness to finance marginal farmers leaving the farm; and to improve opportunities for mechanization and diversification for those who remain. I see far more likelihood of the encouragement of retirement of land (conservation reserve) and farmers from agricultural production, than of higher-priced crop supports by government.

Money will apparently continue to have an atmosphere of tightness until the other developments I have outlined make credit more plentiful. I do not believe, however, that this tightness will be so pronounced as to create a material likelihood of greatly increased interest rates. On the contrary, I think the whole climate of political and public opinion will be against sensational interest rate increases and it will have its effect.

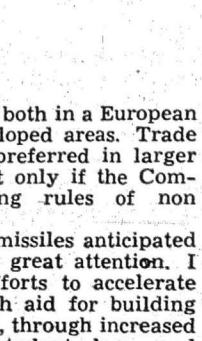
The emphasis on productivity, development and automation would have a great deal to do with stemming any materially increased inflation. Here, too, public opinion and the political climate should help greatly.

I have stated not only my views as to the outlook for our economy but inherently my views as to the major issues of the national campaign of 1960, which will of course have a material effect upon what happens to our economy. The outlook is promising—indeed splendid if we in government and those in the economy do what needs to be done.

FRANK E. JEROME

President, Seattle-First National Bank, Seattle, Wash.

The overriding problem faced by the banking industry in 1960 is the shortage of loanable funds. Barring interruptions of basic industries, there is every indication that the year will bring a substantial rise in consumer demand augmented by buildup of inventories and capital expenditures. This means a continuing rise in demand for bank credit and, with the threat of inflation present, continued pressure on the banks by the Federal Reserve to restrain that demand.



Frank E. Jerome

This generally is regarded as a short-range condition associated with an upward phase of the business cycle. At the same time it is also the product of some longer-range trends. The ability to meet the credit demands of bank customers comes primarily from deposits. But deposits have failed to grow at the same price as loan demand. Over the past decade the total deposits of commercial banks have increased only a little over 50% while loans have increased more than 150%. The ratio of loans to deposits is now about 50% compared to 30% 10 years ago. Bank deposits have also failed to keep pace with the overall growth of the economy, measured by an 86% increase in gross national product in a 10-year period.

In large part this situation reflects the fact that private debt has been increasing faster than the growth of the economy. It is also complicated by the growing competition for deposits from other financial institutions. During the past year the banks have liquidated about 7% of their investments to get loanable funds. This has been balanced by an increase in corporate holdings of securities which has been accomplished by drawing down their balances with the banks, thus offsetting the new deposits created by bank loans. When allowance is made for investments held to secure government deposits, the banks will have difficulty in liquidating a similar volume again in 1960. Whatever the reasons for the failure of deposits to grow, banking enters the year almost fully loaned up.

Banks therefore will be limiting their lending activities very stringently. This will virtually eliminate commercial bank participation in real estate mortgage lending, and installment credit extension will be cut sharply. The growing demand for term loans will not be met fully. This is clearly the direction of things in 1960.

There can be no quarrel with the current policy of the Federal Reserve aimed at restraining inflation. Growth of the economy is limited physically by the availability of natural resources and labor. Growth in excess of those limits is bound to be illusory. Beyond the immediate situation, however, banking must reexamine the implications of a long-term trend toward higher loan-to-deposit ratios. Will this force banking to curtail its activity in fields such as mortgage lending, installment credit, and term loans where it has registered its greatest gains in the past generation?

WILLIAM B. JOHNSON

President, Railway Express Agency, Inc.

Significant progress was made during 1959 in finding solutions to some of the fundamental problems that have faced Railway Express Agency, Inc.

As a result, the 121-year-old business has new and greater opportunities and responsibilities in the Sixties. We are looking toward even better, more economic domestic and international surface and air small shipment services for shippers here and abroad.

William B. Johnson

New operating economies and efficiencies, express rate adjustments —both upward and downward—and developments attendant to the signing of a new Standard Express Operations Agreement between the company and the nation's express-carrying railroads have helped reduce by some $20 million the $38 million out-of-pocket express losses previously anticipated by the rail carriers for the year. Those developments, collectively, have enhanced the prospects for an eventually profitable operation of the reorganized, more independent company.

Final gross revenue figures for the company's 1959 year are expected to be slightly in excess of $400 million.

A modest rate increase on less-than-carload express, providing for an additional 25 cents per hundred pounds or minimum per shipment, or 35 cents when such traffic moves within the Agency's Eastern or Mountain Pacific regions, was effective September 1.

Effective September 8, and on various other dates since then, the Agency extended its incentive rates on shipment aggregations of 300 pounds or more of a considerable number of specific commodities picked up at one time for express delivery at any number of different destinations. The reductions, generally affording savings of about 37% of current first class rates, have been predicated on lower unit costs on the greater volume of traffic attracted and have resulted in greater and more compensatory gross revenues from the many express shippers involved. Their full impact is expected in 1960.

The incentive-type rates, pioneered by the Agency in 1955, give the businessman in a growing list of industries, who ships in small quantities to individual customers, the opportunity to take advantage of a quantity rate comparable to that which the large volume express shipper has had to a great extent for many years. Despite protests from truckers and forwarders, the rates have won regulatory approvals.

During 1959, Air Express continued to give the nation its most dependable and speediest transportation service, direct by aid to those cities with scheduled air service and to all others through a combination air-rail express service. In ten years, gross Air Express revenue will have jumped 181% with an estimated total of $48.6 million for 1959 compared with $17.3 million in 1949. At the current rate of growth, the 32-year-old Air-Express is expected to become a $70-million-a-year business by the end of 1964.

Among other developments during the past year expected to contribute to more satisfactory express results are the express company's new freedoms in the line-haul routing of its traffic; a program of office consolidations affording economies as well as better overall service; signing of a new Air Express Agreement providing for a new partnership-type operation with the scheduled airlines; start on a comprehensive study looking toward revisions in the basic express rate structure; and revamped operating facilities and procedures, both implemented and scheduled for the coming and subsequent years.

During 1960 all of the company's efforts will continue to be devoted to providing better and more economic express services designed to deserve and win greater and wider shipper support and use. Accordingly, the express company's diversified and far-flung national and international services by rail, highway, sea and air are expected to make considerable advances during the year ahead.

WAYNE A. JOHNSTON

President, Illinois Central Railroad

Present indications are that our net income for 1959 will be $15,500,000, or $5 per share. This compares with net income for 1958 of $18 million, or $5.80 per share, based on 3,111,775 shares presently outstanding.

Wayne A. Johnston

Operating revenues for 1959 are estimated at $271 million, compared with $265 million in 1958. Operating expenses for the year will be $213 million, as compared with $207 million in 1958.

An improvement in traffic during 1960 should improve the showing of the Illinois Central. It is estimated that revenues in 1960 will be $280 million, and expenses for the year $217 million. After allowing for increased expenses and taxes, we expect to have a net income in 1960 of about $16,500,000.

An increase in carloadings of 3.3% is predicted for 1960. Carloadings in 1959 will total about 1,794,000 cars. Carloadings in 1960 are estimated at 1,853,000 cars.

Working capital at the close of 1959 is estimated to be $56 million, a working capital ratio of 2.42%.

Improvements

Capital expenditures for 1959 will amount to nearly $19 million. For 1960 such planned expenditures will amount to approximately $33 million, of which $6,500,000 will be for roadway improvements and $26,800,000 for equipment. The new equipment will include 500 fifty-ton boxcars, 1,500 seventy-ton hopper cars, 150 covered twin hopper cars, 20 covered triple hopper cars, 25 piggy-back flatcars, 100 bulkhead flatcars, and 200 seventy-ton gondola cars. All freight cars, except for the covered hoppers, piggy-back flatcars and gondola cars, will be built in our own car shops.

The 1960 program includes the purchase of 15 GP-9 diesel locomotives. These locomotives will enlarge the Illinois Central fleet to 411 freight and 174 switching diesels. The railroad also has 42 passenger diesels in service, making a total of 627 diesel locomoitve units.

Roadway improvements amounting to nearly $6,500,000 include the installation of 75 miles of new rail at a cost of $800,000, of which 57 miles will be continuous welded rail.

Dividends

The Illinois Central paid a dividend of 50 cents for each of the first three quarters of 1959, and will pay 50 cents a share for the fourth quarter, making a total of $2 per share for the year.

Freight Rates and Service

Many freight rate adjustments were made during 1959 to meet competition with other forms of transportation as well as with other railroads. Adjustments of rates were made on coal, grain, lumber, vegetable oils, vegetable oil meals, liquefied petroleum gas and phosphate rock and fertilizer.

Our piggy-back operation was expanded by joining in ownership of the Trailer Train Company. This company, owned by the Illinois Central and 17 other railroads and a freight forwarding company, is the nation's largest owner of piggy-back cars. This source of equipment is expected to simplify interchange and expedite deliveries.

Industrial Development

An intensified industrial development program to locate new industries was adopted during 1959. A series of meetings with community leaders, real estate men, bankers, and other businessmen was held in five major cities along the railroad to discuss industrial development. A motion picture, "Gold Mine on Main Street," is used to help promote this industrial effort.

There has been an average of about 100 new or expanded industries located directly on the Illinois Central every year since World War II. The additional revenue these industries produce is difficult to calculate, but it is estimated to be $45 million annually. The value of construction of these new plants exceeds $1 billion, adding greatly to the economy of the area served by the railroad. As of the end of September 1959, construction was under way on 96 new or expanded plants which should produce about $4 million a year in additional revenue for the railroad.

To further the industrial development of the railroad, the company has purchased nearly 700 acres of industrial property at Woodstock, Tenn., near Memphis.

General

Early in 1957 the Illinois Central was joined by a number of other Chicago lines in an application for authority to serve the Lake Calumet Harbor area through an extension of Illinois Central tracks to the harbor. Permission to serve the area was granted by the Interstate Commerce Commission in October. Objecting railroads have filed a petition for reconsideration and reargument.

The case of the Illinois Central Railroad vs. the New York Central Railroad in connection with termination of the contract governing use of Central Station by New York Central trains was finally adjudicated in 1959. The Illinois Central received $5 million in settlement.

In 1956 the Illinois Central filed a protest with the Interstate Commerce Commission objecting to the move of the St. Louis-San Francisco Railroad to obtain stock control of the Central of Georgia, which is a connecting link for the Illinois Central to the Southeast. Following hearings, the full Commission in November 1958 found the Frisco acquisition of Central of Georgia stock to be in violation of the law and ordered the Frisco either to divest itself of all Central of Georgia holdings or to deposit such holdings with an independent corporate trustee approved by the Commission and under conditions prescribed by it. The Frisco elected to trustee the stock and has submitted a proposed trust agreement to the Commission. The Illinois Central has filed objections to the agreement and has asked that it be modified to require eventual divestiture of Frisco ownership of the stock and to make the trustee entirely independent of the Frisco.

Approximately five acres of air rights over Illinois Central tracks in the vicinity of Twenty-third Street and Lake Shore Drive were sold to the Kabak Corporation. The Kabak company proposes to construct a 650-room lake front hotel on the site which is opposite Chicago's new exposition hall, now being built. Zoning changes approved by the Chicago City Council have opened 147 acres of air rights over Illinois Central tracks between Roosevelt Road and Twenty-ninth Street for development.

The Illinois Central acquired the properties of the Tremont & Gulf Railway Company on Aug. 1. These properties, now operated as part of the Illinois Central's Mississippi Division, extend from West Monroe, La., to Winnfield, La., a distance of 61 miles. The line serves timber and paper interests in the area.

A three-year moratorium on work rule and wage agreement changes expired last Nov. 1. Proposals have

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been made by the railroad unions which would cost the railroad industry $750 million a year. Railroad management is asking for a revision of out-dated rules and the elimination of make-work practices. The issues are now in the process of negotiation. It is difficult to predict when a settlement will be reached or the outcome of bargaining efforts.

DWIGHT P. JOYCE

Chairman and President, The Glidden Company

Much progress was made during 1959 toward improving The Glidden Company's profit-making ability and it is anticipated that the coming year will be one of even greater development and expansion. All-time highs in both sales and profits were achieved during the year in our present four divisions — Paint, Durkee Famous Foods, Chemicals-Pigments-Metals and Organic Chemical — and it is possible these records may be exceeded in 1960.

Dwight P. Joyce

During 1959 our Paint Division introduced Spred House Paint, a new latex-emulsion paint for exterior wood siding and other surfaces, in about 50 selected test markets throughout the country. The new product received excellent consumer reception and full-scale national marketing is planned for 1960. The division also achieved an important breakthrough in anti-corrosive finishes for industrial maintenance with the development of Rustmaster primer, which also will be marketed nationally in the coming year.

Work on water-reducible industrial coatings has been intensified, and 1960 should see a wide range of new applications for these products. They are currently being used as primers on the unitized bodies of Lincoln and Thunderbird automobiles.

Recently we announced the installation of additional resin capacity at our Cleveland, Chicago, San Francisco and Toronto plants. This equipment, involving a capital investment of about $1,200,000 will be placed in operation during the early spring of 1960. The new reactors will enable the Paint Division to meet the growing demand for polyester products and also to manufacture many of the latices and other resins developed for use in its paint products.

Also during the past year, 24 new paint branches were opened in the United States and Canada, representing an increase of about 20% in our branch distribution network. A similar increase is planned for 1960.

Research and technical service programs have been accelerated and expanded in our Durkee Famous Foods Division, and a number of new developments have come from this work. Typical of these activities is the development of Fluid Flex, a pourable cake shortening which will be introduced to the baking industry during the early part of 1960. This new and completely different product offers the baker many cost-saving advantages in handling and batch preparation. It also permits longer shelf life and greatly improves cake texture.

The development of this unusual product was made possible by the Durkee Division's intensified work on food emulsifiers. These emulsifiers have become an important part of the Durkee product line and it is expected that they will find increased use in the coming year in prepared mixes, candy, bread and other food items.

Durkee's Instant Minced Onion, which received excellent consumer acceptance during its introduction in key market cities during the past year, is now being placed in national distribution. The division also plans to intensify marketing of its entire line of products for the institutional trade. Additional sales personnel have been trained and assigned to cover this growing market, and a broad advertising program is planned.

We have recently given new emphasis to the growing importance of chemical operations of our company and have consolidated our two chemical divisions under the direction of a single vice-president. We expect this alignment will prove to be a major step in the continued growth of Glidden.

In our Chemicals-Pigments Division, higher sales volume and new production efficiencies produced earnings for fiscal 1959 which are two and one-half times greater than those for the previous year.

We have constructed a new Inorganic Research and Development Center at this division's headquarters at Baltimore which will be put into full operation around the first of the year. This laboratory consolidates all the division's activities in connection with inorganic chemical research, product development and technical service, and incorporates the most modern scientific equipment available.

To adequately meet the growing needs of our titanium dioxide customers, further expansion of the Adrian Joyce Works of this division was commenced during the early part of 1959. This expansion program is designed to eliminate critical bottlenecks between various stages of production and will provide progressive increases in plant capacity over the next few years.

Further progress was made during the past year in our Organic Chemicals Division in the development of new synthetic terpene chemicals for the aromatic and perfumery trade. Introduced in 1958, these products are receiving increasing consumer acceptance and production facilities for them will be completed in 1960.

In order to achieve wider distribution of our Organic Chemical products, we have recently entered into a long-term agreement with Firmenich, Inc. under which that firm will act as an exclusive distributor for certain

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The Economic Outlook for '60

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liquidity has been reduced as ratios of loans to deposits have pushed relentlessly upward. At the end of November, for example, loans of the weekly reporting banks in New York City were 64% of their deposits, compared with 54% in November 1955. Finally, businesses will be coming to the capital markets for somewhat more long-term funds, and overloads in either the money or capital market will tend to spill over and spread congestion to the other.

Nevertheless, my guess is that financial constraints will not seriously jeopardize the expansion in 1960. The markedly improved budgetary position of the Federal Government and moderately less absorption of money by mortgages should enable the heavy demands for funds to be met—though we must be prepared for the possibility of even higher interest rates, particularly for short-term borrowing.

Third, this prospective expansion in the year ahead, even if it is realized in dollar terms, will not mean a commensurate increase in real output or in the use of our productive resources if the price level rises. What are the price level prospects? The prospect is for some increase in 1960. It would be unusual if the price level did not rise somewhat in a year as prosperous as the one ahead seems likely to be. It would be an unexpected break with the past if the one-third of the consumer price index representing service prices did not turn in another of its quite regular 2% to 2½% annual increases. While some of these are prices for services provided by heavily mechanized industries, such as electricity or telephone service many of these items are virtually direct labor costs and can be expected to rise by almost the full amount of an increase in wage rates. On the other hand food prices, which are another third of the index should not rise and may be somewhat lower at the end of the year than now, in response to abundant supplies of meat particularly. The remaining third of the index, prices of non-food commodities, will almost certainly rise somewhat. For the consumer price index generally therefore, a rise of something like 2% now seems likely for 1960. Since the price index used for deflating GNP data can be expected to rise by at least as much as the consumer price index, it seems reasonable to assume that of the roughly 7% increase in aggregate demand for output in money terms something like a quarter may be a price rise, leaving about a 5% increase in real demand.

Expects Total Real Gain of 5%

A price rise of not over 2% would not be a bad performance for the third year of a vigorous expansion. The strong upward pressures on costs and prices for reasons not primarily related to an excess of demand relative to supply do, however, give us a new element of cyclical instability. These pressures produce a squeeze on profit margins and a tendency for what starts out to be an adequate increase in money demand to be insufficient, in real terms, to avoid excess capacity. These developments in turn inevitably have an adverse impact on prospective capital outlays. But it does not now seem probable this bind will develop with sufficient rapidity to jeopardize the business situation in 1960, though we are apt to hear a great deal more about the subject as the year moves along.

IV

These remarks might conclude with a few comments on the outlook for the decade. For a long time prospects for 1965 or 1970 have been a favorite retreat for economists when we longed to escape from the harsh realities of the present. These sizzling 'Sixties, to use one enthusiastic characterization, are now upon us. How do they look close at hand?

They look, fortunately for us as economists and statisticians, as if there will still be some problems. And a couple of areas of potentially interesting problems immediately suggest themselves.

Imbalance in Our Work Force

One set of these arises out of our population prospects. These population prospects have, of course, constituted one of the major sources of confidence about this period. There will be a great upsurge of family formation. The needs of these new family units for housing and other consumer capital formation are expected to assure high and rising levels of demand for output. The population statistics no doubt do point in this direction. They also point to some labor-force problems. One of them is quite simply that the number of people maturing into the labor force, and to be absorbed into productive employment, will step up sharply. During the current decade the annual increment in the labor force will have averaged close to 900,000 per year. On the basis of reasonable assumptions about labor-force participation rates, the average will be close to 1,300,000 per year in the first half of the next decade, with the annual increment rising to in excess of one and one-half million per year from 1965 to 1970. The smooth absorption annually of half to two-thirds more people into the labor-force can be expected to pose some problems.

Moreover, this will come at a time when the number of people in the labor force from whom middle-management personnel must be drawn will not be rising. In the next five years, for example, the number of men 25 to 34 years of age in the work force is expected to decline and those in the 35 to 44 age bracket will increase very moderately. And there will be a sharp decline in the last half of the decade in the number of men in the labor force 35 to 44 years of age. Thus we are moving into a period when the number of recruits to the work force needing supervision will be rising rapidly while the population from which these supervisors and junior and middle-management people would normally be drawn will be static or shrinking in size. I do not anticipate that this will precipitate another managerial revolution, but it constitutes an emer-

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CENTRAL ELECTRIC & GAS COMPANY

and Subsidiaries

SUMMARY OF CONSOLIDATED EARNINGS

	12 Months Ended November 30	
	1959	*1958*
Operating Revenues:		
Telephone	$26,280,026	$23,700,071
Gas	19,114,373	16,576,276
Electric	1,006,827	914,327
Total	$46,401,226	$41,190,674
Operating Expenses and Taxes*	39,231,055	35,399,170
Net Operating Income	$ 7,170,171	$ 5,791,504
Other Income	125,556	146,663
Net Earnings	$ 7,295,727	$ 5,938,167
Interest and Other Income Deductions	2,115,093	1,811,773
Net Income before Minority Interest	$ 5,180,634	$ 4,126,394
Minority Interest	2,181,461	1,832,818
Net Income for Central Electric & Gas Company	$ 2,999,173	$ 2,293,576
Preferred Stock Dividends	294,023	243,041
Balance for Common Stock of Central Electric & Gas Company	$ 2,705,150	$ 2,050,535
Earnings per Common Share on number of shares outstanding at end of period	$1.80	$1.42

CENTRAL ELECTRIC & GAS COMPANY

SUMMARY OF CORPORATE EARNINGS

Operating Revenues:		
Gas	$19,114,373	$16,576,276
Electric	1,006,827	914,327
Total	$20,121,200	$17,490,603
Operating Expenses and Taxes*	18,211,519	15,968,331
Net Operating Income	$ 1,909,681	$ 1,522,272
Other Income (including dividends from subsidiaries)	956,907	877,175
Net Earnings	$ 2,866,588	$ 2,399,447
Interest and Other Income Deductions	617,716	550,871
Net Income	$ 2,248,872	$ 1,848,576
Preferred Stock Dividends	294,023	243,041
Balance for Common Stock	$ 1,954,849	$ 1,605,535
Earnings per Common Share on number of shares outstanding at end of period	$1.30	$1.11
Number of Shares of Common Stock of Central Electric & Gas Company outstanding at—		
November 30, 1959	1,499,360	
November 30, 1958		1,447,914

*Includes purchased gas of $11,412,303 and $9,786,724, respectively.

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products of the division in the United States and Canada. The agreement with Firmenich, one of the world's leaders in technical developments for the perfume and flavor industries, may eventually be extended to embrace most world markets.

Nineteen-fifty-nine was an excellent year for The Glidden Company, and barring any unforeseen events, the coming year should be one of the most productive and rewarding in our history.

DAN E. KARN

President, Consumers Power Company

We are looking forward to a good year in the Outstate Michigan area where Consumers Power Co. operates.

This is a 64-county area embracing 28,700 square miles. It includes industrial centers such as Flint, Grand Rapids, Saginaw, Lansing, Kalamazoo, Bay City, Battle Creek, Pontiac, Jackson and Muskegon, together with extensive farmlands and much vacation country.

Dan E. Karn

Although industrial production is highly diversified, the automobile industry ranks first. The home plants of Buick, Chevrolet, Pontiac, Oldsmobile and GMC Truck and Coach are within our service area. Chrysler and Ford also are represented by large plants, and there are many producers of automotive parts and equipment. Non-automotive products of some of our larger electric and gas customers are chemicals, paper, packaged food, pharmaceuticals, furniture and machinery. In 1959 Outstate Michigan made a strong recovery from the recession of 1958. In the last two months of the year, however, the pace of this recovery was decelerated by the steel strike, which caused some manufacturers to suspend or curtail operations. A substantial amount of business which might have been transacted in 1959 now carries over into 1960.

In 1958 automobile companies in the United States turned out 4.2 million passenger cars. In 1959 it was about 5.5 million. The Commerce Department is forecasting 6.7 million in 1960. The automobile companies are similarly optimistic. If all this confidence is justified, Outstate Michigan can look forward to a busy and prosperous year.

Michigan's industrial centers, including Detroit, offer a ready market for the dairy products which are the No. 1 cash crop of Michigan farmers. Tourist and resort business in Michigan has been increasing. It is influenced by general business conditions, which, according to most economists, will be good in 1960.

The expenditure of approximately $104,000 for the expansion and improvement of company facilities is a reflection of the confidence which it has in the area which it serves. Considering the facilities required to market the new gas supply in 1960, together with continuing construction of electric generating plants, it is certain that total construction expenditures in 1960 will exceed those of 1959.

We plan to start construction of a 50,000-kilowatt atomic electric plant near Charlevoix, Michigan, next spring, and to go ahead with the installation of conventional generating units that will add 795,000 kilowatts of capacity by 1963. This will mean an increase of 35% in present system generating capacity.

The year 1960 will see the completion of the pipeline facilities needed to bring us a substantial supply of additional gas from Texas and Louisiana. This will open the way for more rapid expansion of our gas business, especially in the space-heating field.

FREDERICK R. KAPPEL

President, American Telephone and Telegraph Company

The Bell System had a successful year in 1959 and prospects for 1960 are good.

By successful I mean that people used more of our services than ever before—quite a lot more; we introduced numerous service betterments and also operated more efficiently; and we made a much-needed improvement in our level of earnings.

Frederick R. Kappel

The increase in telephones in 1959 will be well over three million. In fact, it is possible that the number may equal or exceed the previous record gain of 3,264,000 in 1946. Long distance conversations are up about 10% over 1958 and the total for the year will exceed three billion. By comparison, we handled about two billion long distance conversations five years ago and a billion and a half 10 years ago.

We expect continuing growth in service in 1960. This means of course that the Bell companies will keep on building a great deal of new plants. Construction expenditures for 1959 come to about $2¼ billion and our program for 1960, as we see it now, will be at least that much and maybe more. For this and later construction requirements, we shall continue to need large sums of new capital.

While 1959 earnings are not in at this writing, we expect them to be consistent with results for the first three quarters, and better than in 1958.

Long-run earnings prospects depend largely on two things. One is a climate for industry that will give business managers the encouragement and incentives to drive ahead and really perform. This applies to all industry but the point I want to emphasize here is that it applies full force to business under public regulation.

The second need is for all government agencies and regulatory bodies in particular to recognize that the public will get the best service or products at the most reasonable price if they will allow earnings that stimulate top-flight performance. We have been studying this question intensively, and the evidence is overwhelming that companies that show excellent profit records do the best job for their customers and employees, and as corporate citizens contribute the most to the community at large. This applies to all kinds of industry and the telephone business is no exception.

More and more I think the regulatory commissions and their staffs are recognizing the ties between profit, performance, and progress. However a few commissions still prescribe a very skimpy earnings diet. So a big part of our job ahead is to keep carrying the message that progress does depend on good profits, and prove it by performance. This we shall do in good faith and with full determination.

Aside from the growth of our business in 1959, examples of service improvement that I might mention include: a very broad enlargement of Direct Distance Dialing, which greatly speeds up service; opening of a second transatlantic cable linking this continent directly with continental Europe; and introduction of more convenient and attractive telephone instruments and systems for office use. We are giving special attention to the communication needs of our business customers and we expect to step up this effort in 1960. Also, while it is not possible in a brief statement to go into details of our defense work, I'd like to emphasize that we are constantly strengthening our network to be ready for emergencies, and increasing our ability to meet the most exacting requirements.

As I have indicated, we look for good business in the year ahead. However, I think all optimistic business predictions, and all the hopes of business to generate more production, employment, and prosperity, are wrapped up in the determination we display to keep inflation arrested, keep our dollar sound, and keep offering Americans good and attractive incentives to save and invest.

J. W. KEENER

President, B. F. Goodrich Company

Expanding markets both at home and abroad give the rubber and plastics industries cause for optimism on the physical volume of business during 1960. The continuing increase in the number of automobiles on the road means a higher sales of replacement tires, and rising living standards point to further increases in world consumption of rubber and plastics.

J. W. Keener

The United States will consume at least 1,600,000 long tons of new rubber in 1959, 17% more than in the recession year of 1958 and 5% above the previous high set in 1955. For 1960 the outlook is for an additional rise to an estimated total of 1,650,000 long tons, and the possibility of a consumption level as high as 1,700,000 long tons.

In other free world countries, demand for new rubber has been and is still growing faster than in the United States. Total consumption in the free world countries outside the United States in 1960 is estimated at 1,630,000 long tons, 5% more than in 1959. This does not include an estimated 425,000 tons of natural rubber expected to be imported by Iron Curtain countries.

Industry tire sales in the United States will set a new record of approximately 127,000,000 units in 1960. This will represent a solid 8% gain over unit sales in 1959, which also set a new record, besting the 1955 unit sales of about 112,000,000 by 5,000,000 units.

The 1960 increase will stem from a substantial pickup in tire shipments for new cars and trucks in 1960, added to further modest expansion in the market for replacement tires. Record sales of 67,500,000 replacement passenger car tires are expected for 1960, 3% more than in 1959. More than 45,000,000 cars will be two or more years old in 1960—the prime market for replacement passenger car tires.

Growth in the use of rubber for nontransportation products, such as hose, belting and footwear, has been averaging about 5% a year. This is well above the growth trend in total industrial production in this country. Rubber consumption in nontransportation products in 1960 is estimated at an all-time high of 610,000 long tons.

United States rubber consumption would have been higher in 1959 had it not been for strikes against three of the major rubber companies in the second quarter, and the steel strike's effect on automotive production in the third and fourth quarters. Intense competitive conditions led to a price decrease in replacement passenger car tires in the third quarter, in spite of higher wage and benefit costs, and substantially increased prices for natural rubber and certain other raw materials.

Under the stimulus of higher crude rubber prices U.S.A. consumption of synthetic rubbers reached a record proportion of 65.5% in 1959, and should creep higher still in 1960.

B. F. Goodrich, which owns jointly with Gulf Oil Corp. the largest general purpose synthetic rubber producing facilities in the world, recently opened special purpose synthetic rubber producing plants in Holland, Japan and England, all in association with companies in these countries.

During 1959 the company announced plans for construction of a plant in Australia to make Geon vinyl plastic raw materials. B. F. Goodrich Chemical Co. is, together with its associate companies in England, Japan, Canada, Mexico and Brazil, the largest producer of vinyl resins in the world.

CHARLES H. KELLSTADT

President, Sears, Roebuck and Co.

Prior to the steel strike there was danger that the high level of production in the first half of 1959 would result in an inventory accumulation so rapid as to cause a crest in the business cycle in late 1959 or early 1960. The length of the strike and the resultant depletion of inventories have removed these fears, and it now appears probable that 1960 will be a year of substantial increase in most areas of the United States economy.

Charles H. Kellstadt

The two major exceptions to this statement are residential building and farm income. In the case of the former, tight money is causing a lower level of starts; however, activity in other areas of construction will largely offset the decline in private residential expenditures.

Farm income is now comparing unfavorably against the abnormally high levels of late 1958 and early 1959. This comparison will also continue adverse, but with farm income now representing a much smaller portion of total personal income than was the case in years past, a major attrition to the economy is not expected from this cause.

Other areas, such as governmental expenditures (Federal, state and local), and private business investment in both new plant and equipment and inventory will provide substantial increases.

On the assumption that the steel companies and the union will reach a settlement during the Taft-Hartley "cooling-off" period and that no other major work stoppages will occur during 1960, an increase of about 8% to 9% in industrial production would appear reasonable this year. The rate of increase should be higher than this average in the first half and somewhat lower in the second. This will create a high level of employment and will produce a favorable climate for personal consumption expenditures during practically all of 1960, with the result that good gains in consumer spending for services and for durable and non-durable goods can be anticipated.

Although installment debt has already expanded considerably, the achievement of new peaks in the sale of automobiles and other consumer durable goods will require an even greater dollar flow of new installment credit next year than we have experienced thus far in the recovery since the 1958 low. Relative to the current and anticipated level of income, however, the net increase in debt will not be excessive by comparison with similar periods of the past decade and installment credit should continue as a positive force in the sales picture throughout 1960.

Because of steel shortages, durable goods, particularly automobiles, may get off to a slow start in the first quarter, but this will be made up in subsequent months and sales of all durable goods, including automobiles, may well approximate an 8% to 10% increase next year over 1959. Non-durables will also move ahead but probably at a more modest rate, and an increase of around 5% in the category is visualized. In both durables and non-durables, percentages of increase in the first half of 1960 will probably exceed those to be reported in the second half.

HOWARD KELLOGG, JR.

Chairman of the Board, Spencer Kellogg and Sons, Inc.

In forecasting the business outlook for the vegetable oil processing industry, several generalities must first be accepted if the final conclusions are to have any validity.

The political aspects surrounding our farm economy must be considered as following the same path as indicated during the year 1959. True, it is a major election year and there is no way of prognosticating what the electorate will do with respect to the very ticklish farm problem. We are beset on all sides with clamor for relief. The consuming public wants cheaper product prices in the form of beef, pork, poultry, bread and what-have-you. On the other hand, the farmer wants adequate return for his efforts. The farmer's net income has shrunk materially over recent years as a result of increasing costs for the articles which he buys, while at the same time the products which he sells have come down in value. Thus, the controversial parity ratio has sunk to prewar levels, with the month of October showing but 77% of normal. Admitted, that under such conditions the so-called farm bloc may exert enough influence on our political decisions to bring about some improvement in the farm picture. This could be done through higher support prices for articles such as wheat, corn, soybeans, flaxseed, etc. On the other hand, there may be controlled acreage in order to keep the farm output at reasonable levels. Or there may be some soil conservation program following previous patterns, but

H. Kellogg, Jr.

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on a larger scale. Let us assume from our standpoint, however, that the *status quo* will be maintained.

Next, we again have a factor influenced by Government policy, that is, disposal of surplus items such as soybean oil and cottonseed oil. For the current crop season, October, 1959 through September, 1960, it looks as though there will be so much surplus oil that it will be impossile to obtain adequate storage space in the event processors continue crushing at capacity. In the past, Public Law 480 operated to the advantage of vegetable oil processors in that such surplus oils have been shipped abroad in fairly large quantities. Even with this surplus disposal program in effect, the price of soybean oil, as an example, has declined rather sharply in recent years. If this program does not operate effectively this year, then the processor is going to be squeezed rather badly. Let us assume again that the programs in effect during the past year will continue for the coming year.

Under such a set of conditions, it looks as though the volume of the vegetable oil processor will remain at high levels. There is a slightly smaller crop of flaxseed and soybeans, but a larger crop of cottonseed, these three categories comprising the largest segment of the industry. Profits are not likely to be as large as last year unless full attention is given to each and every detail of our marketing problems. Government support of the raw material and lack of similar relief on end products which must meet the open market competition from other articles places the processor in a rather uncomfortable position. Secretary of Agriculture Benson has been doing his level best to lower supports and to get the Government out from under the farm program, but he has been only partially successful. Until his goal is eventually completed, the Government will continue to exert a major influence on the profit which the processor will receive on items sold in their crude state. Improvement over the latter is being sought constantly by upgrading end products of vegetable oils and vegetable oilmeals, and it is here that the greatest potential lies ahead of the processor. Vast amounts of money are being sunk in research, seeking improvement along these lines, and I feel confident that in the end the industry will be able to overcome the deficiencies imposed upon it by the artificial farm programs.

W. F. KELLY

President, The First Pennsylvania Banking & Trust Co., Philadelphia, Pa.

Chairman, Credit Policy Commission, American Bankers Association

The outlook for the principal industries and for general business conditions for the first six months of 1960 is generally excellent and bankers uniformly view the future with a degree of optimism that is unusual for these times. There are some differences between areas, but the outlook as a whole is one of confidence, although most all agree that the level of business activity during the first half of 1960 will be significantly affected by the labor situation in such critical industries as steel, copper and the railroads. Should a steel strike reoccur, it would be one of the most important factors shaping the course of business in the near future.

William F. Kelly

Credit Demand

It appears now that the first six months of 1960 will show a steady to slight increase over present levels for all commercial loans, as compared with a steady to substantial increase over the corresponding period in 1959. Loans to sales finance companies are expected to show a moderate to more substantial increase depending upon the effect of strikes. Less activity is anticipated in mortgage warehousing loans due to the tight money situation and secondary market conditions. No material change is looked for in the trend of term loans and a moderate increase is indicated for other commercial loans.

With settlement of the steel strike, all categories of consumer loans are expected to show an increase in 1960. Demand for bank credit is expected to remain strong, although there is evidence of greater selectivity in the granting of credits to various types of borrowers. Small business generally has shared in the overall increase in commercial borrowings during 1959 and the demand is expected to continue. Most bankers indicate that they will continue their policy of assisting all worthy small business needs in the future.

Interest Rates

The situation with respect to interest rates is expected to remain firm to slightly higher. The anticipated demand for credit is likely to produce a slight upward pressure on rates for some categories of loans, although a few States report that the maximum is now being charged under existing credit rate laws affecting consumer credit loans and, of necessity, rates on these loans will remain static.

Loan Turndowns and Credit Problems

On the whole, no appreciable change is noted in loan turndowns, although applications are being screened more closely. Credit reasons continue to be number one in order of importance as reasons for loan turndowns, followed by the tight money and the inflationary effect on the economy of the particular area.

Credit difficulties also vary from one area to another

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The Economic Outlook for '60

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gent imbalance in our work force that will cause some strains.

It is obvious that this will be a decade when we shall want to give serious attention to measures that will accelerate our rate of economic advancement. At the outset we should not overestimate how much we know about the sources of growing output. According to Fabricant, from 1889 to 1957 output grew at the average annual rate of 3.5%. An interesting conclusion from this study was that total inputs of capital and labor together increased only 1.7% per year. These data raise an interesting question: What were the sources of the other half of the gain in output during this period? A great many things suggest themselves—education, research, technological development, and other elements of intangible capital. But until we know more about this increase in output relative to measurable inputs, we cannot be very confident about our ability to prescribe a program for accelerating growth. Nevertheless, we shall clearly have to try.

Discusses Capital Formation Needs

While the enlarged increments to the labor force will provide some basis for an accelerated pace of economic expansion, we also know that any significant acceleration means a more rapid gain in output per man. And a necessary, though not sufficient, requirement for accelerating improvements in productivity is the allocation of a larger proportion of our output to capital formation. While estimation of capital requirements constitutes an area very much needing more research, it seems probable that our stock of productive wealth (including consumer and public capital formation) should rise by something between three and four dollars for each dollar increase in gross national product. If we were to increase the rate of economic growth by two percentage points above the historical three and one-half per cent per year rate, what would this imply for gross capital formation? This would mean, for an economy with a $500 billion GNP, that our goal for secular growth (some of next year's expansion being cyclical) would be $27.5 billion per year instead of $17.5 billion on the historical 3½% growth basis. This extra $10 billion of GNP growth would require additional gross capital formation of $30-40 billion—if we are talking about on-going economic progress and not just a short-run spurt. Adding two percentage points to our goal for annual economic expansion, in short, would require stepping up gross capital formation about one quarter above what normally might occur at this level of GNP.

This would require no small displacement of economic resources. Nor can we legitimately take refuge in the easy answer that we would obtain this extra capital formation by taking up the existing slack in our economy. Reasonably full utilization of our productive resources would be achieved with output only two or three per cent above present levels; and this would be only half of the first year's gross capital formation required. For some years, in fact, this more rapid rate of growth would have to mean less output available for non-capital-formation uses. Eventually, of course, the more rapid growth of total output would offset the effect of a lower proportion of GNP going for these other purposes. If achieving another 2% annual expansion in our economy required allocating another 7% of our output to gross capital formation, output for other purposes would have to be smaller than at the present 3½% growth rate for roughly the first seven years. Expanding our capacity to produce itself absorbs production, and during an interlude there would be less for other uses, not more.

Actually the pressures for heavy capital formation should be quite strong in the 'Sixties regardless of whether we set out consciously to step up our rate of economic growth. There will be incentives to relieve pressures on costs because of rising wage rates and, in some cases, more active foreign competition. And the more rapid growth in the labor force will require enlarged capital formation if we are not to lower the rate of improvement in output per man.

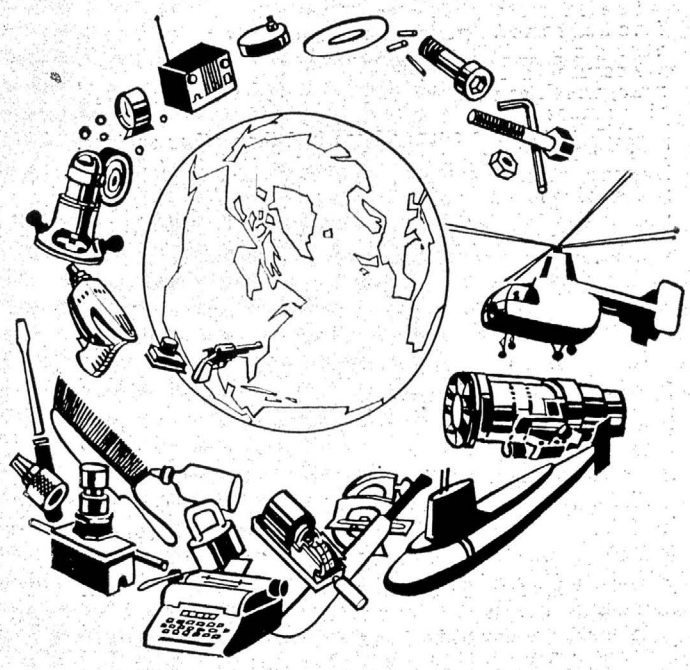
These potential developments carry with them some important implication for factor prices. For one thing they should exert some mitigating influence on wage rates. The continued rise of hourly earnings even during the recent recession at a rate roughly double the long-run growth in productivity pretty clearly indicates that there is more to this phenomenon of persistently rising unit labor costs than tight labor markets. But it is reasonable to assume that a 50-75% increase in the annual increments to the labor force will tend to exert some restraint on wages. On the other hand, the factor returns to capital may well be relatively high, particularly if we seriously set about to accelerate the rates of gain in productivity. It is to be hoped that we shall not introduce into the economy any unnecessary immobility through attempts to hold interest rate levels to some preconceived normative level. If one thing is clear it is that measures designed to prevent people from paying higher interest rates are more apt to prevent them from getting credit. And in the process there is forced resort to cumbersome nonmarket methods of allocating savings.

* * *

This review of forces likely to be influencing the course of the economy during the next year and during the next decade leads me to these conclusions. The expansion in demand that now seems to be shaping up for 1960 augurs well for a fairly full utilization of our resources, with a moderately higher cost-price level by the end of the year. As we look at the 'Sixties, at last close at hand, it is not difficult to see that amidst the growth which it should be our object to achieve, economists will continue to be struggling with the problem of scarce means relative to desired ends—this in spite of Wordsworth's indignant dictum that

". . . high Heaven rejects the lore
Of nicely calculated less or more."

*An address by Dr. McCracken before the joint meeting of the American Statistical Association and the American Economic Association, Washington, D. C.



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Connecticut today is a complex of thriving businesses . . . some of them born with the Nation, others making products unheard of ten years ago. These products enjoy a world-wide prestige because Connecticut ranks first in percentage of skilled workers to the total work force . . . because the state's many cultural, social, educational and recreational facilities attract and hold people who want to be a part of a lively, growing economy.

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but generally are confined to marginal firms with inexperienced or incompetent management.

With regard to collections, the highly industrialized areas affected by the steel strike report slightly higher delinquencies in consumer loans; no general trend is evident with respect to agricultural loan delinquencies, but in particular areas affected by adverse conditions, agricultural payments are slower. Some increase also is reported in certain sectors in real estate mortgage loan delinquencies.

Business Outlook

As of this writing, even with a steel strike still possible, there is a general feeling of confidence among bankers in the business outlook for the near future. Generally speaking, business conditions now are exceptionally good and prospects for the first half of 1960 appear equally encouraging. The rise of interest rates has not affected the demand for borrowed money and the volume of loans in all categories continues high. Most borrowers are now aware of the money situation, and the increase in interest rates is generally being accepted without adverse reactions. Some mild inflationary forces are still emerging, but such forces are not as evident as they were in the first half of 1959.

Barring extended labor trouble in early 1960, the trend of business activity is expected to be upward during all or most of 1960, although there is no evidence that anyone expects a boom on top of present levels.

W. DENIS KENDALL

President, American Marc, Inc.

Nineteen-sixty will mark the beginning of the decade of the small Diesel.

On land and on sea, the growing use of Diesel engines in low horse-power applications is making the manufacture of small Diesel engines one of the fastest growing power industries in the United States today.

W. Denis Kendall

In industrial and military applications, the small Diesel is beginning to repalce gasoline engines, particularly when durability and economy are prime factors.

At sea, in thousands of marine pleasure craft, today's Sunday sailors are turning to the Diesel engine because of the safety factor.

The Diesel engine, since it was invented some 70 years ago, has advantages found in no other engine.

Because of its high compression ratio, which can be as much as four times that of a gasoline engine, Diesels exact more energy from fuel than other engines. The fuel itself costs considerably less than gasoline. Because of their high compression ratio, Diesels are necessarily made of stronger metals. These make them considerably more durable than other engines. This, and the fact that there are fewer moving parts, also means fewer maintenance problems. All these factors add up to tremendous economy advantages.

A major advantage to owners of Diesel powered marine pleasure craft is the absence of fire hazard, long considered a prime menace to boaters.

This danger is eliminated in boats with Diesel power because Diesel fuel is non-combustible outside the combustion chamber. Diesel economy is yet another important consideration to the boat owner who is able to travel farther on fuel costing as much as three times less than marine gasoline.

These Diesel facts are becoming known to industry, as well as to people of average income who are joining the nationwide movement to recreation at sea.

In the military, and in industry, the experience of American Marc over the past five years bears out my belief that we, in 1960, are entering the Diesel decade.

In our first year of business, four years ago, American Marc sold a mere 33 small, lightweight Diesel engines. In our 1958-59 fiscal year, the figure was 2600, and we expect to sell twice that many during this fiscal year.

In January, American Marc will create an entirely new American industry when it begins production of the world's first Diesel outboard motor. In late 1959, we had firm orders on hand for 60,000 marine Diesel outboards.

Equally encouraging is the entire picture of the marine pleasure craft industry, which American Marc became a part of this past summer when it introduced the country's first complete line of Diesel powered boats.

Today, there are 7.8 million owners of pleasure boats in the United States. By next year at this time, the figure will be more than 8.2 million.

I firmly believe that a greater percentage of these sales will be in the Diesel powered field, as the advantages of the Diesel become better known, particularly among the engine-wise skilled workers of America, who today make up 32% of the boat owning population.

The use of Diesel engines in combination with electric generators is also growing, particularly in the armed services. Here, the demand is for equipment that can stand up under rugged field conditions. The fact that Diesels can operate on jet fuel, now more readily available than gasoline at many military installations is another reason why the Defense Department is ordering more Diesels to power equipment such as field communications and lighting systems and in radar installations.

The Diesel engine industry, born in horse and carriage days, is starting its period of greatest growth in the space age.

ALLEN S. KING

President, Northern States Power Company

Northern States Power Company had another successful year in 1959 with operating revenues increasing for the 26th consecutive year.

Our service area of some 40,000 square miles centers around the Minneapolis-St. Paul metropolitan area but extends from western Wisconsin through southern Minnesota into the southeastern corner of South Dakota and also includes the three largest cities in North Dakota. In this area where NSP serves over 860,000 utility customers, principally electric and gas, there is a wide diversity of industry and agriculture without any single predominating industry. The benefits of such a wide diversity of businesses have again been apparent as we look back on 1959 operations. The disruptive effects of the steel strike, which produced a minor industrial recession in many parts of the United states, had no apparent effect on our over-all industrial sales.

Allen S. King

The commercial and industrial customers of NSP recovered in the year 1959 from the slowing down experienced in 1958. Kilowatt-hour sales to manufacturing and industrial customers increased 12% in 1959 compared to 3% in 1958. The sales to department stores, shopping centers, office and business buildings, hotels and the like were up 17% in 1959 compared to 9% in 1958.

For the NSP territory, the year 1960 should be one of expanding business activity and general prosperity for both individuals and business firms. Construction of numerous commercial and industrial buildings is indicative of the growing space requirements of many businesses. Residential building activity will probably continue at nearly the high level established in 1959. As measured by our increase in residential customers, it appears that in 1959 we will show a gain of more tnan 15,000 customers, but for 1960 we estimate a gain of slightly under 15,000 customers. In considering new residential construction prospects for 1960, we feel that present levels of mortgage interest rates will have only a slight retarding effect on new home construction in our area.

Total electric energy sales of NSP for 1959 showed an increase of about 10% compared with a 3½% increase in 1958. For 1960 we are anticipating about an 8% increase over 1959. Our long-term rate of growth is just over 7% per year, which is equivalent to doubling every 10 years. The outlook for 1960 places the sales on the long-term trend line following the slowing down in 1958 and the bulge in 1959.

As we take a longer look into the future, we see many factors that contribute toward an increase in use of electricity year by year. Among the most important of these factors are the ever-growing population, the expansion of the use of electricity in the home, the establishment of new businesses and industries, and the introduction of automatic controls and machinery. We can foresee no significant change in these factors in our area for several years to come.

Because this future growth will impose continually increasing demands for electric service, we are now making definite plans to be ready to meet such demands. In 1959 we placed in service a generating unit of 176,000 kilowatts of capability and will place a similar size unit in service in 1960. Actual construction on our 66,000 kilowatt atomic Pathfinder plant near Sioux Falls will begin this year, and the plant is scheduled for completion in 1962. For future steam power plants, we have acquired sites at Red Rock, south of St. Paul, and an island in the Mississippi River close to Red Wing. These sites were acquired in order that they may be available when we need to build new plants 10 years hence.

We have confidence in the prosperity and growth of our service area and will always be ready to supply its electrical requirements.

S. M. KENNEDY

President, Consolidated Foods Corporation

Placed in its proper perspective, 1960 is the launching pad from which we will propel our nation's economy into a decade that has already been termed "The Soaring Sixties . . . an era of great expectation." Economists for the most part agree that 1960 holds great promise for our country. Therefore, we will be off with the proper start.

S. M. Kennedy

The food industry did well in the so-called recession of 1958 and fared even better in 1959, in spite of the national steel strike. Food executives invariably believe the food business will be good in 1960, and foresee a steady, healthy growth in the 60's.

There will be the shadows of continuing problems in 1960. I refer to the inflationary forces, a possibility of further labor-management strife in an effort to cut back on featherbedding and to hold the line on unwarranted wage increases, the tight money situation, Treasury financing problems, international economic relations and many others. Outweighing all of these will be such favorable factors as a further increase in the nation's population and family formation, plus an additional gain in the level of income and money available for discretionary spending.

While it seems apparent that the food industry is in an extremely favorable climate for continued growth and development in 1960, and I sincerely believe it is, that in itself does not automatically guarantee the progress of individual organizations since the success of each company will depend on how astutely it capitalizes on this favorable climate to solidify and expand its share of the market.

The food industry will have its share of special problems that always add new hazards to business. The cranberry incident will not be easily forgotten. The further time-consuming and costly investigations of government committees and agencies must be patiently endured. There are others, including the ever-growing competition of non-food lines for the food dollars.

Competition within the industry will continue to be keen. To aid them in this fierce competitive struggle, many food firms will make greater use of modern marketing tools to provide them with sales increases. Through the proper utilization of up-to-date marketing procedures, progressive companies will gain a competitive edge, partially because they will be in a more advantageous position to solve the problem of obtaining necessary sales increases while simultaneously keeping prices down and maintaining adequate profits. Playing a key role in these achievements will be an intensified use of automation and tighter production and accounting controls.

During 1960, the manufacturing end of the food industry will undoubtedly devote increasing expenditures to the research and development of an ever-expanding array of new and improved products since these innovations have proved the life blood of the modern food business. High priority on the new product list will be given to those items which offer greater convenience to today's busy homemakers. In addition, processors will give greater attention to developing improved case and packaging designs which will lend themselves to easier handling, quicker identification and more attractive displays.

At the retail level, 1960 should see more merchandising activities centered around promoting convenience items and fancy foods, plus non foods, since these products offer operators excellent possibilities for an improved sales and profit picture.

In addition to the foregoing developments, the new year will find the food industry as a whole placing greater emphasis on the further training and improvement of its personnel since, in the final analysis, informed, well-trained people are the heart of any successful operation.

In conclusion, 1960 should produce a further acceleration of the trend toward more harmonious cooperation among all segments of the food business. Through such cooperation the entire industry will be in a better position to take advantage of the many opportunities for growth which lie ahead in the ensuing months.

MAXWELL C. KING

President, Pacific Finance Corporation

Further increases in the use of consumer credit and a continued upward trend in the economy are in prospect for 1960, provided there is no repetition of the disruption brought on by the prolonged steel strike in the last half of 1959. The finance industry should benefit by an increase of about $3 billion in consumer installment credit outstanding to a level of around $42 billion. This will not be as great an increase as in 1959, when the gain in outstandings amounted to $3.6 billion by the end of the third quarter. The decelerated rate of gain and the supporting structure of an increasing level of disposable personal income and rising production will keep credit on a sound basis. Disposable personal income should reach an annual rate of around $360 billion in the fourth quarter of 1960, compared with an estimated $341 billion in the fourth quarter of 1959. The production index, which reached a high quarterly average of 153 in the second quarter of 1959 before dropping back as a result of the steel strike, can be expected to advance through 1960 to a fourth quarter average of about 159.

Maxwell C. King

Estimates set passenger car production by American manufacturers in 1960 at 6.7 million, an increase of about 22% over 1959 production. Retail sales have been estimated at between 6.3 and 6.8 million units. Both levels would be the second highest on record, topped only by 1955's production of 7.9 million cars and sales of 7.1 million. Increased sales of used cars can also be expected as more late models come into the market. It can be expected that 60% to 65% of the new cars and more than half, perhaps 60% of the used cars will be purchased on the instalment plan.

Boat financing, which has been one of the most rapidly growing segments of the industry, should continue to grow in 1960. Total dollar volume for retail sales of new boats, motors and trailers in 1959 is estimated at a record $465 million. Following the pattern of automobile sales, the proportion of outboard boats and motors sold on time has been in an upward trend and is currently at between 58% and 60%. The rising trend of instalment credit outstanding on mobile homes is also expected to continue. An estimated 85% of mobile homes are bought on the instalment plan. An increase of 5% to 7.5% in furniture volume is forecast for 1960 and sales of appliances are expected to be about 7% beter than in 1959. Improvements in these

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lines should all be reflected in finance industry reports since, according to the latest available figures, 55% of furniture buyers and 52% to 55% of appliance buyers are credit customers.

Increased emphasis on the use of credit through advertising campaigns, the entry of more businesses into the credit field, and the broadening of credit services will intensify competition. With no present indication of any softening of interest rates or greater availability of money, however, it is unlikely that the increased competition will result in more favorable credit terms for the consumer. The extension of credit during 1960 may, in fact, be on a somewhat more selective basis than during the past year.

DONALD S. KENNEDY

President, Oklahoma Gas & Electric Company

The outlook for a continuation of the upward trend of business in our service area looks favorable for 1960. Although the estimates show a slight slowing down in the rate of growth, the entire area we serve in Oklahoma and Western Arkansas shows great vitality in a growing economy. Residential and commercial building are both active and many new or expanding industries are adding to employment and income. Some of the larger developments are as follows:

Donald S. Kennedy

Western Electric, the manufacturing subsidiary of AT&T, expects to open its plant in Oklahoma City by the spring of 1960, which will employ 5,000 persons in the manufacture of dial switching equipment for long distance telephone service. This is reported to be a $35 million plant.

Ideal Cement Company has just completed a $20 million expansion program at its Ada, Oklahoma plant, increasing its capacity from 2½ to 5½ million barrels annually.

Construction has begun on an addition to the Dixie Cup Company plant in Fort Smith, Arkansas, which will add 266,000 sq. ft. and nearly doubles the size of this plant.

Blue Bell, Inc., the world's largest manufacturer of work and sport clothes, has announced the opening of a plant in Seminole, Oklahoma, to employ 275. This is the company's third plant in Oklahoma.

International Harvester Company is constructing a new plant and warehouse of 80,000 sq. ft. in Oklahoma City.

Many other industries are expanding their facilities in our service area. These include:

Aircraft	Furniture
Brick and tile	Glass
Containers	Meat packing
Cotton seed oil	Oil pipe lines
Flour milling	Oil refineries
Food processing	Steel

A number of large shopping areas are being constructed in the towns we serve. The largest is the Penn Square Center in Oklahoma City, which will have more than 500,000 sq. feet. of building space with parking for 5,000 cars.

Oklahoma Gas and Electric Company completed a 240,000 kilowatt addition to its Mustang Generating Plant near Oklahoma City last summer, bringing the total system capability to 1,138,000 kilowatts. The company expended $80 million in new construction during the three-year period ended 1959, and we estimate construction expenditures during the next three years will amount to approximately $60 million.

WILLIAM G. LAFFER

President, Clevite Corp.

Clevite Corporation last year enjoyed the best sales and profits in its history. Though consolidated figures are not yet available, sales should be in the neighborhood of $82 million, and earnings something in excess of $3.00 per share. This compares with sales of $63 million and earnings of $1.60 per share in 1958.

What's ahead? First, the general climate of business should be good. Second, we feel that from a financial, operating and marketing point of view, we have never been stronger.

Last year's steel walk-out is affecting a segment of our business today. In the last quarter of 1959, some of our automotive customers had to slow their lines or close down their plants for lack of steel.

For suppliers like ourselves, the results were the postponement of components orders. However, loss of production resulted in the depletion of new car stocks at the dealer level and today, cars must be produced not only for sale, but to replenish inventories. A first quarter build of perhaps 2.5 million cars and trucks seems likely. For the full year, Detroit is predicting a total of 6.8 million cars and 1.2 million trucks.

With the total automotive market significantly larger than it was last year, our sales of engine and transmission bearings, rubber-and-metal suspension parts and other automotive components should reach new high levels.

All signs point to an increased pace in the other areas of the economy in which we are interested. In 1959, the automotive market provided little more than one-third of our total sales. An almost equal dollar volume came from electronics.

Growth rates of the electronics industry are much higher than those in the automotive business. By management policy, each of our major electronics units has concentrated in specialized areas of its large potential market. As a result, each has a leading position in its chosen fields and is operating at good sales and profit levels.

Our three product divisions are transistors and diodes, instruments, and piezoelectric products. Of these divisions, Clevite Transistor, the country's largest producer of gold-bonded computer diodes, should show the largest gain in 1960.

The remainder of our domestic business covers a broad spectrum of industry, ranging from replacement parts to original equipment components for farm, railroad equipment and consumer durable goods producers. New and improved products should help us earn good increases in this section of our business.

In addition to 13 plants in the United States, Clevite owns and operates plants in Canada and Germany. We have an interest in a small British electronics company, and royalty and licensing agreements with bearings and electronic companies in Brazil, Mexico, Australia, England, and several other European countries.

In brief, Clevite is in excellent condition and is selling a wide range of products to well-diversified markets. We think new records are likely in both sales and profit in 1960.

RALPH LAZARUS

President, Federated Department Stores, Inc.

We are looking forward to an 8% sales increase in the first six months of 1960, including the operations of new units other than the recently acquired Rike-Kumler division of Dayton, Ohio, whose sales appear in our figures for 1959 as well as 1960. An anticipated increase in disposable income and a continuation of the pattern of "trading up" to better quality merchandise are expected to be important contributing factors in the increase in sales volume.

Ralph Lazarus

Sales increases are expected to extend over both soft and hard goods lines. The increase in sales of soft goods probably will be slightly higher than in hard goods because of an anticipated decrease of 10% to 15% in new home starts in the Spring of 1960.

Federated stores in cities with substantial employment in capital goods industries should exceed the average national gain as this segment of the economy is expected to be on a strong upswing during the first half of 1960.

Similarly, our stores in cities with important steel fabricating industries should show slightly larger gains reflecting the recovery from steel shortages which resulted in some unemployment in steel fabricating industries.

At Federated, we plan to continue our program of balanced development of downtown parent stores and suburban branches. We believe our outlook for long-range growth continues to be favorable and 1960 should see a continuation of the steady upward trend that has characterized Federated's past record.

JOSEPH B. LANTERMAN

President, Joseph B. Lanterman

Substantial increases in sales and earnings, further product diversification and marked progress in our long range plant expansion program, all contributed to make fiscal 1959 a satisfactory year for American Steel Foundries.

Joseph B. Lanterman

Although the steel strike adversely affected last quarter operations in our fiscal year ended September 30, 1959, net income increased to $7,168,027, or $5.30 per share, from $4,524,393, or $3.50 per share, earned a year ago. This amounts to a gain of 51% in per share earnings. Sales of $112,311,287 in fiscal 1959 rose 19% from last year's volume of $94,543,123. Our third quarter earnings of $2,773,000 were the highest for any three-month period in the company's history and except for the steel strike this record would have been equaled or bettered in the last quarter of the fiscal year.

Our diversification program, which was launched shortly after the War, was continued and a breakdown of this past year's sales testifies to the program's effectiveness. Approximately 59% of total sales was accounted for by our traditional business—railroad equipment—while the remaining 41% was made up of a diversified list of non-railway products, including roller chains and sprockets, coating and wrapping pipe, hydraulic machinery, boring mills and industrial steel castings. This broad sales spread is in sharp contrast to the early postwar period when only 10% of our sales were to non-railway customers.

Our product list was expanded further when in June we acquired South Bend Lathe, Inc., of South Bend, Indiana, which for more than half a century has been a leading producer of precision metal-working lathes and other machine tools and accessories. We consider the growth prospects of the South Bend subsidiary to be excellent and its operations should have a healthy effect on future earnings.

Our long-term plant improvement program is also continuing at a good pace. Capital expenditures in fiscal 1959 amounted to over $8,000,000, or about $3,000,000 less than the record-breaking additions made in 1958. A major portion of this outlay covered the following projects: completion of a new steel wheel plant at Transcona, Canada; construction of a research laboratory at Bensenville, Illinois; conversion of a sand molding plant in East Chicago, Indiana, into a shell molding plant, and conversion of a chilled iron wheel plant in Council Bluffs, Iowa, to the manufacture of cast iron pressure pipe. Manufacturing of this new product line will begin in February. The balance of our capital expenditures went for cost reduction projects and several important new processes.

Present plans call for a record $12,000,000 to be spent on plant additions in 1960, or approximately 50% more than was spent during the past fiscal year. One of the major items in the current year's program will be the

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The Plastic Wire & Cable Corporation

Manufacturers of Electrical Wires, Cables and Cord Sets

Jewett City, Conn.

Fiscal Year	Net Sales	Net Income (as amended)	Average Number of Shares Outstanding During Year	Net Income per Share
1950	$ 2,920,320	$ 63,587	99,500	$ .58
1951	5,972,228	252,275	99,500	2.30
1952	9,226,499	374,813	101,792	3.35
1953	8,567,520	278,957	108,667	2.33
1954	6,202,502	248,967	133,327	1.87
1955	8,512,565	322,548	147,663	2.18
1956	11,427,775	682,404	164,861	4.14
1957	12,302,916	754,656	178,208	4.23
1958	10,093,714	303,313	186,594	1.63
1959	12,311,796	462,934	197,382	2.35

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building of a new steel wheel plant in Bensenville, on which construction is scheduled to start before June 1.

As for the year ahead, the outlook seems excellent. Our order backlog on Oct. 1, 1959, which marks the start of our current fiscal year, amounted to $34,000,000, compared with $21,000,000 a year ago. Expectations are that the railroad industry will order as many as 60,000 new cars during 1960 (compared with about 50,000 in 1959). This, together with the improvements expected in our other lines, indicates that prospects for 1960 are highly favorable.

From a long range viewpoint, the outlook is equally bright. Particularly encouraging is the fact that the Controlled Pressure Pouring Process of our wholly-owned subsidiary, Griffin Wheel Company, may have application in the steel industry for the manufacture of such semi-finished steel products as blooms, slabs, billets and tube rounds. The process is now used principally in the production of steel freight car wheels. This month operations will begin at the new pilot plant at Bensenville, Illinois, where the application of the process, to other than wheels, will be explored. The United States Steel Corporation is experimenting with our process and within a year or two it will be known whether a feasible and efficient method of producing semi-finished steel products can be developed.

JOHN A. LAWLER

President, Aeronca Manufacturing Corp.

Nineteen sixty for the aircraft industry promises to be a year of major adjustments to the declining proportion of manned aircraft with the increasing necessity for production of all types of missiles. Adjustments in production schedules and allocation of funds may be expected to cause concern to many established aircraft manufacturers who will find new and related fields of action to absorb their productive capacity. The field of general or utility aircraft production shows a healthy growth picture and should present opportunities for further development in 1960.

John A. Lawler

Efforts to spread Aeronca's interests started a few years ago and progress has been made each year since. Presently, Aeronca spreads its production knowledge from space travel to kitchen sinks . . . from missiles and manned aircraft. As a result, 1960 should be a good business year for Aeronca. It will be a year of expansion and growth . . . of change and progress. A strong sales program is planned, and we anticipate further moves into the commercial business field.

Our commercial work may be strengthened substantially in February if the shareholders of Aeronca and Buensod-Stacey of New York approve the Board of Directors' agreement to merge. Buensod-Stacey, one of the nation's best air conditioning installation and design organizations, will become a division of Aeronca and bring with it at least $12,000,000 in commercial sales. With the support of the research and development which Aeronca can add to Buensod-Stacey's "know-how" Aeronca will be able to increase these sales and to better the product. Buensod-Stacey was organized in 1935, and has two principal fabricating plants at Charlotte, N. C. and the Bronx, New York City. The executive offices are in New York City.

Other commercial work for Aeronca is being done at the Metal Products Division in Middletown, Ohio. The new and exciting stainless steel "Swirl-Flo" sinks are among the principal products of this division.

Along with its interest in the commercial field, Aeronca, like the nation, is basing much of its future development on its ability in the space program.

The responsibility for that development for Aeronca has been placed with the Aerospace Division of Baltimore, Md. While the name is new, this organization has been associated as a Division of Aeronca for more than five years. During that time it has developed ground support equipment for the Talos and Atlas missiles, designed and supplied electronic devices such as a range safety beacon encoder, a power distribution panel and an infra-red tracking system. These and other projects placed Aeronca squarely into the missile field.

Presently, under the technical direction of Dr. Peter A. Castruccio, Aeronca is well into the planning for important moves into space and onto the moon and Mars.

At the Aerocal Division of Torrance, Calif., and the Middletown Division, Aeronca is engaged principally in manufacturing large subassemblies for military and commercial jet aircraft.

At Middletown, production includes training target missiles and subassemblies, air transportable shelters and ground support equipment for missile and electronic applications. Aeronca today is the largest producer of brazed stainless steel honeycomb structures in the industry, and is engaged in further advanced research and production of ceramic adhesive sandwich and development of production processes in exotic metals such as beryllium and others.

The Aerocal Division is also producing air vehicle structures and missile assemblies for the nation's defense effort, while conducting a strong program of research in such exotic materials as molybdenum, Rene 41 and Vasco-jet for their incorporation into production processes.

In its combined divisions, Aeronca has the facilities and the management team to continue to be a leader in the nation's defense effort both for manned aircraft, missiles and space travel activities. It will continue to take "giant steps" into commercial fields, however. Through this diversification effort also, Aeronca will be in a positive position to grow in 1960 and for many years to come.

HOWARD F. LEOPOLD

President, Ero Manufacturing Co.

There is every indication that 1960 will be a good year for the automobile seat cover industry. This judgment is based in part on the expectation of successful sales of 1960 model automobiles, and more particularly on the auto industry's estimate that 1¼ to 1½ million of the new domestic economy cars will be sold. But it should be understood that the principal auto seat cover market is represented by the 67 million cars already on the road. These cars, every two to three years, become potential customers for restoring their interior attractiveness inexpensively with seat covers.

Howard F. Leopoid

Some 25% of new cars are ordinarily outfitted with seat covers, principally clear plastic covers to protect the interiors of higher priced models without hiding their luxurious upholstery. Also, more than 80% of new car purchases involve tradeins, with the traded car usually dressed up by the dealer with new covers. To this extent, new car sales are a factor in seat cover volume. On the other hand, economic forces tend to keep more of the older cars on the road when new car sales are down, thus acting as a built-in compensator for the seat cover industry.

This year, however, new car sales promise to provide more than just the frosting on the cake for seat cover business. The new economy cars, in fact, are the first new major market for the seat cover industry in a number of years. To begin with, the smaller autos will to a considerable extent be "second" cars for families purchasing them, thus increasing total auto industry sales. Even more significantly, seat covers will be sold to perhaps 40% to 50% of economy car buyers, who will use decorative covers to improve the utilitarian upholstery of the lower priced autos. This is virtually double the percentage of new cars now using seat covers.

The increasing number of foreign cars on the road has also created a substantial new market for custom-made covers. We expect foreign cars to represent 10% of Ero's growing made-to-measure business. Since Volkswagens and Renaults contribute 50% of foreign car seat cover volume, we may in fact begin to offer ready-made covers for these two makes during 1960.

Other factors also contribute to our expectation for a good year for Ero, which should increase its share of the broadened seat cover market. Our national chain of Protecto franchise auto specialty stores, established in mid-1958, enjoyed considerably improved sales in 1959 over the initial period of operation. New stores added during the year will in turn reach higher sales in 1960, and we plan to open 20 or more additional units. Two seat cover businesses were also acquired in Texas during 1959; they will aid Ero's further penetration of the Southwest in 1960, which will be additionally implemented when new manufacturing facilities are completed in the area in February.

Ero's diversification in other lines will also bear fruit in 1960. With the increase in leisure time and the high level of personal income, we look for a banner year for our health and sporting goods products. These sales in 1959 increased almost 40%. Marine products — Coast Guard-approved life jackets, floating boat cushions, and lightweight life belts and vests for water skiers—are expected to respond to the increasing interest in boating and aquatic sports. Renewed interest in home exercising is having a favorable effect on our exercise machine sales. Our volume in insulated winter underwear for sportsmen, which jumped almost 100% last year, is expected to continue upward with the current development of the market to include outdoor workers. We also made a successful entry into the central states barbell market during 1959. While shipments did not begin until late in the first half, volume was nevertheless impressive. With a substantial freight advantage in our market area, we expect full year sales in 1960 to make a major advance.

A national metal furniture sales organization was absorbed late in 1959, the principals of which were placed in charge of a new division to market the combined metal furniture lines of Ero and the acquired company, as well as Ero's Relaxon hassocks line. Sales of these products in 1960 are expected to reflect both the acquisition and the strengthened sales organization.

Realignment of our manufacturing facilities will provide a major cost-cutting advantage in 1960. The fourth addition in seven years to our Hazlehurst plant enabled us to sell a former plant in Philadelphia during 1959. As a result of lower production costs at Hazlehurst, we can ship more economically to Eastern Seaboard customers from the southern facility. Full benefit of this shift will be realized in 1960. Moving our Texas operations into a leased special-purpose plant to be completed in the Greater Dallas area early in 1960 will cut manufacturing costs by approximately 40%. Increasing use of automated office equipment will act to hold other costs in line.

We also expect to continue our policy of adding items to our line which can be manufactured on present equipment and marketed through present distribution channels. There is as much room for individual growth within the present economy as potential for further growth of that economy. Rising costs can be fought, and competition is not new in America; 1960 offers promise, and every year demands unremitting effort.

ELMER L. LINDSETH

President, The Cleveland Electric Illuminating Co.

The Cleveland-Northeast Ohio area, as one of the nation's major steel centers, of course felt the impact of the 1959 strike. However, the effect on business generally, despite the complete shutdown of all steel mills in the area, was less severe than might have been anticipated.

Elmer L. Lindseth

The reason for this lies in the constantly growing diversity of the region's economy. Since World War II Northeast Ohio, in addition to expanding its steelmaking and steel fabricating facilities, has seen many millions of dollars invested in new plants for chemicals, rubber and plastics, and other non-ferrous products.

In addition, the area's commercial activity, which has greatly increased in importance during recent years, did much to offset the strike's effects. Thus, total unemployment during the strike period at no time exceeded 5%.

With the resumption of steel operations, the area's economy responded vigorously. By the end of the year, weekly power requirements were within about 4% of pre-strike levels, and other indicators confirmed that Northeast Ohio's economy generally had returned to the high mid-year level.

The first year's operations of the St. Lawrence Seaway saw an estimated 200,000 tons of foreign shipping handled at the Port of Cleveland, almost triple the 1958 tonnage. With the continued expansion of Ohio's network of multi-land highways, the Seaway will become more accessible to an ever-widening hinterland, and take on an increasingly major role in the Northeast Ohio economy.

Traditionally, Ohio's rate of growth parallels that of the nation as a whole in regard to both population increase and industrial expansion.

The outlook for Northeast Ohio in 1960 is for continued growth in both these respects. Significantly, Lake County, adjoining Greater Cleveland, is the fastest-growing county in the state. The entire four-county area expects to receive its full share of the 8% increase in industrial production forecast for the nation in the year ahead.

The area, although intensively industrialized, still has much prime land available for factories, commercial establishments, and homes. The various communities which make up the region are keenly aware of the importance of bringing in new businesses to fill these sites, and are determined to maintain the good business climate which has long been an Ohio asset. Many local organizations contribute to a continuing nation-wide program of publicizing the area's manifold advantages as an industrial location. This program will be carried forward vigorously in 1960, and all possible assistance provided to businesses interested in locating here.

In sum, Northeast Ohio, long advertised as "The Best Location in the Nation," looks forward to a resumption in 1960 of its long-term trend of continued growth and increasing prosperity.

WILLIS G. LIPSCOMB

Vice-President, Traffic and Sales, Pan American World Airways

The year 1960 will see the world shrunk by 40% as Pan American World Airways links the United States by jet service with the major centers of industry and commerce throughout the world. Pan American recently announced additions to its round-the-world jet service, to its jet schedules to the Caribbean, to European cities, and to points in the Pacific, including Sydney, Australia. During the peak transatlantic period next summer, Pan Am flights will be made almost totally with jet aircraft.

Willis G. Lipscomb

For the year as a whole, Pan American expects to offer 25% more passenger capacity and about 34% more cargo capacity than it did in 1959.

New lower bulk cargo rates in the Pacific, effective Jan. 1, lower commodity rates in the Atlantic area and a transatlantic 500-kilo bulk rate giving a discount of 35% from the one-kilo rate, should stimulate a considerable increase in the use of air cargo by shippers and importers in the United States and throughout the world, Pan Am said.

The tendency, noted over the past decade, toward an increased length of the average trip, will be accentuated by the jets. With round-the-world trips now possible in 59 hours on an all-jet schedule, and once difficult and long trips to places like Australia and South Africa, now made quick and easy, more and more travelers will visit these formerly distant lands.

These advantages of jet travel will help to fill the jet capacity to be offered in 1960 by airlines now taking delivery of the new equipment.

Another major inducement to travelers would be a worldwide economy fare. The airline submitted proposals for such a fare at the International Air Transport Association meeting in Honolulu last fall and says it will press for such fare reductions at future meetings. Pan Am, by pressing for a worldwide economy fare, said it is following its traditional low-fare policy. This policy culminated in the first overseas tourist fare in 1948, to Puerto Rico, in a tourist fare across the Atlantic in 1952, and in the transatlantic economy fare in 1958.

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HOMER J. LIVINGSTON

President, The First National Bank of Chicago, Chicago, Illinois

Since the resumption of steel operations on November 7, the economy has demonstrated again the same remarkable degree of resiliency which has characterized the post-strike periods of the past. The settlement of the strike announced on January 4 removed one element of uncertainty —the possibility of another protracted interruption in the production of steel. This should be helpful to the economy and contribute to a resumption of the upward trend that marked the first half of 1959 until it was interrupted by the steel strike. Yet to be determined however, are the cost-price adjustments that may flow from the strike settlement.

Homer J. Livingston

Although farm income and housing starts are expected to continue to decline, there are two basic and widely accepted reasons for the view that business in 1960 will be good. One reason is inventory accumulation. Currently inventories are at relatively low levels. In the past year, for example, sales have risen about 7%, whereas inventories have increased only about 4%. In addition, the steel strike arrested the growth of inventories and caused them to decline as businessmen were unable to replenish stocks which they sold. This suggests the likelihood of substantial inventory buying in the months ahead as businessmen attempt to replenish stocks depleted during the steel strike and to keep them in line with rising sales. Such inventory buying should be reflected in a further rise in new orders, revised production schedules and higher output.

A second factor contributing to the satisfactory outlook picture, is the anticipated rise in business spending for plant and equipment which is indicated by current surveys. Expectations are that the rise in business spending will accelerate in the months ahead. Initially, greater emphasis will be on purchasing new equipment and machines in an effort to reduce costs. As sales rise and operations approach capacity, expenditures for expanding plant output also will tend to rise. Because of these developments, it may well be that present estimates of business spending may prove to be too low, for as overall economic activity rises, businessmen tend to spend more than they originally planned.

As a consequence of these two factors, the total value of the output of goods and services of the nation are likely to move up considerably in 1960, especially in the first half of the year. Furthermore, the physical output of our factories, mines and utilities will rise sharply. Employment, incomes and corporate profits will continue their upward trends and reach new high levels. In these circumstances, the upward trend in evidence during the past year in the buying of consumer durables, such as automobiles and appliances, is likely to continue.

One manifestation of the anticipated high level of business activity will be a strong demand for credit. This demand for loans, coupled with the probable continuation of the present restrictive credit policies of the Federal Reserve System, suggests that credit will be tight and interest rates firm and under some upward pressure.

EVERETT J. LIVESEY

President, Dime Savings Bank of Brooklyn, N. Y.

The home building industry and the millions of people dependent on it face serious economic trouble as a result of the Federal Government's tight money policy, coupled with the Treasury's draining of savings from private channels by offering to the public, government obligations with high yields.

Everett J. Livesey

The amount and cost of home financing throughout 1960 depends entirely upon policies pursued by the U. S. Treasury, the Federal Reserve Board, the Congress and the housing agencies.

I can see no appreciable easing of the tight mortgage money market in the immediately foreseeable future, despite what some people say.

In fact, the already tight situation was made tighter only a few days ago when the U. S. Treasury, for the second time in three months, drained off millions of dollars that would have found their way into the mortgage market. We have no assurance that the Treasury will not do the same thing again in the months that lie ahead.

Lending institutions cannot compete for savings against a 5% return on one-year money.

We in New York, and institutions in several of the other states, are competing for the depositors' dollars with the stock market, with mutual funds, with high-yielding government securities, and with thrift institutions in other parts of the nation which are permitted to pay substantially higher dividends or interest to depositors than is the case in New York and some of the other states.

The mortgage-lending institutions of the country were still suffering from the effects of the Treasury's sale to the public of 5% notes last October when the Treasury again, on Jan. 12, permitted the public to subscribe to an offering of one-year bills yielding slightly over 5%.

Considerable time will be required for individuals' thrift accounts—the primary source of mortgage funds—to build up enough to offset the deposit losses from those two government financing operations alone, to say nothing of withdrawals for other reasons.

The mutual savings banks in New York State are exerting every possible effort to keep money flowing to the home building industry. No large individual advance commitments can be made, but available money is being spread around judiciously so that the greatest possible number of builders can continue their operations.

Most of the mortgage money now being loaned in downstate New York comes from re-investment of funds received as payments of principal and interest on existing mortgages.

In the coming year, conventional loans probably will constitute the major portion of the home mortgage volume because interest rates on government-backed loans are completely unrealistic in relation to the Federal Reserve Board's 4% rediscount rate which has forced all interest rates up.

In this connection, the inconsistencies of Congress and the housing agencies are adversely affecting the home construction industry and home buyers. What good is a 5¼% interest rate on VA-guaranteed mortgages when no loans can be made on that basis in the face of higher rates all along the line, except at substantial discounts? For the same reason, the 5¾% FHA-insured mortgages are proving increasingly unattractive.

It is generally believed that the Federal Reserve Board will soon increase its rediscount rate again. If this is done, we can expect even tighter money.

Inability to obtain financing under the Veterans Administration home loan program, except at almost prohibitive discounts, has severely reduced the mass market for moderate-priced homes. And of course the reduction in volume has reduced employment in the construction industry. As money grows tighter, we can expect this condition to spread to other sectors of the housing market.

New York lending institutions—particularly the mutual savings banks—are making more and more use of the liberal provisions now in the State Banking Law which permit 30-year 90% loans on a conventional basis. This is particularly important to that large part of the new home market consisting of families who sell existing homes and buy larger, more modern dwellings. We have found the lending operations under this law extremely sound and desirable and unhesitatingly recommend it to all other states.

Because of the Federal Government's tight money policy, we have already experienced a sharp decline in housing starts. The decline in construction volume, and employment, will become much more serious during 1960, providing Congress and/or the housing and other government agencies and departments do not take a more realistic view of the industry's needs and of present economic conditions.

DONALD C. LUCE

President, Public Service Electric & Gas Co.

During 1959 new records for demand and for output of both electricity and gas were established. The unusually hot weather of late summer resulted in a record peak load on Sept. 9 of 2,597,000 kilowatts, 11% higher than the 1958 peak load. On the same day, a record day's output of 45,976,800 kilowatthours was established, 12% above the 1958 record day. A maximum day's send-out of 5,554,082 therms of gas occurred on Jan. 5, 1959, and exceeded the 1958 maximum day's send-out by 9%. Output of electricity reached 12.7 billion kilowatthours, and a total of 806 million therms of gas was sent out during the year, 10.3% and 3.8%, respectively, above the 1958 amounts. During 1959, approximately 30,000 and 13,000 new customers were added respectively, to the company's electric and gas systems. Public Service now supplies electric service to about 1,400,000 customers and gas service to approximately 1,100,000 customers.

Donald C. Luce

To provide facilities to keep pace with the continually increasing demands for electricity and gas in the area it serves, our firm contemplates expenditures of about $140,000,000 to $150,000,000 for new construction during 1960. This will mark the fifth consecutive year the company's construction expenditures have exceeded $100,000,000 and will bring to more than a billion dollars the amount expended for additions and improvements to plant and equipment since 1951.

Additions to the company's generating facilities include three major projects. The Bergen Station in Ridgefield, New Jersey, estimated to cost nearly $110,000,000, is nearing completion. One 290,000-kilowatt turbine generator is in operation and the second unit of similar capacity will be placed on the line early in 1960. The Mercer Station, located in Hamilton Township near Trenton, in the heart of the Delaware Valley, will cost approximately $130,000,000. There the first of two 320,000-kilowatt turbine generators is expected to be placed in operation in 1960, and the second, of similar capacity, in 1961. At the existing Sewaren Generating Station, near Perth Amboy, work has commenced for the installation of a turbine generator of 342,000-kilowatt capacity. This unit, to cost more than $66,000,000 and scheduled for service in 1962, will raise the station's capacity to 817,000 kilowatts, the largest in the company's system. Upon completion of the new facilities at these three stations and after retirement of some older generating units at Marion Station, the company's total installed generating capacity will be 4,054,000 kilowatts, an increase of almost 60% over the capacity on Jan. 1, 1959.

A program for construction and reinforcement of major high-tension transmission lines and switching facilities, at a cost of almost $40,000,000, is under way in order to insure the most effective use of the company's generating facilities and to maintain high standards of reliability of service. Among the new switching stations

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WWP CUSTOMERS...

living better, working better, building better

...*ELECTRICALLY*

The average residential consumption of electricity by WWP customers has reached a new all-time high of 8,740 kwh annually. In the past year, natural gas customers increased more than 25%. Still, demands for more WWP electric and gas service continues in this eastern Washington-and northern Idaho area — an area with great industrial potential, and abundance of raw materials, great rivers of clean water, and room for growth and development. The WWP Company continues its aggressive building program to assure new industry a dependable, economical supply of electricity and natural gas.

THE WASHINGTON WATER POWER COMPANY

Serving eastern Washington-and-northern Idaho since 1889

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under construction or scheduled for the near future are those located in Gloucester and East Rutherford for service in 1960, and Aldene switching station in Clark Township scheduled for service in 1961. Just placed in operation is the $6,000,000. Newark switching station, with an ultimate capacity of 330,000 kilovolt-amperes, located close to the city's central business district.

In addition, the company will expand its distribution facilities with the installation of 22,000 new electric meters, 2,000 miles of overhead and underground wires, 5,000 additional distribution transformers, 5,000 new street lights, and 8,500 additional poles during the year.

The company's program of converting customers' appliances from mixed gas operation to the use of straight natural gas in certain areas will be continued in 1960. About 42,000 additional customers will be affected, principally in the New Brunswick area, and by the end of 1960 more than 560,000 customers, or nearly one-half of all customers in the company's territory, will be served with straight natural gas.

More than 35,000 gas heating customers were added during 1959, bringing the total number to approximately 280,000, and it is anticipated that by the end of 1960 the company will be serving about 310,000 heating customers. Plans for gas distribution facilities to meet the increased demands of present customers and to provide service to an expected 30,000 additional gas heating customers include the installation of approximately 285 miles of gas mains, 22,000 services, and 27,000 meters during 1960.

While the impact of strikes on business during 1959 in certain areas of the country was severe, sales of electricity and gas for industrial purposes in the area served by Public Service were only slightly affected, demonstrating again the benefits of this area's wide diversity of industry. The 1960 outlook for business in this area is also favorable, and we are confident of its continued growth and development because of the unique location of the area served by Public Service Electric and Gas Company between New York and Philadelphia and its excellent transportation facilities, diversity of industry and commerce, extensive research centers, fine cities, shopping districts, and residential suburbs.

ROBERT S. MACFARLANE

President, Northern Pacific Railway

Northern Pacific was headed for an exceptionally good year in 1959 when the steel strike began in the third quarter to cut into our traffic and operating revenues. Furthermore, 1959 agricultural tonnage was down from 1958 because the crop in our territory was substantially below the above-average 1958 yield.

Robert S. Macfarlane

In spite of these setbacks it appears, as this is written late in November, that we still will exceed 1958 earnings, when net income of $22,011,976, equal to $3.68 a share, was the highest in 15 years. The extent of the increase depends largely on the cost of restoration of our right-of-way in the Cascade mountains which was heavily damaged by western Washington's worst flood in 27 years. This will have a heavy impact on November and December operating expenses.

In the face of a labor crisis in our own industry, Northern Pacific is looking to 1960 with what might be termed cautious optimism. Counting carry-over items, our budget for improvements and new equipment will exceed 1959 and will permit continuation of an aggressive freight car building program, laying of a substantial amount of rail and ballast, extension of centralized traffic control and purchase of additional diesel locomotives.

Anticipated reduction in new construction will cut our lumber tonnage and the decline in housing starts and leveling off in business in the agricultural and lumber producing areas are expected to affect some of our "manufactures and miscellaneous" traffic adversely. However, other tonnage in that category, such as canned goods, frozen foods, paper products, automobiles and parts and iron and steel should move in increased volume. Iron ore and coal tonnage also is expected to increase as should piggyback and other forwarder traffic.

Timely fall rains have greatly improved moisture supplies and the general agricultural outlook in our territory, both in the Pacific Northwest and in our Eastern areas. The rains have brought fall seedings of winter wheat and rye up to good stands and have promoted root and crown development—always a good omen for next year's crop. Livestock population is up and feed supplies appear adequate.

Addition to a fleet of new all-room Slumbercoaches to our transcontinental Vista-Dome North Coast Limited on Dec. 1, 1959, is expected to have a salutary effect on our long-haul passenger business. These new Pullman-operated cars make it possible for passengers to buy private room sleeping accommodations on a coach ticket. This economically priced service is expected to attract travelers from other modes of transportation.

Substantial non-rail income from oil, timber, real estate rentals and iron ore royalties should help make possible a satisfactory year for Northern Pacific if business generally recovers early in the year from the effects of the prolonged steel strike.

H. E. MacDONALD

President, Household Finance Corporation

A considerable part of the year 1959 was a year of adjustment for consumer finance companies. This resulted from the fact that the effect of the business cycle on such cash lending agencies lags significantly after changes in general business conditions. Thus, although the upturn in business is generally thought as having occurred in about April of 1958, it did not come for consumer finance companies generally until about a year later.

H. E. MacDonald

American families have shown an exceptional record in living up to their obligations. However, during periods of significant unemployment, many families find it difficult or impossible to meet their obligations on schedule. Thus, like other companies in its field, Household's over-due accounts rose significantly during 1958 and remained at a higher than normal level during the first half of 1959. Its charge-offs of accounts believed to be uncollectible were also at a higher than normal level for a considerable period of time after employment generally began to improve. The net effect throughout much of the first half of the year was adverse, both with respect to number of accounts on the books, and the total amount of loan account.

During the second half of the year, families turned increasingly to Household to secure funds with which to set their financial house in order as they became more fully assured of their future regularity of income. This process was retarded somewhat by the unemployment in some areas incident to the steel strike.

We ended the year 1959 with about 1,590,000 accounts on our books, totaling about $610,000,000—an increase of about 6.5%. The unpaid balances of these loans average about $385.

We now have 1,018 offices serving families in 712 cities in 41 states, and in all 10 provinces of Canada. During 1959, we opened 60 new offices—47 in cities not previously served. Both Montana and Alabama adopted small loan laws during the year, thus providing effective protection to their citizens for the first time. We opened offices in Montana during the course of the year. The Alabama law came into effect just recently, and we are now in the process of opening offices in that state.

We are approaching the completion of a modernization program begun almost 10 years ago—during the course of which many branches have been relocated in modern shopping centers and in other concentrated retail service areas. We will continue to open new offices wherever favorable opportunities appear, and to modernize and relocate offices wherever the public can be better served.

We believe that 1960 will witness a continuation of Household's growth.

EARLE J. MACHOLD

President, Niagara Mohawk Power Corp.

America's investor-owned utilities were a growth industry through the 1950's and there are many indications that their progress will be accelerated in the next decade.

There are at least two factors that point in this direction of greater progress. First, the coming "population explosion" will mean more customers and a greater rate of increase in total demands for electric power and natural gas. Secondly, there is the industry's more aggressive effort to find new and profitable loads.

Earle J. Machold

Nation wide, the promotional efforts of the Edison Electric Institute, the American Gas Association and large manufacturers, are achieving greater scope and vigor than ever before. These programs are a great stimulus to individual utility companies who are likewise stepping up their efforts to secure new uses and greater markets. Throughout the 1950's, the utility industry made huge capital investments in new facilities, particularly in electric generating capability. For many systems, this physical expansion will continue, with increased emphasis on transmission capacity. Everywhere in the industry, there will be an intensive effort to load every line and pipe to maximum capacity in order to achieve an adequate return on this tremendous investment.

Ten years ago, relatively few electric utilities were interested or in a position to promote electric home heating. In the next decade, a drive for this potential market will spread across the industry. Likewise, in the electric and gas industry the emphasis will be on complete use of services. The electric industry's emphasis on the "total electric home" is typical of this trend.

The postwar growth of the natural gas load has been tremendous. Even where there is high saturation, there is plenty of opportunity for further expansion. Gas utilities and pipe line companies are cooperating to establish storage fields near local markets. This will be a factor in further growth of markets, and there will be new emphasis on gas space heating and air conditioning.

The most serious obstacle to the progress of the utility industry continues to be rising costs of operation. Rate relief, if achieved at all, usually lags behind the need and only partially offsets higher costs.

The utilities are attacking this problem from two directions. One is to increase total revenues through greater customer use, the other is operate more efficiently and economically. The power plants of the future will exceed even the higher efficiencies achieved by those built in recent years. There will be a much greater use of automated equipment, particularly the application of electronic computors to complex operations, such as customer billing and system power dispatching.

A huge tax load and the threat of more government competition will continue to burden the industry in the future. However, there are some encouraging signs. It is evident that the public and lawmakers are more aware than they have been that it does not make sense for government to tax an industry to the limit and then compete with it. As tax burdens on the individual increase, there should be an even greater reluctance by voters to approve tax-free power projects.

A major goal of the electric utility industry is the economical development of nuclear power. This has been undertaken on an industry-wide basis, in cooperation with the Atomic Energy Commission and large manufacturers. It is a sound approach that will achieve maximum benefit to customers and investors, and there will be an all-out effort to achieve this goal in the present decade.

The outlook for the utility industry in the 1960's is highly favorable. It will continue to be a growth industry and once again will set new records in customers, output and revenues.

ROBERT T. MARSH, JR.

President, First & Merchants National Bank of Richmond, Richmond, Va.

The rapidity and scope of the broad recovery of business in 1959 from the 1958 recession surprised many of the forecasters. As we enter a new year, there seems to be almost unanimous opinion among businessmen and economists that 1960 will witness new highs in gross national product, personal incomes, business profits and unfortunately in consumer prices. In such an atmosphere, where demand for bank loans will exceed the supply of new funds, additional loans will be added to an already high level, causing a continuation of the very tight money conditions which have prevailed for the past six months or more. The Federal Reserve authorities will maintain a restrictive policy and may even increase discount rates. Many loan requests may have to be rejected. In my opinion, nothing approaching a "panic" will take place, however.

R. T. Marsh, Jr.

We do not live in an absolutely controlled economy but the money managers have great powers. The administration also has great powers. It is obvious that these powers will be used fully to keep business booming in an election year.

DR. W. G. MALCOMB

President, American Cyanamid Company

I am confident that in its 1960 operations the chemical industry will experience definitely favorable comparisons with 1959 and in so doing will reach many new peaks in production and sales. However, it seems equally likely that chemicals' year-to-year gains during January-June will surpass those of the second half.

Dr. W. G. Malcolm

The first of these projections stems from two considerations. One is the likelihood that the nation's total output of goods and services this year — its gross national product — will forge substantially upward, certainly exceeding the $500 billion level. This conclusion is supported by the confident attitude prevalent among businessmen as evidenced in their currently planned new capital investments. The chemical industry now anticipates its own such expenditures will run 24% over last year. The second reason is my belief that the basic underlying factors causing our industry to grow nearly three-fourths again as fast as all industrial production over the long term will continue to exert their influence this year. For example, tremendous amounts of capital expended on research and development, long characteristic of the chemical industry, have yielded new products numbering in the thousands, as well as quality improvements and new applications for many existing products. No slackening in the rate of these outlays is likely, if for no other reason than the highly competitive nature of our business. Drugs, plastics and synthetic fibers are just a few familiar areas where new breakthroughs in 1960 are distinct possibilities.

My other projection—smaller year-to-year gains after midyear—is attributable to another characteristic of the chemical business. The diversity among our products, and the customers who buy them, is so great that we are not only a keystone of American industry but a mirror reflecting fluctuations in virtually every sector of manufacturing, mining, agriculture and construction. Some industries, notably home building, have already shown evidence of slackening activity during 1960. In most others, though, an anticipated rebuilding of depleted stocks by producers and users of steel and in some soft goods industries (e. g., rubber and textiles) should support first-half industrial production, and therefore the chemical industry, at very high levels. However, in the latter half of the year these extra-

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ordinary pressures will gradually be dissipated, to be replaced by the more moderate forces, and gains, associated with "normal" economic activity. Moreover, for the chemical industry this half-to-half tapering off in demand will be accentuated in comparisons with the 1959 pattern, which was steadily upward throughout the year.

E. S. MARSH

President, The Atchison, Topeka and Santa Fe Railway System

The Sante Fe has embarked upon a $100-million capital expenditure program in 1960. This $100-million program is larger by some $13 million than for any prior year, and compares with expenditures of approximately $60 million in 1959. The 1960 program divides about equally between new equipment and improvements to roadway and other facilities. It includes 227 miles of new and heavier rail of the continuous welded type; 60 new 2,400 horsepower freight diesel-electric locomotive units; sizable expenditures in connection with Arizona line change projects; 50 new baggage cars; about 2,500 new freight cars, part of which are already in production schedules; construction of a new modern freight house at Kansas City; consolidation of freight yard facilities at Brownwood, Texas; installation of microwave communications at various points; further installations of centralized traffic control and traffic reversal signaling; and other projects.

Ernest S. Marsh

This program is designed to meet continuing growth of population and industry by providing modern facilities to perform an adequate and efficient service and to produce the most economical operation in order to help keep abreast of constantly rising costs of doing business. Inflation continues to be a most serious factor affecting the future of industry and employees.

We expect an improvement in the volume of business in 1960 from increased industrial production and agricultural conditions which are generally favorable at this time with adequate moisture in most areas served by the railroad. We are in a new era of railroad transportation in which faster and more dependable service is attracting additional traffic. Improved forms of piggyback service hold promise of still greater increases in that type of business, and further development of this service in shipper and public interests depends upon final approval of tariffs by regulatory authorities.

There are still inequities facing the railroad industry that should be cleared through legislative action to give the railroads equal competitive opportunity. Among the important items in the railroads' legislative program are repeal of the agricultural commodities exemption or its extension to non-motor carriers; elimination of artificial barriers that prevent transport diversification by railroads; full repeal of the 10% excise tax on passenger transportation, which is scheduled to be reduced to 5% on July 1, 1960; revision of depreciation policies in respect to railroad plant and equipment.

On the controversial "featherbed" issue in current rail labor negotiations, the Santa Fe is merely looking at the situation as its exists today and not criticizing or attacking anyone or any group over happenings of the past, certainly not our faithful employees who are doing an excellent job under the rules of the game. Our attitude is that laws and regulations which are so outmoded by the passage of time and technological advances in this changing world should now come under review for appropriate modernization and improvement, just as we have modernized and improved the facilities and operations of the railroad.

MORTON D. MAY

President, The May Department Stores Company

We expect 1960 to be an excellent year for department stores. While the economy was temporarily slowed down by the steel strike during the last half of 1959, the currently depressed state of inventories should have a strong upward influence on retail sales if peace is restored in the steel industry and no other major labor stoppage occurs.

Morton D. May

Hard goods showed surprising strength in 1959, but we do not believe there was enough time prior to the steel walk-out to satisfy the pent-up demand created by the 1957-58 recession. Retailers can look forward to substantial increases in sales of consumer durables.

The continuing improvement in soft goods, an area in which department stores are strongest, should lead to better profit margins during the coming year. Apparel lines are expected to make the best sales gains. The trend toward branch store development will continue through 1960 and beyond, although department store chains are undertaking major modernization programs for their downtown stores. Today May Department Stores derives about 40% of its sales from branch stores and we expect this figure to be 50% in the not too distant future. As pioneers in branch store development, we believe that a combination of strong downtown stores and well-located modern suburban stores is necessary to compete successfully in a large metropolitan area. It is significant to note that as more and more branches are added in a given area, less sales are diverted from the downtown store. In fact, as urban renewal programs are completed over the next few years and attract people back to the cities, the downtown stores can look forward to increased business despite the continuing decline in their percentage of total department store volume.

At this time it is difficult to determine the general effects of higher interest rates on retailers' expansion programs during the next few years. Fortunately, the May Company recently concluded arrangements for a $50 million mortgage loan. This, coupled with our substantial cash flow, will provide us with adequate funds for our program without recourse to equity financing. We have four new stores under construction and six more in the planning stages. During 1960, new stores are scheduled to open in the Denver, Cleveland and Washington, D. C., areas, and a new store in San Diego should be completed in 1961.

A significant development in the department store field is the growing use of extended credit plans. Under these plans, a customer can pay a bill within 30 days without charge or schedule repayments over a longer period and pay interest on the unpaid balance. This should be an increasingly important sales stimulant in the coming year as well as a source of income.

WALTER P. MARSHALL

President, The Western Union Telegraph Co.

Western Union expects its revenues and earnings in 1959 to be the highest in its 109-year history.

Preliminary estimates are that operating revenues for 1959 will exceed $275,000,000 compared with $255,138,709 in 1958. Income from operations for 1959, after taxes, is expected to approximate $16,000,000, equal to about $2.50 a share. In 1958 income was $11,926,596, or $1.89 a share.

Walter P. Marshall

The leasing of private wire and data processing systems to industry and government continued to be the fastest growing segment of Western Union business in 1959. It is estimated that this business now produces revenues at an annual rate of nearly $55,000,000, or nearly 20% of the company's gross revenues, as against $41,551,702, or 16% of gross revenue in 1958. This business, still rapidly increasing with extensive systems being leased to industry and government, will continue to rise in 1960. In 1961 two nation-wide data transmission systems will be placed in service for the U. S. Air Force. They will add more than $15,000,000 annually to the telegraph company's private wire revenues.

One of these systems will require construction of a new coast-to-coast microwave system, in one of the largest single microwave projects ever undertaken. It will provide facilities of such magnitude that the broadband data requirements of the Air Force and 12,000 telegraph circuits could be operated simultaneously. This vastly augmented circuitry will be available to Western Union for use in leasing new private wire and data processing systems as well as for telegraph message, facsimile and other new services.

Among the private wire systems installed or expanded in 1959 were networks for U. S. Steel, United Air Lines, Dun & Bradstreet, the U. S. Air Force, Bache & Company, Marine Midland Company, The Bank Wire, American Standard and International Paper Company. Most of these new systems are engineered to accommodate the transmission of data as well as ordinary communications.

Intrafax, the facsimile systems leased to business and government users, now produces more than $2¼ million annually. The first nation-wide high-speed facsimile network was installed in mid-1959 for the Strategic Air Command. This 12,000-mile system links 57 weather stations at air bases throughout the nation for transmission of large weather maps.

On Dec. 1, Western Union inaugurated Public Facsimile Service, called "Wirefax," linking New York, Washington, Chicago, Los Angeles and San Francisco. This new service provides facilities for public use for the transmission of full-page communications, letter-sized documents, drawings and other recorded data.

During November and December of 1959, Western Union completed extension of Telex service coast-to-coast from New York and Chicago to Los Angeles and San Francisco. By the end of 1960 the Telex network will link 54 major cities in the United States, Canada and Cuba. Telex permits the user to dial other subscribers in eight seconds or less for instant, two-way, automatic telegraph communication at special time distance rates.

Western Union's planning for 1960 is for continued growth and expansion in the private wire, data processing, facsimile and radio beam fields. During the past 10 years the company has spent more than $35,000,000 for research in creating, perfecting and advancing facilities, methods and techniques for rapid transmission of messages and data by wire, microwave and cable. It currently spends from 1½ to 1¾% of gross revenue in development and research. An indication of Western Union's planned expansion is the recent $60,000,000 standby bank credit negotiated in November.

A. H. McDOWELL, JR.

President, Virginia Electric & Power Company

The expansion of existing manufacturing industries, coupled with the continued increased growth of new enterprises in Virginia, has become a manifestation of the State's economy. Virginia, realizing a steady upward trend in population, with ample space for expansion, and a prime geographical location near the markets of the Northeast, Midwest, and deep South, should continue to develop economically during 1960.

A. H. McDowell, Jr.

In Virginia, 1960 should be a notable expansion year, and from a conservative point of view should continue the general upward climb in our over-all economy, with no anticipation of a tremendous surge in any one segment which might outbalance our existing growth pattern. The expansion programs of manufacturers, an increase in retail buying, and the growing demand for services continue to support the high level of business activity. Industry in Virginia is well-diversified in chemicals, textiles, lumber, tobacco products, min-

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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

AMERICAN NATURAL GAS PRODUCTION COMPANY

AMERICAN NATURAL GAS COMPANY GAS 1901

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

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erals, paper, and paper products, these being major categories. These industries, many of which were founded in the era of World War I, have noted a continuous upward expansion trend. Supplementing those employed in the manufacturing groups were those employed in the wholesale and retail trade which is the largest single nonmanufacturing employer. As a matter of interest, Virginia's business activity of nonfarm employment, in October, 1959, exceeded all previous records.

No single manufacturing group dominates the State economy. The various components have furnished, and should continue to furnish, a sound economic foundation.

The raw materials in Virginia are being continually utilized to a greater advantage. Nearly one-third of those employed in manufacturing are in those groups which depend upon agricultural products as raw materials, or as a market for finished products.

In looking back over this past year, additional industrial expansions and the resultant additional employment have outnumbered the new industrial plants which in itself is indicative of industry's satisfaction with Virginia's business climate. We believe that Virginia will share liberally in the enlarged economy which has been predicted nationally for 1960.

Vepco's belief in the future of our area is shown by our large construction program. Construction expenditures for 1960 are estimated at $58,600,000, and the company plans to expend about $60,000,000 annually for the ensuing three or four years on new construction. The construction figures for 1961 and beyond may go as high as $75,000,000 annually if the Federal Power Commission approves the company's application to build a 200,000-kilowatt hydro station on the Roanoke River, near Gaston, N. C. The above expenditures include additional generating capacity of 625,000 kilowatts. When these units are completed in 1962 Vepco will have a system capability of over 2,600,000 kilowatts.

The company is experiencing growth in the number of residential, commercial, and industrial electric customers now totaling over 735,000 and gas customers of over 97,000. These customers are continually increasing their requirements for electricity and gas which is the basis of our planning for future demands.

We in Virginia are looking forward with anticipation to 1960's potential business activity.

FRANK McLAUGHLIN

Chairman of the Board, Puget Sound Power & Light Co.

What is the electric industry's outlook for 1960? Just as its record has been—good! Why is this? Because it has always been bold and imaginative in measuring up to its full responsibilities of supplying the people the highest quality of service at the lowest possible cost.

Frank McLaughlin

The electric utility industry has grown over the years to become a central pivot of the entire economy. Through ceaseless research the challenges of new horizons are constantly being met and the future brought ever closer, as witness the present efforts to successfully develop atomic energy for peaceful purposes. A bulwark for national safety and security—a self-starter in the planning and building of new industries—a never ending supply of energy for the satisfaction of human wants—are mighty ingredients that make for a Richer, Fuller, Better Life for all.

Anything so basic as electric service must of public necessity be enabled to be healthy and to thrive. It would be catastrophic if the electric utilities were in any way prevented by man's short-sightedness from being strong and dynamic. To fulfill their responsibilities, utilities must be maintained in sound financial health through adequate rates and other means.

It is clearly evident from a survey made in mid-1959 by Louis Harris and Associates that the prevailing demand of the people of the Puget Sound-Cascade region is for continuation of the era of cooperation between public and private electric utilities. What is more, there is further evidence that the public will not tolerate any efforts to upset or change this balance.

The Harris report stated:

"There is a deep-seated belief among better than three out of every four people surveyed that the way to better meet the power needs of the region and to develop the local economy to its fullest extent is to have all private and public electric utilities work together in close-knit cooperation. Back in 1957, sentiment for this approach existed by a 5-to-1 margin. Today, in 1959, it has risen to 7 to 1.

"Underlying this deep-felt sentiment for cooperation is an equally powerful public aversion to the whole idea of Public Utility District condemnation actions. By a 3-to-2 count, people in the region say that they think past condemnations have done more harm than good. And by a 2½-to-1 margin, the public feels that the right to condemn another utility's property is not sound or desirable. By better than 5 to 1, people say they are opposed to PUD Commissioners taking condemnation action.

"The significance of these results can not be underestimated. Taken together, they constitute a well-thought-out, carefully considered and deep-seated philosophy on the part of the public about power in the region. People believe that they have now seen and experienced the fruits of cooperation in power. They are convinced that the partnership idea will work. They sense that the alternative is a return to the days of bitter conflict and struggle which set back electric power progress in the region for so many years.

"The people are also in this survey expressing a warning to any agency or company which will upset the hard-won gains of partnership. Clearly, they see the condemnation actions of Public Utility Districts as having a seriously harmful effect on electric service they receive. Overwhelmingly, they reject the idea of further invasions of other companies' or agencies' territories by other utilities.

"The central focus of current public concern is not in the electric power area at all. People feel that the path of solid progress has been clearly marked in the positive steps toward partnership, and this they want continued in most certain terms."

In a second survey made at the same time, the solid base of public confidence in the Company and the quality of service provided emerged most clearly:

"In 1959, we find that 94% of the customers of the Puget Company express the belief that service is outstanding. As a result of this satisfaction with service, it comes as no surprise that Puget, along with Boeing Airplane Company, is named as the company doing an 'outstanding job' in building the area in which it operates. Thus we find a remarkably high degree of identity of the Puget Company with the well-being and future of the area.

"Underlying all of this record of solid achievement and the promise for the days that lie ahead is a continuing and abiding confidence of the public. In Puget Sound Power & Light Company's own operating area there have been dramatic and salutary changes in public attitudes toward private electric service. All in all, the survey results augur well for the future of both electric power and of the Puget Company specifically in its own operating territory. It points to a cumulative and substantial reservoir of confidence that its own customers have in a progressive and reliable neighbor—a veritable cornerstone in the economic life of the people.

"We would conclude, therefore, that Puget Sound Power & Light Company has earned and attained a high place in the esteem of its own customers. Clearly, this is an uncommon achievement for a company. It has not been won easily, and by the same token it will not be dispelled overnight. However, its very basis rests in the continuing of the kind of modern, progressive service that has marked Puget's past performance."

In the light of the foregoing, is it any wonder that Puget faces the future with confidence in the fairness, strength and resourcefulness of the people and with the knowledge of their basic respect for the freedom and dignity of the individual, and for human growth?

L. F. McCOLLUM

President, Continental Oil Company

The year 1959 witnessed further improvements in the petroleum industry; demand increased to a more normal rate; profits improved generally, although not adequately; and industry seemed to be getting its house in better order. Despite this obvious improvement, investors maintained a generally pessimistic attitude, both on current conditions in the petroleum industry . . . and on the outlook for the future. To a lesser degree, these pessimistic views have been shared by a few members of the industry itself.

L. F. McCollum

Worldwide, the basic reason for these views is, of course, the present overcapacity in crude oil production. Domestically, this problem has been augmented by the continuation of the upward trend in finding, development and operating costs, and by what some outsiders call, and admittedly with some justification, inventory mis-management. The problem of overcapacity in crude oil production, and for that matter in other fields of domestic activities such as refining and marketing, is not peculiar to the oil industry alone and has not arisen overnight. In similarity to any other business, the petroleum industry must recognize the fundamental principle of economics that demand should determine volumes of production.

In 1959, the U. S. petroleum industry was fortunate in that domestic demand for petroleum and its products was about 4% above the 1958 level. This increase is in line with the long-term trend and has taken place despite the slowdown in general business activity which was attributable to the steel strike.

The increase in demand mentioned above caused an increase in 1959 domestic crude production of about 5½% from the previous year. However, full benefits of these larger volumes have not been reflected in oil companies' earnings because of continuous weaknesses in refined products prices.

So much has been said and written lately about poor inventory management in the petroleum industry that no further reference to this subject is needed here. It is encouraging to note, however, that during the closing months of 1959 refinery runs were held at more realistic levels. This brought about some improvement in inventories, but the situation at year-end still leaves much to be desired. Unquestionably, as more people in the oil industry become cognizant of the need for a sound and intelligent approach towards inventory controls on an individual company basis, the problem will get nearer to its solution.

The industry is making significant progress in solving another of its major problems—that of steadily mounting costs. This is evident from the improvement in oil companies' earnings which occurred in 1959 despite the abnormally low refined products prices. It is encouraging to review the progress of the industry's cost reduction efforts. In the producing side of the business, greater emphasis is being placed on wider well spacing and increased use of secondary recovery techniques. Automation is being applied with marked success to the operation of pipelines and refineries. Marketing operations are coming under closer scrutiny, with emphasis directed toward more volume through fewer outlets. Successful implementation of these and other approaches should improve profit margins and assure continued availability of the capital required for the maintenance of a dynamic industry both in this country and abroad.

For the next few years, greater proportion of domestic investments will be devoted to reducing costs and improving efficiency rather than to the addition of plant capacity. As in the past, competitive forces within the petroleum industry will work to bring about technological efficiencies and better products at reasonable prices to the consuming public. Gasoline prices, excluding State and Federal taxes, have increased less than 4% over the past 10 years. During the same period, the price of bread has jumped 40%, milk 23%, and rent 31%. State and Federal taxes on gasoline have increased 55% since 1949, and now represent on the average about 47% of the retail price and 85% of the wholesale price of gasoline at the refinery.

A third major industry problem concerns natural gas. There has been a slight upward trend in prices received by the producers of natural gas during 1959, yet inadequate to provide sufficient incentives to assure satisfactory supplies in the future. The inadequate prices being received by the producer for natural gas will ultimately bring about shortages. Until this is felt by the consumers and distributors, increases in natural gas prices will continue to be slow.

Throughout its 100-year history, the oil industry has faced and solved a great many problems such as those associated with wars, political upheavals, and threatened shortages of oil. There certainly is no reason to believe that the industry cannot solve the present problems. Perhaps the greatest single factor which will reduce today's oversupply is the steadily increasing desire of the world's population for more oil. Every year the demand for oil in the Free World is increasing by well over a million barrels daily. This growth in demand, accompanied by the best management of which our industry is capable of exercising, will go a long way in helping to reduce surplus capacity.

The problem of overcapacity — that much discussed problem child of today — will, like many problem children, grow up to lead a useful life. Today's overcapacity will provide the wherewithal to meet the greater demands of tomorrow.

RALPH T. McELVENNY

President, American Natural Gas Company

American Natural Gas Company has completed a decade of record expansion with fine prospects for the future.

During the past 10 years the American Natural System has tripled its investment, revenues and earnings and has constantly expanded to obtain additional sources of gas supply.

Ralph T. McElvenny

At present we are involved in projects which will further strengthen our supply situation and enable us to continue to meet the requirements of our growing markets in the future.

Our American Louisiana Pipe Line Company has increased its capacity by one third since it was completed in 1956. Michigan Wisconsin Pipe Line Company added 80,000,000 cubic feet of gas a day to its capacity this past year.

Recently the Federal Power Commission authorized Michigan Wisconsin to obtain 158,000,000 cubic feet of gas daily through intermediate sources from rich new producing fields in western Canada. This multi-million dollar project will bring new supplies to all of our markets. This project now awaits approval of the Canadian Government.

When these facilities are completed, the areas served by American Natural will be linked with the three largest sources of natural gas in North America. No other area can offer that advantage.

Further major expansion of Michigan Wisconsin facilities with gas from United States sources is also expected in 1960 and increasing volumes of gas from Canada may be anticipated in the future.

Our two distributing utilities, Michigan Consolidated Gas Company and Milwaukee Gas Light Company, continue to enjoy a seemingly insatiable demand for natural gas for industrial, commercial and domestic purposes, particularly for space heating.

Approximately two-thirds of the System's revenues are derived from sales for space heating, a very remunerative and stable market. As a result, however, we experience tremendous fluctuations between summer and winter demands. American Natural has met this problem through the use of underground storage fields. At present we operate five storage fields in central Michigan with a total capacity in excess of 110 billion cubic feet and with ready capability of delivering over one billion cubic feet of gas a day to meet winter peaks.

The storage fields permit our two pipe line systems to be operated on the most economical basis by delivering at high load factors throughout the year. They allow our distributing companies to serve a maximum number of

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heating customers at rates substantially below the cost of other fuels. We also own or control storage rights in several other gas fields which will be converted to storage as required.

We, and other industries, see a very bright future for Michigan. Auto makers are predicting a 20% increase in production in 1960 and retailers expect a 10% rise in sales. Employment, payrolls and industrial building are all on the increase.

The completion of the St. Lawrence Seaway, together with the resources of skilled labor and executive know-how, excellent transportation facilities, great industrial plant and the state's location in the center of the extensive midwestern market, assure Michigan of an advancing economy in the years to come.

As further evidence of our faith in the future of Michigan, we will begin construction next spring on a new $20,000,000 office building for our companies in Detroit's beautiful Civic Center.

We look forward with confidence to the years ahead.

JOHN E. McKEEN

President and Chairman of the Board, Chas. Pfizer & Co., Inc.

With the U. S. economy moving upward at a healthy pace, the chemical industry is looking ahead to new peaks in sales and production for 1960. Many chemical plants will be kept busy as metal-using industries strive to catch up and replenish inventories in the first half. The U. S. Department of Commerce predicts that sales of chemicals may reach $27 billion this year, a gain of close to 10% over 1959.

John E. McKeen

The still-growing demand for plastics, pesticides, fertilizers, drugs and industrial chemicals is reflected in the industry's capital expansion plans. According to various estimates, the chemical industry will spend about $1.5 billion for new plants and equipment in 1960, or about 15 to 20% more than the 1959 outlay.

Along with prospects of increased sales and production, however, the chemical industry in 1960 faces a continued upsurge in competition around the world.

At the same time, operating costs continue to creep upward. In the year ahead industry management will have to keep a close watch on costs while developing better, more efficient methods.

Research costs, for example, are at an all-time high and still moving upward. In the pharmaceutical segment of the industry, research spending will probably top $200 million this year, well above the $127 million spent just three years ago. There is little likelihood of a cutback in research spending in the years ahead, for the laboratory is unquestionably the well-spring of the industry's progress. In this highly competitive business, however, even the most spectacular research achievement may provide only a moderate over-all gain. New products are often short-lived, obsolescence is high. As often as not, the development of a superior drug by one company will all but wipe out the existing market of another. On the other hand, the industry's scientists are attacking many disease problems for which there are now no effective treatments. An example is the development last year of highly safe and effective drugs for treating mental depression. Such developments should help provide a moderate gain in sales for the pharmaceutical industry in 1960.

In addition to research, the industry's prospects for future growth hinge upon the unremitting rise in population, the trend to scientific farming, requiring more products for animal health and nutrition, and the expansion of world trade.

Despite aggressive competition from firms abroad, the construction of many American-owned plants on foreign soil has opened up entirely new markets. As less developed countries become more prosperous, these markets will grow. In adidtion, a sustained high level of scientific research throughout the 1960's should help to insure continued U. S. leadership in the world's chemical and pharmaceutical marketplace.

S. C. McMEEKIN

President, South Carolina Electric & Gas Company

South Carolina's heavy gain in industrial growth and expansion is reflected in the increase in industrial electric load experienced in the 23-county area served by the South Carolina Electric & Gas Company since 1954. Five years ago, the demand for industrial power was 409,778,000 kilowatt hrs.; by 1959 it had reached 1,000,782,000 kwh., an increase of 144.22%.

Silas C. McMeekin

Forecasts for 1960 place the industrial load at 1,150,000,000 kwh., and for 1965 at 1,800,000,000 kwh. in this area.

The increase in the forecast for 1965 has been accelerated by the fact that several large industries have purchased tracts in the area and expect to build large operations within the next three years.

These figures are exclusive of a contract held by South's Carolina Generating Company, a wholly-owned subsidiary, with the Savannah River Plant of the Atomic Energy Commission which purchases all of its out-side power from this company.

Keeping well ahead of the overall demand, the company system's generating capability was increased to 615,000 kilowatts in 1955 and to 890,000 by the end of 1958.

On Dec. 3, 1959, plans for another steam electric generating station were announced which will raise the company's power production capability to 1,027,500 kw. This station is scheduled for completion in April, 1962.

During the rapid expansion of the electric business in the industrial areas, the gas business gained momentum during the same period since natural gas was introduced to this territory during the winter of 1953-1954. Figures however, pertain to all departments and are not segregated as to industrial use since only the cosmopolitan areas of Charleston and Columbia were being served at that time.

Some indication of the tremendous increase in the volume of natural gas sold can be gained from these comparisons. For the 12 months ending March, 1954, sales amounted to 931,000 MCF. The forecast for the 1959-1960 heating season is some 12,000,000 MCF. Looking ahead to 1963, the company has forecast the sale of 15½ million MCF.

During this period the natural gas system has been largely expanded. Distribution systems were acquired at Aiken and North Augusta; a system was installed at Summerville; the product is sold at wholesale for municipal distribution at Orangeburg. The distribution systems at Charleston and Columbia have been extended and expanded.

Transmission mains have been installed from the point of supply into numerous counties in the service area and municipal franchises for retail distribution have been secured from all towns where an interest has been shown. A distribution expansion program is underway and mains are being installed as rapidly as possible in those towns.

The company's present agreement with its supplier is for 63,000 MCF per day.

Natural gas has, therefore, been made available for industries and just recently a large glass manufacturing industry announced expansion of its operations in South Carolina and will build a huge plant in SCEGCO's service area. Almost simultaneously, an optical company announced a new plant also in SECGCO's territory. These are the most recent developments within the past month or two.

South Carolina's industrial growth is due not only to the influx of new enterprises but to the expansion of existing industries, as well.

Perhaps one of the States greatest assets is its people, with their attitude and aptitude in learning new trades which results in better-than-average production.

Also, the labor supply has been greatly enhanced by the mechanization of farms and the Soil Bank Program and more than 50% of those classified as farmers are working off the farm to supplement their income.

The South Carolina Ports Authority's $21 million expansion and improvement program which is now in progress is undoubtedly stimulating the industrial progress of the state. Authority officials in December attributed much of the increased business at the ports, which set new shipping records in 1959, to new industry in the area.

A healthy state government favorable to industry, a Business Development Corporation capitalized at more than a million dollars available to assist in financing, attractive sites with room to expand, abundant water, dependable power and natural gas at low rates, are all inviting factors which are focusing the national spotlight on South Carolina's bid to become the southeast's leading contender for new and expanding industries.

EMERSON E. MEAD

Executive Vice-President, Smith-Corona Marchant, Inc.

We see a period of substantial growth ahead for the office equipment industry. The amount of paperwork involved in running American business has steadily grown, and today, it is estimated to account for half of the cost of doing business. This staggering pile of paperwork is compelling more and more companies to take a long, hard look at their office routines and to become increasingly receptive to new equipment, systems, and methods which can cut the cost of this nonproductive load.

Emerson E. Mead

The new year will see us placing increasing emphasis on diversification to meet this need for new and improved equipment. Over the last two years, the company has invested upwards of $7 million in research and engineering, the results of which will become evident in the new year. The company is particularly interested in new products in the fields of printed communication, data processing, and accounting machines.

H. L. MECKLER

President, Lease Plan International Corp.

Businesses, large and small, are turning in increasing numbers to the leasing of equipment as a means of creating better profits for their shareholders.

As a result, the annual volume of leasing companies is in excess of $100-million and in five years will pass the billion-dollar mark. This does not include direct leasing of equipment by manufacturer to user, nor the multi-million sale-lease-back arrangements between retail stores and real estate investors.

H. L. Meckler

Lessees cite two particular advantages gained by leasing equipment, rather than by buying it outright. They are:

(1) Money which would be spent for equipment is released for other capital needs.

(2) Rentals are expenses, thus deductible for income tax purposes—an important factor in view of the present high corporate tax rate. Both of these factors add up to higher profits for shareholders of large concerns as well as partners in small businesses.

Lease plans are particularly advantageous to growing

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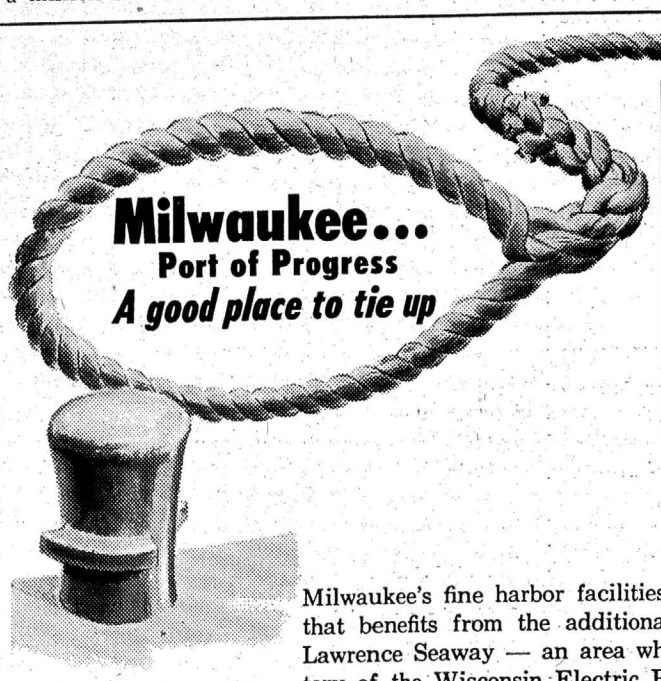

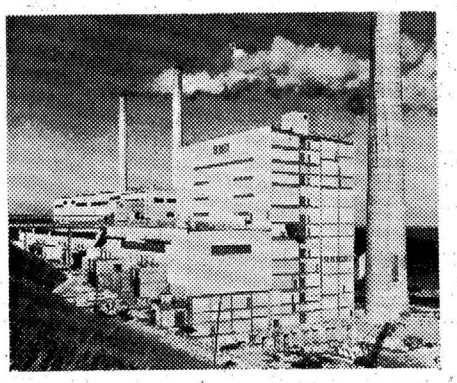

The largest in Wisconsin — Oak Creek power plant of Wisconsin Electric Power Company, on shore of Lake Michigan south of Milwaukee.

Progress and Electric Power Go Hand-in-Hand

Milwaukee's fine harbor facilities stand as a gateway to the large area that benefits from the additional business stimulated by the new St. Lawrence Seaway — an area which includes the entire operating territory of the Wisconsin Electric Power Company system.

A few miles south of Milwaukee is the Oak Creek power plant where the addition of a new 275,000 kilowatt unit in 1959 brought the total capacity of this plant to 775,000 kilowatts. A sixth unit of 275,000 kilowatts is now under way and scheduled for completion in 1961.

Supporting economic growth in this area is our continuing expansion program which looks always to the years ahead and recognizes the premise that progress and power go hand-in-hand.

WISCONSIN ELECTRIC POWER COMPANY SYSTEM

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concerns, freeing them from the difficult chore of raising cash. Money already on hand can be used for other purposes, thus contributing to growth and future profits.

However, leasing is not restricted to concerns strapped for cash to feed ambitious expansion programs. Multi-billion dollar concerns also find they benefit both capital-wise and tax-wise, and also that they are able to avail themselves of present day costs without going into long-term debt—an important factor whenever rising costs, tight credit and high interest rates prevail.

Originally, equipment leasing was pretty well confined to motor vehicle fleets. The Foundation for Management Research recently estimated that 25% of industrially used vehicles are leased and that their value is $575-million. It believes leased vehicles eventually will replace most company-owned fleets and about 50% of cars individually owned by salesmen.

Equipment now leased ranges from office equipment to aircraft and ships, as well as completely-equipped major industrial plants. And yes, even kiddy parks.

In Lease Plan International alone, annual rentals now total nearly $100-million. Only recently we entered an entirely new field and provided a major airline with ground equipment, ranging from panel trucks to loading equipment. Other airlines are examining this plan which releases them from additional capital expenditures at a time when their resources are being strained by the transition from piston engine to the expensive turbojet and turboprop powered aircraft.

The profits of the leasing companies themselves have been held down by starting costs and overhead expenses. But profit pictures will improve steadily over the years now that overhead costs are leveling off.

The potential market for lease plans has barely been scratched. But with a dynamic, industry-wide sales program designed to clear up any confusion on the part of prospective clients, and spelling out the dollars and cents benefits obtained through use of leased equipment, we shall make rapid gains in this market.

CARL R. MEGOWEN

President, Owens-Illinois Glass Co.

The glass container segment of the nation's $10 billion packaging industry will inaugurate the decade of the 'Sixties by producing an all-time record of 23 billion bottles and jars in 1960. The record production, up 6% from 1959, will be the forerunner of a series of record-breaking years as glass container manufacturers develop lighter, stronger, more economical, and more convenient containers for carrying the products of the nation's drug, chemical, beverage, and food industries to market.

Carl R. Megowen

Packaging in the 'Sixties belongs to those materials that can be tailored to fit specific needs as well as to companies that meet the challenge through research and development. The versatile glass container is ideally equipped to handle the challenge and we expect to add to its value as a container through research.

The decade just ended saw many new products added to the medicine chest, the pantry, the cleaning department, and the boudoir in the American home, many of them packed in glass bottles and jars. The 'Fifties brought an increasing trend toward greater self-service in grocer, drug, and other retail stores as well as greater use of both convenience items such as instant coffee, and a myriad other "instant" products, and economical, king-size containers.

A large share of these, too, went to market in glass. Another significant development during the decade was the use of aerosol pressure packages.

Our customers tell us they expect their research departments to develop many new products in the 'Sixties which either will require new-type containers or will bring new uses for present-day packages.

The coming decade will see greatly increased use of one-way bottles for beer and soft drinks because of both the economy and the convenience of these single-trip containers.

The industry will double its production of packages during the next 15 years. One reason for the industry's bright outlook is that the consumer is so thoroughly sold on convenience in the things she buys. The continuing trend to self-service in retail outlets is another, for the right package is the businessman's best salesman in the self-service store.

We are demonstrating our own faith in packaging's future in the coming decade by solid investments in new facilities and improvements in existing ones. The company will begin making bottles and jars in a glass container plant in Bogota, Colombia, and start construction of another plant at New Orleans in 1960.

New plans for the production of the new semi-rigid plastic container, which is playing an increasingly large role in packaging liquid detergents and other household products, will be opened at Kansas City, Mo., and Toronto, Canada, in 1960. Our Paper Products Division opened one of the world's most modern corrugated shipping box plants in Chicago in the fall and will open another one near Minneapolis early in 1960.

We expect a record-breaking total of 110 billion square feet of paperboard, used in making corrugated shipping boxes for glass containers and a myriad other products, will be produced in 1960.

B. H. MERCER

President, Fidelity & Deposit Co. of Maryland, Baltimore, Md.

These comments are confined to Fidelity (dishonesty insurance) and Surety bonds, lines in which we specialize. But in venturing a forecast for 1960 we must keep in mind some of the uncertainties faced by practically all segments of the insurance industry.

B. H. Mercer

Rate-making procedures, approved and closely supervised by the several states, and which have functioned satisfactorily for many years, are under investigation by a Congressional Committee.

While competition is keep and healthy it is felt in some quarters that more intense and what might prove destructive competition should be encouraged,

Rising prices and a tight money market are contributing factors to both Fidelity and Surety losses. The steel strike had retarded construction activities and its effects will be felt for some time after settlement. Assuming that no serious dislocations result from these or from developments not now foreseeable I anticipate a good year for our lines.

This is a peak year in the three-year cycle of Fidelity premiums and that line will definitely show an increase.

In the Surety lines premiums on Judicial risks—bonds for executors, administrators, trustees and other fiduciaries, and bonds needed in various phases of litigation —showed a normal increase in 1959. There should be a further increase this year.

Premiums on bonds guaranteeing performance of contracts while slightly off in 1959 should show a reasonable increase.

Nineteen-fifty-nine was somewhat disappointing in that public contract awards were off approximately 13% compared with 1958, despite the fact that an increase of about 7% had been anticipated. Such a decrease has little significance. The fact remains that our population is increasing and living standards are improving. The need for schools, hospitals and other public buildings, highways, sewers, water supply systems, et cetera, must keep pace with national growth.

In addition to its normal program of heavy engineering contracts, Federal agencies must of necessity build more post offices, court houses, et cetera, and new types of construction such as missile launching bases and facilities are coming more into prominence.

Private contract awards, other than residential, should continue at a high level throughout the year. Public construction produces a much higher percentage of contract bond premiums than private construction but there has been a noticeable increase in bond premiums on private contracts.

Our contracting industry is strong and resourceful. It has the capacity and experience to meet the construction and engineering requirements of our growing economy. Corporate suretyship must keep pace by providing performance bonds for all contractors who measure up to sound underwriting standards.

For our business the year should be a good one despite some clouds on the horizon.

IRWIN L. MOORE

Chairman, New England Electric System

Business conditions in New England Electric service areas in 1959 were generally good. The nationwide steel strike had but little effect on our overall economy, and the volume of electric and gas sales to all classes of ultimate consumers showed healthy gains over 1958 — gains which we expect will continue in 1960.

Irwin L. Moore

For the full year 1959, consolidated net income will be up about $1,200,000 over 1958 and will approximate $17,100,000. This will equal $1.33 a share on 12,821,366 average common shares compared to $1.29 on 553,074 fewer average shares in 1958.

The improvement in our per share earnings is particularly encouraging because it was accomplished in the face of (1) higher labor and other costs; (2) increased municipal taxes; (3) over half a million additional common shares, and (4) subnormal water conditions throughout most of 1959. As a partial offset to some of the increased costs, we did have some non-recurring Federal income tax benefits. Also helpful in the earnings' picture for the full year was the general improvement during the last quarter of '59 in hydro output. Heavy rainfalls in the past three months have boosted hydro-electric generation to within a few percentage points of the above normal year in 1958.

For 1959 construction expenditures were about $30,000,000 and for 1960 our construction budget will approximate $35,000,000. Recently arrangements were completed to buy substantial blocks of excess steam electric capacity—230,000 kilowatts in 1962, 130,000 in 1963 and 100,000 in 1964—from our New York neighbor, Niagara Mohawk Power Corporation. This will permit us to build in one single operation a 450,000 kilowatt plant in two units to come on the line in 1963 and 1964 at Brayton Point on Mount Hope Bay near Fall River, Mass. This site, ideally located at tidewater, is large enough for an installation of at least 1,000,000 kilowatts.

Construction of the 134,000 kilowatt atomic electric plant at Rowe, Mass., by Yankee Atomic Electric is on schedule with most of the exterior work completed. Installations of machines, equipment and controls inside will continue through the winter and spring. Our investment in New England's first atomic plant, which is expected to be in operation late in 1960, is held through our subsidiary, New England Power Company, owner of 30% of the common stock of Yankee Atomic Electric Company.

During 1959 our subsidiaries issued $13,600,000 of funded debt and $10,000,000 of preferred stock. The proceeds were used to reduce short-term bank debt and for construction expenditures. At the beginning of last year, subsidiaries had short-term bank debt totaling $28,716,000 and this amount was somewhat less than $20,000,000 at the end of 1959.

In 1960 we expect to finance our construction activities from internal sources and from temporary bank loans, with about a $10,000,000 bond or preferred stock issue by a subsidiary late in the year. As of now, it appears unlikely that we will sell any New England Electric System common shares before 1961.

The outlook for 1960 is encouraging and we expect the volume of electric and gas sales should show improvements of about 7 and 14%, respectively, over 1959. However, there are some unresolved situations which make it impossible to be precise in any prediction of per share earnings increase. How we fare will depend to a large extent on how much new labor contracts now being negotiated will increase operating costs, general business conditions and inflationary trends, and rainfall and water conditions.

R. W. MOORE

President, Canada Dry Corp.

We believe that aided by good weather the American carbonated beverage industry will forge on to even greater prosperity in 1960. Industry leaders are predicting that 1960 will see the attainment of the long-sought-after 200 bottles per capita consumption rate. We're practically within sight of that goal now.

R. W. Moore

The leading companies in our industry expect 1960 sales to increase from 5% upward. Our own company's report for the fiscal year ended Sept. 30, 1959, showed all-time record high sales and earnings, thanks to a favorable summer last year, so, understandably, we at Canada Dry are basically optimistic about 1960, but with one reservation. It is difficult at this time to foretell the effect of the prolonged steel strike on the economy and what this will do to consumer purchasing power. Competition within the industry — both in the advertising and in-store marketing sense—figures to continue to be brisk and challenging due to the nature of the industry's expanding market, the growing population, and the increase in leisure time. Because the public's demand for variety and quality continues to be a growing trend, we believe our company is in a specially favorable and advantageous position.

In 1960, Canada Dry looks to continuing and intensifying its diversification within a single field which began several years ago when we adopted our program theme, "A flavor for every taste." Further development of the vending machine and canned phases of our business can be expected in the year ahead. Tthe domestic sales of canned drinks have doubled during the past year; we have recently supplemented our production facilities by adding canning lines at our Chicago and Atlanta plants. Together with our other canning lines, this will make it possible for us to put Canada Dry in cans in most U. S, markets by the end of 1960 with both our licensed bottlers and jobbers participating in their distribution.

H. W. MORRISON

President, Morrison-Knudsen Company, Inc.

The entire world, including so-called underdeveloped countries, is teeming with construction activity. In foreign countries particularly, these construction programs reflect improved and more stabilized economic conditions and the desire of the respective governments to strengthen their international trade positions. Accordingly, there are in progress or in the planning stage numerous programs involving the construction of a great variety of facilities to serve industry and agriculture and the needs of peoples.

Harry W. Morrison

Here in the United States, 1959 was a record year in the construction industry, with approximately $52 billion of new construction put in place. Contingent on freedom from disruptive steel and railroad strikes 1960 will top 1959's construction record by $1½ to $2 billion. This is evidenced in part by our own company's record domestic backlog of $328,000,000. Foreign construction backlog of $77,000,000 brings our total backlog to $405,000,000.

We estimate that approximately one-third of 1960 construction will be of the "heavy" or engineered type normally undertaken by ourselves and our subsidiary, The H. K. Ferguson Company. "Heavy" construction projects include railroads, highways, tunnels, bridges, hydroelectric developments, transmission lines, pipe lines, airports, missile bases and steel, paper, synthetic fiber and other types of industrial plants. In other divi-

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sions of the industry, mass housing and commerical buildings will be important elements of the 1960 picture.

The construction industry is a large user of steel, lumber, cement, petroleum products, rubber tires and heavy construction equipment. The unchecked trend of higher wage levels and expanded fringe benefits in most of these industries can only mean that we shall be paying higher prices for their products in 1960 and 1961. The construction industry itself is also plagued with the problem of unstabilized wage scales. Consequently, because of the materials and wage factors mentioned, it is our opinion that 1960 construction costs will be between 4 and 5% higher than 1959 costs, thus prolonging a trend that has been in evidence for the past several years. This has presented a continuing challenge to the construction industry for the development of more efficient and more economical construction methods. The success of the industry's efforts in this direction is demonstrated by the fact that approximately only one-half of projected increased costs have to date been passed on to construction buyers.

As an industry, we are acutely conscious of the necessity of maintaining construction costs in balance with other industrial costs. Therefore, we are pledged to continue a policy of careful planning in the execution of construction contracts and close coordination with construction equipment manufacturers in the development of increasingly efficient units.

RUDY A. MORITZ

President, Drewrys Ltd., U. S. A. Inc.

It is our objective opinion that the increase in total beer consumption in 1959 should be continued in 1960.

The steady growth of population reaching the beer drinking age, the constantly greater popularity of beer with women, high employment and industry expansion with accompanying increased purchasing power, and the overall more and more favorable recognition of beer as a family beverage justify the expectancy of growing beer industry volume.

Rudy A. Moritz

Located as we are in a heavy steel and automotive industry area, the improvement in labor conditions should mean a better business climate in many of our primary markets.

Because of these generally favorable factors, we look ahead to continuation of the progress our company has made during the past year.

Accordingly, our plant improvement and expansion program, and our advertising, sales and promotional efforts are being geared to take fullest advantage of the greater sales potential for our products.

CHARLES G. MORTIMER

Chairman and Chief Executive Officer, General Foods Corporation

As we enter the decade of the sixties, America's biggest business—the food industry—looks forward to our nation being on the threshold of a period of prosperity even greater than any we have enjoyed so far.

Charles G. Mortimer

The great challenge in the future for the entire food industry is to make certain that food continues to be a good value for American consumers—a good value in quality and built-in convenience, a bargain in that food is obtainable for even fewer hours of work.

For an industry that in the year just ending employed—directly or indirectly—one of every four persons in the American labor force, paid some $45 billion in salaries and wages, served 178 million Americans, and had sales totaling around $73 billion; the 1960-1970 span offers a time of opportunity for all of its segments to serve the public even better than we ever have in the past. It is axiomatic that we can only earn benefits for ourselves and our stockholders by first benefiting the American consumer. And all of us—suppliers, manufacturers, distributors, wholesalers, retailers, and growers, alike—must find better ways of serving the consumer more efficiently, effectively and economically. Only in this way can we continue to earn an even larger share of the consumer's dollar in the period of an expanding economy and increasing population which lies directly ahead.

The record-breaking gross national product, estimated at around $480 billion for the year just ending, is expected to reach $540 billion by 1965. This year's almost $380 billion of personal income is forecast to hit $485 billion by 1965 and $600 billion as the population soars to some 210 million people in the United States by 1970.

In our all-important concern with serving the wants and needs of our customers and consumers, General Foods is looking well ahead in research, development, marketing, distribution and into all the elements of this important industry which will make it more attractive for everyone to do business with our company.

We feel we are beginning to make important progress in improving our services to the trade by actively and consciously trying to find out how we can better serve both large and small grocery stores in all areas and then taking positive steps to meet the common objective of making it less costly, more appealing, and more convenient for our mutual boss—Mrs. Consumer—to use our products and services.

For example, customers have favorably welcomed the current General Foods program of installing a radically new sales and distribution system from coast to coast. This program, conceived in our long-range planning efforts some years ago, was created to enable our customers to reduce inventory levels, warehouse space, and capital investment.

This unique concept of service to customers is already in operation in seven major markets and will be close to fully installed in 17 major centers early in 1961. Each of these centers is individually tailored to meet the wants and needs of each customer in that market.

In other areas, too, we are focusing on ways to improve our contribution to the food industry so that General Foods will be fully prepared tomorrow to do its part in meeting the "trade-up trends" of our growing population as the expected rise in personal incomes becomes reality.

Two of the most important of these are General Foods Kitchens and the General Foods Research Center where hundreds of scientists and food technicians are working daily to provide the American people, through our customers, with even better, more nutritious foods with built-in quality and convenience at prices they can afford to pay.

There is another challenge for the American food industry that lies on the horizon ahead. It is a problem that cuts across industry and national boundaries. There is a personal revolution in the world today—resulting from man's age-old insistence on a better life. In the next 10 years new ways must be found to meet the demand for more food and more nutritious food for people everywhere. We hope and believe that the experiments being conducted in the food industry today and the plans we are now making for the future will contribute in some measure toward meeting that universal obligation.

ELLSWORTH MOSER

Chairman of the Board, The United States National Bank of Omaha, Omaha, Nebraska

Nineteen fifty-nine proved to be another "record buster" for our area. Tremendous agricultural production led the way to new highs in business activity and provided momentum which should carry us well into 1960 on a prosperous basis. Total crop production was the second largest on record . . . only 7% below the 1958 all-time high. Corn exceeded any other corn crop in the state's history by 58 million bushels. Considering the size of the last three tremendous crop years together, which followed drought choked 1955 and 1956, they are truly fabulous pages in the record book of Nebraska farmers.

Ellsworth Moser

Total feed-grain tonnage is at an all-time high. Livestock will be the common denominator in the transfer of much of this feed supply into cash receipts. Cattle and calves on feed in Nebraska on Oct. 1, 1959, were up 22%. Western ranchers of our area continue to expand production. Net farm income was lower for 1959 than a year ago. Cash receipts dropped about 6%. Farm production costs moved upwards. It looks as if we can expect some further drop during 1960. Lower average livestock prices appear in the offing. The government loan price on feed-grains will be lower. Odds are against as large a crop in 1960 as the bumper harvest of 1959.

Business proved as "golden" as the corn crop. Retail sales set new records. Omaha showed an 8% increase over a year ago. Hard goods sales during the first 10 months were up 15% for the state; soft goods 6% higher.

Retail sales should be sustained at a high level at least for the first part of 1960, but lower agricultural prices will affect the area's economy. It could be further affected by weather in the second half.

Construction climbed to new highs during 1959. The building activity index showed a 32% increase. Plans indicate 1960 will show further increase. All classifications will be up except private housing. The area is plowing much of its resources back into growth through construction expansion.

Estimates of Omaha indicate that there will be approximately $70 million spent on buildings of all types, $15 million on Interstate Highways, and $40 million on defense projects in 1960.

A strong demand for bank credit to finance the rise in business activity and expanding agricultural production brought an upward surge in loans. Deposit growth in area banks did not keep pace with the increase in loans. The situation is likely to remain tight in the coming year.

Our local situation is affected by two major uncontrolled factors: (1) The national economy, with a political campaign year, labor problems, agricultural subsidies, foreign aid and related inflationary influences. (2) The weather, with its dominant effects on agricultural production and thus the fortunes of the area.

WILSON MOTHERSHEAD

President, The Indiana National Bank, Indianapolis, Ind.

Business activity in Indiana in 1960, particularly the first half, probably will be characterized as a "catching up" period, provided, of course, the steel strike is not resumed. The steel industry and users of steel will be rebuilding inventories for an extended period into 1960. Consumers in selected areas will be paying off indebtedness incurred during the lay-off period and, in addition, will be making purchases of many non-essential items postponed during the strike period. Retail merchants also will be replenishing stocks of items, which were either not available or were not being purchased extensively in the last half of 1959.

Wilson Mothershead

However, the "fill-up" of inventory pipelines may not be so important in supporting any expansion in Indiana business in the months to come as might be expected. The steel strike, as serious as it was to those directly affected, was not as important in affecting the Indiana economy as one might have assumed. In Indianapolis, for example, the effects were relatively minor. Apparently, much more steel was available during the

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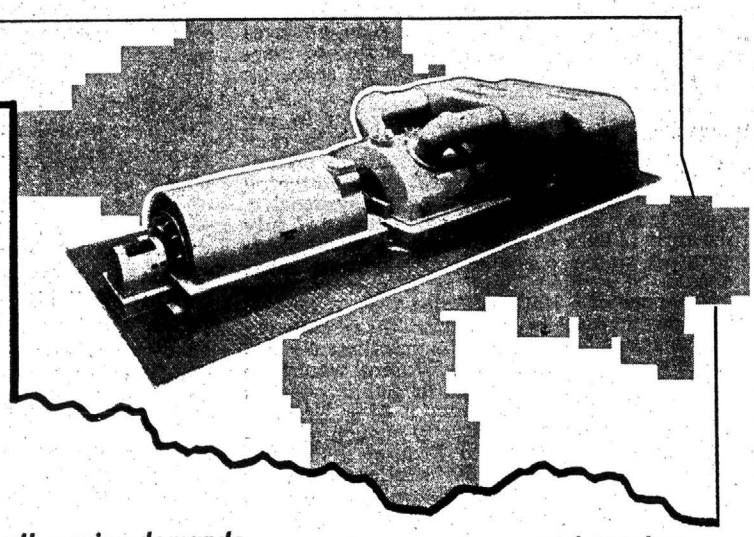
Growing with . . . OKLAHOMA



Our net generating capacity has increased in the past 10 years from 241,000 kw to 1,138,000 kw . . . an increase of 371%.

A new 240,000 kw steam turbo generator was placed in operation at our Mustang Station, 10 miles west of Oklahoma City in June, 1959.

We are meeting all service demands and have an adequate reserve supply.

A copy of our 1959 Annual Report is yours on request.

OKLAHOMA GAS AND ELECTRIC COMPANY

321 North Harvey, Oklahoma City, Oklahoma
Donald S. Kennedy, President

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strike than was estimated and, in addition, wise choices were made in the alternative uses to be made of the limited supplies of steel that were available, thereby maintaining operations and employment at reasonably satisfactory levels. In fact unemployment claims in Indiana never did reach the highs reported last January and only in one week, the last week in October, did such claims even approach the previous highs for the year.

Department store sales and banking activity in past months are further evidence of the moderate effects of the recent strike. Except for mortgage loans, credit extensions have continued at relatively high levels, and consumer credit has expanded rapidly.

Thus any surge in business built solely on the expectation of a need to refill inventory pipelines, ultimately could result in burdensome inventories. This possible development together with the restrictions imposed by tight money and the accompanying high cost of borrowing may be the dark spots in an otherwise bright outlook for business in Indiana during the first half of 1960.

HON. KARL E. MUNDT

U. S. Senator from South Dakota

The year 1960, it seems to me, holds great promise for the American people, in fact for the entire world, based on momentous developments and decisions which took place during the year just concluded. Most significant, of course, is a brighter prospect for the continuance of world peace. As we enter a new decade, all indications point to relaxing of international tensions which have plagued peoples of the world since the so-called "cold war" began in 1948. This has been brought about, first by the interchange of visits by Vice-President Nixon to Russia and Premier Nikita Khrushchev to the United States, followed by the unprecedented 11-country tour by President Eisenhower in the interest of world peace, friendship and goodwill.

Hon. Karl Mundt

We have definitely moved forward in the field of international understanding, as evidenced by the forthcoming series of so-called summit conferences where the heads of the four great powers will continue their efforts to iron out long-standing and irritating differences.

Here at home, we begin the new year of 1960 with strong business activity, high employment and prospects of setting new records in our gross national product providing labor strikes can be avoided. Passage of the Landrum-Griffin Act in the first session of the 86th Congress, giving the rank-and-file members of the labor unions greater control of their union affairs to the exclusion of the dictates of powerful labor bosses, may go a long way toward preventing harmful work stoppages which disrupt the American economy and rob the workers of their daily income.

On this optimistic horizon that lies ahead in the new year, there still looms one major threat with which the country has been grappling for the past few years. This is continued eroding away of the value of the dollar. Inflation affects the prosperity and well-being of all classes of Americans and it is particularly damaging to people in the older age brackets who are in retirement or unable to earn and are living on income from invested savings, pensions or social security benefits. Moreover, it has a definite effect on our world trade balances.

I am convinced that the battle against inflation and its corollary of holding the price line is the greatest domestic problem our country faces in 1960. Everyone has a stake in this fight and all agencies and levels of government—Federal, state, county and municipal can aid by keeping their budgets in balance. Also, business can contribute by trying to hold the price line of merchandise and services while labor can do its share by accepting reasonable wage schedules.

Too many business men and wage earners in my opinion devote too much attention to trying to earn more dollars in profits, salaries or wages and do not pay enough attention to trying to protect the earning and buying power of the dollars which they receive. With the dollar today having a purchasing power of only 47 cents, the time is here to stop deficit Federal spending—the greatest single cause of inflation. Actually, inflation should be spelled "tax" as it operates precisely in the manner of a National Sales Tax. It ignores the ability to pay and takes most from those with the largest families instead of granting exemptions for dependents as does the income tax. Voters would be quick to reject candidates for office or public officials whose activities imposed upon them a 53% National Sales Tax! Once voters develop maturity enough to realize that those who vote to spend Federal money by deficit financing are triggering off inflationary moves that actually operate as a National Sales Tax, we shall start electing economy-minded Federal officials and we shall force the spenders and the schemers into retirement.

Economy in government could become the greatest single domestic issue in the 1960 political campaign if voters generally come to understand that the Federal Government can spend or give away only the money which it takes away from all the people whether by direct taxation or by the black magic of inflation operating as a hidden but effective Sales Tax.

H. C. MURPHY

President, Burlington Lines

The Chicago, Burlington & Quincy Railroad expects to take advantage of every opportunity this year to produce better results. In 1959 operating revenues were up slightly, net income was about 10% below the previous year's level, due in part to the steel strike, and to higher wages and payroll taxes.

Harry C. Murphy

Freight traffic volume was adversely affected in the second half of 1959 by a decline in grain shipments, as well as the steel strike. Carloadings showed a gain of about 5% for the year as a whole, less than half the margin of increase recorded in the first half. Piggyback traffic rose from 27,750 loaded trailers hauled on flatcars in 1958 to about about 45,000 last year, and a further increase to 60,000 is anticipated in 1960.

Burlington's car supply was generally sufficient to meet shippers' needs last year, except for occasional spot shortages. The railroad augmented its fleet of freight equipment with 16 new 2,400-horsepower diesel-electric locomotives for fast Chicago-Denver service, and more than 1,000 new freight cars, including wide-door box cars, Damage-Free box cars, covered hoppers, Airslides, gondolas with removable roofs, and bulkheads, and flatcars with bulkheads. In addition, approximately 3,000 existing cars received heavy shop repairs.

New freight cars to be acquired in 1960 are under consideration. Among major projects planned for 1960 are the completion of a new freight house to serve the Kansas City, Mo., area, and a new bridge across the Mississippi River at Quincy, Ill.

Passenger revenues in 1959 increased despite a reduction in train miles. Patronage on the Vista-Dome California Zephyr and the Vista-Dome Denver Zephyr remained close to full capacity throughout the summer vacation season, and the number of travelers using the Slumbercoaches on the Denver Zephyr crossed the 100,000 mark before the cars had completed three years in service. Special group movements and creative traffic-building efforts such as student educational tours, weekend excursions, and theatre and sports tours also contributed to the improved showing.

While uncertainties cloud the economic scene, general conditions presently indicate increased traffic for the railroads in the current year. However, it is certain that 1960 will witness intense competition for the transportation dollar. To meet this challenge, our industry must conduct an unrelenting campaign on several fronts. It is important that we continue to strive for fair and equitable treatment from all levels of government, in regard to regulation and taxation—areas in which our competitors now enjoy a favored position at our expense. And we must press forward with programs to further improve our plant and equipment, our techniques and procedures, our rates and service, for the dual purpose of attaining greater operating efficiency while making rail transportation more attractive to shippers and travelers.

WILLIAM B. MURPHY

President, Campbell Soup Company

With world population growing by 50 million persons annually, the research efforts of America's food industry face an unparalleled challenge—and outstanding opportunity—in the Scientific 60's to reach new thresholds of knowledge about food. Whether or not we choose to be in this position, it is undoubtedly true that other nations will be watching to see if America can summon the technical leadership necessary to make certain that world population growth does not overtake the earth's ability to feed its people. This challenge involves more than the simple exportation and application of current knowledge to less developed areas, or the rearrangement of some foreign economies to make farming more productive.

Wm. B. Murphy

Instead, the challenge means unlocking — through agricultural and food research—new knowledge that could revolutionize much of today's thinking about crop yields, about harvest times and automated harvesting, about ways to widen the climate tolerances of food plants, about breeding disease resistance into plants, about genetic techniques that will make possible new horizons in plant breeding, about the human body's use, requirement and response to various food, about the complicated chemistry of flavors, just to mention a few.

America's food researchers are on the way to bringing in many of the necessary answers, and the facts they seek so diligently today may form the basis for the new and more complex questions of tomorrow.

Our genetic research shows healthy progress toward enabling plant life to grow where it wouldn't before. Development of new disease and weather-resistant varieties will help make this possible.

Not only are we finding ways to increase crop yields dramatically but also ways to make food simpler to grow—simpler not only for U. S. farmers but for the peoples in more densely populated and less developed countries.

By using new techniques to induce mutation and new methods for combining different species, we may be able to develop vastly superior crop plants. This could have a far-reaching impact. Significant information also is being found to make our food more beneficial and flavorful through scientific selection, plant nutrition and hybridization of plants.

On the other side of the research coin, we can expect the 1960's to see important development in food processing with emphasis on greater retention of flavor, vitamins and other nutrients. New frontiers will be crossed in canning, freezing and other means of preserving foods.

Work will continue on ways to evaluate the quality of various proteins so that foods can be identified not only as to content of the all-important proteins but also to make-up and value of the protein included.

The list is endless and the potential seems unlimited because of the variety and complexity of foods and food chemistry.

No small part of the world's food problem revolves around helping educate people in the use of new foods to reduce dietary deficiencies. This calls for maximum use of foods common to each world area, introducing new foods that can be easily produced in those areas and making the local production, processing and distribution systems more efficient, all of which requires the development of a somewhat different kind of knowledge.

America's food researchers can be counted on to continue their aggressive efforts and to help ease the paradox of hungry people in one nation and farm surpluses in another, of horse and buggy agriculture in one part of the world and galloping technology in another.

R. L. MURRAY

Chairman of the Board, Hooker Chemical Corp.

The decade just ended was marked by the greatest expansion in the history of the chemical industry. Capital expenditures for plant improvement and expansion totaled approximately $13 billion, running from $0.77 billion in 1950 to a peak of $1.72 billion in 1957. In 1949, sales of chemical and allied products were $13.2 billion, whereas in the year just ended, they had risen to more than $25 billion, an increase of 90%. With upward of $13 billion put into plant expansion and new products, it is not surprising that over-capacity has been created which has intensified competition. Undoubtedly consumption would catch up to present capacity within a very few years but for the fact that the expansion of the industry is continuing with near record annual capital expenditures forecast for the years immediately ahead. This means that over-capacity will probably continue and it is unlikely that this dynamic industry will reach more than 85% or so of installed capacity in the foreseeable future. Added to this highly competitive domestic situation, more and more chemicals are being imported. These imports have, of course, been stimulated by low prices made possible by the much lower wage and salary rates in effect in other countries compared to our own.

R. Lindley Murray

The recession which occurred towards the latter part of 1957 and during the first half of 1958 stimulated renewed efforts on the part of the U. S. chemical industry to cut costs, improve quality, tighten budgeting, intensify research, streamline management organization, and trim capital expenditures. These efforts undoubtedly helped prevent 1958 from being worse and strengthened 1959. However, it is more difficult to keep costs under control when business is booming and efforts must be redoubled to avoid losing some of the gains made during the recession. Continuing intense competition makes this imperative.

Experts seem to agree that, in spite of some ups and downs, business in the Sixties is going to be pretty good. During the Fifties, sales of chemical and allied products showed an over-all growth rate of 6.5%. Even if this rate is not maintained throughout the decade just starting, a growth rate of say 5% would still represent pretty good business. However, it must be admitted that tight money and high interest rates, inadequate depreciation regulations, and wage-price spiral and labor unrest, the cost-price squeeze, international tensions and increasing foreign competition cloud the future.

As for our company, sales in the year just ended were at record levels being more than 19% above 1958 and 17% better than in 1957, our best previous sales year. Although the adverse factors already mentioned are making it more and more difficult to maintain our profit spread, earnings per share were more than 25% better than in 1958 and exceeded the $1.68 achieved in 1956, our best previous earnings per share year, by 7%, and the $1.68 included 13 cents of non-recurring profit. In the next five years, we expect to spend close to $100 million for capital expenditures compared to $61 million in the last five years.

We also are definitely planning to intensify and spend more money on research and development in 1960 and the years ahead.

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CLARENCE J. MYERS

Chairman and President,
New York Life Insurance Company

Estimates prepared by the Institute of Life Insurance indicate that insurance in force rose again in 1959, reaching a total of $534 billion at the year-end. Benefit payments probably exceeded $7½ billion. With generally favorable economic conditions likely for the rest of 1960 another good year is in prospect for life insurance. The Institute has projected a further rise in insurance in force to $575 billion, and estimates that benefit payments during the year will amount to nearly $8 billion.

Clarence J. Myers

Insurance in force has risen in all but two years of this century, and has risen in every year since 1933. The average American family now has coverage equal to 19 months of disposable income. This is a commendable achievement for our business, the product of persistent efforts by many companies for many years. Even so most families continue to be underinsured. Nineteen months' income is not a substantial backlog for families with young children and, of course, many families do not possess the average coverage. Our long-range goal must continue to be a better insured public.

One of the most important aspects of life insurance is the investment side of the business. Last year, life company assets increased by $6 billion, and the rate of investment return rose by about 10 basis points to 3.95%. Now the rate of investment earnings is of great importance to the insuring public, because it affects the cost of insurance and therefore the coverage the average family can afford to carry. So are the loan values of the policies, which are always available at contractually established rates and for as long as the funds are needed. I believe, however, that the investment side of our business is as important to the general public as it is to our policyowners, and it is principally from this standpoint that I would like to make a few brief comments.

In recent years the asset growth of the life companies, one of the largest sources of savings in the economy, has not kept pace with the record sales of insurance. Policies emphasizing protection and involving a minimum of investment represent an increasing proportion of the sales in our business. As a life insurance man I would be distressed if I thought this was an enduring trend, because the cash value of permanent insurance creates an investment the average policyowner can scarcely expect to accumulate, except by fortuitous investment, with the same outlay for term insurance combined with an outside savings program. Frequently, too, the temporary insurance is allowed to expire and the family is left with no financial backlog with which emergencies can be met.

As a citizen, however, I am more concerned over the possible effects a leveling off of life company asset growth might have on the savings of the economy. The growing requirements of national security together with our aspirations for a better life cannot both be satisfied unless worker productivity continues to rise. But worker productivity will not rise if the necessary tools and equipment are not made available to the labor force. Investment and the savings to finance it—savings of all kinds through all channels—thus are the keys to the future. For my own part I am confident that saving through life insurance will continue to serve the best interests of policyowners, and to grow apace with the requirements of the general economy.

GEORGE A. NEWBURY

President, Manufacturers and Traders Trust Co.

The economic outlook would be bright indeed were it not for the evidence of mounting tension and ill will in the relationships between management and labor. Despite that unfortunate circumstance it would take a hardy soul to visualize 1960 as other than a period of above average business activity. I view it as definitely an above average year.

George A. Newbury

However, in my judgment, if America is to continue its economic progress at anywhere near the rate it has established in the post World War II period, an answer must be found to adjusting differences between labor and management that will not result either (1) in extended strikes or (2) in such strained relationships that efficient operation is unlikely.

We have a long lead in the race for superiority in productivity among the economies of the world. But we must all realize that internal strife of the kind we have witnessed these past few months can dissipate that lead in a relatively short time. Our competitors in other parts of the world are straining every resource at their command to catch us—working long hours—foregoing consumer goods—and in some countries submitting to regimentation and restrictions on individual freedom.

We can maintain a lead in this economic race without those sacrifices provided we keep our splendid economic machine functioning smoothly. We may fail to do so if we continue to indulge ourselves in long periods of idleness—in promoting hatred among the components of our economic team—in intentionally limiting productivity.

Nineteen-sixty holds promise of being a good year for us in America. Nevertheless, it is high time we gave thought to some of the years ahead.

The penalty for failure in this world economic race is a heavy one. All of us—management and labor alike—would do well to reflect on it.

CHARLES F. NOYES

Charles F. Noyes Company, Inc.

My 51st consecutive Annual Report, along with the new year's forecast, is definitely the most interesting of any because it features the erection of the new office buildings primarily popular with tenants because of increased utility and usefulness due to operatorless elevators, air conditioning, fluorescent lighting, modern lavatories and rest rooms, and improved window spacing. Large floors from 20,000 to 40,000 feet predominate. These new buildings attract many of the nation's important corporations to make New York City their national headquarters. Greater efficiency means greater economy in operation and these new buildings permit the use of mechanized operation which through science and electronics has speeded up accomplishment over that of a dozen years ago. These new buildings are so erected that the equipment manufactured by International Business Machines, and other companies of this type, can be installed with ample AC current available for all purposes.

Charles F. Noyes

Vision, ingenuity and advanced ideas in the construction of the modern office building of today almost defy the imagination of ten years ago. Downtown two interests alone have invested $231,000,000—Chase Manhattan in their outstanding building costing $131,000,000 and Erwin Wolfson (Diesel Construction Co.) in the erection of the buildings that he and associates have erected in the Church Street neighborhood and the Insurance District containing nearly 2,500,000 feet of modern office space. It is on Manhattan Island where practically all of this modern office space has been and is being produced. This small island is only 22 square miles in area or about 14,000 acres. Figuratively speaking, it is about the size of Sterling Forest, one of the properties owned by Robert W. Dowling's City Investing Company. The City of New York itself has a population of about 8,150,000 and the population of Manhattan alone is 1,871,000.

On Manhattan Island there are 1,289 office buildings not including millions of feet of loft, salesroom and factory space. These office buildings alone are assessed for $2,337,000,000 and these properties pay into the City of New York each year approximately $95 million in taxes. During the recent years from 1947 to early 1959, 33,500,000 square feet of office space has been added to Manhattan Island. Among those builders who have been foremost in office building construction are Diesel Construction Company (Erwin Wolfson), Uris Brothers, Samuel Rudin, Tishman, Fisher Brothers, Minskoff Brothers and the Jack Weiler-William Kaufman and Louis J. Glickman group. Also a few private investors such as the Joseph Durst family. A few buildings have been erected for investment by the Metropolitan Life Insurance Company and not a few by financial institutions and large corporations such as Union Carbide, Lever Brothers, Pepsi Cola, and corporations of this type. The total tax assessment of all office buildings represents 25% of all the properties assessed for taxable purposes on Manhattan Island and does not include homes, apartment houses, theatres, places of amusement, department stores or loft and factory buildings.

Dr. Gordon D. MacDonald, Director of Research of the Real Estate Board of New York, is authority for the fact that today we have under construction 16 office buildings providing a total of 11,059,000 square feet, much of which will be occupied in 1960 and all within the next two years. In addition, the figures do not include 6,615,000 feet which are in the planning stage representing 15 buildings. Of these, Grand Central City of 2,400,000 feet is the major unit. Thus we see that there are 17,500,000 feet of space that is now a certainty as regards construction for the next two years. In addition to this, there are 2 to 3 million feet of additional space that definitely will be produced within the next three years.

LOUIS E. NEWMAN

President, Smithcraft Corporation

The Commercial and Industrial market for fluorescent lighting fixtures aggregates about $250 million a year. It has been growing at an average rate of about 8% a year. It is my expectation that 1960 will be a year of average growth. Estimates of the number of manufacturers in this intensely competitive field range upward from 400. There are probably fewer than two dozen of these 400 or more manufacturers who are significantly contributing to the new developments in the lighting field. The others rely on bringing out competitive copies of new fixtures introduced by the leaders.

Louis E. Newman

The industry has been hurt by a nationwide epidemic of price cutting that was triggered by the drop in available business during the past two years. While no earnings figures are available for most of the manufacturers, it is believed that few in the industry earned a profit of any consequence during either 1958 or 1959.

The outlook for 1960 seems to be along these lines:

—a modest increase in prices to offset cost increases of materials and labor;

—a better recognition on the part of manufacturers that this industry's profits are more sensitive to price reductions than reductions in volume;

—a trend toward mergers of manufacturers in an effort to find ways of reducing costs;

—an effort on the part of distributors in this field to improve their profits by carrying fewer lines and rendering better service on the lines carried;

—new developments leading to more widespread use of higher levels of illuminations.

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ROBERT L. OARE

Chairman of the Board, Associates Investment Co.

Despite the adverse effects of the nation's longest steel strike, our country's economy, as measured by the gross national product, reached unprecedented heights during 1959. On the premise that the steel strike will be settled within the Taft-Hartley injunction period, there is every indication that we can look forward to a further marked expansion in general business activity throughout the new year.

Robert L. Oare

It is reasonable to expect a sharp rise in industrial production in 1960 following the large scale liquidation of inventories which took place as a result of the steel situation. This, in turn, should create a high level of employment and a favorable uptrend in personal income. As a result, consumer expenditures for services and non-durable and durable goods are expected to record sharp gains throughout the coming year. Further increases in government, as well as business expenditures, for plant and equipment should also contribute to the prospective business improvement.

The automobile business and the automobile financing business, which Associates is primarily engaged in, has felt the pinch in the past month or so of a short supply of new automobiles in the face of growing public demand. However, taking into consideration the period since the introduction of 1960 models, sales have held up exceptionally well. The public's early interest in the new models, particularly the smaller compact cars, coupled with an expected favorable economic climate, would indicate a substantial automobile market this year.

Based on the availability of an amply supply of steel, some forecasters see the coming year as the largest sales year in the history of the automobile industry with sales exceeding the 7.2 millon record established in 1955. Our outlook is not quite so expansive. We anticipate sales in the neighborhood of 6.5 to 6.8 million, including foreign imports. It would seem a more optimistic projection departs from reality to some extent. The big automobile year in 1955 was helped in a large measure by the relaxation in installment financing terms—both the lengthening of maturities and the lowering of down payment requirements. It would appear that the industry's experience during the 1957-58 recession clearly indicates that there should be no further stretching of terms. Another significant factor which must be given consideration is the tight money market now prevailing. There is a good possibility that lending institutions may become more restrictive as the year develops; however, ample credit should be available for all qualified users on a sound basis.

The potential for sales afforded in both the replacement and growth markets would appear to support the 6.5 to 6.2 million projection for next year. During the past five year period, an annual average of about 7.5% of the total passenger cars in operation have been scrapped. This ratio when applied to the average number of automobiles expected to be on the highways in 1960 should account for replacement sales of about 4.5 to 4.8 million during the coming year. In our opinion, the growth market should account for new car sales of from 1.7 to 2.3 million. Such an expansion in growth sales is well in line with the average annual growth of about 2 millon units during the past five year period. Contributing factors to this phase of new care expansion in 1960 will be the formation of new family household units and a step-up in two-car ownership. As our standard of living continues to improve, more families will have the financial ability to purchase and maintain more than one automobile.

At Associates, we anticipate a good automobile year in 1960. While automobile financing is our principal source of business, our company continues to develop and make available financing services for other types of consumer goods, as well as business needs. We are confident of our ability to provide worthwhile and needed credit on a sound basis to our nation's expanding economy.

JAMES F. OATES, JR.

President, The Equitable Life Assurance Society of the United States

With the resumption of steel operations at the end of last year, business expansion was, once again, the order of the day. Gross national product in the fourth quarter of 1959 is expected to approximate the $485 billion seasonally adjusted annual rate attained in the second quarter of the year. This is a rise from the strike induced setback to the $479 billion annual rate of the third quarter and represents a continuation of the upswing from the "recession" low of $431 billion in the first quarter of 1958.

James F. Oates, Jr.

With the settlement of the steel controversy in the first week of the new year the business outlook is generally and heartily optimistic. The long imagined one-half trillion dollar economy should become a reality in the early part of 1960 and the year-end should find our gross national product at the level of approximately $520 billion. Nineteen-sixty should be a year of strong—but not booming—prosperity. Unemployment is expected to fall to the three million level while disposable income (personal income after taxes) is expected to reach a new record high of $364 billion.

For the life insurance industry, 1960 should be a year of continued advancement and new statistical records. Our industry, in terms of life insurance in force, passed the one-half trillion mark in 1959. Latest industry estimates for that year place life insurance in force in the United States underwritten by legal reserve life companies at $534 billion, or some 8% above the 1958 figure of $496 billion. The number of policyholders covered rose from 112 million to 115 million and the life companies held in trust for these policyholders close to $114 billion of assets, up $6 billion from the 1958 figure.

Large as these sums are, however, they represent on the average only 19 months' income for American families. Obviously, if family needs for increased protection are any criteria of the potential for future growth, vast opportunities still await the industry. With personal income rising and general prosperity prevailing in 1960, the outlook for advancing life insurance sales is excellent. Ordinary life insurance sales for the industry should be up at least 8% over 1959 while sales of The Equitable are expected to increase still more.

Two other factors are pertinent in regard to the industry outlook. One is the sharp upswing in interest rates in the past year and their expected continued firmness in the year ahead. The other is the recent significant change in Federal tax legislation affecting companies (stock and mutual) engaged in the life insurance business. On the one hand, the new tax legislation raises substantially the tax liabilities of life companies, but on the other, it permits the investment income of pension reserves to become gradually tax exempt over a three-year period. One net effect of these changes will be to help make the group annuity benefits offered by life companies more competitive with those offered under tax free trusteed plans administered by banks conducting a trust business. In fact, The Equitable, along with other life companies, has already passed on the anticipated tax benefits by reducing rates for group annuities —in our case by some 15%. We look forward to the important continuance of insured pension plans where annuity payments in dollars certain are guaranteed by financially strong, experienced, regulated life insurance enterprises.

HOWARD P. PARSHALL

President, Bank of the Commonwealth, Detroit, Mich.

The Detroit area, for the latter part of 1957 and all of 1958, was operating considerably below the national average. The whole country suffered a recession in 1958, but the Detroit and Michigan area probably felt the impact more than the United States generally. As it is now, my understanding is that the Ninth Federal Reserve District, the Minneapolis District, is lagging behind the nation, due to the agricultural situation. Detroit and Michigan show substantial improvement over 1958.

H. P. Parshall

Retail sales in this area are more than 10% ahead of last year. They were running 13% to 16% ahead until we felt the effects of the steel strike. Currently, retail sales are running about 15% ahead of last year, that is in the forepart of December. Automobile production is rapidly approaching capacity and barring a continuation of the steel strike, we feel that automobile production will be up 15% in 1960 over 1959. We are revising these figures up a little bit, due to the fact that the last quarter's production of cars in 1959 was less than the demand for cars, due to the shortage of steel. The output of electrical power in Detroit is running ahead of 1958 by about 25%. Currently, the output is approximately the same as last year.

We are, indeed, a fortunate country. We do have some major problems. I would list them as follows in the order of their importance: First, the COLD WAR; INFLATION, which is tied in with the national debt; the RACE PROBLEM and the ETERNAL CONFLICT BETWEEN CAPITAL AND LABOR. These are serious problems, and for any one man to presume that he has a sure cure for even any one of them would be a very daring assertion, to say the least. There are so many contrary forces at work, and so many people involved in any settlement.

In thinking about these things the other day, I thought of a man who lived during Revolutionary War days. He was a literary man and wrote profusely. He was born in England in 1737, and died in New York in June, 1809. He was regarded highly during his mature years, and contributed greatly to this new nation, the United States of America. He was a friend and an admirer of Benjamin Franklin. His name—Thomas Paine. He wrote a pamphlet entitled **Common Sense.** I think it might be well for many of us to go to the libary, get this pamphlet and reread it and absorb it. What is common sense?

Webster tells us: "Common Sense implies a capacity for making practical or prudent and reasonable decisions; gumption, a colloquial term, a capacity for estimating the better possibility, such as success or failure; judgment, an ability to comprehend the significance of facts or conditions; wisdom, a common sense and judgment far above the average." It appears to me that common sense means exercising that brain power which God gave us, without throwing in too many educated side issues, and thus cluttering up the reasoning process.

If we, as a people, our President and our Congress would apply some good old plain common sense to the four major issues above referred to, I am sure that we could avoid inflation, balance the budget, revise our taxes, reduce our national debt, promote amicable relations between capital and labor, contribute to the solution of the race problems . . . . and I am hopeful that this same process applied to the cold war on both sides would materially lessen world difficulties.

All of these major issues have a bearing on our economy and on our prosperity for 1960; however it does seem to the writer that 1960 will be a good year. As far as bankers are concerned, interest rates will remain on the high side, demand for loans will be heavy and the competition for deposits keen. The building industry will probably be off somewhat—agriculture somewhat depressed; but overall a good year showing considerable increase, say approximately 10% to 12% over 1959.

FRANK PACE, JR.

President, General Dynamics Corp.

As we look toward 1960 we find that the major economic indices are rising, and I think that they can be expected to continue this trend. With the settlement of the steel dispute, our optimism must now be predicated on an expeditious settlement of the unresolved, or potential, problem in the transportation industries.

Frank Pace, Jr.

Defense outlays can be expected to remain at about the 1959 level in total. The composition of this total will continue to change as new weapons systems come into being and technological breakthroughs are made.

Spending for missiles, space vehicles and electronic items will rise during the year and will more than offset the decline in purchases of military aircraft. The intense competition between major weapons systems will call for a high degree of competence and diversification within the defense industry. The success of individual major contractors will continue to depend largely on the accomplishments of their research organizations that have been established or strengthened during the nineteen-fifties.

The commercial aircraft business will be marked by the continued transition to all jet and turbo prop commercial transports. Also, the year should see the start of a new era in air cargo transportation, accompanied by technological innovations not only in aircraft design but also in related fields, such as, improved ground handling and transhipment of cargo.

In the coming year, in addition to the activities in the areas mentioned above, General Dynamics will continue to broaden its operations in the non-government areas without losing sight of its responsibilities to, and its potential with, the armed services.

MOREHEAD PATTERSON

Chairman of the Board, American Machine & Foundry Company

AMF is in the fortunate position of starting the next decade and our 60th anniversary year with the highest revenue and profit level in the history of the company.

This position is not based on mere optimistic speculation but on certain facts and figures known to us at this time that will form a strong foundation for AMF in 1960.

Morehead Patterson

First, there is the continued expansion of our bowling activities, including the leasing of AMF Automatic Pinspotters and sale of bowling products such as lanes, ball returns, bowling balls, shoes, pins, in fact, everything the proprietor needs to equip a bowling center completely.

AMF started the year 1959 with more than 40,000 Pinspotters on lease. During the past year we shipped another 14,000 machines. This means that the number of machines in operation and bringing in revenue in 1960 will be more than one-third higher than in 1959. All other things being equal, this will assure us of a substantial increase in revenues and net profits from the Pinspotter portion of our business in 1960 based on the machines installed on lease last year.

In addition to this, while the bowling boom may have slowed down in some parts of the U. S., there are still many areas where a market can be developed for automated tenpin bowling. These are in the West, where the economy continues to expand, and in New England and the Southeast, where other types of bowling have so far prevailed.

Another large bowling market area that AMF is developing rapidly is in overseas countries. In many of these, such as the United Kingdom (where this month we shall be the first company to start automated tenpin bowling) and West Germany, the civilians became attracted to automated tenpin bowling by seeing or trying it on American military bases. In other countries, like Sweden, Belgium, and Australia where they have never seen this form of bowling, we literally have to create the desire for it.

The improvement of the economy in many of the developed countries has given people more money for leisure time recreation. We feel confident that in these countries automated tenpin bowling will become popular as it is in the U. S.

Another part of AMF's business that looks good for

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1960 is Government Products. Total shipments in 1959 were about $40 million. We are starting this year with twice this amount—approximately $80 million—in unfilled orders for Government work. We are thus assured that in this part of our business, revenues and profits should be substantially higher in 1960.

As for the rest of AMF's business, we believe that it will depend on the state of business generally. Since most economists are confident about general business in 1960, it seems safe to predict that AMF will set new all-time records in gross revenue and net profit this year.

FREDERIC A. POTTS

President, The Philadelphia National Bank, Philadelphia, Pa.

The second half of the twentieth century begins with an insistent demand for capital emanating from virtually all corners of the world. For the nations of the Western World, it will be important that they be in a position to largely satisfy this demand. In the United States, the needs of government, of business, and of consumers have already pushed interest rates, in some cases, to the highest on record. Forecasts for 1960 suggest a continuation of these large-scale requirements to finance an estimated Gross National Product of something over $500 billion annually by mid-year. One of the outstanding developments undoubtedly will be a substantial accumulation of inventories which has been estimated at approximately $6 to $7 billion. Surveys for business plant and equipment expenditures are encouraging and an increase of 10% in these outlays would seem to place them at a level which is not inordinately high and is perhaps sustainable. The anticipated strength of consumer income will create a good demand for automobiles with sales that could reach the highest on record. Private housing starts seem likely to decline somewhat from recent levels with the total for 1960 at about 1,100,000 units. The downward trend of the past few months partly reflects the strong competitive pull of other borrowers for funds that might have gone into mortgages.

Frederic A. Potts

Clearly we are entering 1960 in a boom atmosphere. Demands for credit and capital will continue to be strong. Interest rates seem likely to go higher with consequent lower bond prices. Bank lending rates, as well as the rediscount rate, might also be subject to further increase. Recent wage settlements suggest a resumption of the wage-price spiral adding to the need for a continuation of tight money. Advocates of easy money and low interest rates are not easily silenced. Plans for public works measures and increased federal housing expenditures are likely to be introduced during the important Presidential election year of 1960. The leaders of our banking system, whether they be private bankers or central bankers, are likely to be under considerable pressure, and will need the support of an informed public opinion to sustain their courage and statesmanship. Lasting economic growth, reasonable price stability, and labor employment of a magnitude which recognizes the necessity for some periodic under-employment of all segments of our productive apparatus are not incompatible in a market economy. The free nations of the world need the support of a strong United States dollar to provide capital for our friends and potential friends everywhere.

MUNDY I. PEALE

President, Republic Aviation Corporation

Despite the impact of budget-balancing felt throughout the defense industry during 1959, the year was one of progress and relative stability for us. From the point of view of business on hand, the company successfully went into the second phase of the F-105 fighter-bomber program, moving the more advanced "D," or all-weather version, into the production line. The first "D" model was factory-completed three weeks ahead of schedule.

Mundy I. Peale

The build-up of production on the all-weather model will have some effect on 1959's business; it should exceed modestly 1958's $218,547,879—but its principal impact will be on 1960's and 1961's prospects. We anticipate both years will be up slightly over 1959, with 1961 the most promising.

Per share earnings for 1959 will be somewhat over $2.00. At the year's end the company has a backlog of $500,000,000 in orders, a weekly payroll of $1,992,000 and a rate of business of better than $500,000 per working day.

Production of the supersonic F-105 fighter-bomber (which on Dec. 11 set a new unofficial world's record of 1,216 mph. for a 100 kil. close course) is set at least through 1962. This Mach 2 jet is currently in service with the Tactical Air Command here and units are scheduled for service with the U. S. Air Force in Europe and in the Pacific region.

Work on Missiles

Republic's Missile Systems Division, currently at work on a more than $30 million contract from the Army Signal Corps for an advanced combat surveillance drone, expanded in men and facilities. An additional $2,000,000 worth of research and development contracts were received for sophisticated anti-ICBM techniques, decoy discrimination and nuclear detonation simulations. Production contracts were received for ICBM missile nose cones and missile guidance systems.

Perhaps the most comprehensive program we've been engaged in is the broad scale expansion of research and development aimed at accelerating the company transition to astronautics.

In looking towards 1960 and beyond, one important fact must be borne in mind; the arrival of manned space vehicles will come, not by revolution but by steady technological evolution. Aircraft, as we know them today and as we can visualize them for tomorrow, will continue to have a critical role to play. It is for that fundamental reason that our research and development will be carried on in three areas simultaneously, in aeronautics, in astronautics and in ballistics.

$6,000,000 for Research

Last year we invested approximately $6,000,000 in the Research and Development Center which will be the nerve center of this activity and we have about $12,000,000 budgeted for adidtional facilities and personnel expansion during 1960. This laboratory, one of the most advanced in private industry, reflects not only the best thinking of our people but that of more than 100 experts in 51 firms involved in advanced research and 21 government agencies and more than a dozen colleges and universities similarly engaged.

The seven laboratories in this new center, covering such areas as space environment, re-entry simulation and nuclear radiation, will provide facilities and "brainpower" to accelerate a number of programs already under way as well as to simulate new avenues of scientific experiment. For example, activities in plasma propulsion for space vehicles, currently underway via two contracts, will be expanded as will development work on high temperature hydraulic systems, trajectory analysis and studies relating to the establishment of a manned observation post on the moon.

In the aircraft areas we have a number of designs and improvements in the basic F-105 aircraft which could easily extend the capability—and longevity—of this aircraft many years into the future. Beyond it, we have comprehensive developments taking shape in the verticle take-off (VTOL) and short take-off (STOL) aircraft for the Air Force, the Army, the Navy and the Marines.

ALFRED E. PERLMAN

President, New York Central System

Our economy is entering 1960 with the most favorable prospects in several years. Business as a whole has recovered from the depressed levels of 1958, and indications are that industrial and commercial activity in this election year will continue upward to what may be near record levels. Our two key industries, steel and automobile, are in especially promising production positions, with large backlogs of demand built up.

Alfred E. Perlman

This anticipated high level of heavy industry production should be reflected in increased volume of railroad freight traffic. Our industry still has many tough regulatory, legislative and labor problems, and while a high level of carloadings won't make these problems go away, it at least will give our industry time to catch its breath while efforts toward a solution are continued.

Insofar as the New York Central is concerned, we are optimistic about 1960. Our outlook is for a 5% increase in total carloadings, particularly in such commodities as ore, coal, steel and automobiles. Moreover, during the next year we should be in a position to gain significantly from our comprehensive physical rebuilding during the past five years, our continued heavy program of maintenance, sustained even during the depths of the steel strike, and our continued tight control over expenses.

For 1960, we have budgeted improvements totaling approximately $100 million, including 2,200 new freight cars, completion of one new electronic classification yard and starting of two more, and extension of our trackage under centralized traffic control.

We expect to continue our extensive debt reduction despite this heavy spending on physical improvements. In 1959, the Central cut debt by $44 million net after new financing, raising to $94 million our net debt reduction in two years.

The five years of rebuilding already accomplished is now beginning to pay off in freight service improvements. Just this month, for instance, we are introducing a completely new and faster freight train between St. Louis and the East. More such service speedups will be announced as 1960 moves along, and as our young management team begins to take full advantage of the new electronic tools our improvement program has given it.

We believe that in 1960 the public will become increasingly convinced that the economic waste resulting from an antiquated national transportation policy can no longer be tolerated if the economic health of the country is to be maintained. The wasteful overlap of competing modes of transportation, resulting from the penalizing of the railroads through excessive taxation and obsolete regulatory controls, while at the same time subsidizing air, highway and water competitors, must be eliminated for the sake of the shipping and consuming public, which is paying the penalty. There will be increasing pressure for the removal of present artificial barriers to truly integrated transportation systems. Such systems would permit any form of transport to utilize the benefits of new technology so as to produce transportation at the lowest cost consistent with the level of service required by the shipper.

By the same token, rates based on realistic costs, rather than on outmoded concepts of charging what the traffic will bear, must be initiated by the railroads and approved by the regulatory commissions, without regard to the effect of such rate on a less efficient mode of transportation. Rail rates can no longer be held high in order to protect the traffic of the truck companies. Similarly, contract rates, which a number of railroads have filed with the commission, must be extended in application so that the volume customer can obtain a lower rate than the sporadic customer, precisely in the same way as the concept is employed by electric utility companies. The cost of standby capacity is thus charged to those who benefit from it—the part-time customers—rather than to the customer whose traffic produces a steady flow of business day in and day out.

In other words, we believe that in the coming year economic horse sense will begin to prevail over prejudices of years gone by, resulting in fairer treatment of the railroads at the hands of State and Federal Governments, without prejudicing the vigor and health of the trucking, air and water transportation industries.

FRANK O. PRIOR

Chairman of the Board, Standard Oil Company (Indiana)

Before taking a look at prospects for the first half of 1960, let's see how the oil industry looked in 1959.

Demand for domestic crude oil in 1959 totaled about 5.6% higher than in 1958.

Product demand was about 4.9% over 1958.

Frank O. Prior

Product stocks were excessively high, and as a result prices were weak.

However, recently refinery runs have been cut back somewhat. Also, prorated oil production in Texas, the largest producing state, was held to a low level of nine days a month for the months of July through November and ten days in December.

Earnings for my company, Standard Oil (Indiana), for the first nine months, increased 23% over the same period of 1958. Earnings of the domestic oil industry did not quite reach this level of improvement. Little improvement over 1958 can be expected for the last quarter of 1959.

I predicted my company's earnings in 1959 to be about the level of 1957. This would have been true except that long refinery strikes over management's responsibility

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TEN Years of GROWTH in The BLACK HILLS of SOUTH DAKOTA

Fiscal year	1959	1954	1949
Electric revenues (thousands)	$ 6,794	$ 4,229	$ 2,509
Kwh sales (thousands)	358,332	205,648	106,160
Number customers	29,896	26,820	19,863
Common stock equity (%)	37.5	25.4	19.2
Earnings per share (common)	$ 2.53	$ 2.08	$ 1.92

An Annual Report will be mailed on request.

BLACK HILLS POWER AND LIGHT COMPANY

Rapid City, South Dakota

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to manage efficiently in three of our refineries, starting in July and still continuing at two of the three locations, will reduce our company's earnings for 1959.

The century-old oil industry is still a growing industry. Domestic sales of oil industry refined products alone are estimated to pass the $25 billion level for 1959, a new high. The year's research expendtures—a key to future growth—increased to about $300 million, a new record.

From this basis for 1959 we can look ahead into the first half of 1960.

Aggravating the domestic oil industry's economic problems are problems created by government—principally excessive gasoline taxes (amounting to more than $5 billion in 1959), and stifling regulations and controls. Federal regulation has held natural gas prices so low that it is affecting the level of exploration for oil and gas.

The world-wide ability to produce crude oil is well in excess of demand. The domestic refining capacity has been somewhat over-expanded, even in the face of increased product demand.

In the first six months of 1960 we anticipate an increase in domestic demand for petroleum products of about 3.1% over 1959's first half. This also assumes steel output near capacity. Demand for domestic crude should rise about 4.2%, assuming no marked change in government control of oil imports.

If, as it is reasonable to expect, the industry has learned a lesson as a result of the senseless overproduction of products this year, then there should be a better balance of supply and demand. A good 1959-60 winter heating season would be most helpful.

In this economic climate prices should firm and strengthen, but the oil industry is so intensely competitive that improvement in the ratio of demand to supply does not automatically cause srengthening of price. Nevertheless, as we see it now, profits for the first half of 1960 should be as good as those for the first half of 1959, and given a few favorable factors somewhat better.

Capital expenditures for 1960 will be about the same as the 1959 estimated domestic outlay of $5.2 billion. Importantly, such expenditures for manufacturing will be for modernization rather than for capacity increases. It is significant that foreign expenditures in 1958 for the first time just topped the total for domestic expenditures. It appears this trend is continuing in 1959 and will continue in the near future.

To make 1960 a really improved year as compared with the previous one, management needs to do a much better job in planning product output and devising marketing programs keyed to a much better return on investment.

In the longer future, large increases in the demand for energy are expected, and so the oil industry outlook is bright.

WILLIAM J. QUINN

President, Chicago, Milwaukee, St. Paul & Pacific Railroad Co.

In considering the railroad industry outlook for 1960, it is necessary to review developments during the past 12 months. One year ago virtually all industries in the United States were looking forward to 1959 with optimism. There were strong indications that business gains of a substantial nature would continue for most, if not all, of 1959. That expected growth and expansion in industrial activity was realized in full during the first half of 1959.

William J. Quinn

Railroad fortunes followed the national pattern. During the first half of 1959 carloadings were up 13%; net earnings, too, were up substantially. Unfortunately, however, the latter half — which railroads normally expect to be the more profitable—was very seriously affected by the steel strike. By the end of 1959 all of the industry's gains in traffic and earnings during the first half of the year will have been lost.

Obviously, no estimate of the year ahead would be complete without taking these factors into account, as well as the issues involved in the railroad industry's wage negotiations now pending. The problem, however, is an urgent one, not alone from an immediate economic point of view, but also because of the limitations which outmoded work rules now impose on the overall effectiveness of railroad management.

Now that the steel wage negotiations have been settled, and when the railroad industry negotiation roadblock is removed—and removed it will be because it must be—the pent-up demand for goods and services will carry an upsurge in all types of production.

Viewing the railroad industry in this perspective reveals a number of favorable factors in the outlook for 1960. To be specific, I would like to detail some of these factors which I consider important in the railroad industry:

FIRST—The Bureau of National Affairs, Inc., has called attention to the significant fact that for the economy as a whole the steel strike did not check the general business upturn. Rather, it has probably stretched it out. Efforts to rebuild steel inventories in the opening months of 1960 will carry industrial production to new highs and result in substantial gains in employment. Specifically, that agency estimates 1960 industrial production gains at 5% and the rise in employment at about 3%.

SECOND—Revolutionary changes are taking place in the railroad industry which are producing such developments as the highly successful concept of piggyback and refinements of the general principle, such as the Milwaukee Road's own Flexi-Van system. These changes have produced new traffic research techniques, quantity rates, new signal and communications systems, new maintenance methods, and highly efficient new types of freight cars which virtually become a part of the manufacturer's assembly line. On every hand there is evidence of new and better ways to do the job.

THIRD—With our population—and thus our economy—expanding rapidly, the factor of an expanding economy, alone, means a greater traffic volume for our industry.

FOURTH—For most of us whose interests and fortunes are closely tied to the Midwest, the opening of the St. Lawrence Seaway offers bright prospects for the future. Estimates vary, but it is generally agreed that Seaway traffic promises to be much better in 1960 than it has been in 1959, and this is certain to mean a net gain for the railroads in this territory.

FIFTH—Public apathy towards the railroads is rapidly giving place to deep public concern and understanding. This is already manifest in the Transportation Act of 1958, which was a step in the right direction for the railroad industry. With increased recognition on the part of the lawmakers that the railroads must have equality of treatment with other forms of transportation, I am confident that we will see far-reaching changes in those regulations and public policies which today weigh heavily upon the industry.

To summarize, I would say this:

Assuming that labor troubles in the railroad industry are resolved promptly, as they must be, and with the settlement of the steel industry wage matters already effected, the railroad outlook for 1960 is good. With depleted inventories in many quarters, we can expect 1960 to be a make-up year. Thus, with larger movements of iron ore, coal, and other heavy goods expected, we can anticipate that the advances occurring in the first half of 1959 will be resumed and will continue throughout the coming year.

As to the railroads' earnings prospects this year, with their labor costs already in excess of 50% of gross revenues, forecasts must necessarily await the outcome of our wage negotiations with the unions.

JUAN GONZALEZ RAMOS

Executive Director, Continental Operations Branch, Puerto Rico Economic Development Administration

Puerto Rico in 1959 concluded its first decade of economic development with new records in industry, tourism, and agriculture.

Against a background of a prospering economy, the Commonwealth's gross national product rose 6% to $1,400,000 and new investment reached $300,000,000, or 21% of GNP. For the first time in Puerto Rico's history, per capita income passed the $500 mark.

Juan Gonzalez-Ramos

Also as a result of a high rate of industrialization under the "Operation Bootstrap" program, the island's purchases of U. S. goods rose to a high of $670,000,000.

Briefly, these were the highlights in Puerto Rico's socio-economic picture last year:

Industry—Puerto Rico's Economic Development Administration signed up a record 135 U. S. manufacturers for island Bootstrap plants. These included Standard Brands, Trouser Corp. of America, Proctor Electric, and the Borden Co.

Tourism — An estimated 250,000 tourists visited the Commonwealth in 1959. They pumped a record $50,000,000 into the economy, a 50% increase over the previous year.

Agriculture—Farm output rose 6%, reaching a new record value of $228,000,000.

Construction—Projects completed or under construction approached a value of $200,000,000, a near record.

Education—During the year, Puerto Rico spent $86,000,000, or 29% of its budget on education. Literacy rate since 1954 has risen from 75.3% to 86.6%.

Transportation — Over 1,000,000 passengers moved through San Juan's International Airport in 1959. This volume was not expected until 1975.

On Puerto Rico's industrial front, some 600 Bootstrap plants were in operation as the first decade of industrial development came to a close.

Illustrating sustained industrial growth, Puerto Rico's industry last year shipped to the Continental U. S. a record $275,000,000 in manufactured goods. This was 15% over its 1958 volume and 163% more than in 1952.

U. S. manufacturers launched these products in Puerto Rico for the first time—ethylene glycol, carpet sweepers, silicone compounds, stereo cartridges, plastic shoes, bakers yeast, safety and parking brakes, auto leaf springs and steam boilers.

By year-end the Puerto Rico Economic Development Administration was consulting with U. S. companies considering these products for 1960 in the Caribbean Commonwealth: Vinyl plastics, synthetic fibers, motors, small boats, aircraft and aircraft parts, soaps, detergents, nylon and rubber tires.

Puerto Rico's major attraction for U. S. manufacturers continued to be rising productivity, lower production costs, and relatively high profits. The island's Bootstrap plants averaged a net profit of 16% in relation to sales, about double the U. S. rate before taxes and nearly four times after taxes.

A survey showed that U. S. affiliates producing household appliances netted 58 cents on the sales dollar, while women's blouse plants registered 21% and those manufacturing fabricated wire products 19%.

Three other trends emerged during the year. These were:

(1) Nation-wide Interest in Puerto Rico As A Manufacturing Site. A growing number of West Coast and Middle West companies opened island plants during the year, particularly to reach East Coast and Latin American markets. One California electronics company netted a profit of 31.6 cents on the sales dollar on the Puerto Rican production of a vital missile part.

(2) *Expansion of Puerto Rico's Food Processing Industry.* U. S. investors established seven food plants in Puerto Rico. As a result, Puerto Rico should soon emerge as the Caribbean's largest producer of grain products, meats, poultry and fish products. These investments included a $4,000,000 flour and feed mill by Nebraska Consolidated Mills; a $3,000,000 fish processing plant by Star Kist Foods Inc.; a $3,000,000 meat packing facility by Little Rock Meat Packing Co., and a $2,000,000 rice mill by Rice Growers of California.

(3) *Puerto Rico's Significance to Underdeveloped Countries.* Some 1,500 observers came to Puerto Rico in 1959 to see how the Commonwealth developed its economy by attracting and encouraging American private capital investments. The basic ingredient they found was long range economic and political stability.

In a sense Puerto Rico over the recent years has become a sort of overseas "launching pad" for American corporations. Now, if U. S. companies who either have invested in Puerto Rico or who are conversant with the success of industry there would project the proven Puerto Rican experience to the crucial underdeveloped and developing world, then the "Operation Bootstrap" program would be a real success.

For as President Eisenhower has warned, what happens in these new lands will have an important bearing on the Western way of life. Whether India, for example, can develop along democratic, free enterprise lines, is all important to us.

Puerto Rico in the past decade has made steady progress in its program of economic development. Yet it still has much ground to cover to increase employment. Despite ten years of industrialization, 13% of the Commonwealth's working force remains idle while hundreds of thousands of Puerto Ricans can only find part-time work.

While serious problems remain, there await solid opportunities in the decade ahead. Based on current trends, the Economic Development Administration anticipates that by 1970, some 1,600 Bootstrap plants will be in operation. An important factor in the acceleration of industrialization should be the trend to integration of existing manufacturing operations which need satellite plants. The $30,000,000 Union Carbide ethylene glycol plant which opened in 1959, for example, should form the nucleus of a substantial petrochemical complex.

Tourism should play an increasingly important role in Puerto Rico's economy. Again based on current trends, we believe that by 1970, a million tourists will be visiting Puerto Rico every year. Their contribution to the economy should be considerable, approximately $200,000,000 annually.

In sum, Puerto Rico faces problems as well as unprecedented opportunities in the decade ahead. A combination of economic and political stability and continued heavy flow of U. S. private capital investments to Puerto Rico, however, will whittle down the problems at hand and make the opportunities reality. It is our hope that the basic aspects of our development program may find application in other areas of the world also in need, as we are, to improve their lot.

HENRY H. RAND

President, International Shoe Company

Shoe manufacturers should produce in excess of 600,000,000 pairs again in 1960 but production probably will not reach 1959's estimated record of 640,000,000 pairs.

Shoe retailers can expect another record sales year in 1960. The reason for a difference in results as between the retailer and manufacturer is that, broadly stated, the retailer reduced inventories in 1958, built inventories in 1959 and should follow a more stable inventory policy during 1960.

Henry H. Rand

A portion of the inventory fluctuation among shoe retailers was brought about by a difference in the economic climate. But a more immediate reason was the rapid rise in hide prices starting a little over a year ago. While shoe prices reflected this advance, they followed well behind the increase in the cost of hides. Shoe retailers tend to buy more freely on a rising market.

The current price position of hides is rather unstable. Higher prices have resulted in volume shoe retailers holding up orders waiting for price stability, shoe manufacturers started to use up inventories and tanners have bought fewer hides. Hide prices have dropped and the situation is currently the reverse of last year, although there has been some recent firming of hide prices. These recent price gyrations of a basic material have tended to obscure some of the more fundamental and long range problems of the shoe industry.

The cost of labor is a larger part of the cost of a pair of shoes than is the case in many other commodities. Many materials, other than hides, are basic in this in-

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dustry. And the cost of labor and of most materials have been rising continuously. Thus, in an industry of stern competition, the profit squeeze is virtually continuous. This profit squeeze is a factor as the industry copes with other long range objectives.

Since the end of the war manufacturers of shoes have seen an increasing share of the consumer dollar being spent for housing, automobiles, appliances and services. This has been at the expense of the historic share which formerly was spent on shoes.

During 1959 both the shoe manufacturer and the shoe retailer did an excellent job of fighting back to regain an increased share of the consumer dollar.

The desire to further increase per capita consumption of shoes in 1960 will be handicapped by the low profit margins within the industry which limit either long range price reductions or more aggressive merchandising and promotional efforts.

In spite of these long and short range difficulties the shoe industry appears to be entering into a new and more aggressive phase. Improved manufacturing, distribution and merchandising methods are beginning to get results. The industry as a whole will give a good account of itself on the economic scene for the year of 1960.

E. T. REIDY

Chairman of the Board and President, Chicago Great Western Railway Company

Business prospects in the railroad industry for 1960, as in other years, is contingent upon activity in other industries dependent upon the railroads for the transportation of their products, including agriculture, packing house, mining, petroleum, steel, manufacting, construction, etc.

E. T. Reidy

Due to its geographical location, the Great Western, of course, is affected considerably by agriculture and associated industries, particularly grain and meat. Agricultural production generally has been above average the past two years and that trend is expected to continue in 1960 with consequent benefits to our railroad. The packing house industry, of course, has been plagued with strikes in 1959, but it is hoped their labor problems will soon be resolved and with labor agreements negotiated for a two-year period, an upsurge in their business in 1960 appears likely.

While the construction industry is not expected to be as active in 1960 as during the past few years, I believe we can look forward to a reasonably brisk year. A good percentage of Great Western traffic consists of lumber and other building materials.

The 116-day steel strike had a devastating impact on the nation's entire economy, including the railroad industry and, of course, a similar effect will result if there should be a resumption of that strike in 1960. Business prospects in general are dependent upon the outcome of steel labor negotiations and the extent of any further work stoppage in that industry.

Foremost in my mind, of course, is the prospect of a railroad strike in 1960 and the extent thereof. Some of the most serious issues in railroad history are now in the process of negotiation on a national basis, the eventual outcome of which is extremely uncertain. A general strike in the major transportation industry, which is so vital to this nation's defense and economic welfare, is unthinkable; however, crippling strike action cannot be entirely ruled out. The situation is so nebulous as to render any reliable forecast an utter impossibility. However, I have every confidence in the future of the railroad industry and the ability of representatives of management and labor to successfully resolve their differences, and barring the adverse effect of unpredictable work stoppage in both the steel and railroad industries, the Great Western should experience a good year in 1960.

J. E. RHEIM

President, Rohr Aircraft Corporation

The year 1960 will see further progress in the transition period which the aircraft industry entered a year or so ago, and through which it is passing with accelerated speed. Competition will be stronger than it has been during most of the last decade, and greater emphasis will be placed upon the effort to keep down costs.

J. E. Rheim

In our particular phase of the industry the development of new techniques, greater use of numerical controlled machines and more extensive research in the creation and fabrication of new and stronger materials will continue to be important areas. We began a program embracing these advanced steps several years ago and the progress we have made has enabled us to anticipate the needs of the industry as they have developed and to remain in a strongly competitive position.

With the more drastic changes in the industry affecting military production, by narrowing the manned aircraft program to fewer models and placing increasing emphasis upon missiles, our position has been improved by a steadily growing backlog of commercial business. At the beginning of the year this stood at 68%.

The military portion of our backlog includes production of major components for the B-52H, the KC-135, the P3V, the GV-1, the B-58 and the F4H. None of these airplanes have been cancelled; all appear to have long production schedules ahead.

Commercially, we are producing major components for the 707 series, the 880, the Electra and the Jetstar. Two of these, the 707 and the Electra, went into service last year, have set excellent records for speed, comfort and safety, and have proved profitable for the airlines that operate them. This year the 880 will go into service and the Jetstar, a high speed executive airplane, will be in production.

All responsible forecasts of air travel and air freight for the next decade indicate that the surface of this mode of transportation barely has been scratched. Large cargo planes are being developed and a steady increase in freight traffic that now appears certain should see this phase of the industry reach important proportions in the next few years.

The transition through which the industry is passing has caused distress in some areas, and this cannot be minimized. But we do not believe that the effects which have led to pessimistic expressions will be permanent.

Aviation, despite its tremendous advances in the last decade, still is in its infancy. We view its future with optimism and we see in each transition period through which it has passed, and through which it will pass in the future, solid evidence that its growth is certain.

HENRY H. REICHHOLD

President, Reichhold Chemicals, Inc.

The chemical industry must accelerate its building of new plants and produce larger quantities of plastics at lower prices if it is successfully to capture a bigger share of the potential market from the producers of steel, natural fibers, rubber and concrete. The industry should not sit back and rely on current production but wisely plan for the foreseeable increase in demand in the future. It is necessary that the industry does not fall into the doldrums by holding back construction of new plants due to fear of over-production.

Henry H. Reichhold

The future of the industry rests in its ability to keep pace with the growing demand brought about by the development of wider uses of plastics. That this demand is growing, and will continue to grow at a healthy, steady rate is shown by the fact that the volume of plastics produced and consumed during 1959 rose 30% above 1958. This significant growth has been achieved primarily in phenolics, ureas, melamines, styrenes, vinyl, polyesters and polyethylenes. Noteworthy is that the greatest growth in terms of both percentages and poundage increases has been in the comparatively low priced materials.

This is certainly proof that by reducing the price of plastics, and thereby bringing about a higher volume of use, the industry can increase its over-all profits.

This is the Age of Plastics and if the chemical industry will speed up the building of new plants and increase its over-all output, in a short space of time, it could have sales of $30 billion annually. This would place it third among the leading manufacturing industries in the U. S. Food and allied products rank first with sales of almost $51 billion and transportation equipment second with more than $36 million in sales.

There are many ways that the industry can bring about a greater use of plastics. One is to develop new programs for informing engineers, architects, and builders of the inherent possibilities of new plastics in the construction of homes, schools, office buildings and factories. Emphasis should be placed on the simplicity and adaptability of using plastics in building.

The success of such a program would see the use of polyesters, epoxies, styrenes, phenolics and other plastics achieve new highs in consumption. In accomplishing this it is important to bear in mind that necessary steps should be taken to bring about the much-needed modifications of old and outmoded building codes still existing in this

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Bowers, Monihan & Little, Inc. Opens

NEW ORLEANS, La. — Bowers, Monihan & Little, Inc., has been formed with offices in the Pere Marquette Building, to engage in a securities business. Officers are Alexander S. Bowers, President; Daniel J. Monihan, Executive Vice-President and Treasurer; and Jean M. Little, Vice-President and Secretary. Mr. Monihan was formerly with Tower Underwriters; Mr. Little was with A. M. Law & Co.

Lambert Incorporates

ALBUQUERQUE, N. Mex.—M. W. Lambert, Inc. has been formed with offices at 216 Gold Avenue, S. W., to engage in a securities business. Officers are Milford W. Lambert, President; Mary J. Lambert, Secretary - Treasurer; and Elizabeth P. Zinn, Vice-President. Mr. Lambert was formerly proprietor of M. W. Lambert Co.

Watling, Lerchen Branch

DEARBORN, Mich. — Watling, Lerchen & Co. has opened a branch office at 1010 Mason Street under the management of Sarkis P. Bayekian.

Williston, Beane Branch

BOCA RATON, Fla.—J. R. Williston & Beane has opened a branch office at 151-153 North Ocean Drive under the management of John W. Wolf.

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country. Another fertile area of demand is the expansion of the industry's activities in foreign countries. These countries could easily be convinced of the vast advantages of plastics over other materials plus the fact that only simple molding equipment and basic materials are required in their production. Important is that there is no need for costly construction of steel or concrete plants.

One way of bringing about a greater interest in plastic materials in foreign countries is through the shipment of prefab houses to help solve the lack of low-cost housing. Areas of particular interest to the U. S. would include India and some of the Near East countries.

Reichhold's contribution to the growth of the chemical industry can best be illustrated by its construction and expansion program during 1959. This includes new construction of a $4 million maleic plant and a $5 million phthalic plant at Elizabeth, N. J.; and a multi-million dollar phenol plant in Tacoma, Washington. Production began this year in two new plants, one a formaldehyde plant in Kansas City, Mo.; the other a resin plant in Houston, Texas.

During the year we announced plans for future construction of two other plants. One to be located in the South, the other in Newark, Ohio. Also as part of our expansion program, acquisition of new divisions included that of the specialty Chemicals Division, the Alkydol Laboratories Division, and the Varcum Chemical Division.

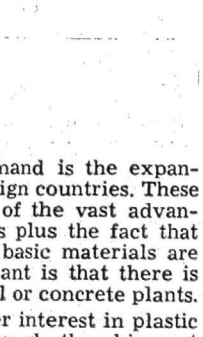
1959 will be a record-breaking year in our growth. During the first nine months of 1959, our sales increased 31% over the same period in 1958. For the first three quarters of the year these sales amounted to $71,147,000 compared with $54,434,000 for the same period in 1959. However, our earnings have not quite measured up to expectation. This is due to a costly strike at one of the plants earlier last year, the loss of the Austin, Texas plant as a result of being struck by tornado, and the heavy expenses involved in our $24,000,000 expansion program.

We have confidence in the future growth of the chemi-industry. At Reichhold, we will continue to expand production and construction in keeping with the growing demand on the part of consuming industries and the public.

D. A. RHOADES

President, Kaiser Aluminum & Chemical Corp.

The aluminum industry in the United States has come through 1959, a year of unusual industrial disturbance stemming from the prolonged steel strike, with a substantial increase in shipment volume. Total aluminum shipments for 1959 are estimated at 2,450,000 tons, compared with the 1,785,000 tons shipped in 1958. Many new products have been brought to the market and a number of important breakthroughs have been made in aluminum applications for the nation's building, transportation and other major industries.


D. A. Rhoades

A significant Kaiser Aluminum accomplishment of 1959 was the replacement of former government contract shipments of aluminum with commercial business. In 1958 the company shipments of aluminum under then existing government supply contracts amounted to 95,000 tons. During 1959 the corporation made no shipments of aluminum under government supply contracts.

With the industry's labor costs now established by new three-year contracts, and with the recent 1.3 cents price change partially restoring the 2 cents price reduction of April 1958, both the industry and our company are in an improved position for continued growth and service to American industry.

One of the most spectacular development areas for aluminum in 1959 was in building and construction, a major national industry now consuming practically a quarter of the nation's aluminum production. Intensive promotional and application programs by aluminum producers have greatly increased aluminum usage in the residential construction field.

A unique and versatile structural application for aluminum, the Kaiser Aluminum Dome, received world-wide attention in 1959 when a 200 foot dome was selected as the main building to house the United States Cultural and Industrial Exhibition in Sokolniki Park, Moscow, Russia. Another 200 foot dome has recently been built as a sports palace in Paris, France.

A significant advance for aluminum in the canning field was the decision by Libby McNeill & Libby to package its 1959-60 frozen orange concentrate in aluminum cans. This application will require 100-million cans produced from aluminum supplied by the Kaiser Aluminum & Chemical Corporation.

A 100% expansion in facilities for the production and marketing of industrial refractories was achieved by the Kaiser Aluminum & Chemical Corporation in 1959 through the merger with our organization of the former Mexico Refractories Company, of Mexico, Missouri, a leading producer in this specialized field.

Expansion in international operations has also been a characteristic of the aluminum industry during 1959, and will continue to be important in 1960. In addition to substantial increases in international sales of aluminum, the Kaiser Aluminum & Chemical Corporation now holds investments in aluminum production and fabricating enterprises in Argentina, India, and Spain.

In view of the high level of economic activity that is generally forecast for 1960, we look forward to a further increase in the industry's production of primary aluminum ranging from 7-10% above present levels.

JOHN W. REMINGTON

President, American Bankers Association, and President, Lincoln Rochester Trust Co., Rochester, N. Y.

The outlook for banking is good because it reflects the favorable prospects for business as a whole. Present indications are that economic activity in general will pick up sharply during at least the first half of 1960 and will probably continue to improve at a somewhat slower pace during the second half of the year, provided there are no serious strikes in major industries.

John W. Remington

Initially, this pickup will be sparked by consumer expenditures and by inventory accumulation, following the running down of stocks during the steel strike. Business investment in plant and equipment should also increase during 1960, perhaps only gradually at first and then more rapidly during the latter part of the year. In addition, rising government expenditures, and perhaps higher exports, too, are likely to provide stimulus to the economy throughout the year. Thus, despite some probable decline in residential construction, the prospects are that 1960 will be an excellent year.

The banking industry will share in this higher level of activity, since there is sure to be an increased demand for credit. While the rise in mortgage loans may slow somewhat, this should be more than offset by higher demands for business and consumer loans. The banking system will be in a position to meet at least the most important of these credit needs, and there is not likely to be any choking off of prosperity by serious credit shortages. However, since the Federal Reserve System's policy of preventing excessive credit expansion is almost certain to be continued, the banks may not be able to meet all of the marginal or more risky credit demands. We can probably expect, therefore, some continued upward pressure on interest rates.

For most commercial banks, 1960 should be a reasonably profitable year. Contrary to a widespread belief, rising interest rates are not an unmixed blessing to banks. It is true that they produce higher returns on those earning assets acquired when rates are high. However, there are a number of offsetting factors. One is the higher interest rate that may have to be paid on time deposits by those banks presently paying less than the 3% maximum permitted. A second is the likelihood that the curbing of excessive credit expansion will restrict growth in the volume of bank earning assets. A third is the fact that rising interest rates are necessarily accompanied by declining bond prices and hence by losses in the banks' bond portfolios. Banks realize these losses when they liquidate securities to meet loan demands. The net effects of these various factors cannot yet be foreseen precisely, but total bank profits are likely to be somewhat higher than last year and the net return on capital should not be far out of line wth the modest post-World War II average of about 8%.

Favorable as the outlook may seem at present, we should not forget the continued menace of inflation or the possibility of a business setback. The terms of the steel strike settlement indicate that the wage-price spiral has not yet been stopped. Large government expenditures also remain a major source of inflationary pressures. If we permit prices to continue rising and boom-period excesses to develop, a business setback during the next year or two will be likely.

I am hopeful, however, that a growing awareness of these dangers and an increased willingness, both by the government and the general public, to take the necessary steps for dealing with them will prevent the development of an inflationary boom and its inevitable aftermath.

R. S. REYNOLDS, JR.

President, Reynolds Metals Company

Aluminum's prospects for 1960 are bright. With a continued general business upswing expected, the aluminum industry should eclipse the records in production and sales it set in 1959. Aluminum shipments in 1960 should gain 10 to 20% over the 2.45 million tons shipped in 1959, which was a one-third increase over the previous year.

R. S. Reynolds, Jr.

Primary aluminum production in 1959 set a new record of about 1.95 million tons, 25% over the 1.57 million tons of 1958. Despite this high level of operations, the new capacity added in recent years was not fully utilized. However, it is possible that growing demand will require nearly all of this capacity some time in 1960.

Aiding the industry's rise to new peaks in 1960 will be the major breakthroughs made in 1959 into new uses in automobiles. Housing, railroad freight cars, defense vehicles, bridges, containers and electrical applications.

The aluminum engine in Chevrolet's compact corvair is the first of many an American passenger cars. Reynolds, with its molten aluminum contracts with Chevrolet, General Motors and Ford, is in a good position to participate in this growth.

In 1959 the Reynolds "House of Ease" concept—homes with all-aluminum exteriors—was introduced by 50 leading builders in cities accounting for 60% of new home construction. National Homes Corporation's successful introduction of a line of aluminum homes further demonstrated the public's desire for the long-life low-upkeep features of aluminum.

In 1960 the lumber dealers research council will market a line of aluminum homes through local lumber dealers and home builders, with the aluminum products supplied by Reynolds and its manufacturer customers. National Homes will standardize on aluminum exteriors for all of its 1960 lines, with other materials optional. The Reynolds House of Ease program will be extended to more cities, and a new program will take aluminum into the mass housing market.

Railroad breakthroughs resulted from Reynolds product development programs. Southern Railroad ordered 1,200 aluminum gondola and hopper cars. Aluminum cross-members, for bracing freight in box cars, went into volume production. Aluminum inner liners to protect box car walls, box car doors and refrigerator car floors were placed on test by major railroads.

We look forward to more orders for these products, which will save labor, reduce weight, increase payload and cut maintenance costs for railroads.

In the armed services, aluminum armor-plated tanks and other vehicles appeared in 1959. New structural uses of aluminum were seen in the construction of two aluminum highway bridges and aluminum substations and towers for electrical utilities. A major breakthrough was made into electrical conduit, where aluminum's light weight cuts installation labor.

Aluminum cans were used for the first time for beer, were adopted by more oil companies and made initial inroads into frozen orange juice concentrate. The first aluminum 24-bottle carrier for soft drinks was market-tested.

The principal U. S. producers continued during 1959 to expand their foreign interests. An important step was Reynolds acquisition of a major interest in the British Aluminium Company, Ltd., which has operations in the United Kingdom and interests in several other countries throughout the world.

Reynolds and its associate in the purchase, Tube Investments, Ltd., own a total of 96% of British Aluminium's common stock. We are convinced that markets for aluminum can be developed overseas by companies based there, just as markets have been developed in this country since World War II.

MARC B. ROJTMAN

President, J. I. Case Company

It does not come under the heading of prophesy to predict vast changes in the look of the farm equipment industry in the 1960s. The answer is simple—the industry "has" to change. As a matter of fact, many features of the industry's new look are already visible.

Marc B. Rojtman

Now, specifically, in what areas can we look for the greatest change? Certainly one of the most important of these is marketing. It would not be an exaggeration to compare the marketing techniques of the farm equipment industry over the recent years to that of the "mom and pop" grocery stores prevalent a generation ago, but now no longer to be seen. And certainly a major factor in the development of this country's amazing automobile industry was an advanced concept of marketing—especially with regard to the character of the modern dealership. The farm equipment industry must evolve a new approach to marketing and selling its products—and this means casting its dealers in a new role, and training and equipping them to sell with the most modern tools available. This is a job that must be accomplished in the '60s.

Another area of major change is that of product. If management represents the brain of a company, certainly product represents its heart. In the decade ahead, the farm equipment industry must do more than ever before in its history to evolve products that appeal through performance and quality. As an example of this, over the past three years the Case company has invested $28 million in research, engineering and tooling for new products. The figure is more than double the company's earnings for the same period. We believe—and assume that other factors in the industry do also—that superior products will be a decisive factor in sales success in the '60s.

The theme of this article refers to changes ahead in the farm equipment field. In talking about the companies which make up this industry, such a designation is misleading because it leaves out a very large area of operations which will also undergo major changes in the next 10 years. I am referring to construction and utility equipment manufacture which is becoming more and more a factor with the "farm equipment" companies. For example, in 1959, more than 30% of the Case company's $200 million sales volume was done in construction, roadbuilding and material handling equipment. The '60s will see the farm equipment companies expanding greatly into this field—with greater diversification into other areas as well.

As for the prospect for the year immediately ahead, I do not share the shroud of gloom that has become fashionable raiment in some sections of the industry. It is the progress the Case company has made in the areas listed above that is the basis of my confidence.

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If as is said, ours is a $2 billion industry, that means that the other companies in it are doing 90% of the business. The Case company could have a highly successful year just chipping away at some of that volume.

But all in all, our feeling is that the companies in the industry that will make giant strides in the '60s are those who will face up to the tremendous changes to be made. This will take courage and a definite discarding of the "old way of doing things." For our part, we expect the face of Case to change more in the decade ahead, than it has in the preceding 118-year history of the company. We are looking forward to the '60s eagerly.

W. THOMAS RICE

President, Atlantic Coast Line Railroad Co.

While I think the outlook for the railroad industry as a whole for 1960 is favorable, the remarks contained in the following paragraphs pertain to the outlook for the Atlantic Coast Line Railroad. Reports indicate that capital spending by industry in 1960 is scheduled to show a substantial increase over 1959 and we have every reason to believe that a large percentage of the expenditures for new and expanded plant facilities will be in the Southeast. Since so many factors which influence manufacturers in the location of plants, for example, availability of industrial water, availability of large acreage sites requiring a minimum of grading and other preparation, a favorable industrial climate, an abundant supply of labor, are present in the territory served by the Atlantic Coast Line Railroad, we expect to have a substantial share in this industrial growth. It is anticipated that our freight traffic will be at a higher level in 1960 than in 1959. As a measure of our optimism, we have on order 1,000 new freight cars, delivery of which will begin during the first quarter of 1960. We are also enthusiastic over the potential of our expanding piggyback service which was inaugurated in 1959 and which may well prove to be the most important source of new traffic for Coast Line in the year ahead.

W. Thomas Rice

Coast Line continues to seek new means for retaining and increasing its passenger traffic. During 1959 innovations were made from which the maximum potential unquestionably has not yet been realized. For example, after an absence of many years Passenger Representatives were restored to the East Coast Champion and West Coast Champion to assist in catering to the comfort of passengers; a low-cost "American Plan" meal arrangement was inaugurated without lowering the caliber of food or service; giveaways or souvenirs have been provided, particularly for children; an intensive program designed to encourage courtesy to our patrons was inaugurated; and an employee suggestion system was instituted which has brought many worthwhile suggestions for the improvement of our service.

It is primarily because of these innovations, which have been designed to make our service more attractive and thus meet the increasing competition offered by other forms of transportation — and others are in the planning stage—that the outlook for passenger traffic in 1960 is favorable.

HAROLD E. RIDER

President, The Fairfield County Trust Co., Stamford, Conn.

The end of the decade finds the nation still enjoying an expansionary phase of the business cycle which should remain with us well into 1960. The work stoppage in the steel industry has resulted in pushing a great deal of activity originally scheduled for 1959 into 1960, with the expectation that inventory accumulation will be once more a positive force in the economy. Although certain indices of economic activity have declined in recent months, on an over-all basis the condition of the economy is sound and strong as we enter the new decade.

Harold E. Rider

The steel industry should be assured of capacity operation during the 1960 first half as inventories, depleted by the strike, are replenished. Barring a resumption of work stoppage in any basic industry, 1960 will establish new records for most major areas of the economy, the greatest rate of advance being witnessed during the first half. Business spending for plant and equipment is expected to increase significantly. And when considered together with inventory spending, they will be major determinants of the level of production, employment, sales and over-all economic activity in 1960.

The outlook for banks is excellent. And with the prospect of continued strong demand for credit from both business and consumers, it is difficult to see any downward trend developing in money rates or bond yields. During 1959 the banking industry was called upon to supply large amounts of credit to help the economy in its recovery. As would be expected under conditions of demand, the money market remained tight throughout the year. And most banks are beginning the '60s with a high proportion of their earning assets in loans. Earnings, therefore, should show further improvement. And the industry should take advantage of this period to improve profit margins and strengthen capital, so that it will be in a position to provide the credit needs that will develop later in the decade.

As always, the economic picture bears careful study to detect any of the danger signals that precede the painful corrections of excesses and financial abuses. In this area there are several developments attracting attention. Since last April residential housing starts drifted lower each month, reflecting primarily a tighter money market. The trends of new incorporations and the total liabilities of business failures have been unfavorable recently, although much of this may be due to the effects of the steel strike. Of perhaps more significance has been the recent leveling off of the ratio of consumer credit extended to that repaid. This suggests that sometime in the latter half of 1960 the demand for credit on the part of the consumer may be somewnat lessened.

The outlook for the over-all economy gives cause for continued optimism. Assuming that there are no major strikes in 1960, we look for a Gross National Product of around $510 billion, up about $30 billion over 1959. With the exception of residential housing, all major components of the economy will contribute to record levels of activity. The consumer will pace the advance in the dollar increase of Gross National Product as he spends almost $20 billion more than in 1959, about $310 billion for goods and services. Though attempts will be made to balance the federal budget through strict expenditure control, increased spending by state and local units will probably result in an increase in total government spending of about $3 billion in 1960.

With the economy operating well above an annual rate of half a trillion dollars, the nation's industrial facilities will be called upon to produce at record rates. One by-product of capacity operations will be the alleviation of

Continued on page 96

Building...

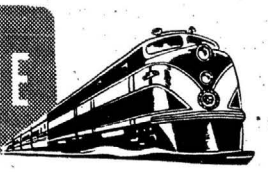
for the Years Ahead!

This new 17-story Atlantic Coast Line building, on the bank of the St. Johns River at Jacksonville, Florida, will be completed in 1960 to serve as our home office.

We believe this building symbolizes a new era in transportation—an era that will challenge the ingenuity and facilities of our entire industry.

A vital link in America's transportation system, Coast Line looks upon our new location as evidence of our faith in this new era and in the future of American railroads . . . in the growing economy of the Southeast Coastal 6 states which we serve . . . and in our own ability to provide our customers with the kind of transportation services they need for pleasure and profit.

ATLANTIC COAST LINE RAILROAD



. . . serving the Southeast Coastal 6!

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unemployment, a problem that was with us in 1959. Another problem of 1959, the gradual weakening of our balance of international payments, should be lessened in 1960 as our exports benefit from the prosperity of some of our better customers abroad. Unfortunately during this prosperity stage of the business cycle, profit margins are often sacrificed for volume operation and this leads us to the belief that prices in general will continue their upward path.

As custodians of credit — life-blood of our economy, bankers have a great challenge facing them in 1960. If they allow the country to indulge in a speculative binge based on the belief that the upsurge resulting from resumption of production in the steel industry is not temporary but the beginning of a big boom, the nation could well be vulnerable to a painful readjustment.

Whereas we expect a record year in 1960, it appears to be but a stepping stone on the path that is going to carry our country to much higher levels of economic activity and prosperity in the coming decade. It behooves all lending institutions then to exercise great care in the extension of credit, so as to temper the enthusiasm of the economy with objectiveness.

KINSEY M. ROBINSON

President, The Washington Water Power Company

The year 1960 promises steady growth for electric and gas utilities operating in the Pacific Northwest. In the four States of Washington, Oregon, Idaho and Montana there are 12 investor-owned electric utilities serving approximately one and one-quarter million customers, or 63% of the total population. Without exception, I believe it can be said that each of these companies is planning to reach a higher level of performance.

Kinsey M. Robinson

It is not my personal belief that the so-called "Sizzling Sixties" will bring any great upheaval in either production or sales. In the 26,000-square mile service area of The Washington Water Power Company, we expect normal business improvement based upon several factors. The more conservative, steady progress will come from normal population increase, serious efforts on the part of groups to attract new industries, and especially from the fact that, thanks to diversity, the per capita income throughout the Pacific Northwest is sufficiently high to insure continued customer spending.

Analysts predict, for example, that the Spokane metropolitan area in the next 40 years will show nearly 100% increase in population. In the past ten years between 1947 and 1957, customers served by The Washington Water Power Company have increased by 47%. It is often supposed that new residents coming to the area would tend to dilute the high saturation of electric appliances, for which the area is famous. In other words, 40,000 people from other areas not highly electrified should as a matter of arithmetic pull down the high average use of present customers, which by Oct. 1, 1959 stood at 8,669 kilowatt hours per residential customer. Such is not the case, however. In the Pacific Northwest, and certainly in the Inland Empire, people are unusually electrically minded. In the past 12 months, the average residential kilowatt-hour use increased by 455 kilowatt hours. Every new home constructed, every new family that joins the area is quickly imbued with the idea of modern living. Year after year, and in spite of already high saturation of appliances and use of electric service, the trend climbs ever higher.

The promotion of natural gas, which the company has undertaken recently in addition to electricity, does not seem to deter consumer acceptance of additional kilowatt hours. The public concept of leisure, convenience and modernity apparently is sufficiently dynamic to encompass both. The scores of new uses for electricity and gas services which are still on the drawing board are already anticipated by the consuming public. There is no apparent limit to comfort and convenience which the public wants, and will pay for, if purchasing power makes it possible to realize them. We are not overly speculative, therefore, to say that by 1963 the average annual consumption by residential customers will reach 10,000 kilowatt hours.

Power supply should be no problem in 1960. For the first time in many years The Washington Water Power is self-sufficient as regards power needs. This situation is realized through construction of the company's Noxon Rapids hydroelectric project on the Clark Fork River in Western Montana, costing some $87,000,000 and which, upon completion early in 1960, will contribute 400,000 kilowatts. The western group utilities of the Northwest Power Pool had installed generating capacity of 3,450,000 kilowatts in 1950, while at the end of 1958, installed capacity had been doubled, with 7,803,000 kilowatts available. Another 6,060,000 kilowatts were licensed or under construction. Of this amount, 3,485,000 kilowatts are represented by 14 projects of non-Federal publicly owned and private utilities of the region. During the past year, the private utilities alone have placed in service projects with more than 1,000,000 kilowatts of capacity. Thus our immediate power needs are met, though all of us realize that there can be no let-up in planning for the future.

Projects now in progress, or soon to get under way throughout the Inland Empire, represent construction investment in excess of $2 billion. In Spokane itself, construction for the first eight months of 1959 topped $35 million, up nearly one-third over the same period in 1958. Department store sales are up 6%, home building permits are up 12%, employment up 3½%, bank debits up 9.5%, and even postal receipts move steadily upward.

Further, whether we like it or not, it must be recognized that roughly one-fourth of our national income is disbursed by Government—local, State and Federal. Research and security programs, not to mention miscellaneous routine expenditures, should continue to stabilize Northwest economy. In fact, every usual and unusual indicator of growth points to progress.

Again, and it bears repetition, the year 1960 will not be a period of spectacular boom. In fact, over the long haul, most of us will be quite satisfied if the Sizzling Sixties do not sizzle too noticeably, but will maintain an even, productive temperature in which the Pacific Northwest can incubate even greater things in years to come.

J. P. ROUTH

Chairman of the Board and President, The Pittston Co., Inc.

Production of bituminous coal was little, if any, better in 1959 than in 1958. This, however, was due to the prolonged steel strike, which industry is the second largest consumer of bituminous coal and which, therefore, materially affected the production. The outlook for 1960, provided there is no renewal of the steel strike or a railroad strike does not take place, is brighter and I look for approximately a 10% increase in consumption. The two largest users of bituminous coal —both the steel industry and the electric light industry—will consume greater quantities in 1960 than in 1959. In spite of this, the bituminous coal industry is in serious danger from the inroads of cheap imported residual oil (liquid coal) and natural gas, which is dumped at prices during the Summer months for boiler use far below the cost of production. Electric utilities are also forced to buy gas on an equal monthly delivered basis throughout the year and, necessarily, must use this gas for boiler use in the Summer months regardless of cost and average out the price in the consumer market during the Winter months.

Joseph P. Routh

The long-term outlook in the bituminous coal industry is bullish indeed. Mr. Philip Sporn, President of the American Electric Power Company and one of the most distinguished utility executives, predicts that by 1975 there will be required over 900 million tons of bituminous coal annually and that the electric industry by 1965 will use as much as the industry produced this past year. Resources for the Future, Inc., supported by the Ford Foundation, has recently told the Senate-House Economic Subcommittee that by 1975 the demand for bituminous coal will increase 75%, which in terms of present production, will mean an annual production of approximately 750 million tons. The main problem within the industry is how to survive the next few years particularly to be able to earn a fair return on the capital invested. It is obvious that the industry will not be able to attract the capital required to build mines for the future market if some protection in the form of controls is not afforded the industry by limiting the amount of residual oil (liquid coal) and disallowing the uneconomic dumping of natural gas in the Summer months. To build the modern mine is a very costly project and requires the greater part of three to five years before it is completed. Additionally, the hard-pressed railroads will also have to build coal cars to move the coal required in the future and certainly they will be unable to build these cars on a stand-by basis. This, then, is a serious problem which not only the Government must recognize but also the consumers along the eastern seaboard who temporarily benefit by the cheap imported residual oil and natural gas. Can these consumers afford to go out on a limb and further weaken the coal industry when in this uncertain world their supply of residual oil can be cut off overnight by revolutions or other disturbances in the producing countries, not to mention, of course, war? Also, it would seem to me that they should realize that of the three possible sources of heat and electric energy, namely, gas, oil and coal, coal is more likely to have a stabilized market over the next decade and they certainly could not afford to destroy this competition to oil and natural gas.

The Government must realize that the tremendous strides already made in the production of energy and the prognostications of the amount required in the future that coal, with which this country is so wonderfully endowed, should be protected and encouraged as undoubtedly the main source of fuel in the production of energy for the future. Resources for the Future, Inc. also pointed out to the Senate-House Economic Subcommittee that, based on 1958 production, the oil reserve estimates were 12.7 times 1958 production, natural gas 22.9 and coal 2,200 times 1958 production.

We must realize that the bituminous coal industry has suffered a very severe blow over the past ten years when they lost practically 40% of their business due to the dieselization of the railroads and the replacement with oil and natural gas for domestic fuel in heating homes. The industry must therefore have some protection during these next few years to again get on its feet. If it does not, it can not afford to develop the mines for the future.

In summary, I would say that while the immediate outlook for the coal industry is dependent upon what protection the Government will give it over the next few years and I am sure the Government realizes the necessity for it, that the long-term future of the industry is bright indeed, in fact, the industry may well have a serious problem in supplying the coal required in the future.

GEORGE ROMNEY

President, American Motors Corporation

Nineteen sixty will go down in history as the year of the "big turnaround" in the automobile industry.

It will be another exciting year—for the industry and for the car-buying public—because the widest choice in decades will be available in American automobiles.

George Romney

If the steel controversy is not extended beyond the end of January, the automobile industry should sell between 7,000,000 and 7,500,000 new passenger cars in the United States in 1960. Of this number, it is probable that one out of every three will be a small or compact car.

The compact car idea that originated with Rambler is now penetrating the entire industry, and we will soon see so-called luxury "compacts" following the Rambler Amabassador in medium-price brackets.

Last year I estimated that compact cars (cars smaller than Chevrolets, Fords, Plymouths and larger than small foreign imports) would represent 50% of the automobile market by 1965. Now that the Big Three has decided to let the public decide the speed of the transition, it will be 50% sooner than that.

Compact and small car sales in 1960 should be at least 2,350,000 units. The Rambler target is more than 500,000 units, or about equal to the total sale of all imports.

The new compact cars have greatly stimulated buyer interest. This stimulation comes not only from the fact that these new cars differ more substantially from previous models but because they are more responsive to the changed needs of the buyer.

The coming year will see a big turnaround, and there will be a basic rearrangement of the industry. Early indications of this trend occurred in 1959. For example, what were the "low-priced" cars are now the medium-priced cars.

While I do not foresee the small European-type cars exceeding their 1959 per cent of industry sales in this country in 1960, I think they will generally maintain their penetration of the American market. Contrary to what some are saying, the expansion of the domestic compact car market to its ultimate domination of the new car market in this country will be at the expense of the big-car programs of the Big Three.

American Motors is in a position to capitalize on the change that is taking place in the U. S. automobile market. The expansion of Rambler sales will continue in 1960 because American Motors has the strongest program. It has basic compact car cost advantages and a relatively strong financial position. American Motors dealers have the selling advantage in the compact car battle.

Rambler has the widest choice of compact Rambler models. Rambler not only introduced and sold the compact car idea, but originated airplane-type single-unit construction (applied in building all the new compact cars introduced last fall) and has 20 years of manufacturing and engineering experience in using it.

American Motors builds more cars in a single set of facilities than any manufacturer in this country. This enables us to match efficiency and economies growing out of our competitors' big car volumes and enables us to take advantage of the economics of concentrated manufacturing facilities.

Rambler's public acceptance, product superiority, production volume, low costs, selling strength, financial resources, factory-dealer cooperation, management-union-worker teamwork are fully capable of taking the greatest individual advantage of the explosive growth that will occur in compact car sales in 1960.

D. J. RUSSELL

President, Southern Pacific Lines

It is impossible at this time to predict the performance of Southern Pacific, during the year that lies ahead. The unresolved problems which face our economy are factors which have clouded 1960's forecasts. Principal among these, of course, is the eventual disposition of the controversy over working rules in the railroad industry. The ability of the railroads to obtain relief from the wasteful practices embodied in obsolete working rules will play a major part in determining the shape of the years to come.

Donald J. Russell

In the year just concluded, Southern Pacific felt the stringencies of the steel strike, as did every other railroad. But we were able to take some positive actions which helped to cushion the effects of the strike, and to bring us through the year in a relatively good condition.

A system of incentive rates was a major factor in bringing us healthy increases in other traffic, which helped compensate for loss of copper and steel traffic due to strikes. These are rates which reduce the charge per 100 pounds for heavier loading, which benefits the shipper and encourages larger loads and thereby benefits the railroad to greater revenue per car and makes better use of our equipment. Since

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they were first introduced on perishables in the Spring of 1958, 75,000 carloads of fruits, vegetables and melons have moved under them, and in the year just passed they are credited with bringing us increased volume and higher carload revenues on lumber, sugar, beets, canned goods and other commodities.

Improvements which helped boost our operating efficiency also aided us in maintaining our position. Approximately 406 miles of Centralized Traffic Control were placed in operation during the year along our southwestern lines, and, with the completion of 250 more miles this year, our entire line from Los Angeles to east of El Paso will be electronically controlled.

During 1959, Southern Pacific took delivery on 1,500 freight cars of various types, and 105 new diesel locomotives.

An interesting development during the year was the inauguration of piggyback service for automobiles. Currently, we are taking delivery of 350 auto carriers and 100 85-foot piggyback flat cars to handle this traffic.

Despite the immediate problems that I have mentioned, the long-range growth of the territory served by Southern Pacific is well-founded. The rapid population growth of the West and Southwest is continuing, with a corresponding growth in industrial capacity.

However, this nation's economic welfare is dependent upon a healthy transportation system. The ills which have endangered a substantial portion of the nation's railroads must be cured if their full contribution to the economy is to be made. Government, labor and management must work conscientiously and faithfully together to strengthen the railroads for their tasks in the years ahead.

MRS. MARY G. ROEBLING

Chairman and President, Trenton Trust Co., Trenton, New Jersey

As this is written, the President has just returned from his trip throughout the Near and Far East and has received all the honors that are due him for spreading the gospel of peace to a waiting world of people of many creeds, colors and languages. This is a prelude to more satisfactory relations overseas.

Mary G. Roebling

Then, too, the affairs of nations affecting this country's economy could well erupt at any time throwing all forecasts out of balance. However, as the year 1960 dawns, its coming is not heralded as has been the advent of former years since forebodings of a national and industrial character cloud an otherwise cheerful forecast for a nation that has become a leader of nations.

If we are to agree with one school of thought, we shall continue our succession of prosperous years with the usual contingencies that beset large nations. My confidence in our political leadership has not been shaken, my faith in those who are leading us and those who may succeed them are men and women of great abilities regardless of party. Never before have the American people had a choice of so many able personages in Congress and in various branches of government to lead them over the precarious course of national and international functions. Upon these foundations of our nation rest the basic formula of forecasting.

Our economy is sound. Its might is measured in terms of mighty corporations, of teeming factories, industries large and small, wholesalers and retailers by the

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SECURITY SALESMAN'S CORNER

BY JOHN DUTTON

"Tips, Rumors and Inquiries"

There is a tendency on the part of most people to believe that what the other fellow says he knows, is more important, and often more likely to be true, than what their own common sense tells them "just isn't so." In every bull market, when we have a wide public interest in securities, most investment salesmen are put on the spot, and are asked to give an opinion on situations about which no one could possibly come up with the answer. Here are samples from my own desk within the past few days.

Is It Going Way Up?

The other evening one of my investment customers called me at home. This lady is a widow. I have her in some well selected mutual funds and a few top quality utility stocks. She has two boys to raise and she will need some capital herself ten years from now when a life insurance trust runs out. She was quite excited and she asked me if I remembered her friend Ann. Ann, it seems, has a husband who is "Maitre D" at one of the most expensive hostelries in the city. Ann's husband says that everyone is talking about "so and so" common. It is now selling around three and a half dollars a share. He says the stock is going to ten. People who know told him. They have some savings and my customer's friend wants to know what I think about it.

When you get one like this what can you do? The history of this outfit is pretty well known in my territory. So far they have done absolutely nothing for the stockholders. The stock sells around three and a half and there it has sat at that level for over a year. Yet, the people who head it up are pretty big potatoes in this neck of the woods. They have a following among speculators. If they wanted to initiate some buying in this stock they would only have to tell a few people, who would tell some others, and before long it could be selling at four, then five and it might go to ten. I've seen things like this happen during the past year in some pretty awful dogs. Some advanced, but only temporarily while others remained higher. However, on the basis of all the evidence, including past performance, the aforementioned "so and so" stock doesn't figure. But what does Dutton do when he gets an inquiry about such a situation?

Here's the way I played it. I asked my client if she was interested, and she said no but she did want to get the information for her friend. (Why some people think that a broker can have the answer to such things I don't know). Then I said to her, "Tell your friends that I think the stock is very speculative. I have no opinion on it whatsoever. If they want to speculate and they think their information is worthwhile following let me know and I will gladly buy it for them." Then I explained to my customer that sometimes speculations like this work out well for no good reason at all, or for what some people think is a good reason. I suggested that she refrain from passing on any opinion. If people are told not to buy and the stock goes up, then those who do the advising are blamed. If they suggest that the stock might be a good speculation and it goes down, they are also convicted. In either case you lose and no one is capable of predicting such things.

100% Information

Another one happened just a few days ago. A very good client, and well connected attorney, telephoned me at my home in the evening. He told me that he had heard from a friend that a certain big board company was definitely going to merge with another company. He told me the price at which the stock would be merged, based upon the terms of the merger, and he gave me his source which was unimpeachable. Knowing that this man had the connections, and that he was absolutely reliable, as well as a good friend, I could have told a few clients about the stock, and also bought some myself. But I have seen some slips between the cup and the lip before. I happened to be familiar with the company in question. It certainly was no bargain on its own merit. The market price had been elevated about 50% in the past several months based upon rumors of a merger. Even though the price my friend mentioned, and the terms, indicated a 30 to 40% profit was possible if the deal went through, there was also the likelihood of a substantial loss if it failed to happen. Here again the security salesman can go out on a limb. It is never advisable to suggest the purchase of a speculative stock when you are overpaying on value, or at least what looks like value. If you gamble on winning a lawsuit, on putting through a merger, or any other event that MAY OR MAY NOT TAKE PLACE, be sure of one thing—you are in nothing more than one big gamble. If it works O. K. — if it doesn't you struck out! Knowing that you don't build an investment clientele on tips, rumors, or information, even as good as this appeared to be, I said nothing. Forty-eight hours later the deal was called off, the stock slid off over 20% in one day.

Talked With the Boss Man

Within the past few weeks there was another interesting bit of information that came my way. I happened to be present when a telephone call was made to the president of a company whose stock had begun to show some signs of life after over a year of steady downward drift. I was informed that a very sizable contract was in progress of comsummation. Indeed the contract was all but officially signed, sealed and delivered. Since it was a government contract there is always a possibility of a slipup before the ink is finally dry—this happens between other contractors in similar situations as well as when business is transacted with Uncle Sam. It looks like something has jelled however. The stock has had a rise during the past week. It could do a lot better. (Don't anyone write and ask for this one—no tips, no rumors, no info on any stocks through this column.) But when I mention situations such as this to clients, I try to select those who are professionals and who can afford to take a risk. I also tell them I have heard a pretty solid rumor but nothing official. I tell them I like my source and I think the stock on value is a pretty good "buy" anyway. If these people go in and buy they are making a play based upon the probabilities and the odds. I don't think you can build confidence any other way. No matter how good your source of information, never oversell it, never overstate it, and never say that you know. In this business only a FOOL KNOWS and it won't take long for others to classify you if you ever start leading with your chin.

Gibraltar Investors

(Special to THE FINANCIAL CHRONICLE)

Mark Robson is engaging in a securities business from offices at 242 West 49th Street, New York City, under the firm name of Gibraltar Investors Co.

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thousands, an army of buyers with a disposable income greater than in any former period. These, with the enormous assets of banks and financial institutions, with unlimited resources and research organizations, make it difficult to restrain one's enthusiasm about the country and its possibilities.

I have been termed an optimistic conservative. I strongly believe in the American system of free enterprise and all the benefits that flow from it.

So, I briefly state my forecast as one who has studied those attitudes of many hundreds of bankers who gatherer at Miami recently. They represented a cross section of the country's large and small banks and trust companies. My own conclusions follow:

I believe that compared with the last half of 1959 general business conditions in 1960 will be improved.

I believe that compared with the present, the general structure of interest rates during 1960 will be higher.

I expect home building in my area during 1960 to increase.

I anticipate installment credit loans in my area in 1960 will increase.

During 1960, I expect employment in my area to remain at present level.

During 1960, I expect farm spending in my area will remain at present levels.

So, I enter the new year in an enthusiastic conservative spirit, believing that the Greater Trenton area is assured of a renaissance of business and industry exceeding any previous year.

It is quite possible that the gross national product will reach 500 billion dollars with all of its collateral benefits.

Residential construction may pose a question as to its continuing number of homes built. One of the reasons advanced is the question of interest rates that to some extent act as a curb in that field. Fewer housing starts are forecast, However, I feel that problems arising in this important field may be overcome and progress continue uninterrupted.

The word inflation has caused many to hesitate to take certain risks until some of the clouds of government deficits are controlled. Ambitious municipal spending, with bond issues and their increasing burdens of carrying charges are closely scrutinized. This fear is a deterrent, but confidence in a stabilized America breeds confidence.

HON. LEVERETT SALTONSTALL

U. S. Senator from Massachusetts

What the Federal Government does about war and peace, space and missiles, taxes and such burning issues as the steel strike will determine in large measure the health of business in the coming months. We who attempt to deal with these great issues in Washington are aware of the far-reaching effects of decisions to be made in the present session of Congress and at the White House.

Leverett Saltonstall

Our economy suffered in 1959 from the steel strike. Industry, labor and the hapless consumer have all been hurt by the prolongation of the strike, and the Federal Government's hopes of a balanced budget have been damaged by the resulting fall-off of tax revenue.

The present stalemate between Big Steel and Big Labor must be resolved soon. I certainly hope, as does everyone, that it is accomplished by voluntary bargaining. If not, the President and Congress must provide a legislative solution. Once the present differences are settled, however, I am confident that the roaring hearths of this basic industry will ignite a new era of economic growth in America.

The chief user of this expanding steel output will be the domestic automobile industry, now manufacturing small cars, and this industry for a long time has been a reliable barometer of the nation's economic health. The availability of steel should also speed the highways, bridges and new mass transportation systems so essential to our national progress.

Overshadowing all these domestic questions is the great issue of foreign policy. As I write this, President Eisenhower is completing the most ambitious world tour ever undertaken by an American President. I share the enthusiasm of most of the American people, who believe with me that this person-to-person diplomacy, now extending to the underdeveloped areas, will spread a worthy image of our country throughout the world, and convince many overseas leaders of our sincere concern for peace and progress.

I do not believe his tour will mean any reduction in Federal expenditures for preparedness, because for some years to come it will be necessary to preserve a state of readiness for any eventuality—to continue, for instance, our military contributions to NATO for some years to come. But I do hope and believe that his tour will mean an increase in world trade, further exchanges of public officials, and more cultural and student programs which have succeeded remarkably in shining the bright lamp of friendship in some dark areas of our foreign affairs.

In the final analysis, our welfare at home will be powerfully influenced by the quality of our strength vs. Communism and the character of our relationships with free nations throughout the world.

The face of freedom which we turn to the outside world must be sustained from within with solid achievements—in debt management, agriculture, education and civil rights, for instance. A sound management of the national debt is absolutely essential to an advancing economy, and our farm laws must be modernized to serve the interests of both the farmer and the consumer. Our business outlook and overall economic way of life in the long run depends on such public progress.

Of course, there is no easy solution to any of the great problems that confront our country. But I believe that steady progress toward new prosperity for the American people and toward the solution of our major problems will be evident during the year ahead.

R. E. SALVATI

President, Island Creek Coal Company

The bituminous coal industry should share in the general economic improvement being forecast for 1960, and record substantial improvement over 1959 in production, sales and profit return—provided the nation is spared a new outburst of industrial strikes. It is expected that the coal industry will continue to enjoy harmonious labor relations, but labor difficulties and work stoppages in 1960 in steel, transportation, and other major activities can and will seriously affect the production and sale of bituminous coal. Without such economic disturbances we anticipate increased consumption of coal for metallurgical purposes, electric power generation, and general industrial use.

R. E. Salvati

Over-all consumption and demand is expected to reflect a 10% to 12% improvement over 1959. Market prices should also reflect an improvement over the depressed levels of 1959, and increased productivity will be recorded as the industry continues to invest large sums in the interest of improved efficiency. Bituminous coal did not share, to any extent, the general business improvement of 1959, and despite increased wage costs, coal prices were the lowest in years. As a consequence, over-all profits were adversely affected and many segments of the industry recorded losses. The acceleration of supply and demand forecast for 1960 should reverse this trend and enable the industry to record economic and financial improvement.

DAVID SARNOFF

Chairman of the Board, Radio Corporation of America

The past decade saw the base of the electronics industry vastly broadened by a series of spectacular breakthroughs. The tiny transistor opened up a whole world of miniaturization. Color television added an exciting new dimension to home entertainment. Electronic communications, computers and controls continued to reshape the strategy and tactics of modern defense. They helped to usher in the Jet Age of commercial aviation, and opened to exploration the infinity of outer space.

David Sarnoff

Impressive as these developments were, I am confident that even they will be eclipsed by events of the decade ahead. Projects now taking shape in electronics laboratories suggest these ten major developments likely to affect all of us before the end of the next ten years:

(1) Super computers—smarter, smaller and speedier (by as much as a thousand times)—will take over more and more office and factory chores.

(2) Global television in full color, relayed by orbiting satellites, will provide the home viewer with a thrilling window on the world.

(3) Electronic systems without any moving parts will heat and cool the home more efficiently, and electroluminescent panels in the walls and ceilings will replace bulky electrical fixtures and cumbersome cords.

(4) New homes and apartments will come fully equipped with electronic sight-and-sound systems for communications and entertainment.

(5) Electronic safety devices for highways and automobiles will take much of the danger out of driving.

(6) Accurate long-range weather forecasts will be made possible by satellites' electronic observation of cloud formations.

(7) Electronic aids to medicine will open a new front in the war on disease and bring an avalanche of improvements in preventive medicine, diagnosis and treatment of human ills.

(8) Classes of 100,000 students or more under one gifted instructor will become commonplace with educational television and other electronic tools.

(9) Our national security will be immeasurably enhanced by advances in electronics and atomics, including the development of an effective anti-missile missile able to seek out and destroy enemy ICBM's.

(10) Improved basic circuitry — the components and materials that amplify, direct and control impulses—will throw a whole new light on what is possible in the way of advanced systems for defense and space exploration as well as for the consumer and industrial markets.

Trends during 1959 give every reason for confidence in the continuing growth of RCA's business, as well as of the electronics industry and the national economy, in the emerging decade of the Sixties.

In the economy as a whole, there are heartening signs of strength as our output of goods and services approaches the rate of a half-trillion dollars a year. Personal income of Americans is averaging more than a billion dollars a day, and consumer buying is on the increase.

In the electronics industry, we look for a rise in business from the present $14 billion to $16 billion in 1960, and to $25 billion in 1965. Such a rate of expansion would make electronics the nation's fastest growing major industry.

As a pioneer and leader in this industry, RCA expects a continued increase in its own business and profits in 1960, and a virtual doubling of its volume in the next five years, as it expands existing activities and takes advantage of new growth opportunities.

HORACE SCHERMERHORN

President, National Shawmut Bank of Boston

Industrial production is expected to resume a rapid upward trend, resulting in new levels of gross national product and total output of goods and services. Such a trend is expected to carry through the whole year.

Horace Schermerhorn

More specifically, this prediction is supported by estimates of a material expansion in inventories, in contrast to their reduction in late 1959. Current surveys indicate larger outlays for plant and equipment. The automobile industry is confident that its 1960 sales, deferred temporarily by the steel strike, will recover momentum. Estimates for production for calendar 1960 are close to 7,000,000 cars which looks high. Although construction activity seems to have been discouraged by higher money rates, total activity in this field is expected to run high.

The total demands for credit will remain high. The rising demands for credit in 1960 will fall upon a banking system whose loans have already increased materially in 1959. While the burden of the U. S. Treasury may be lightened by a more comfortable budget situation, the demands of business for bank credit, long-term debt and equity capital may be expected to increase.

Other segments of the economy which are expected to add to the demand for credit are state and local governments, whose needs and expenditures keep rising, and individuals, whose willingness to incur debt is expanding consumer credit rapidly.

Certainly bank lending rates will continue to be high, and will probably be increased, for all types of borrowers. Banks will examine more closely than ever their extension of lending to marginal customers, where the earnings record or capital position of the company indicates a narrow margin of safety for a loan.

ROBERT W. SARNOFF

Chairman of the Board, National Broadcasting Co.

I feel confident that broadcasting will share significantly in the growing prosperity of a year that promises to be the best in the history of the American economy. Discerning observers recognize the signs of flourishing economic health—the swing from serious liquidation to accumulation of business inventories, greater business spending for new plants and equipment, and substantial hikes in consumer spending, especially for durable goods. Despite dislocations, the last quarter of 1959 has scored a record high in our total output of goods and services and, in the view of NBC economists, points conservatively to a $512 billion year for 1960.

Robert W. Sarnoff

To keep pace with the accelerated activity in all sectors of the economy, the nation's advertisers can be expected to invest about 8% more in 1960 than in the peak year just past. We in broadcasting confidently believe that substantial gains will continue to be made in all segments of the TV industry with total outlays of some $1.7 billion, surpassing the estimated $1.5 billion invested by advertisers in 1959 and accounting for better than 14% of all advertising expenditures.

Radio as well may be expected to attract more advertising dollars in 1960 as it continues to demonstrate its effectiveness and economy in reaching the mobile mass market.

Network television, which accounts for approximately half of all television advertising dollars, may reasonably be expected to reach the $850 million mark in 1960, accompanied by substantial gains in national spot and local television.

By far the most stimulating and promising area for television's growth in 1960 is in color. NBC's schedule now provides an average of 20 hours of color programming each week, with color shows spread throughout the week's schedule. The expanding scope of color programming has led to a substantial increase in color set sales during 1959 and as color set circulation increases further, color programming is expected to keep pace. Like our parent company, the Radio Corporation of America, NBC welcomes the prospect that other manufacturers will produce color sets in 1960, recognizing that a greater acceptance of color will have corresponding benefits to the advertiser, the stations and the public.

During 1960, we also look toward larger utilization of television tape by networks and stations. The use

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of tape has already made possible remarkable strides in the efficiency and flexibility of our operations. Advances relating to compatibility and fidelity, especially in the color area, are incorporated in RCA production-model equipment now being delivered to stations in all parts of the country. We look hopefully, too, toward the addition of television stations in many markets now inadequately served. A long-term solution to this problem ranks high on the "must" list for the government and the television industry.

With the close of the old year, we can look back on the quiz show deceptions—which victimized the broadcasters together with the public—as an incident, which though shocking and reprehensible, was not characteristic of the medium in which it occurred. I believe that from it has grown a full recognition by broadcasters of the need for thorough and conscious review on their part of the practices which have grown up in and around the industry. NBC and others have followed through in undertaking such review on a continuing any systematic basis.

We feel—and we believe the responsible agencies of the government also feel — that the most effective method for preventing such occurrences in the future, and for assuring the continued growth and maturity of the medium, is self-regulation and self-development by the broadcasters themselves. That is the course on which the industry is set and all signs indicate that broadcasting is entering a year—and decade—of fresh and steady gains.

STUART T. SAUNDERS

President, Norfolk & Western Railway Co.

We have now entered upon a decade that promises to be the most exciting and prosperous in our history. In the next ten years the total value of goods and services in our economy is expected to rise from $479 billion to $800 billion—an increase of almost 100%. Total consumer spending will probably increase from $313 billion to $500 billion. Steel production is expected to expand from 91 million tons to 175 million tons, automobile production from 5.5 million cars to 8.6 million cars, and construction of new houses from 1.3 million to 1.7 million.

Stuart T. Saunders

In the 60's, the nation's transportation requirements should increase by 30% or 40%, and the railroads will have an unparalleled opportunity to compete for the additional traffic and reverse the downward trend in their share of intercity freight. The public is now acutely aware of the excessive regulatory and tax burdens borne by the railroads, and the prospects are for more realistic regulation and taxation.

In addition, the railroads are making important progress in improving freight train schedules and in adapting service and equipment to the changing needs of shippers. But perhaps the most significant indication of more flexible managerial thinking is the growing movement toward simplification of rate structures and the making of rates on the basis of costs. The railroads have traditionally been low-cost carriers, and, with more liberal ICC regulation, they are now putting to good use their greatest competitive weapon—the ability to transport a ton of freight cheaper than most other forms of transportation.

Last year, many railroads experienced sharp declines in traffic as a result of the steel strike, but, with business activity expected to surge forward to record levels shortly, 1960 should be a good year for the industry. This projection, of course, assumes no further interruption in steel production and no long railroad strike. The Norfolk and Western, for its part, is convinced that 1960 will be another year of economic and industrial progress for the expanding territory it serves in the States of Virginia, West Virginia, Ohio, North Carolina, Maryland, and Kentucky. In addition, the outlook is for substantially greater coal production this year than in 1959, when the steel strike sharply curtailed demand, and this should benefit the N&W, which now originates more bituminous coal than any other American railroad.

To meet the transportation needs of its territory in 1960 and succeeding years, the N&W is now receiving the last of 268 new diesel locomotives which were ordered last year. These units will completely dieselize our operations and provide us with the most modern motive power in the railroad industry. In addition, we are adding over 2,000 new freight cars a year to our car

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WEBB & KNAPP
INC.

Real Estate is Everybody's Business

AS WE SEE IT

(Continued from page 1)

to be somewhat less ebullient but is nonetheless about as cheerful as one could well expect in view of the fact that the first half will of necessity be greatly stimulated by restoration of inventories and a general rebound following the long and troublesome steel strike. Among the economists who are willing to "stick their neck out" there are very few who fail to place such favorite measures of business activity as Gross National Product or the Federal Reserve Index of Industrial Production for the year, 1960, at levels well above those of 1959. Even the somewhat less favored second half is usually placed well above 1959, and more often than not at least somewhat better than the first half of 1960.

It is of particular interest to observe that there is no general expectation of any very significant rise in the price level whether in the wholesale or cost of living indexes. That at least appears to be the consensus among the economists whose business it is to peer into the future. This fact would appear to indicate that the continued cry in some circles — particularly in Washington — about the danger of inflation in the months ahead is not taken too much to heart. Development of a surging general level of business activity such as that now being predicted without price increases would be a remarkable feat in conditions such as now exist. Consumer prices have shown a tendency to edge up from time to time even during the recession and in more recent months before anything in the nature of a business boom developed. What is more, labor agreement after labor agreement in the past year has embodied provisions which would strongly suggest substantial increases in the cost of producing the goods which will come into the markets of this country this year.

It is true beyond question that given willingness on the part of wage earners, and particularly on the part of their union leaders, a great deal could be done quite informally within the framework even of current agreements to reduce the cost of production throughout industry and trade generally. The Eisenhower Administration has let it be known that it intends to do what it can to promote such cooperation. The fact that well informed and experienced economists seem to expect very active business this year, accompanied by price stability, seems to imply that they expect such cooperation in substantially greater degree than has been apparent in the past. 'Tis certainly a consummation most devoutly to be wished. It, in point of fact, seems to us to be a sine qua non of real economic progress this year.

Trouble Spots

But admittedly there are certain flies in the ointment. It could hardly be that the outlook is so uniformly good and so completely without trouble spots as all this would appear to make it. If the expectations for the year are to be realized, a number of real dangers must be avoided and certain troublesome factors kept under control. For this purpose intelligent and courageous cooperation by the great American public will be essential. For one thing this is an election year. Every effort to reach a more satisfactory budget position will find rough sledding in Congress. Of that we may be certain. Opposition to rigorous economy in national affairs this year will be opposed not only by the political opponents of the Administration but by various members of the President's own party. Only word from the grassroots, and a plainly spoken word at that, is likely to make it possible for the budget makers to reach really constructive goals this year.

Cheap Money Advocates

Then as was to be expected, the advocates of arbitrarily induced cheap money and low interest rates are busy preparing to make themselves heard in no uncertain terms as the time for the voting approaches. The President's own party is not without advocates of perpetual tinkering with the banking and credit situation, and the opposition party has many of them. It can not be taken for granted that the Democratic party will not win this autumn and that in power it will not proceed to undercut any progress that otherwise might be made toward careful avoidance of governmentally induced inflationary factors. Here, again, the attitude of the rank and file may well determine the outcome.

Another trouble spot obviously is our international financial position and prospect. We have in quite appreciable degree priced ourselves out of foreign markets and opened our own to foreign producers. Were it not for the fact that we have undertaken and still undertake such large "unilateral transfers," the effect of these lost markets would have been felt much more here at home. Even so our foreign and domestic national policies have created difficulties in our international financial position. A full realization of our hopes for the year would seem to rest in part upon the success of the Administration in getting greater cooperation from other countries whose economies have now grown strong in part with our help —or else in some other step to accomplish the same purpose.

The outlook is all but universally regarded as excellent, but full realization of our hopes depends upon what we ourselves do in the premises.

With Stifel, Nicolaus

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Joseph S. Petruzzi has become affiliated with Stifel, Nicolaus & Company, Incorporated, 105 West Adams Street, members of the New York and Midwest Stock Exchanges. Mr. Petruzzi was formerly with George M. Baker & Co. and Freehling, Meyerhoff & Co.

Safety Guaranty Inv.

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, Fla.— Safety Guaranty Investment Corp. of West Palm Beach has been formed with offices at 223 Datura Street to engage in a securities business. Officers are V. A. Conroy, President; C. A. Anderson, Chairman of the Board; D. M. Higbee, First Vice-President; William E. Ward, Second Vice-President; and J. P. Cochrane, Jr., Secretary-Treasurer.

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fleet, which already numbers 81,000 cars—more per mile of road than any other railroad 250 miles or more in length.

On Dec. 1 of last year, the Norfolk and Western merged with The Virginian Railway Co., whose lines complement the N&W's in the West Virginia coal fields and parallel them for several hundred miles in Virginia. The operation of the highly efficient Virginian in conjunction with the larger and more diversified N&W will result in savings of at least $12 million a year. In addition to these savings, the merger will assure better and faster service for shippers and greater opportunities for industrial development. We are convinced that the N&W-Virginian merger opens new horizons for our railroad and the territory it serves.

C. A. SIENKIEWICZ

President, Central-Penn National Bank, Philadelphia, Pa.

ABA Chairman of the Committee for Economic Growth Without Inflation

Business activity in the year ahead is likely to continue at record high levels and may even reach new peaks in some areas in the early part of the year, if the steel strike is settled early and other work stoppages are averted. The year just closed showed an amazing capacity of the economy to perform at high levels in spite of the prolonged steel strike. Production, income and consumer buying generally were well sustained. Current business conditions reflect a rapid recovery from the effects of the steel strike which has held down productive activity in most durable goods.

C. A. Sienkiewicz

Employment has continued at 94 or 95% of total civilian labor force. Unemployment, mostly frictional, has been aggravated by many work stoppages, including the steel strike. The number of claims for unemployment insurance benefits in the Philadelphia area is about 25% smaller than the year before.

Business buying to rebuild inventories, patricularly in steel and steel using products, will be vigorous early in the year as it is at present. Plans for business capital expenditures are being revised upward. Like the restocking of goods, these expenditures will have an important effect on employment and income in that they will stimulate the demand for goods and services.

The outlook for trade generally is good. While never precisely predictable, the buying attitude of the consumer is optimistic, though may be on the cautious and selective side. The threat of work stoppages and loss of income always create uncertainties, particularly in larger industrial centers. Buying on installment has been increasing and is likely to increase further as more passenger cars and household appliances are sold.

The volume of construction as a whole probably will be well maintained in spite of rising building costs. But housing starts may decline somewhat. Among the retarding factors in the residential market are higher costs, oversupply of houses in some areas, and the growing scarcity of mortgage money generally.

Spending by state and local governments, which rose rapidly in recent years, is expected to increase further. Expenditures by the Federal Government, on the other hand, may be reduced somewhat under the pressure to balance the budget. Total government purchases of goods and services, now approaching $100 billion or about one-fourth of national income, are bound to have a tremendous effect on the economy.

All in all, it seems that the total gross product of the nation this year will exceed $500 billion or one-half trillion, a truly stupendous record sum. The trend of prices, of course, will have a decisive effect on the value of all goods and services and thus on the purchasing power of the dollar. Any increase in overall prices will tend to inflate the volume.

The general level of wholesale prices thus far has been relatively stable but this stability reflects declines in farm products and processed food items on the one hand, and increases in industrial items on the other. The general level of consumer retail prices, however, has been rising since last May, with sharpest increases in the cost of services, particularly medical care.

The trend of prices is likely to be upward. For one thing, in a business boom, competition for labor and materials becomes vigorous and managements may slacken their attention to costs and efficiency as long as they can pass increased costs on the consumer.

Should prices rise under the pressure of higher costs and an increased squeeze on profits, the demand for bank credit also will expand further because it will take more money for current operations—to buy raw materials, to replenish inventories of finished goods and to meet payrolls. The total of bank loans already has reached a record volume of peacetime and resulted in tight money conditions with rising interest rates and bond yields.

Current interest rates appear to be high only in relation to the artificially low rates in the depression of 1930's, the controlled rates during the war and the inflationary pegging of rates in postwar years until 1951. But when compared with the earlier rates, they still are lower and the return from loans and bonds is considerably lower, largely because of the heavy income tax which did not exist in the 1920's.

The rapid rise in interest rates since 1958 reflects heavy borrowings and the lagging rate of savings for investments. The Treasury had to finance the largest peacetime deficit in history. At the same time there were heavy demands for consumer credit, for residential mortgages, for inventory building in anticipation of the steel strike, for public works and other welfare projects.

The critical issue ahead of us is whether or not we are willing to adopt inflation as a way of our economic life. Recent developments are disturbing in this respect. The large deficit in a prosperous year, the growing rigidity in the cost-price structure, the continuing downward creep in the value of the dollar even in the recession, the shift from fixed dollar claims to equities as a hedge against rising prices—these are elements that engender an uneasy feeling among savers and investors alike.

The failure of the Congress to remove the archaic restriction on the rate which the Treasury is permitted to pay for long-term money is, in a sense, another straw in the wind to those who fear that we cannot keep our house in order and hence must resort to all sorts of dubious hedgings to protect our savings.

The Treasury faces a very difficult problem in managing the national debt of some $290 billion. This year about $48 billion of marketable securities, excluding bills, will mature and will have to refinanced. It will also need new money to cover attrition on maturing issues, redemption of savings bonds and for seasonal deficit in the second half of the year.

It is virtually impossible to sell bonds of longer maturities than five years at the fixed rate of 4¼% in the 5% market where investors demand higher returns. The Treasury, therefore, is forced to confine its operations to the short-term financing at increasing interest rates. The volume of short-term securities thus is growing at a disconcerting rate. Outstanding marketable issues maturing in one year or less reached about $80 billion in 1959 and will increase to $100 billion in 1960.

Such a huge volume of floating debt in a period of business expansion is inflationary because short-term securities, being as good as money, enlarge the liquidity of the economy, hamper the effectiveness of the Federal Reserve credit policy, and disturb the financial markets by frequent refundings. It also adds to the upward pressure on short-term interest rates.

This pressure might be further aggravated by the withdrawal of the funds now invested in Treasury bills and notes by foreign interests. Business abroad is expanding vigorously and the demand for credit is increasing. As interest rates rise to attractive levels there, foreign funds may leave this country as has happened in the past.

Similarly, as our own domestic business expands, corporations are likely to unload any portion of the $21 billion of the short-term securities they now hold to provide cash for their current needs. The Treasury then would have to lean for support upon commercial banks which can create credit within certain limitations.

Unless the Congress lifts the 4¼% ceiling to provide greater flexibility for Treasury financing, the inevitable result will be (1) a further rise in short-term interest rates and in cost of debt servicing, and (2) an increase in money supply by inflating credit supply. This may mean an aggravated depreciation of the value of the dollar.

The crucial problem that confronts us, therefore, is how willing and able we are to defend the purchasing power of our dollar. If we are really determined to control inflation and safeguard the integrity of the dollar, then we can expect a reasonable stability in interest rates and in the general level of prices. But if we fail to demonstrate fiscal responsibility, continue to insist on more public spending without providing funds for it in a period of active business, and allow excessive credit expansion generally, then the consequences will be to stunt the orderly economic growth by encouraging speculation, discouraging savings and investment for growth, and by weakening the confidence in the value of the dollar at home and abroad. Obviously, we cannot permit this condition to develop, particularly in the face of the competitive economic struggle that is now taking place throughout the world.

THEODORE H. SILBERT

President, Standard Financial Corporation

The 6,000 commercial finance and factoring companies of the nation which supply working capital to growing small and medium-sized businesses, experienced their greatest year of activity in 1959—despite the steel strike. The volume of business financing through the finance industry in 1959 was $12 billion. This was a gain of $400 million over 1958.

Theodore H. Silbert

Of the $12 billion volume of business financing done by the finance industry in 1959, approximately $7 billion was commercial financing, and $5 billion was factoring. Ten years ago, the proportions were reversed.

For 1960, commercial financing and factoring will continue to grow for four reasons:

(1) Industrial customers and retailers are expanding their sales—but because of tight money, are demanding longer terms to settle their bills. Their suppliers will need additional working capital to carry this increased business.

(2) While hard goods inventories are generally down today because of the steel strike in 1959, they have begun to turn upward with resumption of steel production. To carry larger inventories before they are shipped as semi-finished goods, will require more cash.

(3) Population curves keep rising, resulting in increased demand for consumer goods output of all sorts. Aggressive manufacturers endeavoring to sell a larger share of the market, will require more working capital to expand production and sales.

(4) By the same token, increased instalment buying of big-ticket items ranging from autos to washing machines, will require financing for distributors and dealers who would rather have cash immediately than wait 24 or 36 months to collect. Commercial financing will take up the slack and provide the interim cash.

Because of these four reasons, the 1960 volume of financing by commercial finance and factoring companies will reach $12.5 billion.

Major financing by commercial finance and factoring companies in 1959 went into the following manufacturing industries (in order of importance): machinery, food processing, light metal products, electronics, chemicals and drugs, textiles, paints, cosmetics, sporting goods, office equipment, shoes, furniture, plastics, automotive parts, aviation parts, paper and paper products.

The heart of commercial financing and factoring is to provide growing companies with immediate cash as soon as they ship their goods to their customers—thereby eliminating the wait of 30, 60, or 90 days for payments under terms of the invoice. Commercial financing uses accounts receivable as collateral for loans, and requires no periodic cleanup as bank loans do. As customers pay their bills, these funds flow back to the manufacturer and are used daily to liquidate the loans from the commercial finance companies.

The heart of the factoring arrangement lies in the sale of the accounts receivable to the factoring company immediately upon shipment of goods by the manufacturer to his customers. As a result, the manufacturer does no waiting to collect his receivables; the waiting is all done by the factoring company.

Top four companies specializing in accounts receivable financing and factoring, with capital funds of at least $10,000,000, are Walter E. Heller & Co. (Chicago); James Talcott, Inc. (New York); Standard Financial Corporation (New York); and Bankers Commercial Corporation (New York).

Sources of funds for the commercial finance and factoring companies indicate an increasing reliance on bank lines, subordinated debt and common stock, while long-term unsubordinated debt and preferred stock seem to be declining in popularity.

Mainstay of the industry's own borrowings are the banks; approximately half the resources of commercial finance and factoring companies come from short-term bank loans. While this money is borrowed in wholesale quantities, it is lent out in retail portions to businessmen all over the country. The commercial finance and factoring companies regard themselves as "viaducts" of the commercial banks, serving as channels through which a considerable amount of bank funds flow to industry and commerce.

The finance industry—including the consumer loan and sales finance sectors—collectively has been and still is the largest single industry customer of banks in the country. In 1959, the industry accounted for about 3% of the total commercial bank loans.

HERBERT R. SILVERMAN

President, James Talcott, Inc.

A year of continued and accelerating expansion looms ahead for American business in 1960 if there is no serious aftermath to the settlement of the steel strike. Continued labor unrest might conceivably halt the expansion that began in the Spring of 1958. It might even bring about a new contraction.

H. R. Silverman

Nineteen fifty-nine was a year of recovery from recession and, in spite of the unresolved labor-management dispute over the future level of wages and control of the production process, a year of definite expansion.

But money costs of production continued to rise. Only the settlement in basic industry will determine whether further rises must be reckoned with. An ending of uncertainty will release a flood of goods that will make it difficult, if not impossible, for many companies to pass on increasing costs.

For these reasons, we look for 1960 to be a period of economic digestion amidst expansion, of consolidating 1959 gains and fighting its cost rises, of discounting losses, of using production and marketing economies to offset cost rises. In this situation, a somewhat higher level of business investment may be expected.

Our own field, the commercial and industrial finance and factoring industry, should continue to outrun the general economy.

Demand for funds remained strong throughout 1959 despite the steel strike's leveling of activity. Agreement in steel should be a signal to other manufacturers to resume curtailed or postponed expansion. They will be seeking funds from many sources.

We expect that sales financed or factored by our industry will rise from approximately $12,200,000,000 in 1959 to a new record level in 1960, approaching $13,000,000,000.

The commercial finance industry has clients in virtually every section of the U. S. and Canada. The number of industries served has expanded, as well as the types of services offered. "Non-notification" factoring is one of several new techniques. Another, the leasing of income-producing machinery, which makes its bene-

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fits available without depleting working capital. Our companies are providing interim financing in conjunction with public financing, cooperating with investment banking firms in the same way they supplement commercial banking facilities.

The year ahead will offer many new opportunities for firms in this industry since their extreme flexibility and liquidity will be especially needed. They can concentrate investments in active, growing fields and transfer readily as conditions change. The industry's forward planning, to assure that funds may be made available to clients when needed, where needed and in the amounts needed, will enable many clients to cope with 1960's problems.

This forward planning augurs well for the industry's continuing growth abroad, as interest in industrial financing in other countries grows out of increased activity in the field of international trade.

As for our own company, which has been financing American industry for 106 years, the prospects appear promising. Volume and net income set new records in 1959 for the eighth consecutive year, and our receivables outstanding at year-end were the largest in the company's history. There is every indication that James Talcott, Inc. will share fully in the industry's growth in 1960.

ROSS D. SIRAGUSA

Chairman and President, Admiral Corp.

Television sales in 1960 will be spearheaded by the new wide angle 23-inch picture tube. Our current television sales are about equally divided between the 23-inch and 21-inch sets. By the end of 1960 approximately 75% of Admiral's television sales will be in 23-inch models which provide an almost rectangular picture.

Ross D. Siragusa

Another reason for the rapid popularity growth of the 23-inch tube is the fact that the bonded safety glass makes the tube the safest one on the market. Reflection and glare are visibly reduced, and only a wipe with a soft cloth is needed to clean the front of the tube."

In addition to the wide angle 23-inch tube, the political conventions and elections will be important stimuli to sales of television and radio receivers in 1960. Network and local coverage of these major news events has been commendable in the past and should be even better in 1960.

We believe the Japanese sale of transistor radios in this country has just about reached its peak and should begin to level off during 1960. We are more confident of this situation than at any time since the Jap imports started their huge increase two years ago. With our suppliers and ourself completely automated we can now compete more favorably on a cost basis and can produce a better performing product than the imports.

We look for a substantial increase in commercial electronic sales and in the production of equipment for the Armed Forces in 1960 and have invested heavily in expanding its research and engineering departments during the past two years to obtain more of this business.

Color television will continue to grow and will expand more rapidly in the next two or three years than in the last six.

The appliance outlook also is bullish for 1960. One reason is the vacuum caused by the long steel strike which seriously depleted inventories at all levels.

Admiral is in stronger condition today than at any time in the past four or five years and we believe profits will increase in 1960 at a faster rate than sales. Inventories are at their lowest point in years and our entire factory, distributor and dealer sales organizations are geared for a healthy 1960 operation.

JAMES M. SKINNER, JR.

President, Philco Corporation

Barring a resumption of the steel strike, 1960 promises to be a reasonably good year for the consumer durables industry. We do not look for a drastic change in any phase of the industry but a good steady business year.

J. M. Skinner, Jr.

Naturally, the continuing interest in electronics on the part of the consumer, fed by the publicity given the military's use of electronic devices and also by the challenging new developments of industry research, such as transistorized battery-operated portable television sets, is benefitting the home electronic entertainment field. Radio should continue to be a good solid business in 1960, with increasing emphasis on sets using transistors. Television sales showed a slight increase last year and although we do not anticipate any great upswing, we do expect perhaps a modest increase in sales during the year ahead. The lag in sales of stereophonic-high fidelity instruments is traceable in part, we feel, to confusion on the part of the consumer about the basic concept of stereo, what it is and how it works. A good deal of consumer education is necessary before this basic understanding of stereo takes place, but once it is achieved, we expect the business to come into its own and we therefore look for improvement in the stereo field during 1960.

We anticipate a good business year for the appliance field as a whole. Prospects are particularly bright in the home laundry business and we are highly optimistic about the future of the combination washer-dryer. In Philco's case, our greatest sales increase last year was in the area of our Duomatic combination model and we look for this trend to continue throughout 1960. Air conditioning should be another improving field for the coming year.

Unfortunately, the need for military preparedness will probably continue unabated for a long time to come. Consequently, there is no lessening anticipated in the government and military need for the products and services of industry. In Philco's case, our own backlog of government business is higher at present than it has been for some time.

The semiconductor field should continue to expand in 1960, particularly as regards transistors for military, commercial and industrial applications. This is a booming business at present and we expect it to become even more important in the year ahead; in fact, transistors will be one of our major product lines in 1960.

In summary, the outlook for the consumer goods industry during 1960 is fairly optimistic with prospects for a good business year.

FRANK SMATHERS, JR.

President, The Miami Beach First National Bank, Miami Beach, Florida

The 1960 challenge for our society is that those who enjoy its blessings must respond to its obligations. Businessmen here in Florida have many blessings to count. Tourists and convention goers attracted by Florida's warm temperature and sunny skies are becoming permanent residents at a growth rate second only to Nevada's. One of our nation's major corporations recently surveyed its employees for retirement plans and found that 80% expect either to visit or to move to Florida. Another trend is the moving of many industries and major corporations to central and south Florida to take advantage of our growing labor supply. The flow of visitors has also been accelerated by the recent completion of a multi-million dollar convention and exhibition building in Miami Beach. In addition to this facility, which can accommodate almost 20,000 people, many of the larger hotels have their own exhibition halls and dining rooms, some seating as many as 6,000 people. Conventions booked for the slack season level out the flow of tourists into Miami Beach and help provide a more stable economy. More than 300,000 persons will attend conventions in Miami Beach in 1960 where the largest number of modern air-conditioned rooms in the world are concentrated. We are also the beneficiary of a changing vacation pattern in America. Increasingly large numbers of persons attending business conventions now extend their visits to include their vacation time.

Frank Smathers, Jr.

In addition to its climate, south Florida's other blessings include a county-wide public school system with modern buildings and good teachers, unsurpassed medical and hospital facilities and the largest private university in the South. The University of Miami has research facilities ranging from medicine to electronics, a natural attraction for research-minded industry. The University also provides our citizens with entertainment ranging from good football to symphony and opera. Nineteen sixty gives every indication of the materialization of a deep water port and an Inter-American Trade and Cultural Center, all designed to provide both tourists and residents with every possible cultural and economic facility.

South Florida's growing population has created one major problem in vehicular traffic congestion. It is perhaps the greatest thief of time, money and lives for Dade County's million people who fume daily along its inadequate highways. A $100,000,000 road program must be voted this year by Dade County freeholders if the thief is to be caught.

Our transportation problem has resulted in a new housing trend. Large apartment buildings with as many as a thousand units are under construction close to business areas. They are designed for middle income families who desire quick and easy access to downtown, ocean and beaches. New high speed bridges and causeways between Miami Beach and the mainland portend a commercial and residential growth that might well make it the Manhattan Island of south Florida.

The greatest threat to Dade County's economy in 1960 is the same threat that faces all communities in America. This is a complacency on the part of its citizenry toward helping solve the many responsibilities of local and national government. Complacency may defeat much needed local bond elections. Law enforcement is at a low ebb reminiscent of prohibition days. Strike settlements between management and labor forced through by government pressure invite new strikes and release dangerous inflationary forces. An economic imbalance is created where government appears to favor one side of our free society over another.

It is not enough that we pay taxes and cast an occasional ballot. A free society must govern itself to survive. Unless the more gifted members of society devote the same time and energy to preserving their political freedoms that they do in preserving their business profits, we shall find that the business of government left to second class citizens with second class minds will produce a second class government incapable of competing successfully with the best minds of the totalitarian governments.

Nineteen sixty can and should be one of the most progressive years in history.

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1st in percentage of manufacturing employees to total population

1st in per family effective buying power

2nd in per capita industrial research laboratories

3rd in per capita patents granted

THIS is CONNECTICUT

1st in per capita military prime contracts awarded

1st in percentage of skilled workers to total workers

2nd in per capita personal income

Address inquiries to: Area Development Department, The Connecticut Light and Power Company, P. O. Box 2010, Hartford 1, Connecticut. Telephone MOhawk 6-2431.

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FORREST M. SMITH

President, National Bank of Commerce of San Antonio, San Antonio, Texas

San Antonio and its trade area have experienced another good business year in 1959. Locally, there are many indications that 1959 will be a record year in business activity. Bank clearings are hitting new highs each month and merchants are reporting a record volume of sales, with emphasis on the excellent volume of Christmas business. Operating costs continue to mount, which, of course, reduce net profits.

Forrest M. Smith

Although sales of new automobiles have lagged because of the steel strike, business in the automobile line has been generally very good. The building industry, both residential and commercial, has been slowed down—again, one of the reasons being because of the local strike—but also because of the higher costs of financing. Problems in the oil industry continue to exist, resulting in reduced activity in leasing and drilling. The demand for loans continues brisk, and this condition is likely to continue during the near future months. All in all, San Antonio has enjoyed a very prosperous year.

Our trade territory has likewise experienced a prosperous year, with general business conditions continuing and with much activity in real estate developments. A much better type of accommodations is being provided visitors and tourists throughout the territory by means of more modern resort-type motels and hotels. Livestock conditions continue good, with weight of animals reflecting increases. Increases in number of animals as well as in yield of wool and mohair have been most satisfactory. While cattle price have receded somewhat from their highs, other prices incident to the livestock industry have increased to form a generally satisfactory livestock operating year. The agricultural areas this year produced the second largest cotton crop in their history and also, for several years, the largest marketed citrus crop was produced. This year again the Falcon Dam has proved its necessity by assuring and furnishing an adequate water supply for all agricultural activities. Vegetables in general measured up very well, although some early crops were damaged by weather conditions. Prices have been at satsifactory levels. Machines and mechanizations are becoming more prominent in the production and harvesting of crops. Diversification has been a most important factor in the growth of the Rio Grande Valley and our surrounding area.

Our trade area is favored with competent banks and bankers, who have played a prominent part in its development. Banks in every section have shown substantial deposit increases, with Valley banks showing record highs in their growth.

Many of the important national business and industrial firms are looking more and more into the favorable attributes of San Antonio and our great South and Southwest empire. Industries from many areas are interested in the excellent living conditions prevailing here.

As we approach 1960, we expect favorable business conditions to continue well into the new year. Our population is increasing, new business enterprises are being added and there is a constant growth in all phases of our community life. With the backlog of demand for many items created by the steel strike, 1960 should start off at a very good pace businesswise.

During all of our excellent growth and prosperity, inflation continues to be the great hazard to our future well-being. Every encouragement should be given to our representatives in the state and national congresses to see that budgets are balanced through reduced spending. All of our forms of government—national, state and local—should be on a safe and sane fiscal basis if our economic future is secure.

JOHN F. SMITH, JR.

President, Inland Steel Company

Settlement of the labor controversy in the steel industry eliminates the threat of further work interruptions during 1960. This is bound to have a beneficial effect on the economy generally, and will result in output of steel at new annual record levels in order to satisfy anticipated demand this year.

John F. Smith, Jr.

Steel inventories, depleted by the 116-day strike, are still below reasonable working levels and their rebuilding should extend at least through the first half of the year. This fact, together with the favorable outlook for business in general, would seem to assure a strong demand for steel mill products in 1960.

Reflecting their rising incomes and a willingness to continue to expand personal debt, consumers will be spending at record levels this year and this will mean high levels of output in such important steel markets as the automotive, appliance, and container industries. Encouraged by early sales of both new compact and standard models, some automotive experts look for production of nearly 7 million passenger cars this year, which would make 1960 the second best auto year on record. Truck production is also headed for a good year, with output estimated at 1.3 million units.

The outlook for the capital goods markets, which are especially important to steel, is also promising. Rising sales, increased cash flow from depreciation, and high total corporate earnings have encouraged businessmen to raise their capital spending plans. While not of the same magnitude as the 1955 upsurge, business spending on plant and equipment is growing, and this can be translated into increased consumption of steel in the machinery, industrial construction, and railroad equipment industries.

As we move further into 1960, tight money may tend to restrict some of the anticipated expansion in steel markets with the residential construction industry probably being the most vulnerable. Housing starts are expected to decline about 10% from the near record level of 1959. Also during 1960, the steel industry expects to continue to face significant competition from foreign steel producers in both our domestic and export markets.

Nevertheless, adding up all the pieces, a record steel production year is in the making for 1960. We estimate that production in the first six months will reach 70 million ingot tons. While we do not expect this level of operations to hold up through the balance of the year, the second half should be good enough to bring the year's total output up to a record of about 130 million ingot tons. This compares with about 93 million tons in 1959 and the previous high of 117 million tons in 1955. Based on a capactiy of 148.6 million tons, our 1960 forecast would be equivalent to an operating rate of 87.5%.

JOHN W. SMITH

President, Seaboard Air Line Railroad Company

Nineteen fifty-nine was another year of substantial industrial activity for the Southeast, notwithstanding the 116-day nationwide steel strike. Business in general was better than in 1958 and the present outlook is for a continuation of the upward trend which should produce even more favorable results in 1960.

John W. Smith

Of course, any prediction for the year must take into account the question of major labor disturbances. If those hurdles can be cleared, then 1960 may well prove to be one of the better years the region has enjoyed in the recent past.

Adding substance to this view is the unabated interest shown by business concerns in the establishment of new operations in this area. For example, the pulp and paper industry —one of the key elements in the Southeast's economy — is moving ahead with substantial expansion programs. New investments by this source will run into millions of dollars and the long-term impact of these expenditures will be felt throughout the economic activities of the region.

In appraising the potential of the Southeast for further commercial growth, one aspect of past development takes on particular significance. It is the fact that so many national concerns, upon establishing a first operation in this section, have frequently enlarged those facilities almost as soon as production commenced. This demonstrates, perhaps more clearly than any other evidence that might be offered, the outstanding opportunities the area provides for successful operation of manufacturing and distribution enterprises.

Another "plus" for the Southeast stems from industry's discovery that lower costs and more efficient production may be achieved in small towns and suburban areas. In this section there are numerous smaller communities where unusually favorable conditions are found for varied kinds of industrial activity. Cost-conscious managements are certain to direct greater attention toward those possibilities and it is logical to expect still greater industrial development to take place in these less congested areas.

Summed up, both the short-term and long-term outlook for economic growth in the Southeast are excellent. The region can look forward with confidence to a sustained high level of business activity and expansion.

McGREGOR SMITH

Chairman, Florida Power & Light Company

Florida's permanent population is growing fast. Year-round employment is increasing steadily as industry continues to discover the beneficial character of the State's economy, including its favorable tax structure and its pulling power in recruiting professional and skilled workers.

McGregor Smith

In the past three years, some 2,000 new manufacturing plants and major expansions have been added. Industrial payrolls climbed from $544 million to $745 million annually.

Latest major development is a $1 million Minneapolis-Honeywell installation just getting under way near West Palm Beach. It will house and advanced research and development center for the company's Semiconductor Products Division.

As for Florida Power & Light Co., we estimate that our 1959-60 construction program will approximate $153,500,000 of which approximately $72,500,000 will have been expended in 1959. Included in the program are final costs on the 165,000 kw power plant placed in operation at Ft. Myers in November, 1958, and the 165,000 kw addition to the Sanford Plant which went into service last May.

Also in the program is construction on the two 240,000 kw units at the new Port Everglades Plant, plus initial work on construction of the 300,000 kw addition to the Riviera Plant, scheduled for completion in May of 1962.

As we complete the most successful and prosperous year in our history, we look confidently ahead to 1960 and the years to follow.

Recent additions to our system plus the new generating units that are now in various stages of construction will increase our system capability to 2,428,000 kilowatts in 1962—a 140% increase in the five year period since 1957.

R. E. SOMMER

President and General Sales Manager, Keystone Steel & Wire Company

In general the American people look upon 1960 as the beginning of a decade of real opportunity and promise. I believe it will be that, providing that research, new product development and the gains in production that should be achieved after years of modernization and expansion of facilities are not offset by continuing inflationary trends. Rising costs . . . for raw materials, labor, taxes, interest, etc. . . . are more and more becoming deterring factors in the hoped for growth of our national prosperity.

Reuben E. Sommer

Let me cite, for example, our own situation at Keystone. Last year we set an all-time high sales record, yet our net profit was lower than in past years. Even 1955 and 1956, each with lower sales than 1959, had a better net profit than the year just past. Our outlook for early 1960, however, appears good. If the present trend of business continues and if we can hold costs in line, the first half of calendar 1960 will be another banner period for Keystone and its 3,500 employees.

HON. JOHN SPARKMAN

U. S. Senator From Alabama
Member, Joint Economic Committee

Now that the steel strike is settled every sign points to a prosperous 1960. Certainly there will be boom tendencies with the attending dangers of inflation but there are factors which may serve to slow the pace and make for steady progress as opposed to any boom and bust cycle.

Sen. J. J. Sparkman

While 1960 looks prosperous for most segments of our economy there are other segments for which the future does not look too good. I am particularly disturbed about what 1960 holds for the farmer, the small businessman, and the home construction industry.

Farm prices have continued to rise while the farmers' income has gone downward. The farm picture — a gloomy one—will not change much for the better, if any, in 1960. The problems are complex, and the gap between what the Administration desires and Congress wants is too great to be bridged sufficiently to offer substantial relief. Inadequate attention to the problems of the family farmer can have an adverse effect on the entire economy.

The nation's small businessmen are finding it difficult to get capital in order to expand. However, they are becoming seasoned to the pinch of tight money. Through legislation passed during the last few years small businessmen are becoming more able to keep their businesses going. However, it is still a struggle and the substance of that struggle hinges around the small businessman's inability to borrow at a reasonable interest rate, the necessary money to improve and modernize his business operation. Higher interest rates have had a repressive effect on this segment of our economy.

The problems in the field of housing grow increasingly complex as our population continues to expand.

A number of times in the past 10 years the nation has been told that higher interest rates on home loans would loosen the flow of mortgage money and make it easy to borrow money to buy homes. Interest rates went up, but it has become increasingly harder to buy a home.

In 1953 FHA's maximum rate was 4¼%. Today it is 5¾%—35% higher. Despite this, discounts are rising and builders are finding it hard to get advance commitments to build 1960's houses. This situation could become worse instead of better in 1960.

Housing starts are falling off and may continue to do so through a good part of 1960. Home building is one of the best producers of jobs in our whole economy. A continued depressed condition in home building could prove a serious matter.

Fortunately, our country has a lot of built-in stabilizers which bode good not only for 1960 but the entire future of the economy. I refer to social security, railroad retirement and programs relating to veterans, Federally-assisted state old-age assistance programs, Federally assisted unemployment compensation programs, old age pensions, saving deposit guarantees, and other such programs. Naturally our defense outlays also play a big part in stabilizing the economy.

Most forecasters expect a steady, if not spectacular, rise in our Gross National Product—the sum of all goods

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and services produced. In this regard our national productive machinery will have to increase its output if we are to keep pace with our international rivals and, at the same time, provide our constantly expanding population with the consumer products which have become synonymous with the American standard of living.

The decade of the 1960s should be a glorious and prosperous one if threats of war can somehow be safely suppressed. We must, however, guard against unilateral disarmament or deterioration of our defense stature. Our economy can support adequate defense during the '60s and still make possible a richer life for us all.

PHILIP SPORN

President, American Electric Power Company

By the end of 1958 the recovery from the recession earlier in the year was well under way and carried through all of 1959. The build-up of steel inventories in anticipation of the steel strike gave added impetus to economic activity in the first half of the year, and it also provided the cushion which made possible a continuation of high levels of economic activity, with surprisingly little setback, during the strike.

Philip Sporn

The electric utility industry, which in 1958 had demonstrated its underlying strength by showing a modest growth despite the recession, in 1959 resumed the more rapid and vigorous growth which had been temporarily interrupted in the previous year. Electric generation rose over 9.6%, to over 707 billion kwh., and sales also rose over 9%, to over 625 billion kwh. Peak demand at almost 129.3 million kw., was almost 9% above the previous year and justified the confidence the industry demonstrated by continuing with its expansion programs. This expansion added almost 15.3 million kw. to the industry's capacity in 1959 and raised the total industry generating capability to about 164.8 million kw. Construction expenditures by the investor-owned share of the industry, continued at the high 1958 level of close to $3.5 billion. Revenues and net income showed record increases of 8.2% and 9%, respectively, above the 1958 figures.

The performance on the American Electric Power Company System exceeded these industry figures. Compared with the industry's 9.6% increase in energy output, the American Electric Power Company System ended 1959 with a 13.3% increase over 1958, or 28.2 billion kwh. Sales, because of a reduction in system losses due to transmission, distribution, and unaccounted-for energy, increased by an even larger percentage of 14.8%, to 26 billion kwh. Peak demand, at close to 4,750,000 kw., was over 9.7% above the 1958 figure. Because of the large additions to capacity in 1958, the System was able to meet this growth in demand with an adequate reserve margin. The addition of 75,000 kw. raised the System's generating capability to 5,558,000 kw.

New records in operating efficiencies continued to be established. System losses, which had been reduced in 1958 to 8.5%, or approximately 30% below the industry average, were reduced further in 1959 to well below 8%, the actual figure being 7.8%. The Btu performance of the System's steam-electric generating stations—the index of its thermal efficiency—which in 1958 had gone below 10,000 Btu per net kwh. for the first time, was reduced by an additional 271 Btu, to 9,650 Btu per net kwh., for an average system efficiency of 35.4%.

Although the steel issue has been settled, the threat of other major labor disputes, such as that in the railroad industry, still leaves a big question mark about the economic outlook for 1960. But assuming that these situations are resolved without resort to further work stoppages, 1960 should see continued vigorous expansion in the economy as a whole and in the utility industry. On the basis of an expected Gross National Product of about $500 billion and a Federal Reserve Board Index of Industrial Production of around 165, it now seems that the electric utility industry will once again reach new record levels, with generation of about 761 billion kwh. and a peak demand of 140 million kw., representing increases of almost 9.5% in both these figures. The gross revenue should climb by 7%, to 9.8 billion, and net income should also show a similar percentage gain, to almost $1,800,000,000. Construction expenditures of the investor-owned companies should once again stay very close to their 1959 level of $3.5 billion.

On the American Electric Power Company System this industry expansion is expected to be reflected in magnified form. System input is expected to reach 32,350,000,000 kwh. with sales of about 29,850,000,000, representing increases of 14.7% and 14.8%, respectively. The slightly larger percentage increase in sales than in net system input is accounted for by the expectation of a further modest reduction in system losses. Because of improved load factor, system peak is expected to increase by only 9.2%, to 5,325,000 kw. Continued intensive promotion of major electric residential appliances, and particularly home electric heating and the all-electric home, is expected to raise average residential electric energy consumption from the 4,050 in 1959 to 4,360 in 1960, or more than 16% above the national average. Incidentally, the potentialities of electric heating are not confined to the home. There is very rapid process of realization on the part of both the utility industry and the equipment manufacturers what has been recognized on the American Electric Power system for some time: that electric heating has great potential for development not only in residential, but in commercial and industrial fields as well, and that 1960 should see the start of a rapid expansion in, and should provide substantial impetus to the acceptance of, electric heating installations in all these fields.

During 1960 the American Electric Power Company System will complete its $800-million expansion program, begun in 1956, with the installation of two 450,000-kw. units, Sporn Unit No. 5 and Breed Unit No. 1, both operating at supercritical temperatures and pressures and expected to establish new records in steam-electric generating efficiency. The installation of these units, after some retirements, will raise System capability of 6,409,000 kw. Nineteen sixty will also see the start of a new expansion program covering the years 1960-1963 and involving a total addition of close to 1,400,000 kw., the details of which have only partly been announced, with the beginning of construction of the largest pumped hydro station in the United States at Smith Mountain and the beginning of construction of a third 225,000-kw. steam electric generating unit at the Clinch River Plant, both in Virginia.

The acceleration of research and development activities, both in the industry and on the American Electric Power System, will continue in 1960 in generation, both conventional and nuclear, in transmission, in distribution, and in utilizaton. On the Amercan Electric Power System this will involve the continuation of the work as a member of Nuclear Power Group Inc. and the investigations in connection with the starting up and the first generating efforts of the 180,000 kw. nuclear plant at Dresden, Ill.; the stepped-up research and developmental activities of East Central Nuclear Group Inc. looking toward development of the technical and economic feasibility of a 50,000-kw. advanced heavy-water cooled reactor to be built by Florida West Coast Nuclear Group; the probable start of a joint AEP-GE Company research program on harnessing the gas and steam turbines in a cycle that should improve the peerformance of each; research on a number of other advanced electric power generation concepts; and work on a number of important extra high voltage transmission line problems. Noteworthy in connection with advanced energy generating concept was the announcement last November of the research program undertaken jointly by 10 electric utility systems, including three American Electric Power System operating companies, Ohio Power Company, Appalachian Power Company, and Indiana & Michigan Electric Company, together with Avco to explore the application of the magnetohydrodynamic principle to electric generation. If successful, this research would open up exciting new possibilities for major advances in the efficiency and economy of electric energy generation.

All of this should result in a continuation of the industry's and the company's vigorous growth. Thus the electric power industry will continue to assure the American economy of abundant low-cost electric energy and to provide the consumer with his greatest economic bargain. And there is solid basis for the judgment that it will do so while at the same time maintaining its favorable earnings record. On that basis it should continue to merit the confidence of the investing public which is essential if the industry is to continue its unique record of performance. This, I am confident, will be especially true on the American Electric Power System.

A. E. STALEY, JR.

Chairman of the Board,
A. E. Staley Manufacturing Company

Our company, in its principal division, corn refining, enjoys a favorable outlook. The high level of business activity in the consumer nondurable field promises a continued high level of demand. A record corn crop with attendant lowered prices has offset cost increases in wages, supplies, and lower by-product returns, thus promising profit margins comparable to those of the last two years.

A. E. Staley, Jr.

For the longer term, a greatly increased rate of research expenditures by the company should produce new and promising profit possibilities.

A new research center, now under construction at Decatur, will provide us with varstly superior facilities in mid-1960, serving as a further stimulus to research activity. The center will serve to house the company's expanded research effort which has tripled in three years. The aggressive advertising and sales promotions that have boosted sales of Staley's grocery products will be continued. Leaders in their fields are "Sta-flo" liquid starch and "Sta-Puf" rinse, a fabric softener. Sales volumes in the company's Grocery Products Division has approximately doubled in the last five years; and the outlook is for a continued increase.

The outlook for the company's chemical operations is encouraging.

The U. B. S. Chemical Company Division of Cambridge, Mass., is fulfilling the promising potential which motivated the June, 1959 merger of this organization with the Staley Company.

With the acquisition of the U. B. S. Chemical Company, we entered ambitiously into polymer development and manufacturing. The company previously had done some research and development work in this area and shortly before acquiring the U. B. S. operation, Staley's had put in operation an experimental production unit at Decatur, Ill., small but capable of producing polymers in commercial quantities. With its new U. B. S. Division, the company also has polymer production facilities at Lemont, Ill., and at Cambridge and Marlboro, Mass. The plant at Lemont is currently being expanded.

The soybean industry has been marked by increasing capacity and keen competition that has reduced profit margins below the levels experienced some years back. For 1960 the company's activity in this area should produce results comparable to 1959.

Sometime ago we recognized the importance of adequate working capital, particularly in tight money areas, and currently are in the best financial position ever with an available working capital in excess of $30 million.

Little change is anticipated in the other activities of the company. For the year as a whole the company should do as well as, and probably somewhat better than, the results achieved in 1959.

Beyond this, there is the crucial question of how much more labor cost inflation our industry and similar manufacturing may have to face in the wake of the steel situation. If the settlement works for another wage spiral, it will result in difficult price adjustments for all industry and business, and further inflation.

The declining value of the dollar represents perhaps the greatest challenge of the coming year to responsible leadership in labor, management, and government.

TIMOTHY R. STEARNS

President, Reliance Manufacturing Company

The momentum generated through the recent period of recovery within the textile industry, one of the bright spots of our domestic economy in 1959, appears destined to carry over into the new year, with all indications pointing to a continued improvement in sales and the realization by the industry of an increased share of the consumer dollar.

Timothy R. Stearns

The American consumer has recently experienced a tremendous change in his soft goods buying habits. A number of factors are responsible. The most significant of these, in my view, is the predominant trend toward style consciousness with more and more emphasis being placed on dressing up to the occasion, whether it be for work or play. This sensitivity to style, traditionally a major factor in the design and marketing of automobiles, will come to play an increasingly significant role in the soft goods industry, particularly as applied to the design and merchandising of men's wear.

Another favorable condition influencing soft goods activity is the continuing rise in disposable income coupled with relative stabilization of the retail price index. Additional positive factors are to be found in the bumper crop of war babies, now attaining the role of mature consumers, and the growing trend toward suburban development.

The presence in combination of strong consumer demand and sensitivity to style obsolescence poses a tremendous challenge for apparel producers. Flexible, high-speed, low-cost production is of the utmost importance in order to provide highly styled merchandise to the retailer promptly during peak selling seasons.

The apparel industry is constantly striving to overcome problems of production and styling which have for so many years been a detriment to long-term growth. To improve this condition, growing emphases are being placed on quality control and continuing efforts are being made to modernize and improve methods of production, distribution and delivery.

We of Reliance are alert to these changing patterns and have attained a high degree of flexibility in our multi-plant operations at some 18 locations throughout the country. We have greatly broadened and upgraded our merchandise lines, and, through expansion and acquisition we are extending the operating base of the company to assure the flexibility and diversity required to maintain our position as a major factor in the apparel industry.

J. R. STEELMAN

President, Koehring Company

Our firm may be identified as a manufacturer of capital goods serving principally the diversified fields of construction, mining and quarrying; plastics molding; die casting; metal working and forming; and oil well drilling.

The construction industry represents one of the largest segments of our economy, constituting in 1959 over 14% of our Gross National Product. Overall, the 1960 outlook appears favorable although some segments are expected to move down while others move up.

J. R. Steelman

Demand for construction machinery in calendar 1960 arising from the Federal-Aid Highway Program should be higher than in 1959 because of the manner in which the Federal Highway Program is being financed. Federal aid that can be obligated in the first half of 1960 is double that for the last half of 1959 and 15% over the first half of 1959. Estimated aid to be approved for new highway projects in 1960 likely will total $3.137 billion vs. $2.353 billion in 1959, an increase of 33%. Contract awards generally follow within six to eight weeks of the time plans are approved.

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Demand for new construction equipment usually follows the obligation of funds.

Although road building constitutes only 10% of total new construction, a dollar spent for road building contains a greater ingredient of construction machinery than a dollar spent on residential construction. Thus, for machinery manufacturers, road building becomes much more important than its relative place in total construction expenditures. Nevertheless, there has been an opinion that the construction machinery industry has been identified too closely with road building activity. Demand for the wide range of general purpose and special purpose machinery made by Koehring depends very significantly upon the level of total construction and the indication of whether this level is going up or down. The direction as well as the size of the movement exercises a significant impact on the buying psychology of contractors.

Overall, we expect 1960 new construction to increase over 1959 levels but for the 1960 increase to be less in amount than the increase which took place during 1959.

The use of plastics continued its spectacular growth during 1959. Increasing use of plastics in such areas as auto production (now 12 lbs. average per car), consumer durable and non-durable goods, and commercial, industrial and residential construction contributes importantly to the continuing upsurge. Growth in use of plastics during 1959 exceeded 17%. 1960 is expected to show another substantial increase which should preserve and increase demand for plastics injection molding machinery.

The increasing importance of aluminum in die casting processes portends a strong future for die casting machines particularly in larger sizes. Aluminum continues to be used more and more in the auto industry. If it proves a success in auto engines, it will create a very strong market for large die casting machines. Even without this impetus, 1960 is expected to provide a larger market for this type of equipment.

The outlook for the petroleum industry in 1960 is for a steady demand for its products possibly 4% to 5% higher than last year. While domestic production may be higher than in 1959, there seems to be no comparable increase predicted in new drillings. This may have the effect of holding the market for oil field supplies at about the same level as 1959.

Foreign markets for construction machinery as well as other products held firm during 1959, and we are anticipating an increase in 1960. Construction in Europe presently is at record levels, and there is evidence to suggest additional gains in the future. A number of Latin American countries should be in better shape to import machinery next year.

In summarizing our outlook for 1960, we are optimistic and expect that sales will increase moderately. We think it likely that export sales and foreign operations revenues will show a greater percentage increase than domestic sales.

LOUIS STEIN

President, Food Fair Stores, Inc.

The nation is beginning a new year and a new decade with its economy headed for what the majority of experts have forecast will be an era of unprecedented prosperity. Only the possibility of a resumption of the steel strike threatens the widely prevailing optimism for the near-term.

Louis Stein

The retail food industry, which established new records again in 1959, looks forward to the continuation of an upward trend of business for the coming year and for the decade. The self-service supermarket industry, which has been in the vanguard of past gains in the retail food industry, seems certain to extend further its sphere of influence in the future. In the year just closed, it is estimated that total retail food sales were $52 billion, of which $42 billion, or over 90% represented sales of self-service supermarkets and superettes, independent and chain.

To place in perspective the opportunities for the food distribution industry in the next decade, we can do no better than consider such forecasts as the increase in U. S. population to 206 million by 1960, personal income rising to $428 billion, and a potential increase of retail food expenditures of $80 billion.

The challenge that faces the industry, in the face of these forecasts, is to be found in stimulating increased consumer expenditures for food. The task calls for concerted efforts by all segments of the food industry to gain a larger share of the consumer's spendable dollar.

In providing for the consumers' increased food needs and wants in this expanding economy, the food industry cannot deviate from its basic mission—to deliver real values and maximum service. This will require still greater efficiencies in all areas of operations. More than ever, costs not absolutely essential to the moving of products from manufacturer or processor to the consumer must be eliminated or minimized. All along the line, we must strive for even greater productivity through further improving materials handling methods and equipment, and tighter, more effective systems and organizations.

I am convinced that supermarketing in the years ahead will expand beyond the food field, which it essentially is now, to encompass a broader line of goods. It will involve the marketing of all types of manufactured products and consumer services which fit into the high turnover pattern of supermarketing, which are pre-sold to consumers, and which are specifically packaged for supermarket merchandising.

We have proven that our capacity to produce goods and services which contribute to the nation's increased standard of living is practically unlimited. More remains to be done in distribution, a parallel link in our economy. The new decade ,with its promise of a still higher economy, presents a real challenge and opportunity for mass retail distribution.

I. MELVILLE STEIN

President, Leeds & Northrup

One of the most pressing problems for American industry today is to obtain higher productivity and lower costs.

Competition is becoming more and more world-wide. In the past, Americans competed generally with other Americans, with costs for materials and labor approximately equal to all.

I. Melville Stein

Now, foreign products are making serious inroads in a great many American markets. Foreign material costs are often below ours and labor costs only a fraction.

The net result is a competitive situation American producers can meet only by adopting every dependable cost-cutting device our economy can devise.

In general, America is meeting this challenge by modernizing its present plant and building new plant, increasing productivity through modern instrumentation and automatic controls.

In using the word "modern," the instrument industry means precisely what it says, because many instruments now reducing process costs simply did not exist even one, two or three years ago.

Instrument users are cutting present maintenance costs as well as preparing for the future by sending selected engineers and technicians to cost-free training schools which instrument manufacturers maintain. The instrument industry, in advocating modernization for its customers, is helping set the pace itself. New manufacturing facilities and new research and development centers are only a part of the story.

New products for further improvement of process efficiency are known to be nearly ready in several instrument companies. As the results of modern instrumentation become more widely known, it seems inevitable that the demands for such equipment will increase.

In the Leeds and Northrup Company, new orders for 1959, on the basis of the first 11 months, will exceed 1958 by 25%. If there is no renewal of the steel strike, there is every indication the company's new orders for 1960 should be 10% above 1959.

CLAUDE O. STEPHENS

President, Texas Gulf Sulphur Co.

The year 1959 saw a new high in Free World sulphur consumption—16,000,000 long tons in all forms, an increase of 5% over 1958. Sulphur is grouped under two basic categories — elemental and non-elemental. The elemental sulphur includes mainly Frasch and recovered sulphur and supplies just over 50% of the world's total sulphur demands. Non-elemental sulphur (equivalent sulphur values) is principally made up of pyrites with smelter gases, anhydrite and other forms supplying the balance.

Claude O. Stephens

Due to anticipated high level business conditions, and in particular to increased demands for fertilizer, it is believed that 1960 may see another 5% increase in world total sulphur consumption.

Encouraging to the elemental sulphur producers and, in particular, to the Frasch producers, is the fact that during 1959 most of the increase in surplus consumption was in the form of elemental sulphur. In comparison to 1958, 1959 world elemental sulphur consumption was up some 10% with a total of 8,340,000 long tons consumed in 1959.

This increased use of elemental sulphur is due not only to its ease in handling but also to its economic advantage over other sulphurous raw materials. As its relative attractiveness should continue during 1960, most all of the increased usages in 1960 are expected to go to elemental sulphur. Therefore, a 5% increase in world total sulphur demand may result in even a much greater percentage increase in the elemental sulphur portion.

Although the steel strike had a temporary depressing effect on sulphur consumption in the United States in 1959, most other sulphur consuming industries operated at high levels. The end result was that sulphur consumption was at a near record in the United States in 1959. Consumption in all forms was over 5,800,000 long tons with the elemental portion being 4,840,000 long tons. Transcribed into percentages, U. S. total sulphur consumption increased 10% in 1959 over 1958 with most of this increase going to elemental sulphur.

The United States supplied this country and the rest of the world with over 5,800,000 long tons of elemental sulphur in 1959. Other important suppliers were Mexico, France and Canada. Mexico sold close to 1,000,000 long tons of Frasch sulphur, France supplied some 400,000 long tons of recovered sulphur and Canada sold about 150,000 long tons of recovered sulphur in 1959.

Although present sulphur productive capacity is more than sufficient to supply expected new or increased demands, it is anticipated that new production units will be built in France and Canada in 1960. These increases are prompted by the greater usage of sour natural gas and continues the trend of annual increases in sulphur produced from sour and refinery gases. The world-wide consumption of recovered sulphur in 1959 was about 1,500,000 long tons.

Increased U. S. Frasch capacity also will be added in 1960 when the Grand Isle mine of the Freeport Sulphur Company starts its expected production early in the year. Conversely, the Freeport Sulphur Company's smaller Bay Ste. Elaine mine has been shut down due to exhaustion.

It is anticipated that U. S. Frasch producers will enjoy increased sales in 1960; but much of the increased demand for elemental sulphur will be captured by other countries producing recovered sulpur.

ROBERT S. STEVENSON

President, Allis-Chalmers Manufacturing Co.

Our business should be good in 1960. We are optimistic about the four principal areas in which the firm operates —agriculture, construction machinery, industrial and electrical equipment. The climate for farm equipment sales in 1960 should be much the same as in 1959.

Robert S. Stevenson

Concerning construction machinery, sales in 1959 ran continually ahead of the previous year and we expect 1960 to be every bit as good as 1959. The road program is getting out of the planning stage and is now getting into the area where our equipment is needed. And while housing starts are off, heavy engineering and building is up — and that's where we sell our equipment.

Concerning industrial equipment sales, it is expected that this market will be up in 1960. Our backlog which includes industrial and electrical equipment sales is 22% higher than a year ago and showing solid strength.

Our electrical power sales are staying ahead and we already have a good backlog in this business for 1960. The utilities are in a continuing expansion program, so our electrical business should continue good.

The company expects to expand its foreign operations. We've already established priorities and will have something more to say along those lines during 1960.

The supply of steel picked up faster than anticipated following the resumption of steel production. Many Allis-Chalmers employes laid off because of lack of steel are being returned to work. We feel we were well covered for the steel strike at the time it started. While some divisions ran short, others, except for certain special items, were able to continue normal operations.

ROBERT E. STRAUS

President, American National Bank & Trust Company of Chicago, Chicago, Ill.

Our analysis of economic indicators leads to the conclusion that Gross National Product will reach a record high level in excess of $500 billion in 1960, which compares with an average of approximately $480 billion for the year 1959. The principal supporting factors for this optimistic forecast are as follows:

Robert E. Straus

(1) Further accumulation of business inventories is likely, possibly on the order of $5-$6 billion for the year. Compared with postwar experience, the current level of business inventories is low in relation to sales. Inventory accumulation will be particularly strong in the steel and automobile industries as a result of the lengthy strike.

(2) A high level of employment, rising disposable personal income and current consumer confidence will be reflected in a strong demand for consumer durables, particularly automobiles. Considered in relation to rising disposable personal income, the current level of consumer installment credit should support Detroit's minimum estimate of 6.5 million domestically produced cars.

(3) Plant and equipment spending by business should be near the 1957 record high of $37 billion or 14% above 1959. This view is supported by the rising trend of capital appropriations and the strong working capital position of corporations.

(4) A moderate increase in spending by Federal and state governments is indicated.

(5) The Department of Commerce has forecast a 2% increase in expenditures for new construction despite certain cross-currents. A 15% decline in housing starts will be offset by increased expenditure for non-residential construction.

In this economic atmosphere, business and consumer demands for loanable funds will be heavy in the year ahead. It is true that, initially, the cash needs of corporations will be met partly from internally generated funds and by some liquidation of U. S. Government obligations. However, in the past, inventory accumulation has been accompanied by a strong demand for bank loans. It is also likely that pressure for bank credit

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will come from consumers since banks hold the largest portion of consumer debt and are also heavy lenders to sales, finance and small-loan companies.

The latest figures for all banks show that loans have increased 13% from the level one year earlier whereas deposits remained virtually unchanged. Many banks enter 1960 with loan-deposit ratios at a postwar high, which suggests that they will be hard-pressed to meet the indicated needs for bank credit. Considered in relation to aggregate credit demands of all types in our economy in 1960, the increased needs of business and consumers will be offset somewhat by the improved position of the Federal Treasury which should be operating under a balanced budget in calendar 1960 and also by some reduction in demand for mortgage credit.

Nevertheless, relating overall demand for credit to the supply of funds, the conclusion reached is that interest and money rates, which rose sharply in 1959, will increase further in 1960, and earnings of banks will improve.

FRED R. SULLIVAN

President, Monroe Calculating Machine Co.

The office equipment industry can expect a substantial increase in business in 1960. Much of our optimism for the industry is based on general business predictions for a record-breaking year in 1960, with the gross national product rising to a new high of $500-510 billion.

Fred R. Sullivan

Along with a half-trillion-dollar economy in 1960, we can expect a sharp increase in consumer purchases, greater capital expenditures and higher total government spending. Predictions for increased consumer spending range anywhere from $13 to $19 billion, and forecasts for increased capital expenditures range from $3 to $6 billion.

Much of the projected gains in capital spending will be directed into equipment in line with management's determination to increase the efficiency of its operations in the face of high costs. Equipment, of course, will include business machines of all types.

Contributing in large measure to our optimism for the office equipment industry over the next decade is the tremendous increase in the number of office workers needed in our economy. From 5 million office workers in 1940, the number has mushroomed to almost 12 million.

One of the reasons for the growth in clerical personnel is this: The office worker has become a producer of goods, indispensable to the very creation of the factory job. Personnel in sales, market research and advertising are needed to uncover new markets, to determine what new tools are required by the businessman, and to keep the product name before the public. The refinement of certain long-established management functions, such as personnel evaluations and corporate purchasing, also demands more clerical help.

Anyone who doubts the growing importance of the office worker, and the consequent growth in demand for office equipment, need only look at the increase in office building construction. The United States now has over one-half billion square feet of office space. New York City alone has gained 50 million square feet in the past three years, compared with a gain of only 32 million square feet in the 20 years between 1919 and 1939.

The growing need for office equipment, then, seems quite evident. Management is demanding more up-to-date figures upon which to base its decisions. The need for this data, together with the need to keep down the cost of mounting office payrolls, will force managements to scrutinize their methods and equipment. More and more of them will recognize the high cost of investing in and maintaining outmoded office machines, and the money-saving advantages of the faster, more versatile products available today.

There has probably been more progress in office equipment and methods in the past ten years than at any other time in the history of the industry. The changes are likely to be even more striking in the next decade. Those businesses which have availed themselves of improved equipment have managed to keep pace with the changing demands of our economy. Those who cling to antique ways and means are likely to find themselves lost in the competitive shuffle. Moreover, the office equipment industry has in large measure risen to meet this need by researching and developing new products which will give the modern manager what he needs to operate his business scientifically. At Monroe, for example, our products include calculators, accounting and adding machines that are faster and more flexible than ever. In addition, cash registers, point-of-sale equipment and a line of small-scale electronic computers, within the reach of the smallest company, have been introduced.

There has never been any evidence to support the fear that office automation will create general unemployment. Automation of the office has been increasing rapidly in the past decade, but as we have already seen, the number of clerical people and the need for office space has also increased. The typewriter, the dictating machine, photo-copying equipment—even carbon paper were once regarded as job stealers. Employment nevertheless increased. And, happily, skills were directed away from drudge jobs into more interesting and satisfying careers.

The increase in population and the ever-rising standard of living both in our own country and throughout the world will require the expansion of business facilities, with more people and more machines to meet the new demands. A survey of 278 manufacturers with

Continued on page 106

PUBLIC UTILITY SECURITIES

BY OWEN ELY

Indianapolis Power & Light Company

Indianapolis Power & Light supplies electric service to a population of 665,000 in Indianapolis and adjoining areas. The territory is highly industrialized, important industries being aircraft and automotive equipment, machinery, pharmaceuticals and chemicals, food packing, rubber products, petroleum and coal producers, and iron and steel products.

Electric sales are about 92% of total revenues with steam contributing most of the remainder. Electric revenues are about 36% residential, 34% industrial, 26% commercial and 4% miscellaneous. The company's residential rates are relatively low, averaging 2.34¢ per kwh in 1958 compared with the national average of 2.53¢. Residential usage of 3800 kwh was well above the national average. The management is interested in promoting electric heating and several months ago filed new rate schedules fixing a rate of 1.5¢ per kwh for heating customers using over 300 kwh per month during October-May. Over 1,000 homes are now heated electrically and about one-fifth of homes built this year in the service area are expected to be so heated.

The company has a 50% interest in Tecumseh Coal Corp., from which it purchases about 30% of coal requirements. It has generating capacity of 733,000 kw as compared with a peak demand last June of 544,000 kw. Thus there is ample capacity to take care of expanding industrial needs until mid-1961 when a 111,000 kw generator is scheduled for installation at the Stout Station.

Construction expenditures in 1959 were budgeted at about $10 million, down from $12 million in the previous year. However, they are expected to increase to $20 million in 1960, declining again to $12 million in 1961. With an equity ratio of 36% or more, no equity financing appears likely until 1962 when a small issue (perhaps 1-for-20) may be offered.

The company's share earnings record was unimpressive during the years 1948-62—a net gain of only 6¢ a share (from $1.56 to $1.62) being registered, after adjustment for the 2-for-1 split in 1954. However, during this period the dividend was raised from 75¢ to $1.10 and the stock advanced from a low of 10 to a high of 25. Since 1954 share earnings have risen steadily to $2.45 for the 12 months ended Nov. 30, 1959. The latter figure compared with $2.14 in the previous 12 months, an increase of 14%, despite the fact that there was a decline in the credit interest on construction. The upward trend in earnings is expected to continue in 1960.

The excellent showing in 1959 was probably due to the improved industrial picture in the first half as compared with early 1958, and the economies obtained from the installation in mid-1958 of a large new generating unit. The company also obtained an increase in steam rates effective Aug. 1, 1958, which was estimated to add over $2 million revenues per annum or about 28¢ a share. However, at the request of customers study of steam rates was resumed by the Public Service Commission last November. According to Standard & Poor's the company is currently earning about 6.75% on net property, but this does not make allowance for a fair value rate base (allowed in Indiana) and the percentage on such a basis would be lower.

The dividend rate was raised last October from $1.50 to $1.70; dividend policy is to pay out between 70% and 75% of earnings. The new rate is about 69% of the earnings reported for the November 12 months.

The stock has been selling recently around 40 (range in 1959-60 was about 41-37) affording a yield of 4¼%. The price-earnings ratio is about 16.3 compared with an industry average around 16.7.

* * *

CORRECTION: In this column in the issue of Dec. 24, the article on Iowa-Illinois Electric & Gas contained the following statement: "A 26% rate increase was upheld by the District Court in Fort Dodge recently and after January 1st the company will ask for an additional 27%." We are advised by the company that this statement, which appeared in one of the services, (taken from Moody's Service) was incorrect. While the rate litigation referred to was complicated and extended over several years, the final amount granted (based on 1954 revenues) was about 10%. Another increase of 27% based on revenues for the 12 months period ended March 31, 1958, is being collected under bond, and is before the District Court. Meanwhile, a further increase of 7.5%, required to offset a Dec. 28, 1959 increase in cost of gas, will become effective under the cost of gas adjustment clause in the temporary rate schedule.

Pierce, Carrison Offers Horne's Common

Pierce, Carrison, Wulbern, Inc. and The Johnson, Lane, Space Corp. are joint managers of an underwriting group which has offered on Jan. 19 235,000 shares of Horne's Enterprises, Inc. common stock at a price of $5.50 per share.

Net proceeds from the sale of the common shares will initially be added to the company's general funds and subsequently used for expansion of its operations. The company plans to open and equip 20 additional stores within the next 18 months, and to expand its manufacturing and other activities. The balance of the net proceeds will be used to improve and enlarge the present stores and manufacturing and warehousing facilities of the company, and for other general corporate purposes.

Horne's Enterprises, Inc., incorporated in May, 1953 under the laws of Florida, is carrying on a business founded in 1948 by its President, Robert I. Horne. With nine wholly-owned subsidiaries, the company operates a chain of stores located on arterial highways in the eastern United States. These stores are combination candy, gift, and luncheon stores and offer gasoline service facilities. The company also manufactures candies for its own stores as well as for sale to others, and packages and acts as jobber for other products sold in its stores.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C.—Herold J. Weiler, Jr. has been added to the staff of Merrill Lynch, Pierce, Fenner & Smith Incorporated, 120 North Greene St.

Edgar Legros, V.P. Of First Cleveland

CLEVELAND, Ohio—The election of Edgar E. Legros as a Vice-President of The First Cleveland Corporation, National City East Sixth Building, members of the Midwest Stock Exchange, has been announced by Emile A. Legros, President of the Cleveland investment banking firm. Mr. Edgar Legros, brother of the President, has managed the Toledo office of the firm since 1947. He will move to Cleveland where his principal duties will be to maintain liaison with major out-of-town underwriters, especially in New York and Chicago.

The First Cleveland Corporation, which has now completed its 25th year of service to Ohio investors, has a substantial interest in many Ohio activities. It is the largest single shareholder of Cedar Point and with George Roose, of Toledo, and other associates, controls the G. A. Boeckling Company, owner of that revitalized recreation center. It also controlled The Erie County Bank of Vermilion and Milan, Ohio, until Jan. 4 of this year, when it distributed the bank's stock to holders of the investment firm's common stock.

Thomas G. Woods and Kenneth M. Kolke, registered representatives of the firm, are being transferred from the Cleveland office to Toledo, effective immediately.

Lawson Research Mgr. for Moseley

BOSTON, Mass.—F. S. Moseley & Co., members of the New York and Boston Stock Exchanges, have announced that Robert F. A. Lawson has become associated with the firm as Manager of their Research Department. Mr. Lawson, who was formerly with Estabrook & Co., will be located in Moseley's main office in Boston, 50 Congress Street.

Twin City Bond Club 39th Outing

Thursday, June 16, 1960, is the date set for the 39th Annual Picnic of the Twin City Bond Club, to be held at the White Bear Yacht Club, White Bear Lake, Minnesota.

A cocktail party will be held on Wednesday evening, June 15, at the Nicollet Hotel in Minneapolis for visiting guests.

Harry C. Piper, Jr., of the Minneapolis office of Piper, Jaffray & Hopwood, is President and Kenneth C. Josa, of Smith, Barney & Co., of Minneapolis, is the general picnic chairman.

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annual sales of a million to more than 100 million revealed that 199 manufacturers expect to increase their clerical staffs in the next five years in spite of the benefits of automation. Although some manufacturers expect to reduce their clerical staffs through automation, others expect to maintain their present staffs, using automation to expand their activities.

Countries outside the United States will continue to provide good markets for office equipment. Europe particularly, in the midst of great expansion, needs more and more office machines. Many countries in other areas of the world are now reaching the level of industrial development where they will require increasing numbers of machines. American companies, of course, will share in these markets.

The growth in office equipment sales in the past few years shows every sign of continuing. McGraw-Hill surveys reveal that new orders for office equipment in the first three-quarters of 1959 averaged 14% more than the comparable period in 1958, and 9% higher than the peak year of 1957. General predictions for 1960 point to a substantial increase over 1959. We at Monroe enjoyed the biggest sales year in our history in 1959, and we have every confidence that 1960 can be even bigger.

HENDERSON SUPPLEE, JR.

President, The Atlantic Refining Company

It now appears that the general economy will show considerable strength in 1960, particularly in the first half. We expect total output of goods and services to increase by 4% to 5% over 1959—assuming that there are no further serious strike interruptions.

H. Supplee, Jr.

In view of this favorable outlook for the economy as a whole, we expect U. S. domestic petroleum demand to increase by about 3.9% over 1959, but declining exports may hold total demand on the U. S. industry to a 3.5% gain.

If this projection of 1960 demands is approximately realized, the oil industry should show a moderate increase in profits. At the same time, it is hoped that the industry will move in the direction of solving several major problems next year, including those of surplus capacity, import controls and markets. In the Korean War years and thereafter, the oil industry built refineries in excess of immediate requirements in anticipation of continued demand growth at post-World War II rates. When demand did not develop as rapidly as expected, excess capacity led to overproduction of oil products and weak product prices. Recently, building rates have slowed to nearly nothing, and the demand trend has turned upward again after marking time in 1957 and 1958. In 1960, refineries, on average, should operate at about 85% of capacity. The danger of over-supply will continue; but with operations nearer to capacity and with increasing industry awareness of the market implications of excessive runs, there is some hope that supplies will be geared more closely to requirements.

Crude producing capacity is excessive by market standards. Import controls now make state regulation more effective, but lack of uniform controls from state to state continues to present problems.

Import controls have not yet been an effective device to strengthen domestic oil markets since it has taken time to work off earlier stock excesses. If winter demand is reasonably strong, however, the effect of import limitations may become apparent early in 1960. Indeed, it may be that controls will need to be modified to provide equitable treatment of East Coast refiners, markets and consumers.

While the rate of growth of petroleum demand has slowed, future annual volumetric increases in consumption will continue to be at least as great as in recent years. To assure its continued strength, the oil industry must now find and promote new uses for its products and compete more vigorously with other fuels for existing markets. This, perhaps, is our most challenging problem not only in 1960 but in the longer run.

NORMAN R. SUTHERLAND

President, Pacific Gas & Electric Company

General business gains in 1960 larger than those for 1959, which was an excellent year, are expected to be recorded in our service territory in Northern and Central California.

N. R. Sutherland

The large migration to California from other areas will continue to influence the economy of this region. We estimate that the population increase this year by migration and natural growth will be about 3.6%, or 260,000 persons in the 47-county area in which we supply gas or electric service. The total population at present is estimated at 7,255,000 and has been growing about 3½% a year during the past several years.

During the 1950 decade PG&E has connected more than 1,300,000 new customers to its lines. The customer increase for 1960 is expected to total about 116,000.

Our expenditures for new construction in 1960 are expected to amount to about $152 million, or about the same as last year. A major generating unit to be placed in service about mid-year will be a 325,000-kilowatt addition to Pittsburg Power Plant. A second unit of this size now under construction is scheduled for completion in 1961. These units establish a new standard for increments of conventional steam-electric capacity to be added to our system. They will bring the total capacity of this plant to 1,310,000 kilowatts.

Ground will be broken this year for the 60,000-kilowatt atomic unit at our Humboldt Bay Power Plant which we announced in 1958. Its cost of $20 million will be entirely financed by PG&E.

Much interest has been aroused by our project to utilize geothermal steam in the Geysers Power Plant, which will be placed in service this year about 60 miles north of San Francisco. We are investing $1,750,000 in this 12,500-kilowatt plant, which will be the first of its kind in the Western Hemisphere.

The first half of the 1959-1960 winter season was marked by prolonged drought. The preceding year also was relatively dry, but because of carry-over storage in our reservoirs our hydroelectric operations were not seriously affected in calendar 1959. PG&E electric system operations and construction planning are based on the driest year of record, however, and our steam capacity, including the new unit nearing completion at Pittsburg, will minimize the adverse effect on power supply of possible continued drought. There is some cause for concern at present by the agricultural interests of the state. Late season rains, which often have been experienced in similar years in the past, could materially improve the outlook.

Substantial progress has been made, particularly during the past year, in our project to import natural gas from Alberta, Canada, into California. We are hopeful that all necessary governmental authorizations will be obtained in time for construction to start in 1960.

Hearings were begun before Canada's National Resources Board in Ottawa Jan. 5 on applications to build the inter-provincial portion of the pipeline and export the gas from Canada. This was a final step toward obtaining all required certificates. Decisions from the Federal Power Commission and the California Public Utilities Commission are being awaited.

The capital cost of the project, which involves the construction of 1,404 miles of 36-inch pipeline, is more than $330 million. The physical facilities in California, which PG&E will build directly will cost about $64 million. Any expenditure in 1960 for this purpose would be in addition to the budgeted figure of $152 million mentioned above for other construction.

The opening of the 1960 decade presents a vista of great promise for the further economic development of Northern and Central California and the continued growth of Pacific Gas and Electric Company. Our projections indicate that before the end of the decade our gross operating revenues may exceed $1 billion annually in 1959 dollars, compared with about $585 in 1959.

GENERAL MAXWELL D. TAYLOR

Chairman of the Board,
The Mexican Light and Power Company, Limited

As the principal private supplier of electric energy in Mexico, our company faces the requirement for continued growth in 1960. Few people outside Mexico realize the impressive progress which this country has been making during the past few years in its industrial and agricultural development. National production has been steadily increasing at twice the population growth, and the generation and consumption of electric power have also been increasing at rates about twice the world average.

Maxwell D. Taylor

Mexlight serves the Federal District, including Mexico City, and parts of six neighboring States in the industrial heart of the country—in all, an area of about 12,000 square miles with a population of nearly 5,500,000. Although this area has only about 15% of the total population of the country, the company last year furnished to its customers nearly three billion kilowatt-hours, which was about 40% of the total national consumption. Sales of energy have increased steadily in recent years, with an average annual increase in kilowatt-hour sales of about 11% on a cumulative basis during the past five years.

To satisfy this growing demand for electric energy, Mexlight has steadily increased its facilities for the generation, transmission and distribution of power. Since Jan. 1, 1950, the company has invested $115,000,000 in new construction. This has been financed with loans obtained from the World Bank and from Nacional Financiera, a Mexican Government financial institution; by the sale of $4,500,000 of first mortgage bonds to a group of institutional and other private investors, including seven United States life insurance companies, and by reinvesting a large part of the company's earnings and depreciation funds.

To provide the facilities needed in the future to meet the growing demand for electricity, large amounts of new private investment will be required to supplement funds obtained from these other sources. Based on a continued increase in demand of 10% per annum, the company's construction program for the next five years will require new investments of $140,000,000.

There is no better index of economic activity than the rate of increase in the generation and consumption of electricity, and the steadily growing demand for power in the area served by Mexlight is a clear indication of continued progress in the year ahead.

The foregoing statistics on Mexlight are significant as indicating the economic trend in Mexico. The demand for electricity shows the dynamism of the entire national economy. It is a reminder that Mexico is a country worthy of the close attention of the potential investor.

HON. JOHN TABER

U. S. Congressman from New York

I believe that 1960 should produce good business in the United States. The fly in the ointment at the present time seems to be the steel strike, and the resulting inflation that would come from the granting of the demands of the union. Inflation has gotten to be a very serious problem and one which the ordinary people are beginning to feel more and more oppressive. Business generally has been fairly good through the fall with the exception of the period when the steel shortage became acute. It should bounce back very quickly if we could have an opportunity to settle the situation.

John Taber

We are getting more and more local community debt and the bonds that are selling for school uses and that sort of thing are preventing an adequate supply of cash for industrial growth. Still I think we could carry that burden and be prosperous.

Our immigration picture is resulting in the admission of too many people from the Caribbean area and a lot of those are not able to be assimilated into our population. They create a continuing problem.

We must meet our responsibilities in providing a certain amount of aid to foreign countries, especially those military nations along the borders of Russia that are friendly to us, but we must not increase the burden on our own Treasury so that we will not be able in the future to balance our own budget. It is going to take a real showing of interest on the part of the people to keep things in hand.

LEE TALLEY

President, Coca-Cola Company

The Coca-Cola industry is enjoying a period of sustained growth. Sales volume for the year 1959 will reach an all-time high. Dividend payments on the common stock during the year will total $6.50 per share as compared with $5 per share in 1958. We have every confidence that this momentum will be carried on through 1960 and the years ahead.

Lee Talley

The economists say we are entering an era of amazing growth, an era of plenty . . . greater incomes, more babies, more production, more jobs, more everything. All of our studies and research indicate they are right.

We have every intention of capitalizing on the factors for growth by continuing to expand our physical plant and to increase our advertising and promotional activity.

The Coca-Cola industry overseas is adding new plants at the rate of 20 to 30 each year. Coca-Cola bottlers in this country, who since 1947 are estimated to have invested more than $150,000,000 in new plants and heavy equipment, are now estimated to be spending in excess of $1,000,000 a month for these purposes.

On the merchandising front, our advertising budget for 1959 was by far the largest in the history of The Coca-Cola Company and the budget for 1960 will be substantially higher in anticipation of the expanding opportunities and challenges offered in this first year of "the soaring, fabulous Sixties."

The marketing strategy inaugurated in 1959 by both the Coca-Cola bottlers and The Coca-Cola Company has proven so successful that, generally speaking, it will be carried into 1960 with little change beyond an increase in the intensity of its application.

A. O. THALACKER

President, Detrex Chemical Industries, Inc.

In planning for 1960, we have taken note of the optimistic forecasts of manufacturing activity and, of course, have made preparations which will permit production of the maximum requirements of our customers. Growth opportunities exist for our company however, even though the expected increase in the level of general business activity is not fully realized. One of our functions is to provide manufacturers of consumer metal products with efficient machines and chemicals for metal cleaning and, of course, this includes automation of the most modern processes. Detrex pioneered the use of ultrasonic cleaning for industry and as the company which has produced over 90% of the automated ultrasonic cleaning machines in use in United States industry, it is quite certain that we will get the largest share of this market in 1960. The needs for this type of equipment are very substantial because of

A. O. Thalacker

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Businessman's BOOKSHELF

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Measurement of Employment Cost and Prices in the Steel Industry—By Harleston R. Wood, President of Alan Wood Steel Company—from the November 1959 issue of Review of Economics and Statistics, Harvard University Press, Cambridge, Mass.

Money in a Theory of Finance—John G. Gurley and Edward S. Shaw—The Brookings Institution, 722 Jackson Place, Washington 6, D. C. (cloth), $5.00.

State of the Dollar—An excerpt from the Report of the Chairman of the Advisory Committee on Special Activities, presented at the 1959 Convention Meeting—Advisory Committee on Special Activities, The American Bankers Association, 12 East 36th Street, New York 16, N. Y. (paper).

Studies in Company Finance—A Symposium Edited by Brian Tew and R. F. Henderson—Cambridge University Press, 32 East 57th St., New York 22, N. Y. (cloth), $6.50.

Burnside & Co. Offers Fastline Inc. Common Stock

Pursuant to an offering circular dated Jan. 12, Mortimer B. Burnside & Co., Inc. offered 100,000 shares of the common stock of Fastline, Inc., a zipper manufacturing company located at 8 Washington Place, New York City. The offering price was $3 per share.

The proceeds of this financing will be used by the company (a) to repay advances and loans in the aggregate amount of $30,130 which were made to supply interim working capital pending the consummation of this financing, and to pay approximately $28,280 of accounts payable, (b) to provide working capital for, among other things, the purchase of raw materials, market and product development, labor and overhead, during the initial phase of development, and (c) to purchase additional machines to manufacture concealed zippers.

It is contemplated that the present financing, plus cash generated from its operations, will enable the company to complete its initial phase of development. In the event operations are successful, the company may require future financing to enlarge its plant, purchase additional machinery and equipment and to supply required working capital. It is contemplated that such additional financing would be obtained through the sale, either public or private, or both, of equity and/or debt securities of the company. The company has no underwriting or other commitment which would assure the raising of such additional funds.

Morgan Stanley Heads Conn. Light Bond Offering

Public offering of $25,000,000 The Connecticut Light and Power Co. first and refunding mortgage 4⅞% bonds, series P, dated Feb. 1, 1960, and due Feb. 1, 1990, was made on Jan. 20 by an underwriting group jointly managed by Morgan Stanley & Co.; Putnam & Co.; Chas. W. Scranton & Co. and Estabrook & Co. The bonds are offered at 99% and accrued interest from Feb. 1, 1960 to yield approximately 4.94% to maturity.

Net proceeds from the financing will be added to the company's general funds and used to repay outstanding bank loans incurred in connection with the construction program, to finance in part the company's 1960 construction expenditures, and for other corporate purposes. The company's construction program will require expenditures of approximately $32,000,000 in 1960, which will be apportioned as follows: electric department, $29,000,000; gas department, $2,000,000, and general, $1,000,000.

The bonds will be non-refundable at lower interest cost prior to Feb. 1, 1965. The bonds will be redeemable at the option of the company, in whole or in part at any time, initially at 105% plus accrued interest to and including Jan. 31, 1961 and at prices decreasing annually thereafter to 100% after Jan. 31, 1985.

La Salle St. Inv. Advisors

CHICAGO, Ill. — La Salle Street Investment Advisors, Inc. is engaging in a securities business from offices at 208 South La Salle Street. Officers are James S. Yacker, President; Julius Y. Yacker, Secretary; and Frank Y. Takashasi, Treasurer.

Joins Walston Staff

(Special to THE FINANCIAL CHRONICLE)

EUGENE, Oreg. — Bruce P. Lord is now with Walston & Co., Inc., 101 East Broadway.

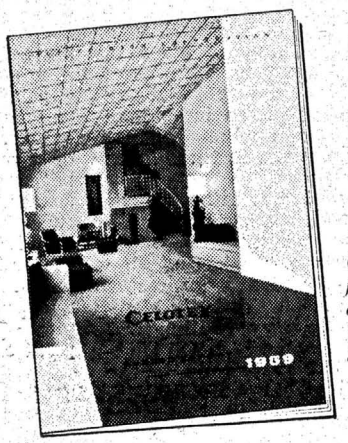
Jay A. Horowitz Opens

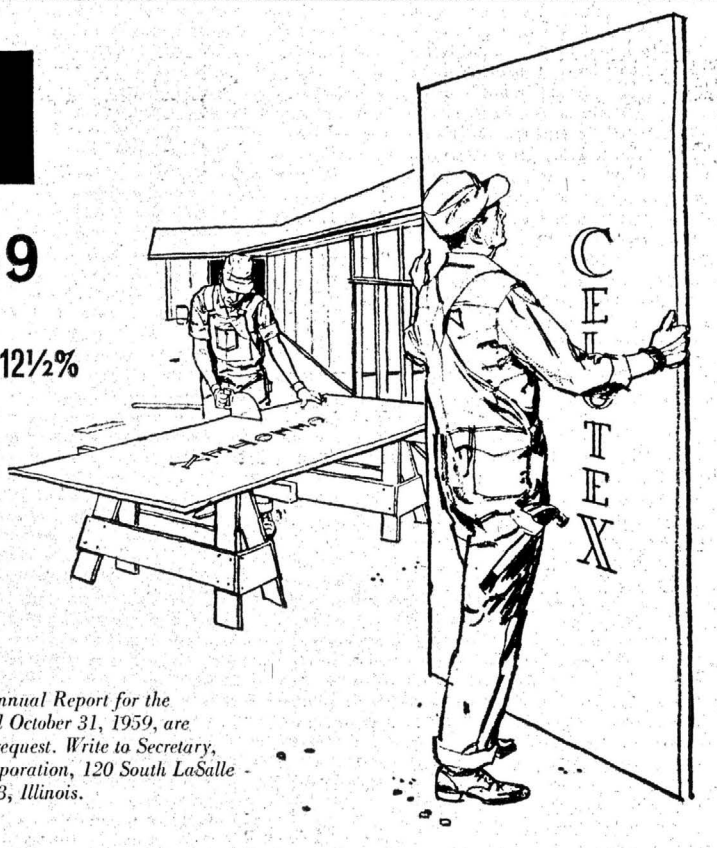
PATERSON, N. J.—Jay A. Horowitz is conducting a securities business from offices at 431 18th Avenue.

CELOTEX
REG. U.S. PAT. OFF.

Highlights for 1959

Earnings increased 32% - Sales increased 12½%





Copies of our Annual Report for the fiscal year ended October 31, 1959, are available upon request. Write to Secretary, The Celotex Corporation, 120 South LaSalle Street, Chicago 3, Illinois.

Net sales were $76,242,172—second highest in the company's history—and earnings were $4,131,907 in the year ended October 31, 1959, compared with sales of $67,726,783 and earnings of $3,127,512 the preceding year. After preferred dividends, the earnings were equal to $3.76 a share on the 1,028,651 common shares outstanding, compared to $2.79 a share on the same basis in 1958.

Some business dislocation, stemming principally from the steel strike, was felt in the fall of 1959 and has continued in early fiscal 1960. Tightening in the mortgage money market indicates a drop in new home construction. On the other hand, a high rate of non-residential building construction and continued expansion of the repair, remodeling and "do-it-yourself" markets are expected.

We presently anticipate no relaxation of competitive conditions and recognize the necessity of continuing to intensify our efforts to increase our share of the market. The Celotex line of products is continually being improved and enlarged. We are optimistic for the future and expect to maintain the strong position we have long held in the building industry.

Henry W. Collins
PRESIDENT

COMPARATIVE STATEMENT OF INCOME

FOR THE YEARS ENDED OCTOBER 31,

	1959	1958
NET SALES	$76,242,172	$67,726,783
COSTS AND EXPENSES:		
Cost of sales and selling and administrative expenses	65,286,360	58,832,728
Depreciation and depletion	2,845,417	2,662,365
TOTAL COSTS AND EXPENSES	68,131,777	61,495,093
INCOME FROM OPERATIONS	8,110,395	6,231,690
OTHER INCOME (net)	73,512	(114,178)
INCOME BEFORE INCOME TAXES	8,183,907	6,117,512
PROVISION FOR INCOME TAXES	4,052,000	2,990,000
NET INCOME FOR THE YEAR	$ 4,131,907	$ 3,127,512

ASSETS

AS OF OCTOBER 31, 1959

CURRENT ASSETS:	
Cash and U. S. Government securities	$ 8,729,052
Accounts receivable (net)	11,046,840
Inventories	7,965,369
TOTAL CURRENT ASSETS	27,741,261
PROPERTY, PLANT AND EQUIPMENT	79,119,421
Less: Accumulated depreciation and depletion	28,059,557
NET PROPERTY, PLANT AND EQUIPMENT	51,059,864
INVESTMENTS	1,236,643
PREPAID EXPENSES AND DEFERRED CHARGES	643,264
TOTAL ASSETS	$80,681,032

LIABILITIES, CAPITAL STOCK AND SURPLUS

CURRENT LIABILITIES:	
Accounts payable	$ 4,138,432
Accrued expenses	1,703,760
Taxes (less U. S. Treasury obligations)	811,735
Payments on long-term debt due within one year	950,000
TOTAL CURRENT LIABILITIES	7,603,927
LONG-TERM DEBT DUE AFTER ONE YEAR	20,450,000
DEFERRED FEDERAL INCOME TAXES	1,598,000
NET WORTH:	
Preferred stock	5,137,250
Common stock	1,028,651
Paid-in surplus	10,581,140
Earned surplus	34,282,064
TOTAL NET WORTH	51,029,105
TOTAL LIABILITIES AND NET WORTH	$80,681,032

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Continued from page 106

increasing need for perfection in in-process cleaning. Perfection in cleanliness when automated is a must for manufacturers because of the large savings effected through elimination of hand labor and rejects.

Because of the increasing tempo of technical progress, we at Detrex have scheduled a direct increase in research spending in 1960 of 33⅓%. The research will be directed on a broad front to improve products and processes as well as the development of new chemical products.

E. J. THOMAS

Chairman of the Board, Goodyear Tire and Rubber Co

Scientific achievements and innovations will pace the diversified rubber industry to new heights in 1960. The advances will come in a year that is expected to see rubber consumption in the U. S. exceed 1,650,000 long tons as compared to the expected 1959 consumption of 1,625,000 tons. Pneumatic tire production in 1960 has been forecast at 125,000,000, or several million more than 1959.

E. J. Thomas

Auto tire replacement sales expected total of 68,000,000 in 1960 will set a new record for the fourth straight year. Such sales will reach the 66,000,000 level in 1959, compared with 61,570,000 in 1958 and 56,605,000 in 1957.

Truck replacement tire sales will reach 9,875,000 units, a 122% increase over 1940, and tractor and implement renewal tire sales will approach 2,000,000 units, seven times the 1940 mark. Exciting new sales records over the next five years are forecast with the automobile registration total reaching 68,000,000, a gain of 10,000,000. Trucks are expected to number 13,300,000 in five years marking a 12% increase over the number now in use.

As a result tire and tube replacement sales in 1964 probably will exceed the 1958 retail volume by $300,000,000.

To prepare for the decade ahead, Goodyear will have invested by the end of 1959 a record $365,000,000 in capital expenditures and expansion since 1955. The most recent of these undertakings include:

(1) A $7,000,000 tire tube manufacturing plant now under construction in Amiens, France, 80 miles north of Paris on the Somme River. Passenger, truck and farm tires for replacement and original equipment will be produced for France and the common European market and for export.

(2) A fifth Goodyear Canadian plant at Medicine Hat, Alberta, where passenger, truck and farm tires will be produced for the Western Canada market. Tires are scheduled to roll off the assembly line in 1960. The plant also will produce tread rubber for expanding retread business.

(3) A $4,000,000 expansion of earthmover tire production facilities at Goodyear's tire plant in Topeka, Kan., which will begin soon. Expansion will increase earthmover tire capacity at Topeka substantially and provide for the manufacture of increased tire sizes. The largest will measure over three feet from sidewall to sidewall and will be fitted on a rim 45 inches in diameter.

Earlier last year we installed tire building machinery in Akron to manufacture tires weighing nearly two tons and measuring four feet in width and ten feet in height.

Our production is benefiting from nuclear and electronic control systems being installed in the company's vast production network at a cost of $6,000,000. Components maintain uniform thickness of tire cord fabric as it is coated with rubber, test tires for roundness and reject those that are as much as fifty thousandths of an inch off and assure accurate tread profiles. Partially as a result of these new production controls, the high-precision passenger car tires built for both the new 1960 models and the replacement market will be in a range one-fifth to one-fourth more durable than those built last year and over 50% better than tires produced five years ago.

CHARLES ALLEN THOMAS

President, Monsanto Chemical Company

Large earth-moving equipment at work on the site of Monsanto Chemical Company's new Research Center at the headquarters location in Creve Coeur, Mo., symbolized at year's end the company's progress in the field of chemical research. The first construction phase is scheduled for completion in 1961.

Charles A. Thomas

In 1959 Monsanto spent a record $25,000,000 on technical activities which included research. This amount does not include capital expenditures such as for the Research Center. The money spent on research enabled Monsanto scientists and technologists to continue their probing in many areas of industrial research, both fundamental and applied.

Domestically, work was started on an expansion at one of our plants in St. Louis which will add 20 million pounds annually to its maleic anhydride production capacity. The chemical ultimately goes into paints, finishes and reinforced plastic boats. Also started was a 50% expansion of capacity for bisphenol A, an intermediate which has among its end products surface coatings and structural laminates.

The production capacity of polyethylene, used for packaging and housewares, is being expanded to 100 million pounds at the Texas City (Texas) plant. The plant's styrene monomer capacity was increased early in 1959 by 40 million pounds. Styrene monomer is the raw material for plastics and synthetic rubber. Plans to increase the company's overall styrene monomer capacity by at least 200 million pounds a year were announced in November.

Daily crude oil thruput has been increased by 4,000 barrels (29,000 to 33,000) because of an expansion and modernization program at our Lion Oil Company Division refinery at El Dorado, Ark.

Other domestic construction projects announced and/or begun in 1959 included: Construction of a new ultra-pure silicon plant in St. Charles County, Mo.; further modernization of the elemental phosphorus plant at Columbia, Tenn.; expansion which will increase by 25% the hydrogenated intermediates production capacity at the Monsanto (Ill.) plant; a new office building at the Creve Coeur headquarters location.

Overseas, our share of the gross assets of foreign affiliates totaled $190,000,000 at the end of 1958. For the first nine months of 1959, sales for foreign subsidiaries advanced 16% and net income 59% for seven companies in which Monsanto's equities ranged from 50 to 100%. Expenditures for expansion by the overseas subsidiaries are estimated around $12,000,000 for 1959. Early in December the company announced plans to build a plant in the European Common Market area to manufacture its Saflex plastic sheets used as the interlayer in laminated safety glass.

Turning to the financial report for the first nine months of 1959, consolidated (world-wide) sales which totaled $613,188,000 showed an increase of 18% above the $519,705,000 for the same period of 1958. Consolidated net earnings were $48,377,000, up 72% from the $28,148,000 for the same months of 1958. Earnings of Monsanto consolidated were $2.14 a common share compared to $1.27 for the first nine months of 1958. Consolidated sales for the third quarter of 1959 were $199,480,000 compared to $182,430,000 for the same period of 1958. Consolidated earnings were $14,618,000, equal to 63 cents a share, compared to $11,407,000 and 52 cents per share for the third quarter of 1958.

The results of the final quarter of 1959 are still uncertain. There is no reliable way of gauging the total effect of the steel shortages on our customers. However, it has been appreciable. Direct sales to the steel industry are modest but several products are sold to large steel consumers, such as the automobile and appliance industries, and slowdowns in the sales pattern in these areas were apparent in the last quarter.

Other 1959 highlights were: The formation of the Fome-Cor Corporation, Monsanto's fifth 50%-owned domestic associate, which will manufacture a paper and plastic laminated board material; the election of Alan H. Temple, Vice-Chairman of the Board and a Director of The First National City Bank of New York, to Monsanto's Board of Directors; the delivery of the first shipment of propylene tetramer from the Lion Oil Division's newly completed facilities at El Dorado to the Organic Chemicals Division plant at Monsanto, Ill.

Monsanto, which was formed in 1901 in St. Louis, has world-wide assets in excess of $850,000,000. Starting with a single product, saccharin, which it began producing in 1902, today we make thousands of chemicals, plastics and petroleum products.

GEORGE A. TOBIN

President, Tilo Roofing Company Inc.

There is impressive evidence to support the favorable outlook for the home modernization industry in 1960. For based on Tilo's long experience in this field, any new year forecast must be based on the construction "starts" of about 10 or 15 years earlier. This is because our industry does not measure its immediate market in new construction, but in buildings that are at least 10 years old, the age at which repair and remodeling first become necessary. During 1960, our industry will begin servicing commercial, residential and industrial buildings completed during the first years of the postwar building boom, which began about 1945.

George A. Tobin

Tilo's is a replacement market that is expanding rapidly for several reasons. The most important of these is the explosive increase in housing that has occurred since the end of the Second World War, especially in the heavily populated Northeast states where Tilo operates. While a new roof or siding can represent a deferrable purchase on the part of the consumer in hard times, it is nevertheless a basic human need (shelter), and the urge to modernize and improve property is strong today among homeowners. There is an economic incentive too, since a Tilo roof or siding application can cut fuel costs by as much as 30%, at the same time providing other reductions in home maintenance costs. While structually sound, other buildings in need of increased attention in the year ahead are those built to "minimum" postwar standards. This market too will swell our sales potential in the coming decade.

Because Tilo does not depend largely on new construction—because we are as much a service organization as a manufacturing enterprise—actual business conditions from year to year are not our primary consideration. Tilo has doubled its business every decade for the past 30 to 40 years both in good times and bad. We have every expectation to continue this growth pattern in the decades to come.

Today, Tilo is the largest company of its kind exclusively engaged in the production and installation of roofing and sidewall products. Our operation is unique and often misunderstood, for we are the only manufacturer that produces, sells directly to the consumer and supervises the installation of its products by its own trained mechanics. The appeal of our "package" plan is further enhanced by Tilo's offer of a 10-year guarantee on both materials and workmanship.

Within our 12-state operating territory along the heavily-populated eastern seaboard, where we already have more than 90 branches, we can still increase our marketing coverage. Right now we estimate a potential for 125 branches in the territory. By the time we've secured a trained sales force of the size required to operate these branches, we will probably need 150 offices. During 1959 we increased the number of branches by 15 and expect to continue this growth pattern in 1960.

Nineteen hundred and fifty-nine was a good year for Tilo. The company raised its regular quarterly dividend from 30 to 35 cents and declared a 10 cents year-end extra, bringing total dividends paid during the year to $1.40, compared to $1.30 in 1958.

Strides were made and will continue to be made in 1960 to build and train a capable and hard hitting sales organization. Impact of this training is reflected in sales which should top last year's high of $14.3 million.

R. ELMO THOMPSON

President, The First National Bank & Trust Co., Tulsa, Oklahoma

Petroleum and a multiple of affiliated businesses are a major factor in the economy of Oklahoma. That industry has about completed numerous economies to reduce expenses and solve the problems of over-expansion, surplus products and foreign imports. It will likely be more aggressive and stimulate more employment in 1960. Commercial and public construction and road building now in progress or on definite schedule will continue in good volume but home building at a somewhat less tempo. Sources of adequate water for industry and the expanding population in the Southwest is located almost exclusively in eastern Oklahoma. The construction of a number of these sizable lakes began in 1959, and the work will continue through and beyond 1960. Business should continue during the first half of the coming year on the same plateau as the last half of 1959, but some of the indicated revolutionary changes in the national defense program could cause overcoming employment problems in many areas now aided by defense plant contracts.

R. Elmo Thompson

FREDERICK M. TOBIN

President, Tobin Packing Co.

F. M. Tobin

The final outcome of the steel strike will have a big bearing on business conditions for 1960. It looks to me that Congress will be forced to pass a law prohibiting a national strike again regardless of whether the union and the steel companies have a signed contract before the 80-day injunction is over.

Business conditions for 1960 are bound to be good in practically all lines of business. Salaried people and wage earners' earnings are the highest that this country has ever seen, in fact higher than anywhere in the world. Employment is good. Therefore, business should be good.

GERALD S. TOMPKINS

President, American Viscose Corp.

American Viscose Corporation had a good year in 1959 and all indications point to another good year in 1960. Sales of rayon fibers were well up over 1958 and sales of cellophane packaging film were the highest ever.

It was also a good year for the company's jointly owned subsidiaries. Sales of the Chemstrand Corporation, which produces acrylic and nylon fibers were up. Ketchikan Pulp Company in Alaska produced more pulp than ever before. AviSun, Inc., formed during 1959 in equal partnership with Sun Oil Company to produce the new polypropylene polymers, fibers and films, has already begun production of polymer and packaging film and will begin producing fibers in January, 1960.

G. S. Tompkins

In the fibers and fabrics field, production of fibers was up about 10%. "Avron," a new high strength rayon staple, was introduced this past fall in a group of fabrics made from 100% high strength rayon or in blends with other synthetic or natural fibers. They are already

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MUTUAL FUNDS

BY ROBERT E. RICH

Serving and Growing

The ranks of Wall Streeters who, for many years, saw only a threat to their own business in the developing of mutual funds fields has, by now, dwindled to a corporal's guard. Brokers, with few exceptions, learned in 1959 that here was a growth field serving a vital public need and there was a scramble to get abroad. It is simply impossible to ignore a field that has 4,300,000 participants, a rise of nearly 20% from the 3,600,000 at the end of 1958. And since there are some 300,000 closed-end shareholder accounts, the whole investment company business totes up to some 4,600,000 accounts.

Total net assets of the 155 mutual fund members and 24 closed-end investment company members of the National Association of Investment Companies are estimated to have risen to $17,400,000,000 at the end of 1959. Mutual funds accounted for $15,700,000,000 of this, while closed-end company assets came to $1,700,000,000. At the end of the previous year, mutual fund assets totaled $13,200,000,000 and investment company assets were $1,600,000,000.

But, while 1959 was another year of growth, it probably will be best remembered for the foothold gained by the accumulation plans and the upsurge in management company offerings.

The success of accumulation plans, despite scattered criticism of front-end loading charges and the prospect that many subscribers would be unable to keep them going, has been little short of sensational. Indeed, accumulation plans are outpacing the rest of the business by a wide margin. The N.A.I.C. has estimated that people who acquire an investment stake on a monthly or quarterly basis had 1,150,000 plans in force as 1959 drew to a close, compared with only 878,000 a year earlier. About 360,000 new plans — a thousand a day — were launched last year, against 243,000 during 1958. Stated another way by Barnard C. Luce, Jr., President of North American Planning Corp., a contractual plan sponsor, total sales, which topped $2 billion, were more than the total assets of all mutual funds only a decade ago.

One contractual plan offered by his firm permits the purchaser to acquire an interest in a wide range of stocks for as little as 66 cents a day. This approach, of course, is reminiscent of the Monthly Investment Plan that some brokers have sought to popularize. The M.I.P. is aimed at acquisition of individual stocks. But the big difference between the mutual fund field's contractuals and the broker's M.I.P. seems to be in the drive and energy with which the mutual people approach the task.

Management companies—probably the most notable feature of the year just ended—are regarded by many as one of the brightest spots of this growth field. Their obvious appeal is the fact that it costs a little more to operate a large fund than a small one. Now, with the advent of the new year, a cloud hangs over these mutual fund advisers. The Securities and Exchange Commission proposes to revamp the proxies of the funds, requiring more complete disclosure of their relationship to investment advisers. The SEC proposal has been prompted by the growth of management company offerings, not all of which have stood up well in the market place. The SEC may insist that mutual fund shareholders be advised who the fund's advisers are, how much they're getting out of it, the state of counsel's financial health and the connection between underwriters, brokers and advisers involved in the operation of the stockholders' business.

Spokesmen for the mutual fund's central organization, the N.A.I.C., are saying that the SEC may be going beyond the law in requiring this overhaul of proxy material. According to Herbert R. Anderson, speaking for the N.A.I.C., the SEC has no right to regulate fees. He has said that all the fund managements want is to be treated like any other industry. In any event, the industry has until Jan. 29 to submit its ideas on proposed changes.

As we move into the new year, the mutual fund field is still trying to capture the significance of the redemption of mutual fund shares during 1959—estimated at $780,000,000 and a rise of over 50% from the $511,000,000 of 1958. The N.A.I.C. insists that this "represents, in part, the achievement of long-range financial objectives." Of course, it doesn't say what part.

Others have not hesitated to point out that the greater part of these redemptions came while the market was moving up in the early part of 1959. As the overall market began to falter, redemptions tended to dry up. There is a general belief that when the stock market is weak, mutual fund holders sit tight.

What remains to be seen, of course, is how they will react if and when we move into a sustained bear market, the likes of which this generation has never witnessed. Going along with the almost universal expectation that nothing like the 1930's is in prospect, the year now entered on promises to be another 12 months of serving and growing.

The Funds Report

Total net assets of **The One William Street Fund** rose at year-end to $295,905,000, equal to $14.02 per share. This compares to total net assets of $276,747,000, or $13.05 per share on Dec. 31, 1958. On Sept. 30, total net assets were $277,287,000, or $13.18 per share. Starting net assets in May, 1958, were $221,221,000, or $11.56 per share. Net unrealized appreciation of approximately $40 million was included in year-end assets as were net long-term capital gains of $10,713,000 on a tax basis.

The fund's board declared a special capital gains distribution of 51 cents per share in addition to a 8½ cents per share dividend from ordinary net income. Both distributions are payable Feb. 19 to shareholders of record Jan. 19.

"A continued uptrend in business activity" is forecast by Lehman Brothers, the fund's investment adviser, in a special economic and investment review in the fund's annual report being mailed to shareholders.

The review states, in part: "In short, it is our conviction that, stimulated by consumer demand and business spending and supported by a modest rise in overall government spending and an improved foreign trade situation, economic activity in 1960 will reach new high ground."

The five largest individual holdings at market on Dec. 31 were: International Business Machines Corp., $10.1 million; International Nickel Co. of Canada, Ltd., $7.7 million; General Telephone & Electronics Corp., $6.3 million; Republic Steel Corporation, $6 million; and duPont (E. I.) de Nemours & Company, $5.2 million.

New investments during the fourth quarter included Bankers Trust Company, 10,000 shares; B. F. Goodrich Company, 25,000 shares; Manufacturers Trust Company, 15,000 shares; Sanders Associates, 15,000 shares; Scott Paper Company, 25,000 shares; and Square "D" Company, 66,500 shares.

Additions to portfolio securities made by One William during the fourth quarter included Clark Equipment Company, 5,000 shares; Container Corp. of America, 20,000 shares; Hooker Chemical Corporation, 10,000 shares; International Nickel Co. of Canada, Ltd., 5,500 shares; Kennecott Copper Corp., 5,000 shares; Lilly Tulip Cup Corporation, 4,000 shares; Phelps Dodge Corp., 14,500 shares; Schering Corporation, 5,600 shares; and the Hertz Corporation, 13,000 shares.

Securities sold during the fourth quarter included Beech Nut Life Savers, 30,000 shares; Diamond Alkali Company, 25,000 shares; Eastern Airlines, Inc., 50,000 shares; Maryland Casualty Company, 14,800 shares; Middle South Utilities, 40,000 shares; Pittsburgh Plate Glass Company, 40,000 shares; Smith Kline & French Laboratories, 30,000 shares; So-

Continued on page 111

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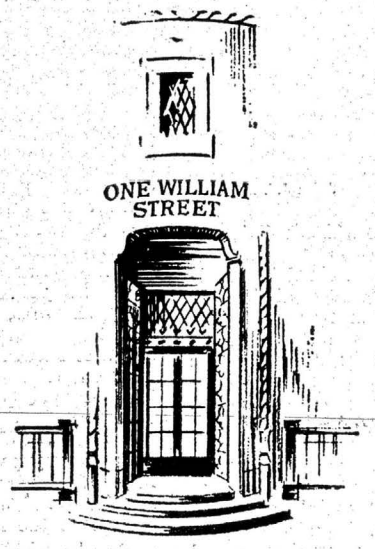

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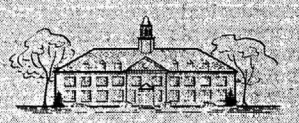

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Continued from page 108

reaching retail outlets in significant quantity in various apparel and home furnishing items. American Viscose is highly optimistic about "Avron's" future sales due to its enthusiastic reception. The fashion industry already considers "Avron" one of the most important developments that has happened in the rayon fiber field.

Sales of "Super L," Avisco's smooth rayon staple engineered specifically for the carpet industry, were up 75%. "Cotron" fabrics, just in their first full year on the market, had sales on over 10 million yards. "Colorspun," an Avisco fiber that resists discoloration, is finding important uses in draperies and suit linings; and "Avicron," a rayon filament yarn, registered major sales gains as many new applications were found in home furnishing items.

Sales of yarns and fibers for industrial uses, exclusive of tire yarns, doubled during the year. American Viscose expects this to be one of its most rapidly growing areas of business in the future. In the non-woven fabrics field, especially engineered fibers, in addition to rayon, have importantly entered such areas as industrial filtration and surgical products.

"Tyrex" tire yarn and cord accounted for a large portion of the company's overall fiber business since all automobile manufacturers selected "Tyrex" tires as original equipment for 1960 models. Sales of tire cords and yarns were up 25%.

As the world's largest producer of cellulosic fibers, American Viscose Corporation expects production of its fibers in 1960 to continue at about the 1959 level and the long range outlook is highly encouraging.

Avisco cellophane sales also were up substantially. The increase in sales was partly due to a relatively new film, designated REO, which is specially coated for supermarket wrapping of meats.

To meet the market's growing demands for Avisco cellophane, operations of the firm's Marcus Hook, Pennsylvania, plant were stepped up. AVC is the world's second largest producer of cellophane and its Marcus Hook plant is the world's most modern and highly instrumented facility for making cellophane.

Perhaps one of the most promising features of viscose fibers and films is the almost limitless opportunity to improve and adapt them for special uses. Consequently, with its extensive research and development activities, American Viscose Corporation anticipates a continuing flow of new cellulosic products from its laboratories and plants, both during 1960 and in the company's long range outlook.

JOHN J. TUOHY

President, Long Island Lighting Company

We believe that Long Island will share fully in the high level of business activity in 1960, which is being predicted so universally by economists and business leaders. Employment has recently broken previous records and family income, which has been higher in our territory than in almost all surrounding areas, continued to expand. The demand for, and the ability to purchase, home appliances is very high. Population growth and home building in 1959 were substantially above the levels in 1957 and 1958. However, the high cost and low supply of money for home mortgages may inhibit further expansion in 1960. No such tendency is evident yet, as the number of homes now under construction is 43% above December 1958 and industrial units are up 94%.

John J. Tuohy

The meet the demand for electric and gas service, we expect to spend about $48 million in 1960, and more than $250 million in the next five years on construction. About $32 million will be spent this year on construction of electric facilities, $11 million on new gas property and $5 million for the erection of regional operations centers and other property common to both operations. Another 185,000 kw. generating unit will be completed next year, the third since 1956. Plans and commitments for new generating units, to be in service in 1962 and in 1963 are now well advanced. The 1962 addition will be a 100,000 kw peak shaving unit which will cost much less than a conventional generator of the same capacity. This plant will be most valuable during the period around the winter holidays when our demand is high, and will help keep the cost of electricity down. In addition, we will make substantial investments in transmission and distribution equipment to strengthen and extend service in all parts of Long Island. Our gas business has also been growing very rapidly, and we forecast a further gain in 1960. Gas supply is adequate for continued growth and we expect to sell at least as many space heating installations as we did in 1959. Almost all of the projected investment in gas property will be for the transmission and distribution of substantially larger quantities of gas.

We will continue to face the problems of increases in the cost of operations by taking advantage of every technological development in our industry and by further improvements in efficiency and productivity. These programs have enabled us to reduce the number of employees below the level in 1953 in spite of growth in sales and revenue which are now about double the levels in that year. As a result, our profit margins are improving and the benefits are enabling us to offer customers better service at prices which make electricity and gas their most economical household servants, while also giving shareowners the security and growth of a sound investment.

L. TURCOTTE

President, Puget Sound Pulp & Timber Co., Bellingham, Wash.

The outlook for the pulp industry for 1960 is a mixed one. While it is expected that consumption will increase to new highs, the industry will still be faced with a substantial over-capacity not only in the United States but also world-wide, making for a very keen competitive situation not conducive to the industry being able to compensate for continuing increased costs of production. However with the continuing increases in world population and higher living standards in many foreign countries the long-term outlook should be most satisfactory.

L. Turcotte

Pulp manufacturing plants are large undertakings requiring anywhere from three to five years for preparation and final completion and it is difficult to have new facilities timed so that they come into production at just the right time marketwise hence the periods of overcapacity appear at intervals. Raw materials in the form of pulping woods are in plentiful supply and the outlook for the future in this area is excellent. Through intensive and successful research practically any species can be manufactured into woodpulp. Waste material from the lumber industry, formerly destroyed or used for fuel, have become a very big factor as a raw material for woodpulp and this together with successful use of most species of trees has enhanced tremendously the available raw materials for pulping all over the world.

The use of non-wood fibres, bagasse, bamboo and others is showing a rather strong growth, particularly in foreign countries who do not have wood resources. These consist of bagasse, bamboo and other agricultural residues.

Chemicals for the Industry such as sulphur, chlorine, caustic soda, etc. are also in plentiful supply.

It is anticipated that exports of woodpulp will pretty well follow the pattern of the past two to three years with a possibility of some increase. Just what effect economic integration in Europe and elsewhere may have on woodpulp exports is an unknown factor although the claim is made by participating countries associated with the European Economic Community and with the "Outer Seven" that there is no intention of establishing "closed economies," but rather to expansion of world trade brought about by economic growth. Time only will determine in what direction these developments will point to.

In conclusion the outlook for the Pulp Industry is one of increasing consumption still faced with quite a substantial over-capacity which will tend to a static condition in financial rewards.

NORFLEET TURNER

President, The First National Bank of Memphis, Memphis, Tenn.

For the most part, we enter 1960 on a very optimistic note, although there are some local conditions which forewarn of a few trouble spots in our Mid-South economy.

Business was good last year for the banks in our area—even better than the optimistic predictions we had made a year earlier. This was due to the healthy national economy, plus the fact that our area was not as adversely affected by the steel strike, and due in large part to the exceptional crop year which added great stimulus to business activity. As a result, we enter 1960 with the largest deposits and loans on record.

Norfleet Turner

Specifically, we expect loan demand to again increase in 1960, with interest rates holding firm. We expect the demand for term loans and temporary capital loans to increase. The inability of our local finance companies to obtain credit lines elsewhere will also bring heavy pressure to bear for increasing present commitments. Some easing in the demand for loans may be felt in the field of residential building as the legal rate in Tennessee is not attractive to permanent investors. Despite this expected decline (residential building may be down as much as 1,000 units, or 14%), our bank's volume of real estate credit will hold about even as requests from correspondents and companies outside the State take up the slack.

It would indeed be optimistic to expect another crop year as good as the one just past, when the 1959 crop exceeded the 1958 crop by 26%. Estimates are that the farmers' gross income will decline by as much as 5%, while operating expenses will increase by 5.8% in 1960. Predicted lower price supports will also have their effect. On the other hand, the cotton merchants, operating on a seasonal rather than calendar year, can expect a very good year through the first six months of 1960, with domestic mills currently consuming cotton at a faster rate than any year since 1955.

As for bank operations, we hopefully expect profits margins to widen. A high volume of loans at favorable rates will increase gross income more than the expected rise in expenses. For the past few years, it has been necessary to increase savings interest to meet competition, and this increase has been one of the most important factors in the "profit squeeze." Now, virtually all of the banks in this area are paying the maximum rate allowed, and with the competition for the savings dollar increasing, there is little likelihood of appreciable increased savings or savings interest paid. The Technical Amendments Act of 1958, as it relates to prepayment of taxes on installment loan income, should also help the profit picture.

While the outlook for 1960 is quite optimistic, we realize that a successful year will only result through continued hard work and strict adherence to sound banking principles.

JAMES J. UPSON

President, The Upson Company

We, at The Upson Company, have been pleased with business as it has developed during 1959. Except for a two-week shutdown, due to a strike early in the year, we have operated our wallboard plant at capacity. As a matter of fact, it has been operated beyond normal capacity during a large part of the year.

James J. Upson

This substantial increase in volume sales is not entirely reflected in earnings for the year but we believe that this volume of business carried into 1960 should prove most rewarding.

Several new products have been offered in various of our markets. Some have received fine acceptance; others show promise in the years ahead.

We have confidence in the future of the Niagara Frontier and have approved plans for additional capital expenditures in the Upson plant and for equipment during both 1960 and 1961. At present, we don't know the eventual outcome in regard to the steel industry's settlement of its contracts. However, we feel it is fair to say that, barring another major shutdown, 1960 should continue to be a good year nationally as well as locally.

Although there appears to be some question as to a possible readjustment in our economic pattern in another couple of years, the 1960's look good for expansion of all our businesses.

G. W. VAN DERZEE

Chairman of the Board, Wisconsin Electric Power Company

For Wisconsin Electric Power Company and the broad area of diversified economic activity which it serves, 1959 was a good business year. The trend toward the use of electricity to turn the wheels of industry, boost farm production and to make life in the home easier and better, holds forth good promise for still further improvement in 1960 and the years ahead. Any forecast for 1960, however, must take into account that 1959 increases were accentuated by comparison with a previous year which was marked by a general decline in business activity.

Gould W. Van Derzee

One notable development of 1959 was the opening of the new St. Lawrence Seaway with its stimulating effect upon the general business climate. Seaway traffic is already making good use of Milwaukee's outstanding harbor facilities which stand as an attractive gateway to the midwest and especially to industries and business enterprises located within our operating territory.

Continued evidence of our faith in the economic future of the areas we serve was again present in 1959 as additions to property and plant totaled approximately $38 million, marking the end of the first year of a four-year, $155 million construction program.

Power availability was increased substantially in December of 1959 when the fifth generating unit, with a rated capacity of 275,000 kilowatts, was added to the 500,000 kilowatt capacity of the first four generating units at the Oak Creek power plant. Ground was also broken in 1959 for a six unit at Oak Creek with a capacity of 275,000 kilowatts. When the six unit is placed in service late in 1961, Oak Creek generating capacity will total 1,050,000 kilowatts.

The need for approximately three years for planning and building power plant additions makes it necessary for an electric utility to look beyond any temporary business setback such as that occasioned by the steel strike. Experience indicates that new uses and increased use of existing equipment will combine to make electric service an increasingly important factor in the home, on the farm, in commerce and in industry. For example, the trend toward the use of electricity for heating and cooling homes is beginning to have a marked effect on load patterns.

Wisconsin Electric Power Company has continued to cooperate with other companies in building the Enrico Fermi Atomic Power Plant on the shore of Lake Erie, near Monroe, Mich. Non-radioactive testing of the nuclear reactor began in September of 1959. Initial operating tests on a nuclear basis are expected to begin in 1960.

The project is part of a broad industry program aimed at achieveing economic production of atomic power. Participation in experiments like this are part of our long-range plan to prepare for the years ahead.

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The Funds Report

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cony Mobil Oil Company, Inc., 50,300 shares; Trane Company, 20,000 shares; Virginia Electric and Power Company, 25,000 shares; and Wisconsin Electric Power Company, 30,000 shares.

The five largest industry holdings at market were: Public Utilities, $29.7 million; Chemical, $27.2 million; Electronics and Electrical Equipment, $24.2 million; Metals and Mining, $21.29 million; Steel, $21.21 million.

* * *

Shareholders of **Television-Electronics Fund, Inc.**, on Jan. 21 approved a two-for-one split in the common stock and a reduction in the shares' par value from $1.00 to 50 cents. This marked the second two-for-one split in the Fund's history, the last occurring in January, 1954. Incumbent directors were re-elected at the annual meeting, and the shareholders again approved the directors' selection of Arthur Young & Co. as auditors.

Following action by the fund's shareholders, the Board of Directors established Jan. 29 as the effective and record date of the split and declared a dividend from investment income of 8 cents per share on the shares outstanding prior to the split. The dividend, 45th quarterly disbursement since the fund began operations in 1948, was made payable February 29 to shareholders of record January 29.

* * *

Gross sales of new shares of the **Broad Street Group of Mutual Funds** in 1959 increased more than 119% over 1958 and were the highest in history, according to Milton Fox-Martin, President of Broad Street Sales Corporation, national distributor for the Group.

The Broad Street Group of Mutual Funds consists of Broad Street Investing Corporation, National Investors Corporation and Whitehall Fund, Inc., which have combined assets of more than $310 million.

In 1959 sales totaled $59,342,000 compared with $27,035,000 for 1958. This was the third successive year in which new sales records have been set. Sales of new shares of National Investors Corporation showed the sharpest increase and were up 188%. The number of investors in National Investors rose by 92%.

Redemptions of shares of the three funds in 1959 were $10,430,511, which was 17.58% of gross sales. This compared with $7,865,420 in 1958, which represented 29.09% of gross sales.

Directors of **Florida Growth Fund, Inc.** have declared a cash dividend of 5 cents per share from net investment income, payable Feb. 20, 1960 to stockholders of record Jan. 29.

* * *

Net income of $274,269 for **Institutional Securities Corporation** for 1959, an increase of 7.4% over the previous year, was reported by Clifford C. Boyd, President, at the annual meeting of stockholders held Jan. 20.

Total assets at the year-end were $61,880,176. In addition, the corporation held $221,215,695 in mortgages as trustee or agent for New York savings banks.

Dividends in the amount of $150,000 at the rate of $1.50 per share on the 100,000 shares of capital stock were paid to stockholding savings banks, the same as paid annually since 1955.

Interest totaling $1,655,072 was paid to 113 mutual savings banks holding the corporation's debentures. This amount was larger than for any previous year.

The greater use of the corporation's facilities resulted in a rise in income from operations to $3,170,357, the second highest amount in the history of the corporation, against $2,991,854 in 1958.

Organized as a cooperative agency, wholly owned by the mutual savings banks of New York State, Institutional Securities Corporation performs various services for savings banks including mortgage servicing, appraisals and inspections of real estate, examination of mortgage servicing agents or contractors, trust or agency services and the investment of funds in the corporation's debentures.

* * *

Stein Roe & Farnham Balanced Fund's net assets at the end of the year were $42,852,768, equal to $38.62 a share. This compares with $34,083,530 and $36.25 a share a year earlier. Number of shares rose to 1,109,555 shares at the end of 1959 from 940,116 a year earlier.

* * *

Investors Diversified Services, Inc. of Minneapolis has applied to the Securities and Exchange Commission for an order under the Investment Company Act with respect to a pension plan for its divisional managers, district managers and sales representatives. The plan, which was subsequently approved by the SEC, will permit the company to withhold percentages of commissions paid to salesmen and to invest these sums in shares of Investors Stock Fund, Inc. The company plans to treat the sums withheld from commissions plus an amount equal to capital appreciation and income, if any, from such sums if invested in shares of Stock Fund as a liability to become due to the salesmen as they retire. In any event, the company commits itself to pay to the salesmen the amount withheld from commissions under the plan.

* * *

Dominick Fund, Inc., closed-end investment company managed by Dominick & Dominick, had a net asset value at Dec. 31 equal to $23.30 per share on 1,659,640 shares of capital stock outstanding, compared with an adjusted figure of $22 per share at the end of 1958. Total assets of the company on Dec. 31 were $38,677,000, compared with total assets of $35,811,000 on Dec. 31, 1958.

The total number of stockholders of the company at the 1959 year-end was 5,431 compared with 4,271 at the end of 1958 and with 1,707 at Dec. 31, 1954.

Dividends paid in 1959 amounted to $791,870, or 48 cents per share, from ordinary income and $1,139,816, or 70.3 cents per share, from net realized capital gains.

On Jan. 12, 1960, the directors declared a dividend from ordinary income of 12 cents per share and a capital gains dividend of 85 cents per share, both payable Feb. 16, 1960, to stockholders of record Jan. 22, 1960. The capital gain dividend is payable either in stock or in cash.

During 1959, the most significant change in the portfolio of the fund was the reduction from 15.9% to 8.9% in the percentage of net assets represented by oil stocks, A. Varick Stout, President, told stockholders. This reduction was made principally in the first half of the year.

The fund's investment in International Business Machines increased from 9.2% to 10% during the year, Stout said. This stock continues to represent the largest single investment of the fund. At the present time, he said, the office equipment field is one of the fastest growing industries in the Free World economy.

At Dec. 31, common stocks at market value accounted for 89.3% of net assets. Obligations of the U. S. Government and its agencies and cash, net of liabilities, represented 6.9%, corporate bonds, 2.3% and preferred stock, 1.5%.

* * *

Graham-Paige Corp., closed-end investment firm, announced it now owns 80% of the stock of Madison Square Garden Corp. It bought controlling interest in the Garden last February and has increased these holdings during the past several months. Ownership of 80% of the stock will permit filing of a consolidated tax return "which should result in tax savings," according to the company. The company also reported that the Garden early this month repurchased for its treasury at $20 a share a total of 130,200 of its shares previously owned by Royal American Corp., a spin-off of Graham-Paige. Reflecting this and other transactions, the company said, there currently are 359,700 shares of Garden stock outstanding, of which 288,201 shares are owned by Graham-Paige. The balance is held publicly.

* * *

General Public Service Corporation, closed-end investment company, reports net assets at market value at Dec. 31 of $47,355,306, equivalent to $6.18 per share on 7,666,576 shares of common stock, after provision for the year-end distributions paid on Jan. 11, 1960. This compares with net assets of $44,815,779 and an asset value of $6.03 on 7,434,792 shares at the close of 1958. Adjusting for the 26 cents per share declared from realized gains for 1959, the asset value per share increased 7% for the year. During the last quarter of 1959 holdings of American Electric Power, Idaho Power and Northern Indiana Public Service were increased, as well as Merck, Norwich Pharmacal and Searle. New acquisitions were

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ROBERT M. WAPLES

The Garlock Packing Company, Palmyra, N. Y.
Past President of the Mechanical Packing Ass'n

The year 1959 has been a good year for the packing industry. Like most every other industry the past year would have been even better if it had not been for the effects of the steel strike.

R. M. Waples

The mechanical packing industry made some exceptional technical advances during 1959—particularly with respect to the application of the newer plastics.

Industry leaders agree that the outlook for 1960 is good. We look for an increase in business over 1959 assuming, of course, that the business picture is not marred by major strikes or other unforeseen business deterrents.

The mechanical packing industry depends upon industrial activity and fortunately leaders of most industries feel 1960 will be a good year.

MRS. CHARLES A. WARD

President, Brown & Bigelow

Our sales in December, when the new selling season began, totaled $7,376,420, an increase of $431,985, or almost 6¼% above the figure achieved in the same month in 1958. Every section of the United States contributed to this increase. It is the direct result of an intensified sales training program that started last September and reflects the development of sales ideas to help specific lines of business.

Mrs. Chas. A. Ward

The confidence of all business is shown by the increased numbers of our established customers who have covered their long-range direct advertising requirements so early in the year.

W. J. WEBB

Vice-President, Outboard Marine Corporation, Division Manager, Evinrude Motors

By its very nature, a year-end summary and a 12-month forecast marks a time for objective appraisal within an industry. Past performance is weighed and evaluated. Consideration is given numerous factors influencing sales or production. The known quantities are assayed and the result is a projection for the future. Crystal-gazing, if you will. With it, a chance for error—and heaven help the industry spokesman caught off base.

W. J. Webb

Our industry—the manufacture and sale of outboard motors—is the largest single segment of the overall recreational boating industry. To appreciate the role of our company is to know the entire industry.

Total dollar volume in retail sales of new outboard motors, outboard boats and trailers reached $465,000,000 in 1959. This was an all-time record as reported by the Outboard Boating Club of America. The 1959 dollar volume compared with total sales of $419,800,000 in 1958.

Unit volume of motors totaled about 540,000 for 1959 compared to 504,000 for 1958. Dollar volume on motors was approximately $255,000,000 compared to $234,000,000 for the preceding year.

Unit volume of boats was approximately 329,000 last year versus 316,000 for 1958. Dollar volume boat sales were $172,000,000 last year. In 1958, this figure was $153,000,000.

Boat trailers reached a unit volume of 175,000 last year, compared to 168,000 in 1958. Dollar volume for trailers showed $38,500,000 for last year, up from $32,800,000 in '58.

In our own corporation, consolidated sales for the 1959 fiscal year totaled $171,569,244, a gain of $12,856,262, or 8%, over 1958.

Outboard Marine showed earnings of $13,784,974 for 1959 compared to 1958 earnings of $9,094,945, an increase of $4,690,029, or 52%. The marked increase in earnings resulted from higher volume, the absence of expenses incurred several years ago in plant expansion and a vigorous cost reduction program.

There is every indication that 1960 will show growth within the industry comparable to that in the past 12 months. Boating long ago ceased to be a "boom." Rather, it is very much a pattern of leisure in a leisure-minded nation.

Industry statistics show that more money is spent at the consumer level for recreational boating than is spent on any other participant sport. What was once a trend is now an established fact.

Numerous social and economic factors have influenced the growth of boating. For many consumers, the boat has replaced the automobile as a status symbol. The waterway rather than the crowded highway offers an escape to a new leisure. Perhaps, most important, boating—unlike hunting, fishing, skiing or golfing—is a recreation which allows for participation by the entire family. Add to this a shorter work week and a higher per capita income. These factors, combined with a sound national economy, offer a promising view for 1960.

J. B. WARD

President, Addressograph-Multigraph Corporation

The consensus seems to be "Business is going to be good in 1960." But every experienced top executive knows that his particular business will be only as good as he makes it. No operation ever takes care of itself. Regardless of economic climate successful capitalization of possibilities always depends on how well the fundamentals of good operation are observed.

J. B. Ward

Many an athletic contest has been lost by men of superior ability for the simple reason they failed to stay in training; neglected the practice in fundamentals so essential to attaining and maintaining championship calibre of performance.

Regardless of conditions—be they good or bad—the only way a business can win a position of leadership is to set progressively more challenging goals—and then follow through on the never-ending task of training and supervision of organization so essential to the realization of those goals. The output of any operation can never be any better than the sum of its input. The quality rather than the quantity of that input is what separates the leader from the follower. The quality factor is dependent largely upon the proper education of the supervisory force so they can, in turn, efficiently qualify those who are working with them to help make the business a success.

The supervisor must teach to increase knowledge—and see to it that this new knowledge is properly applied to the job. He must inspire his co-workers to superior accomplishment. Along with his top management team, he must continuously deport himself as though conditions were NOT going to be as favorable as everyone feels they will be. He must daily put into effect the type of action he would be called upon to take if times were actually bad.

Then, and only then, will the business be in a position to capitalize fully on a 1960 that's "going to be good"—because the business will be "going good" for ANY eventuality.

W. H. WHEELER, JR.

President, Pitney-Bowes, Inc., Stamford, Conn.

The year 1960 looks promising for the office equipment industry, as it does for the economy in general. The mechanization of business paperwork is bound to increase, and expects to contribute to this process this year as we have in the past.

W. H. Wheeler, Jr.

For several years now we have invested substantial amounts in research and development. Results of some of this work will reach the market this year. We are forecasting an 8 to 10% increase in new business this year, and are backing this sales program with a strong advertising and sales promotion budget. The one cautionary note to be sounded for our industry in the year ahead—and we share this concern with all industry, I think — is that we must exercise strong control over expenses and costs, if net earnings are to keep pace with sales. This we plan to do.

THOMAS J. WATSON, JR.

President, International Business Machines Corp.

I feel confident that if the labor-management problems are settled without too much strain on the economy, 1960 will be a good year for business. There are many bright spots in the economic picture. Inventories are due for a period of rebuilding, capital spending is on its way up, and consumer confidence seems high. I expect such economic indicators as Employment, Gross National Product, and Industrial Production to reach new highs during the coming year.

T. J. Watson, Jr.

Last year the office equipment industry completed its recovery from the set-backs of the recent recession. The latest figures indicate that new orders for office equipment are running about 20% above their year-earlier levels. The best progress has been in those parts of the industry where technological advances have been greatest, particularly in the application of electronic techniques to accounting machines, computers, and duplicating equipment.

Several major new developments during the past year will contribute a great deal to the industry's growth. Transistorized computers with their advantages of compactness, increased speed, and reduced power consumption were delivered in 1959. Improved facilities for high quality transmission of facsimilies, data, etc. over long distances were announced, as were duplicating processes permitting color reproduction from bulky as well as flat source material. New accounting machines using magnetic ink printing on ordinary documents as input were successfully put into commercial use.

These and other developments are badly needed by the business community. Suitable office help is still relatively scarce even though the proportion of clerical workers in today's labor force is double what it was 20 years ago. Management's need for complete and rapid reporting increases as business activity becomes more complex. Given a favorable economic environment, the office equipment industry should make major strides during the coming year.

S. D. WHITEMAN

President, Kansas-Nebraska Natural Gas Co., Inc.

Given the proper incentives, the gas industry will continue with major expansion in 1960, moving just as fast as it can to satisfy the vast public demand. Despite the unprecedented growth of the industry since World War II, there are still areas of the country which do not have adequate natural gas service, and new uses for this valuable resource are being found constantly.

S. D. Whiteman

New developments in modern gas appliances have done a great deal to stimulate public demand, and gas air-conditioning in particular is opening vast new markets.

During 1960 there will be greater unity than ever before in the gas industry. Through organizations such as the American Gas Association and the Independent Natural Gas Association of America, the teamwork among the various segments of our industry will be further strengthened. Unity will be a vital factor in meeting the problems the industry will face during 1960. No doubt further attempts will be made to reduce the percentage depletion allowance on oil and gas and to deprive the gas industry of sales to interruptible, industrial customers. Such attacks can be successfully resisted only by a strong, unified industry.

The gas industry has grown to be a vital segment of our nation's strength, and in 1960 it will continue to contribute heavily to the economic welfare of the nation through its services to its customers, stockholders, employees, and the public in general.

The gas industry will continue to be a prime example of how free enterprise in action has made America great.

CHARLES H. WHITMORE

President, Iowa-Illinois Gas & Electric Company

Recognizing both the hazards of forecasting and the necessity of planning for the future, we are outlining briefly our views on business for 1960.

Activity in our service area expanded rapidly during the latter months of 1958 and the first 10 months of 1959, returning to the long-term trend line from a sinking spell which began in early 1958. Our electric sales are running almost 15% ahead of a year ago as compared to the 9.6% over-all trend since the war. The percentage of increase in the industrial classification is even higher.

Charles H. Whitmore

Farm income has the old problem of plenty—now it is also caught in the declining price phase of the hog and cattle cycles. Farm income declined in 1959 and may continue downward in 1960. Partially offsetting trends are the consolidation of farms, permitting division of the farm income among fewer farmers, and the increase of farmers' nonfarm income. The Iowa farm is a big, small business and is still a good customer, able to pay its bills. Whatever the pace of the liquidation of marginal farms which must eventually run its course, the full-time Iowa farmer should be among the survivors able to enjoy, at long last, a free competitive farm economy.

Declining farm income suggests lower business for farm machinery but there are counter pressures; a scarcity of farm labor and narrowing profit margins speed mechanization. The year 1959 with its farm income decline was a whopper for the farm machinery industry; 1960 is expected to be down moderately. However, the prospects vary with the line and the community in which the plant is located. Plows, cultivators, planters, and tractors make good business for the communities in which they are manufactured. Harvesters and balers are not doing quite so well.

The Davenport rolling mill of Aluminum Company of America, our largest single customer, has increased production steadily since 1958 and operated at about 80% of capacity during 1959 and expects to continue about the same in 1960. Other important industries—Dewey Portland Cement, Davenport; Oscar Mayer, Davenport; Morrell, Ottumwa; the gypsum plants, Fort Dodge; and miscellaneous industry at Cedar Rapids — all have a bright present, past, and future. Even Iowa City, where industry is relatively new and almost dainty, continues to boom.

New residential construction is feeling the heavy hand of high interest rates but there will be enough to keep the cities expanding and new gas and electric customers coming to our door.

On the whole the only thing wrong with 1960 is the unanimity of opinion that it will be wonderful. If that isn't enough to worry about, we still have, and should

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The Funds Report

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made in Parke, Davis and Warren (S. D.) Co. Sales included the elimination of Electronic Communications, Helmerich & Payne, Houston Lighting and Sprague Electric. At the close of the year 44% of the net assets were invested in utility common stocks, 10% in natural gas, 8% in oils, 28% in industrials and 9% in cash and U. S. Treasury bills.

* * *

United States & Foreign Securities Corp. reported its net asset value at Dec. 31 was $118,757,860, equal to $35.87 per share on the 3,310,815 shares of stock outstanding. This compares with a net asset value of $123,206,274, or $37.21 per share, at the close of 1958. The 1959 net asset figure was after payment of $4,605,061 in capital gains dividends during the year. During the year the corporation acquired new or additional holdings of certain common stocks in the drug, electric utility, textile, rubber tire and metals categories. Sales involved a portion of holdings in the chemical, metals and oil groups. Purchases exceeded sales during the year. At the end of the year common stock holdings represented the following percentages of assets: oil, 34.36%; chemical and drug, 23.17; metals and mining, 15.14; manufacturing and miscellaneous, 10.36; electric utility, 4.15; merchandising, 2.05; natural gas, 1.37. Treasury bills accounted for 8.9%, cash and receivables 0.35% and other investments 0.15%.

* * *

Pioneer Fund, Inc. reports that at the close of 1959 its four largest commitments were Air Products, Miles Laboratories, Singer Manufacturing and Homestake Mining convertible debentures and stock.

Total net assets of the fund, at Dec. 31, 1959 aggregated $40,209,535, compared with $30,385,858 at the close of the previous year, Philip L. Carret, President, disclosed in the fund's thirty-second annual report to stockholders.

Net asset value per share at the end of 1959 was $8.88 on 4,529,386 shares, against $8.16 on 3,723,440 shares as of Dec. 31, 1958, Mr. Carret reported.

* * *

Investors' purchases of **National Securities Series** of mutual funds in 1959 established an all-time high, it was announced by National Securities & Research Corporation, sponsor and manager of the funds. Sales totaled $80,644,056, up 14% from the 1958 figure of $70,858,859.

* * *

A record distribution of 50 cents per share from realized capital gain has been declared by the directors of **Nucleonics, Chemistry & Electronics Shares, Inc.** It is payable Feb. 29 to shareholders of record Feb. 15. At the same time, directors declared a dividend from net investment income of 12 cents per share, highest in the fund's history, also payable Feb. 29 to record Feb. 15. This compares with 5 cents per share paid in fiscal 1959. Net investment assets of the fund passed the $7,000,000 mark in December, more than doubling the $3,471,883 at the beginning of fiscal 1959.

Am. Mutual Fund Elects Schimpff

LOS ANGELES, Calif.—Charles H. Schimpff has been elected President of American Mutual Fund, 900 Wilshire Boulevard. Mr. Schimpff, who has been with the company since its organization in 1949, was previously Executive Vice-President.

CCNY Offers Inv. Co. Course

A fully accredited college course devoted exclusively to investment companies is scheduled to be given during the spring semester at the Bernard M. Baruch School of Business and Public Administration of the College of the City of New York.

Representatives of the investment company business will be guest lecturers during the course, which will meet Thursday evenings from Feb. 11 to May 29. Dr. Harold S. Oberg, Research Director of the National Association of Investment Companies and a member of the College faculty, will supervise the course.

In-person registration for the two-point credit course, Economics 168, will take place on Thursday and Friday, Feb. 4 and 5.

When offered previously, the course attracted one of the largest enrollments in the history of the Baruch school, and marked the first time a course devoted entirely to investment companies had been given for full credit at any college or university.

Subjects covered in the course include characteristics of open-end and closed-end investment companies, management procedures, investment company policies, management appraisal, methods of distribution, taxation, regulation of the industry by Federal and State laws, types of investment company shareholders and estate planning.

Paul Johnston V-P. Of TV Shares Mgt.

CHICAGO, Ill. — William H. Cooley, President of Television Shares Management Corporation, 135 South La Salle Street, has announced the appointment of Paul A. Johnston as Vice-President.

Paul A. Johnston

Mr. Johnston has been Director of Information for the management corporation for the past four years and will continue in that capacity as an officer of the company.

He joined the Chicago-based investment management company in 1956 after ten years on the editorial staff of *Barron's National Business and Financial Weekly.*

Name to Be Leavitt Co.

BOSTON, Mass.—Effective Feb. 1 the firm name of Leavitt, Spooner & Co., 585 Boylston Street, members of the New York Stock Exchange, will be changed to Leavitt & Co. Herbert M. Spooner will withdraw from partnership as of Jan. 31.

Saul M. Leavitt will become a partner in Leavitt & Co. on Feb. 1.

W. C. Langley Co. Offers Gas Issue

W. C. Langley & Co. and associates offered on Jan. 20 an issue of $7,500,000 Louisiana Gas Service Company First Mortgage Bonds, 5⅞% Series due Jan. 1, 1985, at 101.64% and accrued interest, to yield 5.75%. The group won award of the bonds at competitive sale on Jan. 19 on a bid of 100.11%.

Net proceeds from the sale of the bonds will be used by the company to pay off promissory notes and for the construction of new facilities, for the extension and improvement of present facilities and for other corporate purposes. For 1959, the company's construction program required expenditures of about $1,925,000, and it is estimated that such expenditures in 1960 will approximate $2,000,000.

The 1985 Series bonds will be redeemable at general redemption prices ranging from 107.52% to par, and at special redemption prices receding from 101.64% to par, plus accrued interest in each case.

The company supplies natural gas in 75 communities located in northeast and southeast Louisiana, including all of the area surrounding the city of New Orleans. Estimated population of the company's service area is 315,000. Water service is also supplied in one community.

For the 12 months ended Oct. 31, 1959, the company had total operating revenues of $8,122,000 and net income of $794,000.

Wellington Equity Fund

FIFTH quarterly DIVIDEND

4c a share from net investment income to shareholders of record January 28, 1960 payable February 15, 1960 in cash or stock at shareholder's option.

WALTER L. MORGAN, President

January 13, 1960

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TELEVISION-ELECTRONICS FUND, INC.

45TH CONSECUTIVE DIVIDEND

The Directors of Television-Electronics Fund, Inc. have declared a dividend of 8c per share from earned income, payable February 29, 1960, to shareholders of record January 29, 1960. Dividend reinvestment date: January 29, 1960.

January 21, 1960

Chester D. Tripp
President

1355 LaSalle St., Chicago 3, Ill.

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30TH ANNUAL REPORT

for the year ended December 31, 1959

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do something about, the wage/price push chipping away at what is left of our badly battered dollar and big government, which continues to get bigger and bigger.

CHARLES C. WHITTELSEY

President, Ford, Bacon & Davis, Inc.

With our population mushrooming and urban areas and industrial plants expanding just as rapidly, municipalities throughout the nation face in 1960 an urgent challenge to provide sufficient water supplies and adequate sewage facilities.

Chas. C. Whittelsey

They will attack the problems with more vigor than they have exhibited before. Thus, one of the more active areas for engineering and financing in the heavy construction field this year will be concerned with these two problems.

The construction industry will have a much better year than it did in 1959. Except for office buildings and the like, the strike-induced steel shortage did not affect projects very much in the last quarter of 1959. It does mean a slow start for 1960, however, and if the strike is resumed the shortage will throw a heavy burden on the construction industry as it tries to catch up later in the year.

Many of us long have been concerned with the indifference of municipalities to the inadequacies of water supply and sewage systems. Most of our rivers and streams, which could take care of our water needs, are running with raw sewage—a national disgrace. Common sense dictates the treatment of sewage so that the streams can be tapped to supply purified water for home and industrial use.

Conservative estimates place backlogs in water works at $2.7 billion, in sewage systems at $3.6 billion.

Preliminary calculations indicate that about $500 million will be spent on water systems this year, up about $50 million from 1959, and $650 million, or about the same as 1959, for sewage systems, including both lines and treatment plants.

This is grossly inadequate—barely dents the backlog—and most politicians are finally waking up to the critical need. Once they act, they still will have to get voters' approval in most cases before they can go out and get the financing. But at least we will see engineering starts and greater requests for financing in the current year.

Another big field for engineers, construction firms, and the investment banker in this and the next year will result from the natural gas industry's attempts to keep up with demands for this fuel. About $12.5 billion have been spent on pipe transmission lines in the past decade, and $25 billion will be spent in the next 10 years, a good chunk of it in 1960 and 1961.

The funds for this construction will come from debt and equity financing and these projects will be keenly competing with other fields seeking new capital investment.

One transmission company alone will be spending $50 million this year just looping lines. These lines will total 900 miles. This is just one of many companies which will be looping in lines as they fight to fulfill consumer demand. The total cost in this year alone will probably exceed $2 billion.

The Secretary of Commerce recently estimated that private construction, excluding housing, will exceed $38.8 billion in 1960, an increase of $1 billion over 1959; and Government spending would total $16.5 billion, an increase of $300 million over 1959, despite the declines in highway building.

This means a busy year for the investment banker and for the consulting engineer upon whom he must depend for joint determination of the soundness of a project before he puts money up for it. These joint studies will provide economies in the end for private industry and for the taxpayer, as they will put the brake on financially-unsound, or unfeasible projects.

CHARLES A. WIGHT

President, Freeport Sulphur Company

The year 1959 saw the consumption of sulphur in the United States reach a new record high despite lessened demand for the strike-bound steel industry, normally a major consumer. According to preliminary estimates, consumption of sulphur in all forms reached about 6,000,000 long tons, or an increase of better than 10% over the previous year. The weakness in steel was more than compensated for by the excellent business enjoyed by the other major consuming industries which included fertilizers, chemicals, pulp and paper, pigments, and rayon.

Charles A. Wight

The demand for U. S. sulphur abroad also increased despite the growing competition from numerous new foreign sulphur-producing plants. Exports are estimated to have exceeded 1,600,000 long tons, and final figures may show the total to be above the record 1,651,000 shipped four years ago. The major importing countries in their order of volume are Canada, the United Kingdom, Brazil, India, and Australia.

Domestic sulphur production was up slightly in 1959. Output from all sources amounted to an estimated 6,225,000 tons, compared with 6,140,000 tons in the previous year. This supply was augmented by 600,000 tons from stockpiles which producers cut back from 4,000,000 tons to about 3,400,000 tons.

Of the total production, an estimated 4,525,000 tons were elemental sulphur mined by the Frasch hot-water process from salt dome deposits located along the coast of Louisiana and Texas. Of the balance of the output, 740,000 tons represented elemental sulphur recovered from refinery gases and sour natural gas; 450,000 tons sulphur contained in pyrites; and 510,000 tons sulphur in various forms from other sources.

Imports of sulphur, although at a high level, failed to maintain the sharply rising trend begun in 1955 with the development of Frasch-process mines in Mexico. Total imports—including Frasch from Mexico, recovered sulphur and the sulphur content of pyrites from Canada—about equalled the 755,000 tons shipped in 1958.

Twelve Frasch-process mines operated on the Gulf Coast during the year. In December, however, Freeport's Bay Ste. Elaine mine, located south of Houma, La., was closed due to depletion of reserves. Texas Gulf Sulphur Co. and Freeport Sulphur Company remained the largest producers, followed by Jefferson Lake Sulphur Company and Duval Sulphur and Potash Company.

One new mine was nearing completion with start-up scheduled for the first half of 1960. This is Freeport's Grand Isle project, the world's first offshore sulphur mine, situated seven miles off the shore of Louisiana in 50 feet of water. Installation of boilers, pumps and other equipment was being made on the steel structure which, when completed, will stretch for nearly one mile across the water.

Elsewhere, several new or expanded facilities to produce sulphur from other than salt dome deposits came on stream or were under construction during the year. These included projects to recover sulphur from petroleum refinery gas or from sour natural gas by the following companies: Allied Chemical, at Richmond, Calif.; Hancock Chemical, Wilmington, Calif.; Anlin Chemical, Wood River, Ill.; Tidewater Oil, Franklin County, Tex.; Sun Oil, Toledo, Ohio, and Consolidated Chemical, Baytown, Tex.

HON. ALEXANDER WILEY

U. S. Senator from Wisconsin

The economic outlook for 1960 promises new prosperity for America. Overall, our people will enjoy better living in many ways, including housing, food, transportation, jobs and general climate of opportunity—and—if the cold war thaw continues—greater peace of mind.

Alexander Wiley

The outlook, too, portends expanding of business and industry, as well as a greater demand for goods and services by a growing and prospering citizenry. The attitude of the American consumer—a key to economic progress—appears to be one of confidence and optimism.

According to present signs, we can, also, expect expansion of highways and airport facilities; and new growth of cities overflowing into mushrooming suburbias. Forecasts of sales also show a rise. The job outlook is brighter, although it may well fluctuate in different industrial and geographic areas. Business is expected to lay out larger sums for product improvement, research and plant expansion. There is an upsurge expected in general commercial activity.

Shadows on the Horizon

On the economic horizon, however, there are shadows. The nation can be expected to suffer a hangover from the steel strike. Whether or not a non-inflationary settlement is reached, too, will have a real effect on the economy. Despite all efforts to stabilize prices, however, predictions indicate that prices can be expected to rise slightly. Unemployment — though reduced — still spots the economy. Farm income—unfortunately down in 1959—still shows too little prospect for substantial improvement in 1960—the result: adverse effects not only on the farmer, himself, but upon industries producing the services, materials, equipment, purchased with farm buying power.

Role of Uncle Sam in the Economy

As the Second Session of the 86th Congress gets under way, the question arises: "What will be the role of Uncle Sam in the economy?"

In recent years, the size of the Federal Budget—and whether it will be balanced or unbalanced—has become, more or less, a symbol of stabilized, or inflationary, trends in monetary policy. The task of balancing the budget however, is becoming increasingly difficult. Why? Harnessed by a vast volume of past obligations, the Federal Budget has disproportionately little "elbow room" for adoption of new programs and meeting of new responsibilities required by our modern advancing times.

According to Budget Director Maurice H. Stans, for example, Uncle Sam has now accrued future obligations, adding up to almost $750 billion. These include: future COD's for highways, housing, civil public works, shipbuilding subsidies, and others, amounting to about $98 billion; retirement benefits for military personnel and civil government employees; costs of veterans pensions or compensation programs; a public debt of $290 billion; $350 billion of future obligations for past services. If no new programs are added in the next Congress, spending is expected to go up because of **built-in** increases in existing programs.

This gigantic mortgage—a portion of which comes due annually—will make it increasingly difficult to balance the budget in 1960, and in the years ahead.

Federal outlays, however, are not a complete loss to the taxpayer. According to estimates for Fiscal Year 1960, about $95 billion will flow back into the economy to purchase government services, equipment, payrolls, and other expenditures.

Nevertheless, the real wealth of the nation—i.e., the major portion of the Gross National Product—still, as it should—depends upon private enterprise to produce the vast volume of goods and services required for our nearly 180 million people and to supply markets abroad.

Impact of World Affairs on Economy

Now, what will be the impact of developments around the globe on our economy? We cannot, of course, look around the corner to tomorrow. However, the overhanging threat of war continues to be a factor of significance not only in our own economy, but in world affairs.

The outlook for 1960, therefore, depends upon a great many IF's, such as:

(1) IF we can avert World War III;

(2) IF the communists can be discouraged from sparking brushfire wars;

(3) IF the economic, subversive, and military expansion efforts of the communists can be curtailed, rather than allowed to flourish.

Currently, the temporary, cold war "thaw"—though it should be encouraged—is not expected to have any immediate effect upon our high-cost, national defense policy.

Why?

As yet, the communist bloc has not offered any acceptable proposals either (1) for a **safeguarded disarmament**; or (2) **relinquishing** their ultimate aim of **world domination** and **"burying us."** Consequently, we must remain alert, adequate and "keep our powder dry."

Internationally, too, there are a number of economic developments that can and will affect our economy. While the U. S. consumer will continue to be the No. 1 target for sales, we must nevertheless be increasingly concerned about the growing competition from abroad, both for U. S., as well as world markets.

Overall, we can expect stepped-up competition from our allies, including the "Inner Six" and "Outer Seven" in Europe. Elsewhere on the globe, too, the multination common market idea is spreading rapidly. In view of this development, we will need to be alert to assure that the U. S. is not "frozen out" of such markets, and encourage the elimination of barriers against U. S.-produced goods.

Globally, also, we can anticipate a larger flow of competition from the communist nations.

Conclusion

In view of these, and other factors, we cannot afford to wear rose-colored glasses. Generally, we will need a flexible, economic policy—at home and abroad— "retailored," as necessary, to meet ever-changing conditions in the world.

Despite the problems, however, the future promises a "moderately good" pace of progress.

F. R. WILLS

President, General Acceptance Corp.

The net effect of the steel strike in the second half of 1959, in the opinion of most qualified observers, has been to push into 1960 a substantial volume of industrial production that normally would have occurred in 1959.

F. R. Wills

With the steel strike settled, it is almost a certainty that there will be a period of high employment at relatively high wages. Traditionally, consumers have shown an extra willingness during "good times" to undertake financing commitments in the form of instalment loans or sales finance purchases. There is no reason to expect 1960 to be an exception.

Auto industry economists predict that car sales in the new year will be substantially ahead of 1959, with the new compact cars introduced by the three major U. S. manufacturers comprising an important addition to total production.

From all indications, the demand for instalment credit for auto purchases and for other consumer needs can be expected to continue rising.

At General Acceptance Corporation we are gearing our operations to a maximum effort in order to make sure we share fully in our industry's future advances, in the same way that we have done over the past years.

The strong growth characteristics of the consumer finance industry probably are not generally realized. At the end of 1946, the volume of instalment credit outstanding in the U. S. totaled only $4.2 billion. By October 31, 1959 it had risen to $38.4 billion, a record high, and an increase of more than 800% in the 13-year postwar period.

These figures dramatize the essential role fulfilled by the consumer finance industry in raising the living standards of American families and in financing modern American mass production and merchandising.

In meeting the expected large demand for instalment credit in the new year, it appears that our industry's foremost problem will be the high cost of borrowing the vast amounts of "wholesale" funds needed to carry on our operations. Indicative of the trend is the fact that in recent weeks the Federal Government has been paying the highest price in history for short-term money.

At General Acceptance, we customarily have been

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able to anticipate our requirements quite accurately and thereby avoid being placed in an excessively disadvantageous position with regard to borrowings. What our record will be in the future is hard to forecast but it is plainly evident that high interest rates pose an operating problem for our industry of an indeterminable scope.

Realizing satisfactory profit levels despite the pressure of increasing costs in every direction will provide an exacting test for finance company managements.

A feature that consistently has favored GAC is our record over the years of operating efficiency. This has enabled us to undertake expansion opportunities which might not have appeared attractive to others. During 1959 (which from all preliminary indications was a peak year for the Company), we extended our operations into two additional states—Montana and North Carolina. Currently we are operating 208 offices in 27 states, and we expect these figures to continue growing.

Looking at the overall business economy, there is every sign that 1960 could be an excellent year. The requisite conditions exist. Barring serious interruptions to industrial activity, we are confident that the consumer finance industry is going to be a leader in achieving considerable progress in the new year.

KENDRICK R. WILSON, JR.

President, Avco Corporation

Despite a prolonged strike in the steel industry, 1959 was a good business year. Based on this solid foundation, 1960 should see a trend of accelerated improvement in general business conditions. Sales and earnings of Avco should continue at good levels during the new year.

K. R. Wilson, Jr.

Avco is a widely diversified enterprise with operations in many areas of business. Through its six operating divisions and three principal subsidiaries the company's work involves research and development, missile and space technology, electronics, aircraft engines and structures, appliances, farm equipment, and radio and television broadcasting.

Research and development activities in the past several years have become an increasingly important aspect of Avco's operations, and two major announcements made during 1959 clearly point up this importance. In April the Air Force recovered the first missile nose cone to successfully re-enter the earth's atmosphere after a flight at the full ICBM range and speeds. This vehicle was protected during re-entry by a heat-shielding material developed by Avco scientists who had pioneered in the field of re-entry research.

Later in the year it was announced that ten leading power companies had joined with Avco in a program to further study a new method of generating commercial electric power. The new system—based on the science of magnetohydrodynamics and developed at the Avco Everett Research Laboratory—generates electricity directly by forcing a hot gas through a magnetic field and promises vastly increased operating efficiencies in the electric power industry.

I look for new breakthroughs during 1960 in both our military and civilian areas of research and development, as well as continued progress in our manufacturing and broadcasting operations.

The apparent lack of any significant change in world conditions would indicate a relatively stable year ahead in the defense and space industries, although competition for government contracts will continue to stiffen. On the civilian side of the ledger, increased consumer spending power should have a favorable effect on corporate sales and earnings figures.

JOHN H. WINCHELL

Chairman, Interstate Commerce Commission

In view of the relatively consistent relationship that has existed between the level of economic activity and the volume of traffic handled by the domestic surface transportation industry, carriers generally may be expected to benefit from the rather substantial increases in total national production and business activity everywhere anticipated for 1960. Although the outlook for the transportation industry is favorable, some types of carriers appear to be in a better position than others to realize substantial gains.

Hon. J. H. Winchell

During the first half of 1959, the railroads made a good recovery from the effects of losses of traffic and revenue sustained during the recession year of 1958, with carloadings up 13%, but they were hard hit by the steel strike and ended the year with revenues near the level of 1958. Despite these difficulties and a number of unsolved problems of longer standing, many of the railroads have continued to earn substantial profits.

At the beginning of 1960 the rails are faced with the possibility of a prolonged strike. If the threatened rail strike can be avoided, the volume of freight traffic and freight revenue may be expected to show a strong upward trend, and possibly may establish a new peacetime record during the first six months of 1960.

Anticipating an upturn in freight traffic, the railroads plan to invest more than $1 billion this year in new equipment and road improvements, as compared with an estimated total of $829 million during 1959. A sizable part of these capital investments are expected to increase profits by reducing costs of operation. Many unprofitable passenger trains have been discontinued, and efforts are being made to obtain subsidies from local governments as a means of offsetting losses due to commuter operations. Increased revenues are being obtained from the further development of "piggyback" service, which should continue to expand. An important merger—the Virginian into the Norfolk and Western — was consummated in 1959, and several others are being planned with a view to improving the position of the railroads involved.

Motor carriers of property, subject to Federal economic regulation, having maintained revenues for 1958 at the 1957 level of $6.2 billion, are estimated to have passed the $7 billion mark in 1959. Although data are not available for the relatively large number of private and unregulated for-hire motor carriers, it appears that the regulated trucking industry can look forward to further but more moderate percentage gains in 1960 above the high-level performance of 1959. Motor carrier operations will be facilitated by the continued development of the National Highway Program.

The outlook for motor carriers of passengers is relatively less favorable, but a higher level of general business activity should be reflected to some extent in increased revenues.

The long-term upward trend of inland water traffic was interrupted in 1958 as the result of the general business recession. Information available indicates that it was maintained at about the same level during 1959, despite the steel strike and a water carrier labor dispute which seriously curtailed activity for a period of four months. With an increased level of business, and particularly as a result of a larger volume of steel and automobile production the upward trend of river traffic should be resumed in 1960. The opening of the St. Lawrence Seaway is expected to stimulate water transportation generally, but may have caused temporarily a small loss of inland waterway traffic. The regulated coastal and intercoastal shipping trades did not improve their position in the transportation industry in 1959. In view of high costs and intensified rail and water competition, it does not now appear that these carriers by water will be able to better their condition substantially in the forthcoming year. Benefits which the deep-water operators anticipated from "containerization" appear not to have been so far sufficiently realized to offset the unfavorable competitive and cost factors.

The petroleum pipelines, like other carriers, were adversely affected by the recession of 1958, but made a good recovery in 1959. With the expected increase in demand for petroleum and other products moved, pipelines should make further gains in 1960.

J. THEODORE WOLFE

President, Baltimore Gas & Electric Co.

Two significant characteristics of the territory served by Baltimore Gas and Electric Company are its exceptional population growth and expansion of its diversified industry. Both contribute importantly to the outlook for our business in 1960.

J. Theodore Wolfe

Only seven States (including recently admitted Alaska) have grown faster than Maryland in population since 1950, and of the 18 major metropolitan areas in the United States, the Baltimore metropolitan area has had the sixth highest rate of growth in population during this period. All available forecasts to 1970 and beyond indicate that such growth can be expected to continue.

Baltimore is a major center for the manufacture of steel and stainless steel, copper refining, the production of aluminum shapes, shipbuilding and ship repair, the manufacture of missiles, electronic and communication equipment, glass, brick, and ceramic products, chemicals and fertilizers, containers and closures, and food products. No single group of industries dominates the local economy. The city's favored geographic location, its excellent port, its proximity to the nation's capital—all have contributed to large industrial expansion and enlargement of Federal Government operations. A $30,000,000 refinery of the Kennecott Copper Corporation is just now being completed here, and General Motors Corporation Chevrolet Division has announced plans to double the size of its Baltimore assembly plant, making this operation the second largest in its national network of combination car and truck assembly plants. The new Social Security Headquarters located here are nearing completion and are scheduled for occupancy in January of 1960. Following an extensive study of Eastern cities, Montgomery Ward & Co. is planning to construct a distribution center here to serve 66 retail stores and 76 catalog stores in the company's Eastern and Southeastern regions.

These industrial and governmental expansions and the growth of population related thereto are reflected in the building of new homes. In the first ten months of 1959 the residential dwelling units completed were 40% more than in the same months of 1958. Permits issued for new dwelling units have declined in recent months, however, probably because of the higher mortgage money situation.

For 1960 we expect our total revenues to be larger than for 1959 as a result of the diverse growth in the Baltimore area. The physical volumes of electricity and gas which will be used in our territory next year are presently expected to exceed 1959 by 8% and 10%, respectively, and our aggregate revenues therefrom are expected to increase about 6%. Our costs will also be somewhat higher in certain areas. Construction of new plant and facilities will be larger than in any prior year, probably over $50,000,000 and more than a third greater than the expenditures for 1959.

The Baltimore area has its quota of the same sort of problems faced by metropolitan areas generally, such as the reconstruction of its downtown areas, the development of its port facilities, the expansion of its highway facilities, and the like. Happily the governmental units of the areas involved are pressing their efforts to solve these problems associated with growth and progress.

HARLESTON R. WOOD

President, Alan Wood Steel Company

The outlook for 1960 for the steel industry and the country's entire economy is clouded at this writing, by the possibility of a resumption of the unprecedented 116-day strike. This strike will adversely affect 1959 earnings of the steel industry, and, if settlement is not reached during the period of the Taft-Hartley injunction, the 1960 earnings as well.

Harleston R. Wood

The strike, occurring as it did during a period of high economic activity, has resulted in a tremendous backlog of demand for steel and steel products which should sustain the industry's and our operating rate at a high level at least during the first half of 1960, provided the strike is not resumed. Automobile production in 1960 could reach record proportions under the impetus of the apparent excellent acceptance by the public of the new cars. Capital building expenditures are expected to be up substantially over 1959. Appliance sales and machinery sales should continue strong. These should more than offset the expected drop in residential construction. Steel ingot production in 1960 is being forecast in the neighborhood of 125 to 130 million tons.

Our firm was successful in negotiating an extension of its contract with the United Steelworkers of America. Because of this extension, which does not expire until 30 days after the major basic steel companies reach an agreement with the Union in their current dispute, the company operated throughout the period of the strike, and is currently operating at over 100% of its rated capacity.

The company's net sales and operating revenues for 1959 are expected to hit an all time high of over $80 million. Reflecting continued improvements in operating efficiencies and internal cost control, net income is expected to be well over $4 million.

Of great significance to our future is the plan for the construction of a new blooming mill and a new plate mill which will replace the present blooming and plate mills. Financing of this program, which will require the expenditure of over $30 million, is in the process of being finanlized. This will be the largest construction program the company has ever undertaken, and is a significant step toward complete modernization and enlargement of the company's productive facilities. The new mills are expected to be completed by the middle of 1961.

The company looks forward with confidence to 1960 and beyond. During the 60's, use of steel is expected to increase substantially in spite of competition from plastics and other metals. We have long range plans designed to improve our competitive position in the growing market for steel products.

C. K. WOODBRIDGE

Chairman of the Board, Dictaphone Corp.

All indications point to good growth for the dictating machine industry in 1960. The vigorous state of business combined with increased public awareness of the value of electronically recorded communications should produce a rapid rate of expansion over 1959, a record year in sales volume.

C. K. Woodbridge

The decade just over has seen Dictaphone's business quadrupled, and this was topped in 1959 with the finest sales year in our history. Last year, new model Time-Master dictating machines gained increased market approval. Additions to the line, including a combination dictating-transcribing unit and a telephone recorder, made contributions to this performance. Additionally, a new battery-powered interview recording machine was introduced and in just eight months, with limited promotion, this unit alone achieved a sizable volume. All of these machines in our dictating line use the unique Dictabelt record with its advantages of superior recording, visibility, non-erasability, easy handling and low cost, which has firmly established the Time-Master as the preferred type of dictating equipment the world around.

Dictaphone's recording machine business, which represents for us diversification within the broad scope of communication recording equipment, also did very well last year, with volume approximately twice that of 1959.

New products include the Dictachron, a unique device which records time signals instantly, and the Telegram machine, which allows users to record telegrams by telephone, thereby speeding their dispatch.

Our line of communication recording machines is further augmented by the Dictet portable voice recorder.

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This two and a half pound, camera-size, battery-powered unit is filling a variety of needs in almost every business and profession. During the year it was further improved with the availability of an optional reel loading device. A 30-minute taped recording can now be mailed in standard envelopes for the cost of an airmail stamp.

Our customers and prospective customers are increasingly mindful of the values of recording dictation in their office, at home or while on the road. Experience of recent years proves that business can make no better investment than to provide an individual whose time is costly with a better means to work. Effective communication is essential to business success, and business communication is our business.

CHARLES J. ZIMMERMAN, CLU

President, The Connecticut Mutual Life Insurance Co.

Just the other day the editor of a well known national magazine predicted that "the life insurance industry in America in the sixties will have the greatest growth of any decade in its long and proud history."

This kind of prediction fits hand and glove with other notes of optimism being heard about business and individual prosperity for this year 1960 and the Sixties. For example, more than two-thirds of a group of manufacturing leaders across the country feel that "new orders, dollar billings, and profits" for the first six months of 1960 will be ahead of the same period last year. In another survey of leading sales executives, the overwhelming reaction was bullish; they foresaw "higher incomes, stronger buying trends, larger market."

While it helps, of course, economic growth alone does not guarantee growth in the life insurance business. The fact that sales of ordinary life insurance in 1959 hit a record $50.5 billion, up 6%, was due less to the over-all prosperity of our bulging population than to the desire of most men to assume economic responsibility for their families—as long as their families shall live.

Despite the inevitable trend in good times to equity investments such as stocks, mutual funds, and real estate, our life insurance product remains, as it has for over a hundred years, the only sure way most men can protect themselves and their families against life's major hazards.

At the same time, life insurance continues to be the most effective method of compelling men to save money.

So for the man who has as his dual financial objectives: (1) protecting his family, and (2) building up savings for himself at the same time, life insurance of the permanent kind provides the ideal answer in a single plan.

I predict that for men with family responsibilities, life insurance in the sixties will continue to be the number one investment. Once a man has acquired an adequate amount of life insurance, he not only has peace of mind, he also enjoys freedom of action to spend surplus funds, to invest them in blue chip equities, or even to speculate.

I predict that life insurance companies and agents will in 1960 do a better job than has been the case recently of persuading Americans to invest in the guaranteed cash values of permanent life insurance. This will be good for those who so invest, and good for the economy as a whole—since life insurance premium dollars are continuously put to work for the benefit of policyholders in investments vital to our private enterprise system. In total, life insurance companies now invest about one of every three dollars of capital funds supplied by all savings institutions—and one of every eight dollars of the annual long-term investment made in the United States economy.

I predict that the threat of continuous inflation will subside somewhat in 1960, and the years immediately beyond, as the great majority of Americans come to realize the importance of individual thrift, as well as the need for governments to operate on sound business principles and to stand firm for the integrity of the dollar.

I predict that life insurance sales will soar to new highs this year as more buyers appreciate that inflation or no, a solid base of guaranteed dollars is essential in this financial planning for the future. Through the fixed dollar guarantee of life insurance, people are able to set up a hedge against the possibility—not so remote as it may seem—that their need for dollars will occur during a period of deflation.

Specifically, in 1960 and the sixties, these are some of the progressive developments in life insurance we may expect:

Average ownership per insured family (now about $11,000) will increase substantially.

Ordinary life insurance will continue to grow in popularity and will continue to account for 70% to 75% of new purchases.

Ownership among women (now over $70 billion) will increase.

Businessmen will turn increasingly to life insurance for funding employee plans and for other business purposes.

In the face of an exploding college population (enrollments are expected to exceed three billion by 1970), more and more people will use life insurance to prefund and guarantee their children's education costs.

Over-all, I predict that the life insurance business will meet the challenge of the sixties by making continued substantial progress in developing the kind of products and services that are geared to modern family needs and desires.

STATE OF TRADE AND INDUSTRY

Continued from page 9

second half of 1959, curtailed by the long nation-wide steel strike, totaled 29,158,610 tons, compared with the record 64,278,203 tons made in the first half. The fourth quarter's production was 20,952,140 tons, against 8,206,470 tons in the third quarter and 26,119,618 tons in the fourth quarter of 1958.

Increase of 9% in New Car Sales Reported

9.0% increase in Jan. 1-10 new car sales over year-ago was reported by "Ward's Automotive Reports."

The statistical agency said sales of 118,300 domestic-built models averaged to a 16,900 daily rate that was 9.0% above 15,510 daily in Jan. 1-10 of 1959 and 15.3% above 14,656 for the same period in 1958.

"Ward's" said this month's opening 10-day sales were divided 47.4% GM Corp., 28.8% Ford Motor Co. and 14.0% Chrysler Corp. The share for American Motors Corp. was 7.7% and for S-P Corp. 2.1%.

The reporting service said that despite the rise over early 1959 and 1958, year 1960 sales got off to a slower start than expected in some quarters, being only 2.6% in daily rate above Dec. 21-31 when 16,467 were retailed daily.

"Ward's" said the indicated sales pattern will bring a sudden rise in auto inventories during January, but not much more than already had been expected as a result of the industry's mammouth production schedules.

Said "Ward's," "prospects for a rising market should by no means be revised at this early date on the basis of a single 10-day selling period which at best is skimpy evidence."

"Ward's" noted that the historical trend is for the auto market tenor in January to momentarily dip, regardless of the strength or the factors affecting December buying.

It added that if estimated import car sales are added to the domestic total, Jan. 1-10 retailing actually equalled the same period in 1955 when Jan. 1-10 deliveries of 18,565 daily touched off a record 7,400,000 auto retail sales year.

"Ward's" said that while a portion of first-quarter auto schedules of 2,280,000 passenger cars may eventually be shifted into the second quarter, entire January new car sales of domestic-built and imported units are expected to rival the 512,000 in January of the industry's record year of 1955.

"Ward's" said passenger car output of an estimated 176,845 units in the week ended Jan. 16 represented the highest level since the week ended Dec. 9, 1955, when 178,409 were assembled.

The agency added that compact car production accounted for 21% of the latest week's car total and reached the highest volume in history for that segment of the industry.

"Ward's" said output of the five compact car makes combined totaled an estimated 37,870 units compared to 35,726 in the previous week when overall car output was at a 37-month high. During the same week last year, combined output of the two makes then in production amounted to only 11,362 units.

"Ward's" said the upsurge in last week's passenger car production was the result of heavy Saturday work programs by Ford, Chevrolet, and American Motors Corp. All other manufacturers maintained five-day operations.

"Ward's" said the 2,000,000th car in the 1960 model year would be produced in the week beginning Jan. 18.

Carloadings Show 7.4% Gain Over 1959 Week

Loading of revenue freight for the week ended Jan. 9, 1960 totaled 591,515 cars, the Association of American Railroads announced. This was an increase of 40,849 cars or 7.4% above the corresponding week in 1959, and an increase of 21,708 cars or 3.8% above the corresponding week in 1958.

Loadings in the week of Jan. 9 were 108,503 cars or 22.5% above the preceding holiday week.

Intercity Truck Tonnage 8.6% Above 1959 Week

Intercity truck tonnage in the week ended Jan. 9 was 8.6% ahead of that of the corresponding week of a year ago, the American Trucking Associations, Inc. announced. Truck tonnage was 35% ahead of that of the previous week of this year. The week-to-week rise in tonnage for the week following the New Year's holiday approximates that experienced during previous years.

These findings are based on the weekly survey of 34 metropolitan areas conducted by the ATA Research Department. The report reflects tonnage handled at more than 400 truck terminals of common carriers of general freight throughout the country.

Electric Output 6.8% Above 1959 Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Jan. 16, was estimated at 14,236,000,000 kwh., according to the Edison Electric Institute. Output was 72,000,000 kwh. below that of the previous week's total of 14,308,000,000 kwh. but showed a gain of 912,000,000 kwh., or 6.8% above that of the comparable 1959 week.

Lumber Shipments 7.4% Below 1959 Week

Lumber shipments of 467 mills reporting to the National Lumber Trade Barometer were 10.3% below production during the week ended Jan. 9, 1960 and 7.4% below the same week in 1959. In the latest week new orders of these mills were 15.3% below production. Unfilled orders of reporting mills amounted to 39% of gross stocks. For reporting softwood mills, unfilled orders were equivalent to 20 days' production at the current rate, and gross stocks were equivalent to 47 days' production.

For the year-to-date, shipments of reporting identical mills were 10.3% below production; new orders were 15.3% below production.

Compared with the previous (holiday) week ended Jan. 2, 1960 production of reporting mills was 26.7% above; shipments were 1.7% above; new orders were 13.1% above. Compared with the corresponding week a year ago, production of reporting mills was 4.0% above; shipments were 7.4% below; and new orders were 14.4% below.

Business Failures Rise Considerably in Week Ended Jan. 14

Commercial and industrial failures climbed to 292 in the week ended Jan. 14 from 242 in the preceding week, reported Dun & Bradstreet, Inc. Casualties came close to the 294 occurring in the comparable week a year ago and exceeded the 1958 total of 260. However, they remained considerably lower, 23%, than the pre-war level of 380 in the similar week of 1939.

Liabilities of $5,000 or more were involved in 254 of the week's failures as against 216 in the previous week and 258 last year. An increase also occurred among small casualties, those with liabilities under $5,000, lifting their toll to 38 from 26 a week earlier and 36 in 1959. Thirty-five of the failing businesses suffered liabilities in excess of $100,000, as compared with 23 of this size is the preceding week.

All industry and trade groups had higher failures except manufacturing, where casualties fell to 48 from 58. The most noticeable rise appeared among retailers, up to 151 from 112, while the construction toll moved up to 47 from 37, wholesaling, to 26 from 19, and commercial services to 20 from 16. Despite these increases, trade and manufacturing mortality remained slightly below a year ago; only construction and service tolls climbed above 1959 levels.

Seven of the nine major regions reported heavier business tolls in the week just ended. The upturn was particularly sharp in the South Atlantic and South Central States, while moderate increases lifted Middle Atlantic casualties to 108 from 95 and Pacific to 57 from 48. The week's only decline occurred in the East North Central States, off to 38 from 45. Failures equalled or exceeded year-ago levels in all regions except two—the Middle Atlantic and East North Central States.

Failures Down 6% in 1959

Business failures dipped in December to 1,080, the lowest level in five months, bringing the total for the year 1959 to 14,053. This was 6% below the recession peak of 14,964 in 1958 but above any other year since 1939. The decline prevailed in most regions and in all types of operation except service.

In relation to the operating business population, the failure rate dropped back to the 1957 toll of 52 per 10,000 listed businesses. This casualty rate compared with 56 per 10,000 in 1958 and was considerably less severe than the pre-war rate of 70 in 1939.

Dollar liabilities of failures occurring in 1959 totalled $692.8 million, a volume 5% below the previous year. Fewer businesses succumbed in all size groups below $1 million; those involving losses above that amount edged up to a record high.

Tolls lightened appreciably during the year in retail trades. The sharpest declines occurred among furniture stores, down a third from 1958, and among drug stores, which fell to a seven-year low. Manufacturing casualties were off 8% from a year earlier; their only rise appeared in the transportation equipment industry. Although general building and sub-contracting failures dipped generally, heavy construction contractors suffered higher mortality during the year.

Seven of the nine major geographic regions reported fewer failing businesses in 1959 than in the preceding year. Declines ranged from 3% in the Pacific States to 17% in the East South Central where casualties were the lowest in four years. Contrasting increases were noted in the East North Central States, where Ohio and Illinois tolls climbed under the impact of the steel strike, and in the Mountain States, where Colorado pushed up the total appreciably.

Failures in large cities declined more sharply than those in non-metropolitan districts — 10% as against 4%. Noticeably lower tolls were reported in Philadelphia, Baltimore and Detroit.

Wholesale Food Price Index Rises Notably

There was a marked rise this week in the Wholesale Food Price Index, compiled by Dun & Bradstreet, Inc. On Jan. 12, it rose 1.4% to $5.78 from $5.70 of the prior week, which was the lowest level since Nov. 14, 1949. The current index was down 6.2% from the $6.16 of the corresponding date a year ago.

Commodities quoted higher this week were rye, oats, beef, hams, lard, butter, cheese, coffee, cottonseed oil, tea, cocoa, eggs, potatoes, and hogs. On the down side were flour, sugar, milk and raisins.

The Index represents the sum total of the price per pound of 31 raw food stuffs and meat in general use. It is not a cost-of-living index. Its chief function is to show the general trend of food prices at the wholesale level.

Promotions Hold Retail Trade At High Level

Extensive reduced-price sales promotions held retail trade at a high level this week, and volume was up moderately over the similar period a year ago. The most noticeable year-to-year gains occurred in women's apparel, furniture, floor coverings and major appliances. A marked rise in sales of new passenger cars occurred during the week, and volume

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matched that of last year, according to scattered reports.

The total dollar volume of retail trade in the week ended Jan. 13 was 3 to 7% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1959 levels by the following percentages: New England and Mountain +5 to +9; South Atlantic and Pacific Coast +4 to +8; East North Central and West North Central +3 to +7; Middle Atlantic +1 to +5; West South Central 0 to +4; East South Central —2 to +2.

Retailers reported significant gains over last year in sales of women's cloth coats, suits and dresses, and volume in sportswear and cruisewear was up appreciably. Interest in fashion accessories moved up from a week earlier and was slightly over last year. Best-sellers in men's apparel were topcoats, suits and sportswear holding over-all volume moderately over last year. Purchases of men's furnishings showed little change from both the prior week or the comparable period last year.

A marked rise in sales of appliances occurred this week, except for television sets and radios. Substantial year-to-year gains occurred in automatic washers and dryers and refrigerators. Furniture stores reported sizeable increases over last year in both living room and bedroom merchandise. Continued January White Sales helped volume in linens climb moderately over a year ago. While the buying of floor coverings showed noticeable year-to-year gains, sales of draperies were steady.

A good ordering pace was maintained in Chicago household goods markets this week, especially for furniture; interest in metal dinette sets, summer outdoor furniture, case goods and upholstered chairs was well over a year ago. Wholesalers of household goods in Atlanta reported the most appreciable gains in lamps, upholstered goods and case goods. Although attendance at the opening of the New York Curtain and Drapery show was well over a year ago, orders were down slightly. Buying at the National Domestics and Linen Show in New York was up slightly from the similar event last year.

There was a marked rise over a year ago in New York Markets this week in bookings in women's spring dresses, sportswear, cloth coats and suits. In Boston wholesalers reported the most substantial gains in women's sportswear. Volume in men's apparel rose noticeably over last year in most Southern and Mid-Western markets. Buyers were interested in both winter fill-in merchandise and in summer apparel: best-sellers were sportswear, topcoats and lightweight suits. Re-orders for children's winter apparel subsided somewhat, but volume in spring clothing picked up appreciably.

Declines in volume in print cloths and sheetings held over-all trading in cotton gray goods moderately below a week earlier; some lines were in short supply. Another marked rise occurred during the week in orders for industrial fabrics and man-made fibers. Trading in woolens and worsteds in Boston lagged. While interest in carpet wool expanded moderately in Philadelphia, sales were sluggish in Boston markets. New England dyers and finishers reported a slight rise in incoming orders.

Nationwide Department Store Sales Up 9% for Jan. 9 Week

Department store sales on a country-wide basis as taken from the Federal Reserve Board's Index for the week ended Jan. 9, 1960, increased 9% above the like period last year. In the preceding week, for Jan. 2, an increase of 8% was reported. For the four weeks ended Jan. 9 a 10% increase was registered, and for the year 1959 a 7% increase was noted over the figure for the same period in 1958.

According to the Federal Reserve System department store sales in New York City for the week ended Jan. 9 increased 9% over the like period last year. In the preceding week ended Jan. 2, 1960 a 6% increase was shown. For the four weeks ending Jan. 9 a 11% increase was reported over the 1959 period. The year 1959 showed a 4% increase over the level achieved in the corresponding 1959 period.

Rad-O-Lite, Inc. Offered by J. G. Cravin

John G. Cravin & Co. is offering 300,000 shares of the common stock of Rad-O-Lite, Inc., of Erie, Pa., at $1.50 per share.

Organized in 1957, the company is engaged in the business of designing, manufacturing, installing and leasing electronic building protection systems and developing a remote control electronic traffic light control system. Of the net proceeds of this financing, it proposes to use $80,000 for installation of a traffic light control system in Erie, conditioned upon City authorization; $100,000 for the manufacture of inventory; $60,000 for advertising, promotion and selling; and $113,000 for working capital, which will be used in part for the payment of accrued wages to officers and a former director in the amount of $4,840, to repay a $12,180 bank loan used for installation of new units; and $12,219 for trade accounts payable.

A. T. Brod & Co. Offers General Coil Common Stock

Pursuant to an offering circular dated Jan. 12, A. T. Brod & Co. offered 99,000 shares of the common stock (10 cent par) of the General Coil Products Corp., a coil and transformer manufacturing corporation located in Jamaica, L. I., N. Y.

The proceeds are to be used for additional equipment and machinery, research and development, automation of operations, and working capital.

The stock was priced at $3 per share.

Now A Corporation

John Street Investors Inc., 76 John Street, New York City, has been formed to continue the investment business of John Street Investors. Officers are Herman I. Krainman, President and Treasurer, and F. P. Krainman, Secretary. Mr. Krainman was formerly sole proprietor of the firm.

Alexander Goun Opens

FOREST HILLS, N. Y.—Alexander Goun is conducting a securities business from offices at 65-61 Saunders Street.

Form Great States Secs.

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Ill.—Great States Securities, Inc. has been formed with offices at 311 East Monroe Street to engage in a securities business. Officers are Ira G. Woodward, Jr., President; Leslie W. Nimo, Vice-President; and Alonzo R. Fearneyhough, Secretary and Treasurer.

S. Marcus Forms Co.

EAST MEADOW, N. Y.—Seymore C. Marcus is engaging in a securities business from offices at 2503 Cadillac Drive under the firm name of Marcus Investment Co.

Burnham Offers Greer Rights to Stockholders

Pursuant to a prospectus dated Jan. 14, Burnham & Co. is offering to common stockholders of Greer Hydraulics, Inc. the right to subscribe to 235,139 additional shares of common stock at $4 per share on the basis of four additional shares for each five shares then held. These rights expire on Jan. 29.

The net proceeds of the stock sale will be applied first to the payment of the costs involved in the relocation of the company's operations from New York, N. Y., to Los Angeles, Calif., the cash expenditure for which is estimated to be not in excess of $300,000. The balance of the net proceeds will be used to reduce current obligations of the company and for general corporate purposes.

Schwabacher & Co. Offers Lockhart Common

Schwabacher & Co., is heading an underwriting group offering 100,000 shares of the common stock ($1 par) of Lockhart Corp., of Salt Lake City. The stock is priced at $11.50 per share.

Lockhart is primarily a holding company owning all the outstanding stock of (1) Lockhart Co., an industrial loan company in Utah, (2) Royal Life Insurance Co., an Arizona corporation principally engaged in the reinsuring of life, health and accident insurance policies sold to numerous borrowers from Lockhart Co., in connection with their loans; and (3) eight small loan companies organized under the laws of Utah. The company also is indirectly engaged in the insurance agency business (other than life) in Utah.

Form Life Inv. Planning

SAN FRANCISCO, Calif. — Life Investments Planning Corp. is conducting a securities business from offices at 315 Montgomery Street. Officers are Forrest A. Lee, President; Silvio E. Ravetti, Vice-President; and Robert L. Sprinkle III, Secretary-Treasurer. All were formerly with McCormick & Co.

Form B B R Associates

(Special to THE FINANCIAL CHRONICLE)

CARMI, Ill.—B. B. R. Associates, Inc. is engaging in a securities business from offices at 612 North Fourth Street. Officers are Charles E. Barbre, President; Ben J. Behler, Vice-President; and Carl R. Barbre, Secretary and Treasurer.

Peter Bostory Opens

PATERSON, N. J.—Peter Bostory is engaging in a securities business from offices at 128 Barclay Street. He was formerly with First Investors Corporation.

Form Capitol Securities

COLUMBUS, Ohio—Capitol Securities Corp. has been formed with offices at 44 East Broad Street to engage in a securities business. Officers are Jack D. Griffith, President; John A. Bernard, Secretary; and Donald H. Bradley, Vice-President. All were formerly with Gallagher Roach & Co.

Forms Breakenridge Co.

NEWARK, N. J.—Helen M. Breakenridge has opened offices at 24 Commerce Street to engage in a securities business under the name of Breakenridge & Company. Miss Breakenridge was formerly with Wm. H. Davis & Co.

BANK AND INSURANCE STOCKS

BY LEO I. BURRINGTON

This Week — Bank Stocks

THE 1959 RESULTS OF MAJOR NEW YORK CITY BANKS

Investors owning bank stocks have benefitted from another excellent year. This improvement is opportunely the case for stockholders of New York City banks. On average the market performance of these issues outpaced the 1959 gain of the Dow-Jones industrial stock average. *Bankers Trust* was the star performer for 1959 with a market appreciation of 37.5%, while even the lowest placed performer, *Irving Trust*, registered a 10% gain. Further advances for major city bank stocks are indicated for 1960. Price-earnings ratios still are reasonable on 1959 results and current prices generally can be considered attractive on the basis of higher estimated 1960 earnings.

The combination of strong loan demand and higher interest returns on loans and securities practically assures the better earnings outlook for the months ahead. During 1959 bank managements quite properly took security losses in order to obtain the available higher returns on loanable funds, since such actions lead to higher earnings in time. *Chemical Bank New York Trust* registered the best gain in loans, up 17%; *The Hanover Bank's* gain was a modest 5%. All of the eight largest banks reduced their U. S. Government holdings by at least 30% during the year to obtain needed loanable funds.

In contrast with the 1958 experience of an unchanged loan position and a fair increase in deposits, 1959 produced a healthy gain in loans but no growth in deposits. Other than for general credit restraint, this lack of deposit growth, as well as stagnant total asset growth, again points out the need for New York City Banks to expand beyond the limited territory presently served.

Bankers are well aware of this limitation and they again are seeking legal liberalization from the State legislature. Since growth through branch banking appears inevitable it is indeed unfortunate that tradition stands in the way of the economics of banking which

Leading New York City Bank Stocks

	Adj. Bid Price Range 1959-1960		Recent Mean Price	Yield	Indic. Divid.	Adj. 1959 Earn.	Earn. Gain
Chase Manhattan Bank	70	55	66	3.6%	$2.40	$4.81	15.5%
First Nat'l City Bank	92	73	89	3.4	3.00	5.55	12.7
Chemical Bk. N. Y. Tr. Co.	70	58	67	3.6	2.40	4.60	12.7
Morgan Guaranty Tr. Co.	118	94	111	3.7	4.00	5.86	12.7
Manufacturers Trust Co.	69	51	65	3.7	2.40	4.69	15.2
*Bankers Trust Company	105	75	103	3.3	3.44	6.80	24.3
Irving Trust Company	43	37	41	3.9	1.60	2.89	13.9
The Hanover Bank	55	44	53	3.9	2.00	3.53	12.8
Bank of New York	335	246	327	3.7	12.00	20.59	19.6

*A 100% stock dividend is pending.

best serves the public. At year end 1959 only First National City Bank, Bank of New York and Chase Manhattan Bank were able to make some slight gain in assets and deposits. Ranked by deposits Manufacturers Trust Co., Bankers Trust Co., Irving Trust Co., Hanover Bank and Bank of New York all lost national position. Only the banks effecting mergers in 1959 were able to advance their positions, namely Morgan Guarantry Trust Co. and Chemical Bank New York Trust Co.

Modest gains in book values occurred for all nine banks, since operating earnings more than offset security losses. *Manufactrers Trust* achieved the best book value gain. Also, with earnings rising faster than capital funds, all nine banks continued their trend toward obtaining a higher percentage earned on book value. *Bankers Trust* showed the biggest improvement.

Increases in capital funds for 1960 are occurring through the issuance of stock dividends by several of the major banks. Such declarations, which serve to strengthen a bank's earning power base, include 2% each to the stockholders of Chase Manhattan, First National City Bank and Irving Trust and 12½% to The Hanover Bank's stockholders. Prices and earnings in the table presented have been adjusted for these payouts, although some of the proposals are still subject to stockholders' approval.

Although cash dividends were increased by Bankers Trust and Manufacturers Trust during 1959, they together with Chase Manhattan presently show the lowest dividend payout of earnings. While most of all of the banks are likely to increase cash dividends in 1960 or 1961, Chase Manhattan should be one of the first to do so based on the statistical record. Even though operating expenses increased during 1959, New York Banks have an established record for efficient operations. Best control of expenses, excluding taxes, during the past year was achieved by *Bankers Trust*.

The stocks of leading banks in major cities continue to hold particular promise as sound investments at this time. Factors underlying the relative attractiveness include proficient managements, economies from automation equipment utilization, and wide markets—local to international.

Our Annual Comparison

New York City Bank Earnings

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Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Aaronson Bros. Stores Corp.
Dec. 29 filed 40,000 shares of 70 cent cumulative preferred stock (par $2.50). **Price**—To be supplied by amendment. **Proceeds**—To pay for opening, equipping and stocking three new stores in El Paso, San Luis, Ariz., and San Diego, Calif. The balance of the proceeds will be added to the company's general funds and used primarily to open, equip and stock additional stores that may be opened in the future. **Office**—526 East Overland Avenue, El Paso, Texas. **Underwriters**—Eppler, Guerin & Turner, Inc., Dallas, Texas, and Harold S. Stewart & Co., El Paso, Texas.

Abbott-Warner Co., Inc.
Aug. 12 (letter of notification) 62,500 shares of common stock (no par). **Price**—$2.70 per share. **Proceeds**—To prepare estimates and to submit bids, as prime contractor on specialized construction projects. **Office**—123 Denick Avenue, Youngstown, Ohio. **Underwriter**—Strathmore Securities, Inc., 605 Park Building, Pittsburgh 22, Pa. This offering is expected to be refiled.

• **Accurate Electronics, Inc.**
Dec. 16 (letter of notification) 150,000 shares of common stock (par 25 cents). **Price**—$1.50 per share. **Proceeds**—For research and development, advertising and for working capital. **Office**—13215 Leadwell Street, N. Hollywood, Calif. **Underwriters**—Amos Treat & Co., Inc., New York and Arthur B. Hogan, Inc., Los Angeles, Calif. **Offering**—Expected in February.

★ **Aerodyne Controls Corp.**
Jan. 13 (letter of notification) 50,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office**—1783 New York Avenue, Huntington Station, N. Y. **Underwriter**—None.

Aetna Finance Co. (1/26)
Dec. 22 filed $5,000,000 convertible subordinated debentures, due Feb. 1, 1975, and 200,000 shares of common stock (par $1), of which 75,000 shares of the common are to be offered for the account of a selling stockholder and the rest of the offering is to be made on behalf of the issuing company. **Prices**—For the debentures, at 100% plus accrued interest from Feb. 1, 1960; for the stock, to be supplied by amendment. **Proceeds**—For general corporate purposes, including the reduction of indebtedness. **Office**—Clayton, Mo. **Underwriters**—Scherck, Richter Co., and Dempsey-Tegeler & Co., both of St. Louis, Mo.

Alaska Consolidated Oil Co., Inc.
Sept. 17 filed 3,000,000 shares of common stock (par five cents). **Price**—$2.50 per share. **Proceeds**—For further development and exploration of the oil and gas potential of the company's Alaska properties. **Office**—80 Wall Street, New York. **Underwriter**—C. B. Whitaker, A. J. Zappa & Co., Inc., New York. **Offering**—Expected in January.

• **Aircraft Dynamics International Corp. (2/15)**
Sept. 25 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For general corporate purposes. **Office**—229 S. State Street, Dover, Del. **Underwriter**—Aviation Investors of America, Inc., 666 Fifth Avenue, New York 19, N. Y.

• **Allegheny Airlines, Inc. (2/1-5)**
Dec. 31 filed $5,500,000 of convertible subordinated debentures, due Feb. 1, 1975. **Price**—To be supplied by amendment. **Proceeds**—To buy planes and engines, reduce indebtedness, and add to working capital. **Office**—Washington National Airport, Washington, D. C. **Underwriters**—Auchincloss, Parker & Redpath of Washington, and Allen & Co. and Lee Higginson Corp., both of New York City.

Allied Bowling Centers, Inc.
Dec. 29 filed $750,000 of sinking fund debentures and 300,000 shares of capital stock, to be offered in units of $75 principal amount of debentures and 30 shares of stock. **Price**—$108 per unit. **Proceeds**—For general corporate purposes. **Office**—Arlington, Texas. **Underwriter**—Rauscher, Pierce & Co., Inc., Dallas.

Allied Producers Corp.
Dec. 3 filed 1,000,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For working capital to be used in the purchase of oil and gas properties and related forms of investment. **Office**—115 Louisiana Street, Little Rock, Ark. **Underwriter**—The offering is to be made by John L. Hedde, President of the issuing company and owner of 10,000 of its 80,000 presently outstanding shares. Mr. Hedde will work on a "best efforts" basis, and will receive a selling commission of 12 cents per share on Arkansas sales and 15 cents per share on out-of-state sales.

Allied Small Business Investment Corp.
Sept. 29 filed 100,000 shares of common stock (par $8). **Price**—$11 per share. **Proceeds**—To be used to provide equity capital and long-term loans to small business concerns. **Office**—Washington, D. C. **Underwriter**—NASD members who execute a selling agreement. **Offering**—Expected in January.

American Frontier Life Insurance Co.
Nov. 30 filed 200,000 shares of capital stock. **Price**—$8 per share. **Proceeds**—To increase capital and surplus. **Office**—1455 Union Ave., Memphis, Tenn. **Underwriter**—Union Securities Investment Co., also of Memphis, which will receive a selling commission of $1.20 per share.

• **American Gypsum Co. (2/1-5)**
Dec. 4 filed 480,000 shares of common stock and $1,200,000 of 7% first mortgage notes, due Dec. 1, 1969, to be offered in units consisting of $100 principal amount of notes and 40 shares of stock. The common stock will be separately transferable only on and after July 1, 1960 unless an earlier date is fixed by the Board of Directors of the company. **Price**—$300 per unit. **Proceeds**—For general corporate purposes, including construction equipment, and working capital. **Office**—323 Third Street, S. W., Albuquerque, N. Mex. **Underwriters**—Jack M. Bass & Co., Nashville, Tenn., and Quinn & Co., Albuquerque.

American Industries Life Insurance Co.
Dec. 18 filed 316,667 shares of class A common and 50,000 shares of class B common, of which 50,000 shares of the class A and all (50,000) of the class B have been subscribed to by Foundation Life Insurance Co., and 16,667 shares of the class A are reserved for issuance upon the exercise of an option granted an agency director. **Price**—$4.50 per share (for the 250,000 shares to be publicly offered). **Proceeds**—For capital and surplus of the 13-month-old company. **Office**—Title & Trust Bldg., Phoenix, Arizona. **Underwriter**—None.

American Investors Syndicate, Inc.
June 25 filed 600,000 shares of common stock (par 10 cents), and 200,000 shares of 6% preferred stock (no par value, $9 stated value), to be offered in units consisting of 3 shares of common ($1 each) and 1 share of preferred ($9). **Price**—$12 per unit. **Proceeds**—For construction and related expenditures. **Office**—513 International Trade Mart, New Orleans, La. **Underwriter**—Lindsay Securities Corp., New Orleans, La. The SEC had scheduled a hearing, to begin on Sept. 2, which will determine whether a stop order will be issued suspending the offering. No decision has been announced.

• **American Land Co.**
Dec. 14 filed 300,000 shares of class A preference stock ($15 par) and 300,000 shares of common stock, to be offered in units of one share of preference and one share of common. **Price**—To be supplied by amendment. **Proceeds**—For property acquisition and development. **Office**—49 E. 53rd Street, New York City. **Underwriter**—Hemphill, Noyes & Co. **Offering**—Expected in February.

American Service Life Insurance Co.
Sept. 14 filed 300,000 shares of common stock (par 40¢). **Price**—$3.50 per share. **Proceeds**—For general corporate purposes, including, possibly, the acquisition of similarly engaged companies. **Office**—113 Northeast 23rd Street, Oklahoma City, Okla. **Underwriter**—First Investment Planning Co., Washington, D. C.

★ **Anadite, Inc.**
Jan. 18 filed 50,000 shares of capital stock. **Price**—To be supplied by amendment. **Proceeds**—To buy plant and property, repay bank indebtedness, and add to working capital. **Office**—10630 Sessler Street, South Gate, Calif. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

★ **Anthony (C. R.) Co.**
Jan. 11 (letter of notification) 850 shares of class B non-voting common stock (par $100) to be offered to employees of the company and its subsidiaries. **Price**—At book value. **Proceeds**—For equipment; purchase of existing stores and capital improvements. **Office**—701 N. Broadway, P. O. Box 994, Oklahoma City, Okla. **Underwriter**—None.

Apache Properties, Inc.
Nov. 20 filed 500,000 shares of common stock (par $1) to be offered in exchange for undivided interests in gas and oil leaseholds located in certain counties in Oklahoma. **Price**—$10 per share. **Office**—523 Marquette Ave. Minneapolis, Minn. **Underwriter**—None.

Arcoa, Inc.
Dec. 28 filed $6,000,000 of U-Haul Fleet Owner Contracts and $3,000,000 of Kar-Go Fleet Owner Contracts. The contracts provide for the operation of fleets of automobile-type rental trailers in the U-Haul Trailer Rental System or the Kar-Go Trailer Rental System. **Office**—4707 S. E. Hawthorne Boulevard, Portland, Ore. SEC clearance is expected about March 1.

Associations Investment Fund
Aug. 28 filed 400,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For investment in common stocks. **Office**—301 W. 11th Street. Kansas City, Mo. **Underwriter**—Jones Plans, Inc., a subsidiary of R. B. Jones & Sons, Inc.

Automatic Retailers of America, Inc. (1/26)
Dec. 15 filed 120,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To pay bank loan, with the balance to general funds for expansion and acquisitions. **Office**—Los Angeles, Calif. **Underwriters**—White, Weld & Co., New York City, and Cruttenden, Podesta & Co., of Chicago.

Bankers Management Corp.
Sept. 10 (letter of notification) 300,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—1404 Main Street, Houston 2, Texas. **Underwriter**—Daggett Securities, Inc., Newark, N. J.

Bargain Centers, Inc.
Dec. 2 (letter of notification) 120,000 shares of common stock (par $10 cents). **Price**—$2.50 per share. **Proceeds**—To remodel store and offices in warehouse, opening a new store and for working capital. **Office**—31-37 Fayette Street, Martinsville, Va. **Underwriters**—Frank P. Hunt & Co., Inc., Rochester, N. Y., and First City Securities, Inc., New York, N. Y.

★ **Bastian-Morley Co., Inc.**
Jan. 18 filed $650,000 of convertible first mortgage sinking fund bonds. **Price**—At 100% of principal amount. **Proceeds**—To buy about 50.6% (67,808 shares) of its outstanding common from the family of one of its founders, the late James P. Morley. This will cost $542,466. The remainder of the proceeds will be applied to the retirement of the issuer's junior convertible 5% debentures. **Office**—200 Truesdell Avenue, LaPorte, Ind. **Underwriter**—City Securities Corp., Indianapolis 4, Ind.

• **Big "C" Stores, Inc.**
Dec. 23 filed 250,000 shares of common stock, of which 125,000 shares are to be offered for the company's account and the remaining 125,000 will be sold for the account of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For repayment of certain outstanding notes; for payment of fixtures and equipment for new supermarkets; and the balance for general corporate purposes. **Office**—1845 S. E. Third Ave., Portland, Ore. **Underwriters**—J. Barth & Co., and The First California Co. Inc., both of San Francisco, Calif.; and Hill Darlington & Co., New York. **Offering**—Expected in February.

Boothe Leasing Corp.
Dec. 2 filed 40,296 shares of common stock (no par) being offered to holders of outstanding common stock on basis of one new share for each eight shares held of record Jan. 12; rights expire Jan. 29. **Price**—$24 per share. **Proceeds**—For general corporate purposes, including the acquisition of additional equipment which the company intends to lease to various businesses. **Office**—315 Montgomery Street, San Francisco, Calif. **Underwriters**—Wertheim & Co., New York City, and J. Barth & Co., San Francisco.

Border Steel Rolling Mills, Inc.
Sept. 14 filed $2,100,000 of 15-year 6% subordinated sinking fund debentures, due Oct. 1, 1974, and 210,000 shares of common stock ($2.50 par), to be offered in units of $50 principal amount of debentures and five shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For the purchase of land and construction thereon, and for the manufacture and installation of necessary equipment. **Office**—1609 Texas Street, El Paso, Texas. **Underwriters**—First Southwest Co., Dallas, Texas, and Harold S. Stewart & Co., El Paso, Texas.

Border Steel Rolling Mills, Inc.
Sept. 14 filed 226,380 shares of common stock, to be offered for subscription to stockholders of record Aug. 31, 1959, on the basis of 49 new shares for each share then held. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office**—1609 Texas Street, El Paso, Texas. **Underwriter**—None.

★ **Boston Racing & Breeders Corp.**
Jan. 11 (letter of notification) 23,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For expenses in operating a race track. **Office**—c/o Frank E. Berman, President, 481 Boylston St., Brookline, Mass. **Underwriter**—None.

Burch Oil Co.
Sept. 25 (letter of notification) 120,000 shares of class A common stock (par five cents). **Price**—$2.50 per share. **Proceeds**—For building and equipping stations and truck stop and additional working capital. **Office**—C/o Garland D. Burch, at 707 Grattan Road, Martinsville, Va. **Underwriter**—Maryland Securities Co., Inc., Old Town Bank Building, Baltimore 2, Md.

California Metals Corp.
July 27 filed 2,500,000 shares of common stock. **Price**—At par (20 cents per share). **Proceeds**—For construction of a pilot plant; for measuring ore; for assaying; and for general corporate purposes. **Office**—3955 South State St., Salt Lake City, Utah. **Underwriter**—Cromer Brokerage Co., Inc., Salt Lake City.

California Mutual Co-Ply, Inc.
Sept. 14 filed 140 shares of voting common stock. **Price**—At par ($5,000 per share). **Proceeds**—To purchase the mill and related facilities of Durable Plywood Co. for $690,000, with the balance to be used for working capital. **Office**—Calpella, Calif. **Underwriter**—The offering is to be made by Ramond Benjamin Robbins, one of the nine promoters, the list of which also includes Harry Ernest Holt, of Eureka, Calif., President of the company.

• **California Water & Telephone Co. (2/9)**
Jan. 8 filed 210,000 shares of common stock, of which 200,000 shares are to be offered to the public and 10,000 shares are to be offered to employees of the issuer. **Price**—To be supplied by amendment. **Proceeds**—To be applied to 1960 construction expenditures, which are estimated at $13,387,000. **Office**—300 Montgomery Street, San Francisco, Calif. **Underwriter**—Blyth & Co., Inc., Russ Building, San Francisco 4, and New York City.

• **Can-Fer Mines Ltd.**
Dec. 22 filed 300,000 shares of capital stock. **Price**—To be supplied by amendment. **Proceeds**—For exploration and development of mining claims. **Office**—Toronto, Canada. **Underwriters**—Pearson, Murphy & Co., Inc., and Emanuel, Deetjen & Co., both of New York City, on a "best efforts" basis. **Offering**—Expected in February.

• **Cardinal Petroleum Co.**
Nov. 30 filed 200,000 shares of common capital stock. **Price**—$4 per share. **Proceeds**—For general corporate purposes including debt reduction, drilling and working capital. **Office**—420 No. 4th St., Bismarck, North Dakota. **Underwriter**—J. M. Dain & Co., Inc., Minneapolis, Minn. **Offering**—Indefinite.

Carolina Natural Gas Corp.
Dec. 30 filed 120,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For debt re-

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duction, construction, and working capital. **Office**—256 First Avenue N. W., Hickory, N. C. **Underwriters**—Cruttenden, Podesta & Co., Chicago, and Odess-Martin, Inc., Birmingham, Ala.

Cascade Pools Corp.
Nov. 30 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Office**—River & Wood Sts., Butler, N. J. **Underwriter**—R. A. Holman & Co., Inc., New York, N. Y. **Offering**—Expected in February.

Citizens Casualty Co. of New York (1/25-29)
Nov. 9 filed 250,000 shares of class A common stock (par $2). **Price**—To be supplied by amendment. **Proceeds**—To be invested in income-producing securities. **Office**—33 Maiden Lane, New York City. **Underwriter**—Lee Higginson Corp.

• **Clinton Engines Corp. (2/17)**
Jan. 11 filed 350,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To reduce indebtedness. **Office**—250 Park Ave., New York City. **Underwriters**—Bear, Stearns & Co., New York City, and H. M. Byllesby & Co., Inc., Chicago.

Coastal Chemical Corp.
Dec. 7 filed 111,729 shares of class A common and 70,000 shares of class C common, of which 50,000 class C shares are to be offered for the account of Miss. Chemical Corp., selling stockholder, with the remainder of the offering to be sold for the account of the issuing company. **Price**—For the class A stock: $30 per share; for the class C stock: $25 per share. **Proceeds**—For working capital, construction, and repayment of loans. **Office**—Yazoo City, Miss. **Underwriter**—The offering is to be made through Coastal employees with Miss. Chemical underwriting on a "best efforts" basis, receiving a selling commission of 33 cents a share.

Combined Electronics, Inc.
Oct. 30 filed 800,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For general corporate purposes, including expansion, new product development, and working capital. **Office**—135 S. La Salle Street, Chicago, Ill. **Underwriter**—David Johnson & Associates, Inc., Indianapolis, Ind., on a "best efforts" basis.

• **Commerce Drug Co.**
Nov. 30 filed 90,000 shares of common stock. **Price**—$6.50 per share. **Proceeds**—To selling stockholders. **Office**—505 Court St., Brooklyn, N. Y. **Underwriter**—Marron, Sloss & Co., Inc. **Offering**—Expected in February.

Commerce Oil Refining Corp
Dec. 16, 1957 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.

• **Computer Usage Co., Inc.**
Dec. 29 (letter of notification) 47,000 shares of common stock (par 25 cents). **Price**—$5 per share. **Proceeds**—For general corporate purposes. **Office**—100 W. 10th Street, Wilmington, Del. **Underwriters**—Marron, Sloss & Co., Inc. (handling the books), and Roosevelt & Gourd, New York, N. Y.; L. B. Schwinn & Co., Cleveland, Ohio; Donaldson, Luskin & Jenrette, Inc., New York, N. Y. and First Albany Corp., Albany, N. Y. **Offering**—Expected any day.

Consolidated Development Corp.
Aug. 28 filed 448,000 shares of common stock (par 20c), of which 1198,000 shares are to be offered to holders of the issuing company's 6% convertible debentures, and 100,000 shares are to be offered to the underwriter, with the remaining 150,000 shares, in addition to those shares described above not subscribed for by the debenture holders and the underwriter, respectively, to be publicly offered. **Price**—For the shares to be offered to the debenture holders, 75c per share, which is equal to the price at which the debentures are convertible into common stock; for the shares to be offered to the underwriter, $1 per share; for the shares to be offered to the public, the price will be related to the current price of the outstanding shares on the American Stock Exchange at the time of the offering. **Proceeds**—For general corporate purposes. **Note**—This company was formerly known as Consolidated Cuban Petroleum Corp., which was a Delaware corporation with Havana offices. Its charter was amended last June, changing the corporate name and sanctioning its entry into real estate operations. The SEC announced a "stop order" on Dec. 10, challenging the registration statement, and the corporation told this newspaper they planned to re-register. An SEC hearing is scheduled for Jan. 25. **Office**—Miami Beach, Fla. **Underwriter**—H. Kook & Co., Inc., New York.

Consolidated Development Corp., Pompano Beach, Fla.
Nov. 24 filed 140,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To pay outstanding notes and for working capital. **Underwriter**—Consolidated Securities Corp., of Pompano Beach, Fla., on a best efforts basis. **Note**—Nick P. Christos is a director of the issuing company and President of the underwriting corporation.

★ **Consolidated Natural Gas Co. (2/8)**
Jan. 14 filed $25,000,000 of debentures, due Feb. 1, 1985. **Proceeds**—For construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and First Boston Corp. (jointly); White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly). **Bids**—Expected to be received at the office of the issuer, Room 3000, 30 Rockefeller Plaza, New York 20, New York, up to 11:30 a.m., New York Time, on Feb. 8.

Consolidated Water Co.
Dec. 30 (letter of notification) 24,900 shares of class A common stock (par $10). **Price**—$12 per share. **Proceeds**—To pay in part bank loans. **Office**—327 S. La Salle Street, Chicago, Ill. **Underwriters**—Milwaukee Co., Milwaukee, Wis. and Indianapolis Bond & Share Corp., Indianapolis, Ind.

Consultants Bureau Enterprises, Inc.
Dec. 29 filed 147,000 shares of class A common stock, of which 104,000 are to be offered for public sale for the account of the issuing company and 43,000 shares, representing outstanding stock, by the present holders thereof. **Price**—$3 per share. **Proceeds**—$100,000 to be allocated to translating and publishing additional new books; $25,000 to acquire and equip additional needed space for the company's operations; and the balance to acquire additional machinery and equipment for cold-type composition. **Office**—227-239 West 17th Street, N. Y. **Underwriter**—William David & Co., Inc., N. Y.

Control Electronics Co., Inc. (2/10)
Dec. 23 filed 165,000 shares of common stock (par $3). **Price**—At par. **Proceeds**—To repay $80,000 of bank loans; $50,000 to replace working capital expended for equipment and machinery; $50,000 to increase sales efforts, including the organization of sales offices on the West Coast and in the Chicago areas; and $50,000 to further development of delay lines, filters and microwave devices. The balance of the proceeds will be added to working capital. **Office**—10 Stepar Place, Huntington Station, N. Y. **Underwriters**—Milton D. Blauner & Co., Inc., David Finkle & Co. and Gartman, Rose & Feuer, all of New York.

Cooperative Grange League Federation Exchange, Inc.
Dec.4 filed $250,000 of 4% subordinated debentures, 10,000 shares of 4% cumulative preferred stock, and 200,000 shares of common stock. The common shares may be offered only to present or prospective members of the Cooperative. **Prices**—For the debentures, 100% of principal amount; for the preferred, $100 per share; for the common, $5 per share. **Proceeds**—For general corporate purposes, including future redemptions of outstanding securities and property additions and improvements. **Office**—Terrace Hill, Ithaca, N. Y. **Underwriter**—None.

Cornbelt Insurance Co., Freeport, Ill.
Sept. 29 filed 200,000 shares of common stock to be offered for subscription by common stockholders of record Sept. 15, 1959, at the rate of four new shares for each 10 shares then held. Unsubscribed shares may be offered publicly. **Price**—$4 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None, but brokers and dealers who join in the distribution will receive commission of 40 cents per share.

Cornbelt Life Co.
Sept. 29 filed 100,000 shares of common stock, to be offered to stockholders of record Sept. 15 on the basis of one share for each share then held. **Price**—$4.50 per share. **Proceeds**—To be credited to stated capital and paid-in surplus. **Office**—12 North Galena Avenue, Freeport, Ill. **Underwriter**—None.

Corrosion Control Co., Inc.
Dec. 11 (letter of notification) 60,000 shares of capital stock (par 25 cents). **Price**—$5 per share. **Proceeds**—For general corporate purposes. **Office**—33 W. 42nd Street, New York, N. Y. **Underwriter**—Charles Plohn & Co., New York, N. Y. **Offering**—Expected in January.

Crest Investment Trust, Inc.
Nov. 30 filed 1,172 shares of type A and 7,400 shares of type B common stock, together with $42,500 of 6% de-

Continued on page 120

NEW ISSUE CALENDAR

January 22 (Friday)
Tenney Engineering Co., Inc.—Common
(Milton D. Blauner & Co., Inc.) 25,000 shares
Tenney Engineering, Inc.—Debentures
(Milton D. Blauner & Co., Inc.) $500,000

January 25 (Monday)
Citizens Casualty Co. of New York—Common
(Lee Higginson Corp.) 250,000 shares
Gold Medal Studios, Inc.—Common
(Arnold Malkan & Co., Inc.) $500,000
Home Oil Co., Ltd.—Debentures
(Lehman Brothers and Wood, Gundy & Co.) $20,000,000
Micronaire Electro Medical Products Corp.—Com.
(General Investing Corp.) 200,000 shares
Micronaire Electro Medical Products Corp.—Wts.
(General Investing Corp.) 50,000 warrants
Telechrome Manufacturing Corp.—Debentures
(Amos Treat & Co., Inc. and Truman, Wasserman & Co., Inc.) $750,000

January 26 (Tuesday)
Aetna Finance Co.—Common
(Scherck, Richter Co. and Dempsey-Tegeler & Co.) 200,000 shares
Aetna Finance Co.—Debentures
(Scherck, Richter Co. and Dempsey-Tegeler & Co.) $5,000,000
Automatic Retailers of America, Inc.—Common
(White, Weld & Co. and Cruttenden, Podesta & Co.) 120,000 shares
(B. M.) Harrison Electrosonics, Inc.—Common
(G. Everett Parks & Co., Inc.) $399,000
Montreal Metropolitan Corp.—Debentures
(First Boston Corp.) $30,000,000
Southern California Edison Co.—Bonds
(Bids to be invited) $30,000,000

January 27 (Wednesday)
Dentists' Supply Co. of New York—Common
(Reynolds & Co., Inc.) 200,000 shares
(G. B.) Macke Corp.—Common
(Auchincloss, Parker & Redpath) 125,000 shares
New Brunswick (Province of)—Debentures
(Halsey, Stuart & Co., Inc.; Kuhn, Loeb & Co. and W. C. Pitfield & Co., Inc.) $15,000,000

January 28 (Thursday)
Levitt & Sons, Inc.—Common
(Ira Haupt & Co.) 600,000 shares
Universal Transistor Products Corp.—Common
(Michael G. Kletz & Co., Inc. and Amos Treat & Co., Inc.) $300,000

January 29 (Friday)
Hebrew National Kosher Foods, Inc.—Common
(Brand, Grumet & Siegel, Inc. and Arnold Malkan & Co., Inc.) $1,400,000
Pantasote Co.—Common
(Bear, Stearns & Co.) 350,000 shares
West Florida Natural Gas Co.—Debentures
(White, Weld & Co. & Pierce, Carrison, Wulbern, Inc.) $837,200

February 1 (Monday)
Allegheny Airlines, Inc.—Debentures
(Auchincloss, Parker & Redpath; Allen & Co. and Lee Higginson Corp.) $5,500,000
American Gypsum Co.—Notes
(Jack M. Bass & Co. and Quinn & Co.) $1,200,000
American Gypsum Co.—Common
(Jack M. Bass & Co. and Quinn & Co.) 480,000 shares
Vickers-Crow Mines, Inc.—Common
(Sakler & Co., Inc.) $300,000

February 2 (Tuesday)
Florida West Coast Corp.—Common
(Midtown Securities Corp.) $300,000

February 3 (Wednesday)
Finger Lakes Racing Association, Inc.—Debens.
(Stroud & Co., Inc.) $4,500,000
Finger Lakes Racing Association, Inc.—Common
(Stroud & Co., Inc.) 450,000 shares
Hi-Press Air Conditioning Corp. of America—Com.
(Plymouth Securities Corp.) $600,000
Tampa Electric Co.—Common
(Stone & Webster Securities Corp.) 240,000 shares

February 8 (Monday)
Consolidated Natural Gas Co.—Debentures
(Bids to be invited) $25,000,000
Row, Peterson & Co.—Common
(Kidder, Peabody & Co., Inc.) 164,689 shares

February 9 (Tuesday)
California Water & Telephone Co.—Common
(Blyth & Co., Inc.) 210,000 shares
Texas Electric Service Co.—Debentures
(Bids to be invited) $12,000,000

February 10 (Wednesday)
Control Electronics Co., Inc.—Common
(Milton D. Blauner & Co., Inc.; David Finkle & Co. and Gartman, Rose & Feuer) $165,000
Pathe News, Inc.—Common
(Hilton Securities, Inc.) $1,300,000
Soroban Engineering, Inc.—Common
(R. S. Dickson & Co., Inc.) 100,000 shares

February 15 (Monday)
Aircraft Dynamics International Corp.—Common
(Aviation Investors of America, Inc.) $300,000

February 17 (Wednesday)
Clinton Engines Corp.—Common
(Bear, Stearns & Co. and H. M. Byllesby & Co., Inc.) 350,000 shares

February 18 (Thursday)
Duke Power Co.—Bonds
(Bids to be invited) $50,000,000

February 24 (Wednesday)
Duquesne Light Co.—Debentures
(Bids 11 a.m. EST) $20,000,000
Phillips Developments, Inc.—Common
(Allen & Co.; Bear, Stearns & Co. and Sutro Bros. & Co.) 400,000 shares

February 25 (Thursday)
Dayton Power & Light Co.—Bonds
(Bids to be invited) $25,000,000

March 17 (Thursday)
Mississippi Power Co.—Bonds
(Bids to be invited) $4,000,000

April 17 (Thursday)
Alabama Power Co.—Bonds
(Bids to be invited) $19,500,000

June 2 (Thursday)
Southern Electric Generating Co.—Bonds
(Bids to be invited) $40,000,000

July 7 (Thursday)
Gulf Power Co.—Preferred
(Bids to be invited) $50,000,000
Gulf Power Co.—Bonds
(Bids to be invited) $5,000,000

November 3 (Thursday)
Georgia Power Co.—Bonds
(Bids to be invited) $12,000,000

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benture notes. **Price**—$110 per share of stock: the notes will be offered in units of $500. **Proceeds**—For expansion. **Office**—41 W. Preston St., Baltimore, Md.

Crown Aluminum Industries Corp.
Nov. 30 filed $1,500,000 of 17-year, 7½% debentures, due Jan. 15, 1977, and 180,000 shares of common stock, to be offered in units of $100 of debentures and 12 shares of stock. **Price**—$160 per unit; and $6.50 per share for an additional 100,000 shares included in the registration statement and not covered above. **Proceeds**—For general corporate purposes, including 1,200,000 for installing and equipping a hot rolling mill. **Office**—202 Reynolds Arcade Bldg., Rochester, N. Y. **Underwriter**—Adams & Peck, New York City. **Offering**—Expected in January.

Crusader Oil & Gas Corp., Pass Christian, Miss.
May 26 filed 1,500,000 shares of common stock, of which 641,613 shares will be offered on a one-for-one basis to stockholders. The remaining 858,387 shares will be offered publicly by the underwriter on a "best efforts" basis. **Price**—To be supplied by amendment. **Proceeds**—For repayment of notes and for working capital. **Underwriter**—To be supplied by amendment.

Daryl Industries, Inc.
Dec. 15 filed 225,000 shares of common stock, of which 130,000 shares are to be offered for the account of the issuing company and 95,000 shares representing outstanding stock, are to be offered for the account of the present holders thereof. **Price**—$5 per share. **Proceeds**—For general corporate purposes. **Office**—7240 N. E. 4th Street, Miami, Fla. **Underwriter**—Clayton Securities Corp., Boston, Mass.

Data Control Systems, Inc.
Dec. 18 filed 122,500 shares of common stock (par 10 cents), of which 75,000 are to be publicly offered, 10,000 are to be offered pursuant to the issuer's Employees' Stock Option Plan and 37,500, now outstanding, may be offered from time to time by the present holders thereof. **Price**—To be supplied by amendment. **Proceeds**—To reduce indebtedness. **Office**—39 Rose St., Danbury, Conn. **Underwriter**—C. E. Unterberg, Towbin Co., New York City.

Davega Stores Corp.
Nov. 25 filed 88,000 shares of common stock to be offered to present stockholders at the rate of one new share for each three shares held. **Price**—$7 per share. **Proceeds**—For expansion and other corporate purposes. **Office**—215 4th Ave., New York City. **Underwriter**—None.

Deluxe Aluminum Products, Inc.
Oct. 15 filed $330,000 of convertible debentures, and 70,000 shares of common stock. **Price**—For the debentures, 100% of principal amount; for the stock, $5 per share. **Proceeds**—From 10,000 shares of the common stock, to the present holders thereof; from the rest of the offering, to the company to be used for expansion and as working capital. **Office**—6810 S. W. 81st St., Miami, Fla.

● **Dentists' Supply Co. of N. Y. (1/27)**
Dec. 22 filed 200,000 shares of outstanding common stock. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—York, Pa. **Underwriter**—Reynolds & Co., Inc., New York City.

Diversified Communities, Inc.
Sept. 25 filed 367,200 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For acquisition of Hope Homes, Inc., Browntown Water Co. and Cantor & Goldman Builders, Inc., with the balance to be used as working capital. **Office**—29A Sayre Woods Shopping Center, Madison Township, P. O. Parlin, N. J. **Underwriter**—Lee Higginson Corp., New York.

Don Mott Associates, Inc.
Oct. 27 filed 161,750 shares of class B, non-voting, common stock (par $5). **Price**—$10 per share. **Proceeds**—For general corporate purposes, including payment on a building and the financing of loans. **Office**—Orlando, Fla. **Underwriter**—Leon H. Sullivan, Inc., Philadelphia, Pa., on a "best efforts" basis. **Offering**—Expected shortly.

Duke Power Co. (2/18)
Jan. 6 filed $50,000,000 of first and refunding mortgage bonds, series due 1990. **Proceeds**—For construction. **Office**—Charlotte, N. C. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Morgan Stanley & Co.; Stone & Webster Securities Corp.

★ **Dworman Corp.**
Jan. 15 filed 300,000 shares of common stock. **Price**—$10 per share. **Proceeds**—For general corporate purposes. **Office**—400 Park Avenue, New York City. **Underwriter**—Charles Plohn & Co., New York City.

Eastern Gas & Water Investment Co.
Dec. 14 (letter of notification) 2,000 shares of series A. 6½% cumulative convertible preferred stock. Preferred stock is convertible into common stock on a basis of 2½ shares of common for each share of preferred. **Price**—At par ($25 per share). **Proceeds**—For loans to subsidiaries. **Office**—1204 Broad-Locust Building, Philadelphia 2, Pa. **Underwriter**—Bioren & Co., Philadelphia 2, Pa.

E. H. P. Corp.
Aug. 31 filed 160,000 shares of capital stock (par 10c), of which 100,000 shares are to be publicly offered. **Price**—$2.50 per share. **Proceeds**—To provide funds for the purchase of vending machines which will be used to distribute automobile breakdown insurance policies on thruways, parkways and highways in the amount of $25 of such breakdown insurance for the purchase price of 25 cents, and for a public relations and publicity program. **Office**—Hotel Troy Building, Troy, New York. **Underwriter**—John R. Boland & Co., Inc., New York.

● **Ekco Products Co.**
Dec. 4 filed 21,609 shares of second cumulative preferred stock, 6% series, and 54,064 shares of common stock, to be offered in exchange for the common stock of Washington Steel Products, Inc., on the basis of one-half share of common and one-fifth of a share of preferred for each common share of Washington Steel. **Office**—1949 North Cicero Avenue, Chicago, Ill. **Note**—Ekco stockholders approved the issue on Jan. 18.

ESA Mutual Fund, Inc.
June 29 filed 2,000,000 shares of capital stock. **Price**—To be supplied by amendment. **Proceeds**—For investment **Investment Adviser**—Yates, Heitner & Woods, St. Louis, Mo. **Underwriter**—ESA Distributors, Inc., Washington, D. C. **Office**—1028 Connecticut Avenue, N. W., Washington, D. C.

Estates, Inc.
Dec. 24 filed 200,000 shares of class A common stock. **Price**—$5 per share. **Proceeds**—For purchase of various properties, for development and subdivision thereof, and to meet operating expenses, salaries and other costs, but principally for the purchase and development of large tracts of land. **Office**—3636-16th Street, N. W., Washington, D. C. **Underwriter**—Consolidated Securities Co. of Washington, D. C.

Federated Purchaser, Inc.
Jan. 11 filed 170,000 shares of class A stock. **Price**—$4 per share. **Proceeds**—To eliminate bank indebtedness of about $100,000, and to acquire and equip two new branches, one on the east coast and one on the west coast. The balance will be used for inventory, working capital, and general corporate purposes. **Office**—Mountainside, N. J. **Underwriter**—Milton D. Blauner & Co., Inc., New York City.

★ **Federated Reserve Life Insurance Co.**
Jan. 19 filed 300,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—For capital and surplus of the company, which has not as yet done any life insurance business but expects to sell all forms of it. **Office**—West Memphis, Ark. **Underwriter**—The offering is to be made through three promoters and officers who will receive a selling commission of $2 per share.

● **Finger Lakes Racing Association, Inc. (2/3)**
Dec. 28 filed $4,500,000 of 20-year 6% subordinated sinking fund debentures due 1980 and 450,000 shares of class A stock (par $5) to be offered in units, each consisting of $100 of debentures and 10 shares of class A stock. **Price**—$155 per unit. **Proceeds**—For purchase of land and the cost of construction of racing plant as well as other organizational and miscellaneous expenses. **Office**—142 Pierrepont Street, Brooklyn, N. Y. **Underwriter**—Stroud & Co., Inc., New York and Philadelphia.

First Northern-Olive Investment Co.
Aug 17 filed 20 partnership interests in the partnership. Similar filings were made on behalf of other Northern-Olive companies, numbered "second" through "eighth." **Price**—$10,084 to $10,698 per unit. **Proceeds**—To purchase land in Arizona. **Office**—1802 North Central Ave., Phoenix, Ariz. **Underwriter**—O'Malley Securities Co., Phoenix. Statement effective Oct. 9.

● **Florida West Coast Corp. (2/2)**
Dec. 21 (letter of notification) 300,000 shares of common stock (par 1 cent). **Price**—$1 per share. **Proceeds**—For land acquisition. **Office**—30 E. 60th Street, New York City. **Underwriter**—Midtown Securities Corp., same address.

★ **Future, Inc.**
Jan. 11 (letter of notification) 93 shares of capital stock (treasury stock) (par $50) to be offered for subscription by five stockholders limited to one share each per month. **Price**—$62 per share. **Proceeds**—For working capital. **Address**—Box 828, Fairbanks, Alaska. **Underwriter**—None.

Gallahue Naples Corp.
Dec. 17 filed 110,000 shares of class A stock, of which 75,000 shares are to be offered for the account of D. R. Gallahue, the issuer's President, and 35,000 shares are to be offered for the company itself. 55,000 of Gallahue's shares will be delivered in escrow, to be thus held until Dec. 31, 1961, for purchase of holders of transferable warrants to be issued by the company to buyers of the other 55,000 shares at the offering price. **Price**—To be supplied by amendment. **Proceeds**—To reduce indebtedness. **Office**—542 North Meridian Street, Indianapolis, Ind. **Underwriter**—Raffensperger, Hughes & Co., Inc., Indianapolis.

Gas Hills Uranium Co.
Oct. 28 filed 6,511,762 shares of common stock, of which 3,990,161 are to be offered for sale. The remaining 2,521,601 shares are owned or underlie options owned by officers and/or directors, affiliates, and associates of the issuing company. Of the shares to be sold, 415,000 shares are to be offered to holders of the outstanding common at the rate of one new share for each 20 shares held; 500,000 shares are to be offered in exchange for properties and services; 326,833 shares are to be offered to certain holders of the company's convertible promissory notes; and 2,748,278 shares are to be offered for the account of selling stockholders, of which number 655,500 shares represent holdings of management officials and affiliated persons. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including the repayment of indebtedness. **Office**—604 South 18th Street, Laramie, Wyo. **Underwriter**—None.

Gence & Associates, Inc.
Nov. 13 (letter of notification) 100,000 shares of common stock (no par). **Price**—$3 per share. **Proceeds**—To pay an outstanding obligation and for working capital. **Office**—1500 E. Colorado St., Glendale, Calif. **Underwriter**—California Investors, Los Angeles, Calif.

● **General Aluminum Fabricators, Inc.**
Dec. 15 filed 75,000 shares of common stock, each share bearing a warrant entitling the purchaser to buy one share of common at $4 until Jan. 30, 1961. **Price**—$4 per share. To reduce indebtedness, with the balance for working capital. **Office**—275 East 10th Avenue, Hialeah, Fla. **Underwriter**—Charles Plohn & Co., of New York City, on a "best efforts" basis. **Offering**—Expected in February.

General Devices, Inc.
Jan. 6 filed 60,888 shares of common stock, to be offered for subscription by common stockholders on the basis of one new share for each five shares held. **Price**—To be supplied by amendment. **Proceeds**—For land, construction thereon, new equipment, debt reduction, and working capital. **Office**—Ridge Road, Monmouth Junction, N. J. **Underwriter**—Drexel & Co., Philadelphia, Pa.

General Finance Corp.
Sept. 11 filed 150,000 shares of common stock. **Price**—$3 per share. **Proceeds**—For working capital, with $15,000 being allocated for lease improvements and equipment and supplies. **Office**—Santurce, Puerto Rico. **Underwriter**—Caribbean Securities Co., Inc., Avenida Condado 609, Santurce, Puerto Rico. The statement has been withdrawn, and the filing of a new one is said by the underwriter to be imminent.

● **General Foam Corp.**
Jan. 7 filed 175,000 shares of common stock. **Price**—$4 per share. **Proceeds**—To enable issuer to enter synthetic foam manufacturing business. **Office**—640 W. 134th Street, New York City. **Underwriters**—Brand, Grumet & Seigel, Inc., and Arnold Malkan & Co., Inc., on a "best efforts" basis. **Offering**—Expected in February.

Glass Magic, Inc.
Dec. 30 (letter of notification) $51,000 of six-year 6½% convertible debentures to be offered in denominations of $51 each. Debentures are convertible into common stock at $1.50 per share. Also, 68,000 shares of common stock (par 10 cents) to be offered in units of one $51 debenture and 68 shares of common stock. **Price**—Of debentures, at par; of stock, $102 per unit. **Proceeds**—To pay off current accounts payable; purchase of raw materials and for expansion. **Office**—2730 Ludelle Street, Fort Worth, Texas. **Underwriter**—R. A. Holman & Co., Inc., New York, N. Y.

Glastron Boat Co.
Jan. 11 filed $600,000 of 6% sinking fund debentures, due Jan. 15, 1966, and 60,000 shares of common stock, to be offered in units consisting of $100 of debentures and 10 shares of common stock. **Price**—$100 per unit. **Proceeds**—For additional plant facilities, including land and production equipment, and debt reduction. **Office**—920 Justin Lane, Austin, Texas. **Underwriters**—Hardy & Co., New York City, and Underwood, Neuhaus & Co., Houston, Texas.

Gold Medal Packing Corp.
June 18 filed 572,500 shares of common stock (par one cent), and 50,000 common stock purchase warrants. Of the shares 400,000 will be sold for the account of the company; 110,000 by certain stockholders; 12,500 for the underwriter; and the remaining 50,000 shares are purchasable upon exercise of the warrants. **Price**—$1.25 per share. **Proceeds**—For repayment of debt; purchase of equipment and facilities and other general corporate purposes. **Office**—614 Broad St., Utica, N. Y. **Underwriter**—Mortimer B. Burnside & Co., New York. **Name Change**—Formerly Eastern Packing Corp.

● **Gold Medal Studios, Inc. (1/25)**
Sept. 18 filed 500,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes, including the purchase of additional studio equipment, investing in properties in the entertainment field, and the provision of funds for a down payment on another building or buildings. **Office**—807 E. 175th Street, New York, N. Y. **Underwriter**—Arnold Malkan & Co., Inc., New York. **Offering**—Expected any day.

★ **Graves-Davis Drilling Co.**
Jan. 11 (letter of notification) 250,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For expenses in drilling for oil properties. **Office**—407 Joshua Green Building, Seattle, Wash. **Underwriter**—None.

Great American Publications, Inc.
Dec. 23 filed 235,000 shares of common stock, of which the company proposes to offer 218,000 shares for sale initially to stockholders (other than officers, directors and principal sotckholders). Shares not purchased by stockholders and 4,500 shares purchased by the underwriter (Smith, Holly & Co., Inc.) at 10c per share are to be publicly offered. The underwriter, however, has agreed to purchase only 30,000 shares and to use its best efforts in the distribution of the remaining 188,000 shares. The remaining 12,500 shares are being registered for the account of Mortimer B. Burnside & Co., Inc., in consideration of its release of certain rights under prior underwriting agreements. **Price**—To be supplied by amendment. **Proceeds**—For additional working capital; for retirement of short-term indebtedness; and for promotion and development of its various publications. **Office**—270 Madison Ave., N. Y. **Underwriter**—Smith, Holly & Co., Inc., New York. **Note**—A year-end 4% stock dividend has been declared payable Jan. 22 to holders of record Jan. 8.

Great Lakes Bowling Corp.
Aug. 31 filed 120,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including the development of bowling lanes, bars, and restaurants on various Michigan properties. **Office**—6336 Woodward Ave., Detroit, Mich. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill. **Offering**—Expected sometime after Jan. 1, 1960.

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★ Great Southwest Corp.
Dec. 10 filed $11,500,000 of cumulative income debentures, due Jan. 1, 1975, and 575,000 shares of common stock (par $1), to be offered in units of $20 principal amount of debenture and one share of common. **Price**—$28 per unit. **Proceeds**—For debt reduction and the building of a recreation park. **Office**—3417 Gillespie Street, Dallas 19, Texas. **Underwriter**—Glore, Forgan & Co., New York City. **Offering**—Expected in January.

Green River Production Corp.
Oct. 15 (letter of notification) 200,000 shares of common stock (par 50 cents). **Price**—$1.50 per share. **Proceeds**—For expenses for exploring for oil and gas. **Office**—212 Sixth Ave., South, Nashville, Tenn. **Underwriter**—Crescent Securities Co., Inc., Bowling Green, Ky.

• Greer Hydraulics, Inc.
Nov. 27 filed 235,139 additional shares of common stock ($.50 par) being offered for subscription by holders of the outstanding common on the basis of four additional shares for each five shares held Jan. 14; rights expire Jan. 29. **Price** — $4 per share. **Office** — Jamaica, L. I., N. Y. **Proceeds**—To relocate company in Los Angeles, with the balance to be used for general corporate purposes, including the reduction of indebtedness. **Underwriter**—Burnham & Co., New York City.

Growth Fund of America, Inc.
Feb. 4 filed 250,000 shares of common stock (par 10 cents). **Price**—At market. **Proceeds**—For investment **Office**—1825 Connecticut Avenue, Washington, D. C **Investment Advisor**—Investment Advisory Service Washington, D. C **Underwriter**—Investment Management Associates, Inc., Washington, D. C. The statement became effective July 24.

Guaranty Insurance Agency, Inc.
See, Mortgage Guaranty Insurance Corp., below.

Guardian Tilden Corp.
Dec. 17 filed 100,000 shares of cumulative preferred stock (par $10), $1,060,000 of 15-year 8% subordinated capital notes, and $1,250,000 of 12-year 7% subordinated capital notes. **Prices**—At par and principal amounts. **Proceeds**—For general corporate purposes. **Office**—45-14 Queens Boulevard, Long Island City, N. Y. **Note:** The securities are to be offered first to holders of securities in Guardian Loan Co., Inc. and Tilden Commercial Alliance, Inc., subsidiaries of the issuing company. **Underwriter**—None.

Harmar Co., Inc.
Nov. 18 (letter of notification) $50,000 of 6% 10-year convertible subordinated debentures series A to be offered in denominations of $500 each. Debentures are convertible into class B common stock at the rate of five shares for each $500 debenture. **Price**—At par. **Proceeds**—For working capital. **Underwriter**—Eastern Investment Corp., Manchester, N. H.

• (B. M.) Harrison Electronics Inc. (1/26)
Sept. 25 filed 133,000 shares of common stock (no par). **Price**—$3 per share. **Proceeds**—For general corporate purposes, including the reduction of indebtedness and the provision of funds to assist the company's expansion into the civilian market. **Office** — Newton Highlands, Mass. **Underwriter**—G. Everett Parks & Co., Inc., 52 Broadway, New York City.

Harundale Mall Associates
Jan. 7 filed $1,190,000 of partnership interests in Associates. **Price**—$10,000 per unit. **Proceeds**—To acquire one-half interest in Harundale Mall, a regional shopping center in Anne Arundel County, Maryland. **Office**—14 West Saratoga Street, Baltimore, Md. **Underwriter**—None.

• Hebrew National Kosher Foods, Inc. (1/29)
Dec. 11 filed 350,000 shares of common stock, of which 175,000 shares are to be offered for the account of the issuing company and 175,000 shares, representing outstanding stock, are to be offered for the account of the present holders thereof. **Price**—$4 per share. **Proceeds**—For general corporate purposes. **Office**—178 South Elliott Place, Brooklyn, N. Y. **Underwriters**—Brand, Grumet & Seigel, Inc., and Arnold Malkan & Co., Inc., both of New York City, on a "best efforts" basis.

• Hermetite Corp.
Jan. 8 filed 136,000 shares of common stock, of which 125,000 are to be publicly offered and 11,000 have been already acquired at $1 per share by the President of M. L. Lee & Co. **Price**—$5 per share. **Proceeds**—For general corporate purposes. **Office**—702 Beacon Street, Boston, Mass. **Underwriters**—M. L. Lee & Co., Inc.; Milton D. Blauner & Co., Inc.; and Kesselman & Co., Inc., all of New York City, on an "all or nothing" basis. **Offering**—Expected in March.

Hickerson Bros. Truck Co., Inc.
March 11 (letter of notification) 285,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To pay existing liabilities; for additional equipment; and for working capital. **Office**—East Tenth Street, P. O Box 68, Great Bend, Kan. **Underwriter**—Birkenmaye & Co., Denver, Colo. **Offering**—Expected shortly.

• Hi-Press Air Conditioning Corp. of America (2/3)
Dec. 29 filed 200,000 shares of common stock. **Price**—$3 per share. **Proceeds**—For working capital. **Office**—405 Lexington Ave., New York City. **Underwriter**—Plymouth Securities Corp., New York City.

• Home Oil Co., Ltd. (1/25)
Dec. 16 filed $20,000,000 of convertible subordinated debentures, due Jan. 15, 1975, and convertible into common stock of Trans-Canada Pipe Lines Ltd. (about 20%-owned by Home Oil) beginning Aug. 1, 1960. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including reduction of indebtedness. **Underwriters**—Lehman Brothers, New York City, will manage the American group and Wood, Gundy & Co. Ltd., of Toronto, the Canadian one.

Howe Plastics & Chemical Companies, Inc.
Dec. 14 (letter of notification) 100,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Office**—125 E. 50th Street, New York, N. Y. **Underwriter**—Hilton Securities, Inc., 580 Fifth Avenue, New York, N. Y.

I C Inc.
June 29 filed 600,000 shares of common stock (par $1) **Price**—$2.50 per share. **Proceeds**—To further the corporate purposes and in the preparation of the concentrate and enfranchising of bottlers, the local and national promotion and advertising of its beverages, and where necessary to make loans to such bottlers, etc. **Office**—704 Equitable Bldg., Denver, Colo. **Underwriters**— Purvis & Co. and Amos C. Sudler & Co., both of Denver Colo.

★ Industrial Processes, Inc.
Jan. 7 (letter of notification) 22,800 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office** — 527 Finch Bldg., Aberdeen, Wash. **Underwriter**—None.

Inland Western Loan & Finance Corp.
Sept. 24 filed $1,000,000 of 6% capital debentures. **Price**—To be supplied by amendment. **Proceeds**—To discharge loans from banks and from the Commercial Life Insurance Co.; to furnish operating capital for subsidiaries; and to establish new subsidiaries or branches of already existing ones. **Office**—10202 North 19th Ave., Phoenix, Ariz. **Underwriter**—The underwriters, if any, will be named by amendment.

• Integrand Corp.
Oct. 13 filed 85,000 shares of common stock (par 5c). **Price**—$4 per share. **Proceeds** — For general corporate purposes, including the redemption of outstanding preferred stock and new plant equipment. **Office**—Westbury, L. I., N. Y. **Underwriter**—DiRoma, Alexik & Co., Springfield, Mass. **Offering**—Expected in February.

International Aspirin Corporation
Dec. 7 filed 600,000 shares of common stock. **Price**—$3 per share. **Proceeds**—For general corporate purposes. **Office**—1700 Broadway, Denver, Colo. **Underwriter**—Speculative Securities Corp., 915 Washington Street, Wilmington, Del., on a "best efforts" basis.

International Bank, Washington, D. C.
Dec. 29, 1958, filed $5,000,000 of notes (series B, $500,000, 2-year, 3% per unit; series C, $1,000,000 4-year 4% per unit; and series D, $3,500,000 6-year, 5% per unit). **Price**—100% of principal amount. **Proceeds**—For working capital. **Underwriter**—Johnston, Lemon & Co., Washington, D. C. **Offering**—Indefinitely postponed.

Investment Trust for the Federal Bar Bldg.
Aug. 14 filed 500 Beneficial Trust Certificates in the Trust. **Price**—$2,600 per certificate. **Proceeds**—To supply the cash necessary to purchase the land at 1809-15 H St., N. W., Washington, D. C., and construct an office building thereon. **Office**—Washington, D. C. **Underwriters**—Hodgdon & Co. and Investors Service, Inc., both of Washington, D. C., and Swesnick & Blum Securities Corp.

★ Investors Planning Corp. of America
Jan. 13 (by amendment) an additional $40,000,000 of Systematic Investment Plans and Systematic Investment Plans With Insurance. **Office**—New York City.

Irando Oil & Exploration, Ltd.
April 24 filed 225,000 shares of common stock. **Price**—90 cents per share. **Proceeds**—To defray the costs of exploration and development of properties and for the acquisition of other properties; also for other corporate purposes. **Office**—1950 Broad St., Regina, Sask., Can **Underwriter** — Laird & Rumball, Regina, Sask., Can

Island Industries, Inc.
Nov. 23 (letter of notification) $200,000 of 10-year 10% registered debentures. **Price**—$100 per debentures. **Proceeds**—For general corporate purposes. **Office** — 30 E. Sunrise Highway, Lindenhurst, N. Y. **Underwriter** — Heft, Kahn & Infante, Inc., Hempstead, L. I., N. Y.

Kavanagh-Smith & Co.
Dec. 30 filed 145,000 shares of common stock, of which 115,000 shares are to be offered for the account of the issuing company and 30,000 shares, representing outstanding stock, are to be offered for the accounts of the present holders thereof. **Prices**—For 20,000 shares, to be initially offered to company personnel, $4.50 per share; for the balance, $5 per share. **Proceeds**—For the retirement of $166,850 of bank indebtedness, acquisition and development of land, construction of houses for sale, and general corporate purposes. Office—114 North Greene Street, Greensboro, N. C. **Underwriter**—United Securities Co., Greensboro.

• Lafayette Radio Electronics Corp.
Dec. 4 filed 225,000 shares of common stock ($1 par). **Price**—$5 per share. **Proceeds**—For general corporate purposes including inventory, leasehold improvements, and working capital. **Office** — 165-08 Liberty Avenue, Jamaica, L. I., N. Y. **Underwriter**—D. A. Lomasney & Co., New York City. **Offering**—Expected in late February.

Lake Aircraft Corp., Sanford, Me.
Nov. 20 filed 135,000 shares of class A common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To repay $25,000 indebtedness to the Sanford Trust Co., for remaining payment on purchase by the company of certain assets of Colonial Aircraft Corp., and for other corporate purposes. **Underwriter**—Mann & Gould, Salem, Mass.

Lancer Industries, Inc.
Nov. 27 filed 200,000 shares of $.70 convertible preferred stock (par $10). **Price**—$10 per share. **Proceeds**—For general corporate purposes. **Office**—22 Jericho Turnpike, Mineola, L. I., N. Y. **Underwriter**—Charles Plohn & Co., New York City. **Offering**—Expected in January.

Landsverk Electrometer Co.
Dec. 28 (letter of notification) 150,000 shares of common stock (no par). **Price**—$2 per share. **Proceeds**—To cover the cost of new quarters and for the development of new projects and for working capital. **Office**—641 Sonora Avenue, Glendale, Calif. **Underwriter**—Holton, Henderson & Co., Los Angeles, Calif.

★ Larson Boat Works, Inc.
Jan. 8 filed $300,000 of 5-year notes with common stock purchase warrants attached, said warrants granting holder the right to buy 40 shares of the common for each $1,000 principal amount of notes held at $10 per common share. **Price**—The notes are to be offered at face value in denominations of $500. **Proceeds** — For working capital. **Address**—c/o Paul G. Larson, Riverview Drive, Little Falls, Minn. **Underwriter**—Fulton, Reid & Co., Inc., Cleveland, Ohio.

Lawn Electronics Co., Inc.
Nov. 25 (letter of notification) 133,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—For general corporate purposes. **Office** — Woodward Road, Englishtown, N. J. **Underwriter**—Prudential Securities Corp., Staten Island, N. Y.

Laymen Life Insurance Co.
Nov. 30 filed 175,000 shares of common stock (par $1), of which 35,000 shares are to be offered by company and 140,000 shares are to be offered by Laymen of the Church of God, with which the company is merging. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—1047 Broadway, Anderson, Indiana. **Underwriter**—To be supplied by amendment.

• Levitt & Sons, Inc., Levittown, N. J. (1/28-2/4)
Dec. 28 filed 600,000 outstanding shares of its capital stock. **Price**—To be supplied by amendment; it will reportedly be about $10 per share. **Proceeds**—To William J. Levitt, President (selling stockholder). **Underwriter**—Ira Haupt & Co., New York.

★ Lewis Business Forms, Inc.
Jan. 15 filed 110,000 shares of common stock, of which 100,000 shares are to be offered for the account of the issuing company and 10,000 shares, representing outstanding stock, are to be offered for the account of M. G. Lewis, President. **Price**—To be supplied by amendment. **Proceeds** — To reduce bank loans, redeem 190 shares of the outstanding preferred, and continue the company's modernization and expansion program. **Office**—2432 Swan Street, Jacksonville, Fla. **Underwriter**—C. E. Unterberg, Towbin Co., New York City.

• Liquid Veneer Corp.
Nov. 16 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office**—211 Ellicott Street, Buffalo, N. Y. **Underwriter**—B. D. McCormack Securities Corp., New York, N. Y. **Offering**—Expected any day.

• (G. B.) Macke Corp., Washington, D. C. (1/27)
Dec. 29 filed 125,000 shares of class A common stock, of which 105,000 shares are to be publicly offered and 20,000 shares offered to employees. **Price**—For the publicly offered shares the price will be supplied by amendment. For the shares to be offered to employees the price per share will be $9.50 in cash or $9.75 if the purchase price is paid through wage deductions. **Proceeds**—For general corporate purposes. **Underwriter**—Auchincloss, Parker & Redpath, Washington, D. C.

Magnuson Properties, Inc.
June 29 filed 500,000 shares of class A common stock (amended on Aug. 24 to 150,000 shares of 6½% cumulative convertible preferred stock, par $10), and 150,000 shares of class A common stock, par $1, with common stock purchase warrants. Each share of class A common stock carries one warrant entitling the registered holder to purchase one share of such common stock at an initial price of $11 per share. **Price**—For preferred, at par; and for class A, $10.10 per share. **Proceeds**—$291,099 is to be expended during the period ending Aug. 31, 1960 for mortgage payments and releases; $465,000 will be paid on notes acquired by members of the Magnuson family in the transfers of subsidiaries and properties to the company; $106,000 will be used to close certain options and purchase contracts covering lands in the Melbourne-Cape Canaveral area; the balance will be added to the general funds of the company and used for general corporate purposes. **Office**—20 S. E. 3rd Ave., Miami, Fla. **Underwriter**—Blair & Co. Inc., New York.

• Marine Fiber-Glass & Plastics, Inc.
Nov. 30 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For new plant expenditures, research and development and for working capital. **Office**—2901 Blakely Street, Seattle 2, Wash. **Underwriter**—Best Securities, Inc., New York, N. Y., is no longer underwriting the issue.

Mayfair Markets
Oct. 1 filed 301,177 shares of common stock (par $1), being offered to holders of such stock on the basis of one new share for each five shares held Nov. 13. Rights are scheduled to expire in February. **Price**—$10 per share. **Proceeds**—For general corporate purposes, including expansion and working capital. **Office**—4383 Bandini Blvd., Los Angeles, Calif. **Underwriter**—None.

★ Megadyne Electronics, Inc.
Jan. 7 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Office**—100 W. 10th Street, Wilmington, Del. **Underwriter**—Glenn Arthur Co., Inc., New York, N. Y.

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Micronaire Electro Medical Products Corp. (1/25)
Oct. 16 filed 200,000 shares of common stock (par 10 cents) and 50,000 one-year warrants for the purchase of such stock at $3 per share, to be offered in units of 100 shares of common stock and 25 warrants. **Price**—$275 per unit. **Proceeds**—For general corporate purposes, including the discharge of indebtedness, the expansion of sales efforts, and for working capital. **Office**—79 Madison Avenue, New York City. **Underwriter**—General Investing Corp., New York.

Mid-America Minerals, Inc.
Nov. 16 filed 400,000 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds**—For general corporate purposes, including the reduction of indebtedness, acquisition of properties, and additional working capital. **Office**—500 Mid-America Bank Building, Oklahoma City, Okla. **Underwriter**—None.

Minalaska, Inc.
Dec. 21 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For mining expenses. **Office**—Ophir, Alaska. **Underwriter**—B. D. McCormack Securities Corp., New York, N. Y.

★ **Mobilife Corp.**
Jan. 18 filed 250,000 shares of common stock (par 50 cents). **Price**—$4 per share. **Proceeds**—For debt reduction and working capital. **Office**—Sarasota, Fla. **Underwriter**—Plymouth Bond & Share Corp., Miami, Fla.

Modern Pioneers' Life Insurance Co.
Dec. 4 (letter of notification) 47,687 shares of common stock (par $1) to be offered to policyholders of Modern Pioneers' Insurance Co. and the company for cash or transfer of dividends. **Price**—$2 per share. **Proceeds**—For working capital. **Office**—811 N. Third Street, Phoenix, Ariz. **Underwriter**—Associated General Agents of North America, Inc.

• **Mohawk Airlines Inc.**
Nov. 9 filed $3,500,000 of 6% convertible subordinated debentures, due Dec. 1, 1974, $1,917,500 of which are to be offered in exchange for a like amount of company's outstanding 5½% convertible subordinated debentures, due 1966. The remainder, plus any not taken in the exchange offer, are to be publicly offered. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including debenture redemption, airplane equipment, and working capital. **Office**—Utica, N. Y. **Underwriter**—Dempsey-Tegeler & Co., St. Louis, Mo.

Montgomery Mortgage Investment Corp.
Oct. 16 filed $3,000,000 of second mortgage notes and accompanying repurchase agreements, to be offered in $3,000 units. **Price**—From $2,000 to $4,000 per unit. **Proceeds**—To purchase other second trust notes and to maintain a reserve for repurchase of notes under its repurchase agreements. **Office**—11236 Georgia Avenue, Silver Spring, Md. **Underwriter**—There is no underwriter as such, but Adrienne Investment Corp., an affiliate of the issuing company, will act as sales agent, for which it will receive a selling commission of 7%.

Montreal Metropolitan Corp. (1/26)
Dec. 23 filed $30,000,000 of sinking fund debentures, due Feb. 1, 1985, to be redeemable at the option of the issuer on or after Feb. 1, 1970. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans incurred for construction. **Office**—Quebec, Canada. **Underwriters**—First Boston Corp. and associates.

Morse Electro Products Corp.
Dec. 28 filed 120,000 shares of common stock. **Price**—$7 per share. **Proceeds**—Together with other funds, will be used for the opening of three additional retail stores, and for additional working capital. **Office**—122 West 26th Street, New York. **Underwriters**—Standard Securities Corp. and Irving Weis & Co., both of New York, on an all-or-nothing basis.

Mortgage Guaranty Insurance Corp.
Sept. 23 filed 40,000 shares of common stock (par $10) in a joint registration with Guaranty Insurance Agency, Inc., which filed 10,000 shares of its own common stock (par $5). **Price**—$115 per unit of four shares of Mortgage common and one share of Guaranty common. **Proceeds**—Mortgage will use its proceeds fo rexpansion; Guaranty will use its proceeds for additional working capital. **Office**—(of both firms) 606 West Wisconsin Ave., Milwaukee, Wis.

★ **MPO Videotronics, Inc.**
Jan. 18 filed 150,000 shares of class A stock, of which 100,000 shares are to be offered for the account of the issuing company and 50,000 shares, representing outstanding stock, are to be offered for the account of the present holders thereof. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including debt reduction. **Office**—15 East 53rd Street, New York City. **Underwriter**—Francis I. du Pont & Co., New York City.

M. & S. Oils Ltd.
May 11 filed 390,000 shares of common stock. **Price**—60 cents per share. **Proceeds**—For exploration, development and acquisitions. **Office**—5 Cobbold Block, Saskatoon, Saskatchewan, Canada. **Underwriter**—Cumberland Securities Ltd., Regina, Saskatchewan, Canada.

Munston Electronic Manufacturing Corp.
Nov. 9 (letter of notification) 50,000 shares of common stock (par 10 cents). **Price**—$6 per share. **Proceeds**—For general corporate purposes. **Office**—Beech Street, Islip, N. Y. **Underwriter**—Heft, Kahn & Infante, Inc., Hempstead, N. Y. **Offering**—Expected in January.

Murphy Finance Co.
Dec. 21 filed 100,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—For working capital and debt reduction. **Office**—174 E. 6th St., St. Paul, Minn. **Underwriter**—Piper, Jaffray & Hopwood, Minneapolis, Minn.

Mutual Credit Corp.
Oct. 6 (letter of notification) $300,000 of 6½% convertible subordinated debentures, series A, due Oct. 1, 1969. Debentures are convertible at any time through Oct. 1, 1968 into class A non-voting common stock (par $5) at the rate of 100 shares of such stock for each $500 of debentures converted. **Price**—At face amount. **Proceeds**—For the general funds of the company. **Office**—c/o Raymond F. Wentworth, 6 Milk St., Dover, N. H. **Underwriter**—Eastern Investment Corp., Manchester, N. H.

Narda Microwave Corp.
June 16 filed 50,000 shares of common stock (par 10 cents) and 50,000 warrants to be offered in units, consisting of one share of common stock with attached warrant entitling the holder to purchase one additional share. The statement also includes an additional 10,000 shares of common stock reserved for issuance to key employees pursuant to options. **Price**—To be supplied by amendment. **Proceeds**—To be used to retire bank loans. **Underwriter**—Milton D. Blauner & Co., Inc., New York. Indefinitely postponed.

National Equipment Rental, Ltd.
Dec. 30 filed $2,000,000 of 6% subordinated sinking fund debentures, due Feb. 1, 1970, with common stock purchase warrants attached, and 207,500 shares of common stock, of which 127,500 shares of the common are to be offered for the account of selling stockholders, 80,000 shares of the common are to be reserved for issuance upon the exercise of the warrants, and the remaining 100,000 common shares are to be offered in units with the debentures, each unit to consist of 10 common shares and $200 principal amount of debentures. **Price**—$250 per unit. **Proceeds**—For working capital, to be used for expansion. **Office**—Floral Park, L. I., N. Y. **Underwriter**—Burnham & Co., New York City.

★ **National Lawnservice Corp.**
Jan. 11 (letter of notification) 100,000 shares of common stock (par one cent). **Price**—$3 per share. **Proceeds**—For general corporate purposes. **Office**—410 Livingston Avenue, North Babylon, N. Y. **Underwriter**—Fund Planning Inc., New York, N. Y.

• **New Brunswick (Province of) (1/27)**
Jan. 7 filed $15,000,000 of 25-year sinking fund debentures, due Feb. 1, 1985. **Proceeds**—To be advanced to New Brunswick Electric Power Commission. **Office**—New Brunswick, Canada. **Underwriters**—Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., and W. C. Pitfield & Co., Inc., all of New York City.

North Carolina Telephone Co.
Sept. 4 filed 576,405 shares of common capital stock, to be offered for subscription by holders of outstanding stock in the ratio of two new shares for each five shares held. **Price**—$2 per share. **Proceeds**—To reduce indebtedness with the balance, if any, to be used as working capital. **Office**—Matthews, N. C. **Underwriter**—One or more security dealers will be offered any shares not subscribed for at $2 per share.

• **Nu-Era Corp.**
Nov. 30 filed 275,000 shares of common stock, of which 200,000 are to be publicly offered. **Price**—$3.75 per share. **Proceeds**—To reduce indebtedness and increase inventories of gears and mufflers. **Office**—342 South St., Rochester, Michigan. **Underwriter**—Mortimer B. Burnside & Co., Inc., on an "all or nothing best efforts" basis. The underwriter will receive $15,000 for expenses, a $.75 per share selling commission on the 200,000 shares comprising the public offering, and the privilege of purchasing 37,500 shares of the common stock at $.10 per share. The 37,500 shares thus far unaccounted for are to be sold to John L. Appelbaum at $.10 per share in consideration of certain services rendered. **Offering**—Expected in February.

Occidental Petroleum Corp.
Oct. 29 filed 615,854 shares of common stock (par 20 cents), 307,927 shares of which are to be offered for subscription by holders of outstanding common stock at the rate of one new share for each 10 shares held. The remaining shares are to be offered to a group of individuals, not as yet named, who have agreed to purchase not less than 307,925 shares, and will also be offered shares not bought by the holders of the outstanding common. **Price**—To be supplied by amendment. **Proceeds**—For drilling, exploration, development, and to purchase an interest in Parker Petroleum Co. **Office**—8255 Beverly Boulevard, Los Angeles, Calif. **Underwriter**—None.

★ **O'Connor Petroleum, Inc.**
Jan. 12 filed 150 units of participations in exploration agreements. **Price**—$150 per unit. **Proceeds**—For land acquisition and drilling and equipping wells. **Office**—111 N. W. 23rd St., Oklahoma City, Okla. **Underwriter**—None. **Note**—The company was organized under Oklahoma law on Jan. 6; all outstanding stock is owned by William J. O'Connor, President.

Oil, Gas & Minerals, Inc.
April 2 filed 260,000 shares of common stock (par 3[illegible] cents. **Price**—$2 per share. **Proceeds**—To retire bank loans and for investment purposes. **Office**—513 International Trade Mart, New Orleans, La. **Underwriter**—Assets Investment Co., Inc., New Orleans, La. The SEC "stop order" hearing has been postponed from Dec. 23 to Jan. 23.

★ **Onyx Chemical Corp.**
Jan. 15 filed 140,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To acquire Onyx Oil & Chemical Co. **Office**—190 Warren Street, Jersey City, N. J. **Underwriter**—McDonnell & Co., Inc., New York City. **Offering**—Expected in February.

Ovitron Corp., Detroit, Mich.
Oct. 27 filed 150,000 shares of common stock (par one cent). **Price**—$6 per share. **Proceeds**—For research and working capital. **Underwriter**—Sutro Bros. & Co., New York.

Oxy-Catalyst, Inc.
Dec. 23 filed 28,637 shares of common stock. The company proposes to offer 11,372 shares for subscription by its common stockholders of record Jan. 15, 1960, upon the basis of one new share for each 50 shares then held. The remaining 17,265 shares are to be offered to certain officers and employees of the company upon the exercise of options to purchase said shares, the option price being $9.35 as to 6,575 shares and $11 as to 10,690. **Price**—For rights offering, to be supplied by amendment. **Proceeds**—For additional working capital. **Office**—511 Old Lancaster Road, Berwyn, Pa. **Underwriter**—None.

• **Pacific Centers Inc.**
Dec. 22 (letter of notification) 73,750 shares of common stock (no par). **Price**—$4 per share. **Proceeds**—For construction of a shopping center in San Jose, Calif. **Office**—Patterson Building, Carmel, Calif. **Underwriter**—Binder & Co., Los Angeles 46, Calif.

Pacific Gold, Inc.
Dec. 9 (letter of notification) 75,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—404 Mining Exchange Building, Colorado Springs, Colo. **Underwriter**—Birkenmayer & Co., Denver, Colo.

★ **Palm Beach-Dade Corp.**
Jan. 7 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—To make a down payment on land; for principal payment, interest payment and working capital. **Office**—1873 Northeast 163rd Street, North Miami Beach, Fla. **Underwriter**—T. M. Kirsch Co., New York, N. Y.

• **Pantasote Co. (1/29)**
Jan. 8 filed 350,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For new plant (to be built by Scientific Design Co., Inc.) and equipment and "start-up" expenses pertaining thereto, with the balance, if any, to be used as working capital. **Office**—26 Jefferson St., Passaic, N. J. **Underwriter**—Bear, Stearns & Co., New York City.

• **Pathe News, Inc. (2/10)**
Sept. [illegible] filed 400,000 shares of common stock (par 10 cents) with warrants to purchase an additional 100,000 common shares at $3.25 per share. **Price**—$3.75 per share, with warrants. **Proceeds**—For general corporate purposes, including the addition of working capital, the reduction of indebtedness, and the provision of the $173,000 cash required upon the exercise of an option to purchase the building at 245-249 W. 55th St., New York. **Office**—245 W. 55th Street, New York. **Underwriter**—Hilton Securities, Inc., formerly Chauncey, Walden, Harris & Freed, Inc., New York.

★ **Petersburg Investment Corp.**
Jan. 8 (letter of notification) 15,000 shares of capital stock (par $1). **Price**—$2 per share. **Proceeds**—To pay off an outstanding note. **Office**—Petersburg, Va. **Underwriter**—None.

Petroleum Projects
Oct. 13 filed $1,500,000 of participations in oil and gas exploratory fund. **Price**—The minimum participation will cost $10,000. **Office**—Madison, N. J. **Underwriter**—Mineral Projects Co., Ltd.

• **Phillips Developments, Inc. (2/24)**
Dec. 21 filed 400,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For property development, possible acquisitions, and working capital. **Office**—1111 West Foothill Blvd., Azusa, Calif. **Underwriters**—Allen & Co., Bear, Stearns & Co., and Sutro Bros. & Co., all of New York City.

Pilgrim National Life Insurance Co. of America
Sept. 17 filed 100,000 shares of common stock (par $1), of which 55,000 shares are to be offered first to stockholders of record Aug. 31, 1959, and 45,000 shares (minimum) are to be offered to the public, which will also be offered any shares unsubscribed for by said stockholders. **Price**—$5 per share. **Proceeds**—For general corporate purposes, possibly including the enabling of the issuing company to make application for licenses to conduct its insurance business in States other than Illinois, the sole State in which it is presently licensed. **Office**—222 W Adams Street, Chicago, Ill. **Underwriter**—None. Statement effective Nov.4.

Precision Transformer Corp., Chicago
Dec. 29 filed $700,000 of 6½% subordinated convertible debentures, due 1970, with attached warrants to purchase 28,000 common shares; and warrants for the purchase of 125,000 common shares, which may be issued to company-connected people; and 150,000 common shares. **Prices**—For the debentures, par; for the common, the price will be supplied by amendment. **Proceeds**—For debt reduction, plant construction, and equipment. **Underwriter**—John R. Boland & Co., Inc., New York City, who will work on a "best efforts" basis and receive a commission of $120 per $1,000 debentures sold.

Preferred Insurance Co.
Dec. 30 filed 59,364 shares of outstanding common stock, to be exchanged by certain of the issuer's shareholders subject to an agreement with Preferred Automobile Underwriters Co. **Office**—126 Ottawa Avenue, N. W., Grand Rapids, Mich.

Prudential Commercial Corp.
Oct. 21 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office**—City of Dover, County of Kent, Del. **Underwriter**—All State Securities, Inc., 80 Wall Street, New York, N. Y.

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Puerto Rico Industries, Inc.
Oct. 15 filed 48,500 shares of class A common stock, (par $1), 200,000 shares of class B common stock (par $1) and $388,000 of 6% subordinated debentures, due July 1, 1971. With the exception of 151,500 shares of class B common allocated to the organizers of the company at par, the securities are to be offered to the public in units of $4,000 of debentures, 500 class A shares, and 500 class B shares. **Price**—$5,000 per unit. **Proceeds**—For investment in the securities of its subsidiary, Puerto Rico Meat Packing Co., Inc., which will use the funds, estimated at $600,000, as operating capital. **Address**—P. O Box No. 622, Little Rock, Ark. **Underwriter**—None.

• **Puget Park Corp.**
Jan. 6 filed 125,650 shares of common stock. **Price**—$6.50 per share. **Proceeds**—To buy land and reduce indebtedness. **Office**—Seattle, Wash. **Underwriter**—Hill, Darlington & Co., of Seattle and New York City. **Offering**—Expected in February.

★ **Rangeley Bald Mountain Ski Corp.**
Jan. 8 (letter of notification) 767 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—To operate a ski resort. **Office**—Rangeley, Maine. **Underwriter**—None.

Reserve Insurance Co., Chicago, Ill.
Oct. 20 filed 110,837 shares of capital stock, of which 62,676 are to be sold for the company's account and 48,161 shares are to be sold for the account of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To be added to the general funds of the company to enable it to finance a larger volume of underwriting and to expand its area of operations. **Underwriter**—A. G. Becker & Co. Inc., Chicago, Ill. This offering will not be made in New York State. **Offering**—Postponed indefinitely.

Roulette Records, Inc.
Aug. 27 filed 330,000 shares of common stock (one cent), of which 300,000 shares are to be publicly offered. **Price**—$3.50 per share. **Proceeds**—For general corporate purposes, including moving to new quarters and installing executive offices and sound studio facilities therein, acquiring technical equipment and machinery, and adding to working capital. **Office**—659 10th Avenue, New York. **Underwriter**—Hilton Securities, Inc., 580 Fifth Avenue, New York, formerly known as Chauncey, Walden, Harris & Freed at the same address, states that it is no longer underwriting this issue.

• **Row, Peterson & Co. (2/8)**
Jan. 6 filed 164,689 shares of common stock, of which 157,346 shares are to be offered for the account of nine selling stockholders and 7,343 shares for the account of the issuer. **Price**—To be supplied by amendment. (Giving effect to the completion of the proposed offering, net operating profit in the fiscal year ending April 30, 1959 was about $1.48 per share.) **Office**—Evanston, Ill. Underwriter—Kidder, Peabody & Co., Inc.

Seacrest Industries Corp.
Dec. 4 (letter of notification) 165,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Office**—354 Franklin Avenue, Franklin Square, L. I., N. Y. **Underwriter**—A. J. Gabriel Co., Inc., New York, N. Y.

Secode Corp.
Dec. 28 filed $1,500,000 of 6% convertible subordinated debentures due July 1, 1965. The company proposes to offer $300,000 of the debentures in exchange for its 6% convertible notes due July 30, 1962; $587,000 in exchange for its demand notes totaling $587,000; and the balance, or $613,000, to the public for cash. **Office**—555 Minnesota Street, San Francisco, Calif. **Underwriter**—No underwriting is involved; but the debentures offered for the cash sale will be sold on a best efforts basis through dealers who will receive a 5% commission.

Security Mortgages, Inc.
Nov. 30 filed $250,000 of 11-year sinking fund debentures and 62,500 shares of class A common stock (par 15 cents), to be offered in units of 1 debenture and 25 common shares. **Price**—$100 per unit. **Proceeds**—To invest in equities and/or mortgages. **Office** — Denver 2, Colo. **Underwriter**—None.

Shield Chemical Ltd.
Sept. 8 (letter of notification) 95,000 shares of capital stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—To purchase and install manufacturing equipment; control and test equipment; advertising and for working capital. **Office**—17 Jutland Road, Toronto, Canada. **Underwriter**—Peters, Writer & Christensen, Inc., Denver, Colorado.

• **Soroban Engineering, Inc. (2/10)**
Dec. 29 filed 100,000 shares of its common stock. **Price**—To be supplied by amendment. **Proceeds**—For acquisition of land and erecting an additional plant, for tooling and additional equipment, for fixtures and general furnishings for the new plant, and for reduction of bank indebtedness. **Office**—7725 New Haven Avenue, Melbourne, Fla. **Underwriter**—R. S. Dickson & Co., Inc., Charlotte, N. C.

Sottile, Inc. (Formerly South Dade Farms, Inc.)
July 29 filed 2,000,000 shares of common stock (par $1), of which 1,543,000 shares are to be issued and sold for the account of the company, and 457,000 shares, representing outstanding stock, to be sold for the accounts of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To retire 70% of the common stock outstanding at the date of the stock offering; to invest in the capital stocks of six of the company's seven bank subsidiaries; to repay a bank loan of $6,400,000; to add to working capital; to retire certain long-term indebtedness; and to develop citrus groves. **Office**—250 South East First Street, Miami, Fla. **Underwriter**—Bear, Stearns & Co., New York. **Offering**—Indefinite.

South Bay Industries, Inc.
Dec. 11 filed 210,000 shares of class A stock. **Price**—$5 per share. **Proceeds**—To pay off bank loans, purchase machinery, and add to working capital. **Office** — 42 Broadway, New York City. **Underwriter**—Amos Treat & Co., Inc., of New York City, on a "best efforts" basis. **Offering**—Expected in February.

Southland Oil Ventures, Inc.
Nov. 27 filed $2,000,000 of participations in its 1960 Oil and Gas Exploration Program. **Price**—$5,000 per unit, with a minimum participation of $10,000. **Proceeds**—For exploration. **Office** — 2802 Lexington, Houston, Texas. **Underwriter**—The participations will be offered by officers of the company and by certain investment firms.

• **Southeastern Factors Corp.**
Dec. 9 filed $500,000 of 6% subordinated capital debentures, due Jan. 1, 1975, with warrants to purchase 100,000 shares of common stock ($1 par). These debentures are to be offered on the basis of $1,000 principal amount of debentures, each such debenture bearing warrants for the purchase of 200 shares of common stock at $4.25 per share until July 29, 1960. **Price**—$1,000 per debenture. **Proceeds**—For general corporate purposes. **Office**—Charlotte, N. C. **Underwriters** — Interstate Securities Corp., Charlotte, McCarley & Co., Asheville, N. C., and Citizens Trust Co., Greenwood, S. C. **Offering**—Expected any day.

★ **Southeastern Public Service Co.**
Jan. 14 filed 104,961 shares of common stock, to be offered to common stockholders of record Feb. 3 on the basis of one new share for each 10 shares then held. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including investments in the issuer's subsidiaries. **Office**—70 Pine St., New York City. **Underwriter**—Bioren & Co., Philadelphia, Pa.

Southern California Edison Co. (1/26)
Jan. 4 filed $30,000,000 of first and refunding mortgage bonds, series L, due 1985. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey Stuart & Co. Inc.; The First Boston Corp. and Dean Witter & Co. (jointly); and Blyth & Co., Inc.

Southern Growth Industries, Inc.
Nov. 12 filed 963,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For investment. **Office** — Greenville, S. C. **Underwriter** — Capital Securities Corp., 121 So. Main Street, Greenville, So. Car., on a "best efforts" basis, with a commission of 50 cents per share.

Southwestern Investment Co.
Nov. 2 filed 225,000 shares of common stock, of which 15,000 shares are to be offered to employees of the issuing company and its subsidiaries, and 210,000 shares represent outstanding stock held by previous stockholders of Southwest Acceptance Co., who may offer their shares. **Price**—At market. Office—Amarillo, Texas. **Underwriter**—None.

Sta-Brite Fluorescent Manufacturing Co.
Nov. 27 filed 140,000 shares of common stock (par $.10). **Price**—$5 per share. **Proceeds**—For plant improvements, opening new muffler and brake shops, advertising, new product engineering and promotion, and working capital. **Office**—3550 N. W. 49th St., Miami, Fla. **Underwriter**—Charles Plohn & Co., New York City. **Offering**—Expected in January.

Stantex Corp.
Dec. 28 (letter of notification) 300,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For new quarters, expansion and working capital. **Office**—40 N. 2nd Street, Philadelphia, Pa. **Underwriters**—First City Securities, Inc., New York, N. Y. and Frank P. Hunt & Co., Inc., Rochester, N. Y.

Stelling Development Corp.
June 8 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mortgages, land, paving roads, loans payable, advertising, etc. **Office**—305 Morgan St., Tampa 2, Fla. **Underwriter**—Stanford Corp., Washington, D. C.

Supermarket Service, Inc.
Oct. 14 (letter of notification) 9,000 shares of common stock (no par). **Price**—$11.50 per share. **Proceeds**—For working capital. **Office** — 103 E. Main St., Plainville, Conn. **Underwriter** — E. T. Andrews & Co., Hartford, Conn.

System Finance Co.
Dec. 15 (letter of notification) $250,000 of 6% subordinated notes due Jan. 1, 1966. **Price**—At face amount. **Proceeds**—For working capital. **Office**— 610 S. Sixth St., Champaign, Ill. **Underwriter** — Hurd, Clegg & Co., Champaign, Ill.

• **Tampa Electric Co. (2/3)**
Jan. 7 filed 240,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For 1960 construction expenditures, estimated at about $25,000,000. **Office**—111 North Dale Mabry Highway, Tampa, Fla. **Underwriter**—Stone & Webster Securities Corp., New York City.

Tayco Developments, Inc.
Dec. 23 filed 5,390 shares of common stock to be offered for subscription by common stockholders at the rate of ten-seventy-fifths of a share for each share held. **Price**—$28.75 per share. **Proceeds**—For working capital and to secure additional patents on present inventions, and to continue and expand research and development work in the field of liquid compressibility devices and other areas. **Office**—188 Webster St., North Tonawanda, N. Y. **Underwriter**—C. E. Stoltz & Co., New York.

Taylor Devices, Inc.
Dec. 23 filed 18,705 shares of common stock to be offered for subscription by common stockohlders on the basis of six-tenths of one share for each share held. **Price**—$28.75 per share. **Proceeds** — To repay a short-term loan, for additional working capital, and to establish expanded executive sales and manufacturing personnel and to continue research and development, and the balance to lease or purchase additional factory and office space. **Office**—188 Webster St., North Tonawanda, N. Y. **Underwriter**—C. E. Stoltz & Co., New York.

• **Telechrome Manufacturing Corp. (1/25)**
Nov. 16 filed $750,000 of 6% convertible subordinated debentures due 1969. A presently undetermined number of common shares will accompany the debentures. **Price**—At 100% of principal amount. **Proceeds**—For general corporate purposes including expansion and debt reduction. **Office**—Amityville, L. I., N. Y. **Underwriters**—Amos Treat & Co., Inc., and Truman, Wasserman & Co., Inc., both of New York City. **Offering**—Expected in January, 1960.

★ **Tennessee Gas Transmission Co.**
Jan. 19 filed 1,500,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To retire short-term notes, with the balance to general funds. **Office**—Houston, Texas. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co., both of New York City.

Tenney Engineering, Inc. (1/22)
Dec. 18 filed $500,000 of 6½% convertible subordinated debentures, due January, 1970, and 25,000 shares of common stock. **Prices**—For the debentures: at 100% of principal amount; for the stock, to be supplied by amendment. **Proceeds**—For reduction of indebtedness, moving issuer's coil business from Michigan to North Carolina, and working capital. **Office**—1090 Springfield Road, Union, N. J. **Underwriter**—Milton D. Blauner & Co., Inc.

• **Texas Electric Service Co. (2/9)**
Jan. 6 filed $12,000,000 of sinking fund debentures, due 1985. **Proceeds**—For construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith Inc.; Eastman Dillon, Union Securities & Co.; Kuhn, Loeb & Co.; Blyth & Co., Inc. and Lehman Brothers.

★ **Time Sales Finance Corp.**
Jan. 6 (letter of notification) $250,000 of five-year 8% subordinated renewal debentures payable upon demand Jan. 15, 1965; payable without demand Jan. 15, 1970. **Price**—At face value. **Proceeds**—For working capital. **Office**—Philadelphia, Pa. **Underwriter**—None.

Tower's Marts, Inc.
Aug. 28 filed 300,000 shares of class A common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To reduce indebtedness by about $300,000, with the balance to be added to working capital of the company and its subsidiaries. **Office**—210 East Main Street, Rockville, Conn. **Underwriters**—To be supplied by amendment.

Transcon Petroleum & Development Corp., Mangum, Okla.
March 20 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For development of oil properties. **Underwriter**—First Investment Planning Co., Washington, D. C.

★ **Transistor Specialties, Inc.**
Jan. 8 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For general corporate purposes. **Office**—Terminal Drive, Plainview, N. Y. **Underwriter**—None.

• **Transit Freeze Corp.**
Dec. 3 (letter of notification) 75,000 shares of common stock (par 10 cents). **Price**—$4 per share. **Proceeds**—For expenses incidental to the development of a frozen food trucking business. **Office**—152 W. 42nd Street, New York City. **Underwriter** — Jerome Robbins & Co., 82 Wall Street, on a "best efforts" basis. **Offering**—Expected in February.

(The) T Transportation Plan, Inc.
Oct. 7 filed $600,000 of 7% convertible subordinated debentures, due November, 1969, 60,000 shares of common stock (par one cent) and 30,000 common stock purchase warrants, to be offered in units consisting of $100 of debentures, 10 common shares, and 5 warrants. **Price**—$150 per unit. **Proceeds**—For general corporate purposes, including working capital. **Office**—120 Broadway, New York City. **Underwriter**—Ross, Lyon & Co., Inc., New York states that they are no longer underwriting this issue.

Tri-State Petroleum Corp.
Nov. 12 (letter of notification) 199,900 shares of common stock (par five cents). **Price**—$1.50 per share. **Proceeds**—For expenses for drilling and producing oil. **Office**—1403 G. Daniel Baldwin Bldg., Erie, Pa. **Underwriter**—Daggett Securities Inc., Newark, N. J.

Turner Timber Corp.
Nov. 12 filed $2,000,000 of 6¾% convertible debentures, due 1969, and 250,000 shares of common stock (par one cent), to be offered in units consisting of $1,000 principal amount of debentures and 125 shares of stock. **Price**—$1,001.25 (plus accrued interest from 12/15/59) per unit. **Proceeds**—For the acquisition of coal and timber properties, with any balance to be added to working capital. **Office**—60 E. 42nd Street, New York City. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

United Employees Insurance Co.
April 16 filed 2,000,000 shares of common stock (par $5). **Price** — $10 per share. **Proceeds** — For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. **Office** — Wilmington, Del. **Underwriter**—None. Myrl L. McKee of Portland, Ore. is President.

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★ U. S. Polymeric Chemicals, Inc.
Jan. 14 filed 71,090 shares of outstanding common stock. **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Office**—Stamford, Conn. **Underwriter**—Dominick & Dominick, New York City.

United Tourist Enterprises, Inc.
Jan. 28 filed 4,500,000 shares of class A common stock (par 50 cents). **Price** — $2 per share. **Proceeds** — For development and construction of a "Western Village" and for construction of a Grand Estes Hotel and Convention Hall, to be constructed in the immediate vicinity of Estes Park Chalet, located in Larimer County, Colo. **Office** — 330 South 39th Street, Boulder, Colo. **Underwriter**—Mid-West Securities Corp., Littleton, Colo. Statement effective Oct. 9.

• Universal Transistor Products Corp. (1/28)
Dec. 18 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds** — For general corporate purposes. **Office** — 36 Sylvester Street, Westbury, L. I., N. Y. **Underwriters**—Michael G. Kletz & Co., Inc. and Amos Treat & Co., Inc., New York, N. Y.

Val Vista Investment Co., Phoenix, Ariz.
June 29 filed 80 investment contracts (partnership interests) to be offered in units. **Price**—$5,378.39 per unit. **Proceeds**—For investment. **Underwriter**—O'Malley Securities Co. Statement effective Aug. 11.

Variable Annuity Life Insurance Co. of America
April 21 filed $4,000,000 of Variable Annuity Policies. **Price**—No less than $120 a year for annual premium contracts and no less than $1,500 for single premium contracts. **Proceeds**—For investment, etc. **Office**—1832 M Street, N. W., Washington, D. C. **Underwriter**—None.

• Vickers-Crow Mines, Inc. (2/1)
Nov. 23 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office** — 321½ Grant Ave., Eveleth, Minn. **Underwriter**—Sakier & Co., Inc., 50 Broad St., New York, N. Y.

• Vita-Plus Beverage Co., Inc.
Aug. 11 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For publicity, advertising, business promotion and initiation of a program of national distribution and for working capital. **Office**—373 Herzl St., Brooklyn, N. Y. **Underwriter**—None. **Offering**—Expected in March.

• West Florida Natural Gas Co. (1/29)
Dec. 21 filed $837,200 of subordinated income debentures and warrants to buy 25,116 shares of class A common stock ($1 par), to be offered first to stockholders in units of $100 of debentures with warrants for the purchase of three shares of common at $100. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office**—Maple & Third Streets, Panama City, Fla. **Underwriters**—White, Weld & Co., New York City, and Pierce, Carrison, Wulbern, Inc., Jacksonville, Fla. (jointly).

Western Carolina Telephone Co.
Nov. 4 filed 71,513 shares of common stock (par $5), to be offered to stockholders on the basis of one new share for each five shares held. **Price**—$6.75 per share. **Proceeds**—For general corporate purposes, including the reduction of indebtedness and the continuation of construction. **Office**—15 South Main St., Weaverville, N. C. **Underwriter**—None.

Western Wood Fiber Co.
March 5 filed 100,000 shares of common stock (par $10) and 40,000 shares of preferred stock (par $25). **Price** — At par. **Proceeds**—For construction and equipment of company's plant and for working capital. **Office**—300 Montgomery St., San Francisco, Calif. **Underwriter**—None.

Wyoming Nuclear Corp.
Sept. 11 (letter of notification) 10,000,000 shares of common stock. **Price**—At par (three cents per share). **Proceeds**—For mining expenses. **Office**—Noble Hotel Bldg., Lander, Wyo. **Underwriter**—C. A. Benson & Co., Inc., Pittsburgh, Pa.

Young Manufacturing Co.
Dec. 16 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To increase inventories, expand manufacturing facilities and for working capital. **Office**—1601 W. Lincolnway, Cheyenne, Wyo. **Underwriter** — Atlas Securities Co., Cheyenne, Wyo.

Prospective Offerings

Alabama Power Co. (4/7)
Dec. 9 it was announced that this company plans registration with the Securities and Exchange Commission of $19,500,000 of 30-year first mortgage bonds. **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). **Information Meeting** —Scheduled for April 4, 1960. **Bids**—Expected to be received on April 7. **Registration**—Scheduled for March 4.

American Jet School, Inc., Lansing, Mich.
Aug. 31 it was announced that the corporation plans to issue and sell 100,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For expansion of present Michigan and Ohio sales force to a national one, and introduction of new courses and resident study schools. **Business**—In correspondence school business. **Office**—1609 Kalamazoo St., Lansing, Mich. **Underwriter**—In New York, to be named. The company is presently negotiating with two New York underwriters.

Britton Electronics Corp.
It has been reported that this Queens Village, L. I., company is expected to offer an issue of common stock in January, pursuant to an SEC registration. **Proceeds** —For plant and equipment, including the expansion of a semi-conductor line for silicon products. **Underwriter** —First Philadelphia Corp., 40 Exchange Place, New York City.

Brooklyn Union Gas Co.
Dec. 7 it was reported that the company plans to issue about $20,000,000 of securities in the second quarter of 1960. The precise form of the offering is expected to be announced in the first quarter. The company's current thinking is that it will take the form of straight preferred stock. About $120,000,000 is expected to be spent for construction in the 1959-1964 period, of which some $80,000,000 will be sought from outside financing, with the $40,000,000 remainder expected to be internally generated. **Proceeds**—The offering now "in the works" is expected to liquidate bank loans of about $13,000,000 the company will have outstanding as of the end of this year, in addition to about $2,250,000 of bank loans undertaken in order to call in the preferred stock of Brooklyn Borough Gas Co., acquired by consolidation last June. This company had about 100,000 meters in the Coney Island (N. Y.) area. **Office**—176 Remsen Street, Brooklyn 1, N. Y. **Note:** Stockholders meet on Feb. 9.

(J. I.) Case Credit Corp.
It was reported in early January that the company is planning new financing in a few months, possibly through privately-placed notes. **Office**—700 State Street, Racine, Wis.

Coffee House, Inc., Lansing, Mich.
Aug. 31 it was announced company plans to issue and sell 100,000 shares of common stock (par 10 cents). **Price** —To be supplied by amendment. **Proceeds** — To build chain of coffee houses, establish commissaries and for general corporate purposes. **Office** — 1500 Clifton Ave., Lansing, Mich. **Underwriter**—In New York, to be named.

Consolidated Research & Mfg. Corp.
Dec. 16 it was reported that this firm, founded last August as a Delaware corporation, plans its first public financing in the form of a common stock offering scheduled for next spring. **Business**—The company produes spray containers to combat ice, snow, and fog. **Proceeds**—For expansion. **Office**—1184 Chapel St., New Haven, Conn. **President**—Marvin Botwick.

• Dayton Power & Light Co. (2/25)
Dec. 30 it was announced that the company plans the filing of about $25,000,000 of 30-year first mortgage bonds. **Proceeds**—Will be used to repay $18,000,000 of temporary bank loans and to defray part of the cost of the company's 1960 construction program. **Underwriter** —To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Merrill Lynch, Pierce, Fenner & Smith Inc. and White, Weld & Co. (jointly); Lehman Brothers, Blyth & Co., Inc. and The First Boston Corp. (jointly); Morgan Stanley & Co. and W. E. Hutton & Co. (jointly).

Duquesne Light Co. (2/24)
Dec. 2 it was announced by Philip A. Fleger, President and Board Chairman, that the utility's sole financing in 1960 is expected to consist of $20,000,000 of non-convertible debentures. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Eastman Dillon, Union Securities & Co.; A. C. Allyn & Co., Inc. and Ladenburg, Thalmann & Co. (jointly); White, Weld & Co.; The First Boston Corp. and Glore, Forgan & Co. (jointly); Blyth & Co., Inc.; Drexel & Co. and Equitable Securities Corp. (jointly).

Englehard Industries, Inc.
Dec. 2 it was reported that this Newark, N. J., corporation might make an announcement in the next two weeks concerning a forthcoming issue of common stock. Although no confirmation has been forthcoming, it is understood that auditors visited the company in late December. Registration is still believed likely in the near future.

First National Bank of Miami, Fla.
Sept. 14 it was announced stockholders have approved a proposed offering to stockholders of 150,000 additional shares of capital stock (par $10) on the basis of one new share for each four shares held. **Price**—$40 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Georgia Power Co. (11/3)
Dec. 9 it was announced that the company plans registration of $12,000,000 of 30-year first mortgage bonds with the SEC. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Equitable Securities Corp., and Eastman Dillon, Union Securities & Co. (jointly); Blyth & Co., Inc., and Kidder, Peabody & Co. (jointly); The First Boston Corp. **Registration**—Scheduled for Sept. 26. **Bids**—Expected to be received on Nov. 3. **Information Meeting**—Scheduled for Oct. 31.

Gulf Power Co. (7/7)
Dec. 9 it was announced that the company plans registration with the SEC of $5,000,000 first mortgage 30-year bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Equitable Securities Corp.; Kidder, Peabody & Co., and White, Weld & Co. (jointly); Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc.; Salomon Bros. & Hutzler, and Drexel & Co. (jointly); Eastman Dillon, Union Securities & Co. **Information Meeting**—Scheduled for July 5, 1960. **Bids**—Expected to be received on July 7. **Registration** — Scheduled for June 3.

Gulf Power Co. (7/7)
Dec. 9 it was announced that the company plans registration of 50,000 shares of preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: Harriman Ripley & Co.; Eastman Dillon, Union Securities & Co., and Salomon Bros. & Hutzler (jointly); Equitable Securities Corp.; Kidder, Peabody & Co., and White, Weld & Co. (jointly). **Information Meeting**—Scheduled for July 5, 1960. **Bids**—Expected to be received on July 7. **Registration** — Scheduled for June 3.

Harvey Aluminum Co., Torrance, Calif.
It was reported late last year that this firm—the old Harvey Machine Co. — is planning its initial public financing for the Spring. **Underwriters**—Kuhn, Loeb & Co. (managing) and Tucker, Anthony & R. L. Day, both of New York City.

Hawaiian Telephone Co.
Aug. 3 it was reported company received approval from the Territorial Public Utilities Commission to issue about $4,500,000 of new bonds. Last bond issues were placed privately.

Independent Radio, Inc., Lansing, Mich.
Aug. 31 it was announced company plans to issue and sell 100,000 shares of common stock (par 10 cents). **Price** —To be supplied by amendment. **Proceeds**—For acquisition of radio stations. **Business** — Radio broadcasting. **Office**—130 Shepard St., Lansing, Mich. **Underwriter**—In New York, to be named.

★ Kenrich Petrochemicals, Inc.
Jan. 20 it was reported that February registration is expected of $175,000 of convertible debentures and 55,000 shares of common stock. **Prices**—To be supplied by amendment. **Proceeds**—For the expansion of manufacturing facilities. **Office** — Maspeth, Queens, L. I., N. Y. **Underwriter** — First Philadelphia Corp., 40 Exchange Place, New York City.

Mississippi Power Co. (3/17)
Dec. 9 it was announced that the company plans registration of $4,000,000 of first mortgage 30-year bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith Inc.; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly). **Information Meeting**—March 14, 1960. **Bids**—Expected to be received on March 17. **Registration**—Scheduled for Feb. 11.

National Mail Order Co., Lansing, Mich.
Oct. 5 it was announced company plans to register an issue of 100,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Office**—130 Shepard St., Lansing, Mich. **Underwriter**—To be named later in New York State.

Nedick's Stores, Inc.
Nov. 12 it was reported that the company is contemplating the placing in registration of 17,000 shares of common stock. About 66% of the issue will be sold for the company's account and the remaining 34% balance will be sold for the account of a selling stockholder. **Underwriter**—Van Alstyne, Noel & Co., New York.

South Carolina Electric & Gas Co.
June 22, S. C. McMeekin, President, announced plans to sell approximately $8,000,000 of bonds in December, 1959. **Proceeds**—To repay bank loans incurred for current construction program. Previous issues have been placed privately. **Note**—On Dec. 31 Mr. McMeekin told this newspaper he does not know whether the bonds will be placed privately. He expects them to be sold this summer; the precise timing will be subject to market conditions.

Southern Electric Generating Co. (6/2)
Dec. 9 it was announced that this company plans registration with the SEC of $40,000,000 of 30-year first mortgage bonds. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc., and Blyth & Co., Inc. (jointly); Morgan Stanley & Co.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Eastman Dillon, Union Securities & Co.; Equitable Securities Corp., and Drexel & Co. (jointly); The First Boston Corp. **Information Meeting**—Scheduled for May 31, 1960. **Bids**—Expected to be received on June 2. **Registration**—Scheduled for April 29.

Transcontinental Gas Pipe Line Corp.
Sept. 29 it was announced that the company plans to come to market twice in 1960 with the sale of first mortgage bonds, and common and preferred stock. **Proceeds**—To raise permanent funds for the financing of its 1960 expansion program. **Office**—Houston, Texas.

Transval Electronics Corp.
R. F. Downer, an official, announced on Jan. 8 that Norman C. Roberts Co., San Diego 1, Calif., and the Los Angeles office of Sutro & Co. (home office: San Francisco) "may be contacted regarding any and all inquiries with respect to the issuance and sale of Transval stock."

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Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated Steel operations (per cent capacity)	Jan. 23	§95.2	°95.7	93.3	72.6
Equivalent to—					
Steel ingots and castings (net tons)	Jan. 23	$2,712,000	°2,727,000	2,641,000	2,056,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Jan. 8	7,111,925	7,067,825	7,123,375	7,051,835
Crude runs to stills—daily average (bbls.)	Jan. 8	¶8,396,000	8,369,000	7,975,000	8,245,000
Gasoline output (bbls.)	Jan. 8	29,230,000	29,613,000	28,254,000	28,689,000
Kerosene output (bbls.)	Jan. 8	2,731,000	3,216,000	2,362,000	3,102,000
Distillate fuel oil output (bbls.)	Jan. 8	13,821,000	14,129,000	13,643,000	14,532,000
Residual fuel oil output (bbls.)	Jan. 8	7,240,000	°6,939,000	6,945,000	7,549,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 8	193,948,000	188,966,000	181,250,000	190,024,000
Kerosene (bbls.) at	Jan. 8	26,705,000	26,771,000	29,013,000	25,363,000
Distillate fuel oil (bbls.) at	Jan. 8	143,031,000	°148,679,000	160,487,000	119,107,000
Residual fuel oil (bbls.) at	Jan. 8	49,563,000	49,938,000	53,882,000	59,991,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 9	591,515	483,012	641,972	550,666
Revenue freight received from connections (no. of cars)	Jan. 9	503,618	446,903	568,646	474,330
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 14	$415,600,000	$231,400,000	$313,800,000	$501,583,000
Private construction	Jan. 14	225,900,000	101,200,000	178,800,000	125,058,000
Public construction	Jan. 14	189,700,000	130,200,000	135,000,000	176,525,000
State and municipal	Jan. 14	147,100,000	88,900,000	84,300,000	128,415,000
Federal	Jan. 14	42,600,000	41,300,000	57,700,000	48,110,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 9	9,000,000	7,325,000	9,175,000	8,195,000
Pennsylvania anthracite (tons)	Jan. 9	401,000	320,000	422,000	546,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE=100	Jan. 9	132	°112	298	121
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 16	14,236,000	14,308,000	14,150,000	13,324,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Jan. 14	292	242	285	294
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 12	6.196c	6.196c	6.196c	6.196c
Pig iron (per gross ton)	Jan. 12	$66.41	$66.41	$66.41	$66.41
Scrap steel (per gross ton)	Jan. 12	$41.50	$41.50	$47.17	$40.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Jan. 13	33.450c	33.600c	33.800c	28.625c
Export refinery at	Jan. 13	31.100c	31.075c	30.925c	27,925c
Lead (New York) at	Jan. 13	12.000c	12.000c	13.000c	13.000c
Lead (St. Louis) at	Jan. 13	11.800c	11.800c	12.800c	12.800c
‡Zinc (delivered) at	Jan. 13	13.500c	13.000c	13.000c	12.000c
Zinc (East St. Louis) at	Jan. 13	13.000c	12.500c	12.500c	11.500c
Aluminum (primary pig, 99.5%) at	Jan. 13	26.000c	26.000c	24.700c	24.700c
Straits tin (New York) at	Jan. 13	99.500c	99.250c	99.250c	99.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 19	81.27	80.67	79.79	85.04
Average corporate	Jan. 19	83.28	83.40	83.79	90.06
Aaa	Jan. 19	87.32	87.45	87.72	94.41
Aa	Jan. 19	85.07	85.07	85.46	92.79
A	Jan. 19	83.28	83.40	83.53	89.92
Baa	Jan. 19	78.20	78.32	78.90	83.91
Railroad Group	Jan. 19	81.29	81.42	81.54	88.81
Public Utilities Group	Jan. 19	83.28	83.53	83.79	89.64
Industrials Group	Jan. 19	85.59	85.59	85.98	91.91
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Jan. 19	4.44	4.51	4.62	3.93
Average corporate	Jan. 19	4.92	4.91	4.88	4.41
Aaa	Jan. 19	4.61	4.60	4.58	4.11
Aa	Jan. 19	4.78	4.78	4.75	4.22
A	Jan. 19	4.92	4.91	4.90	4.42
Baa	Jan. 19	5.34	5.33	5.28	4.87
Railroad Group	Jan. 19	5.08	5.07	5.06	4.50
Public Utilities Group	Jan. 19	4.92	4.90	4.88	4.44
Industrials Group	Jan. 19	4.74	4.74	4.71	4.28
MOODY'S COMMODITY INDEX	Jan. 19	380.5	377.5	372.7	385.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 9	293,514	221,382	299,494	316,150
Production (tons)	Jan. 9	261,488	138,521	329,400	303,880
Percentage of activity	Jan. 9	80	44	96	78
Unfilled orders (tons) at end of period	Jan. 9	456,855	424,821	450,586	416,078
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE=100	Jan. 15	111.46	111.61	111.70	110.57
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	Dec. 25	1,798,999	2,529,380	2,189,810	1,431,270
Short sales	Dec. 25	229,840	335,460	371,080	226,040
Other sales	Dec. 25	1,504,956	2,051,060	1,752,590	1,145,050
Total sales	Dec. 25	1,734,796	2,386,520	2,123,670	1,371,090
Other transactions initiated off the floor—					
Total purchases	Dec. 25	219,620	380,040	349,080	208,370
Short sales	Dec. 25	22,200	32,320	36,400	14,000
Other sales	Dec. 25	212,830	304,280	264,130	211,240
Total sales	Dec. 25	235,030	336,600	300,530	225,240
Other transactions initiated on the floor—					
Total purchases	Dec. 25	570,235	826,895	710,645	413,200
Short sales	Dec. 25	59,920	107,330	93,850	81,600
Other sales	Dec. 25	506,944	788,220	653,530	361,660
Total sales	Dec. 25	566,864	895,550	747,380	443,260
Total round-lot transactions for account of members—					
Total purchases	Dec. 25	2,588,854	3,736,315	3,249,535	2,052,840
Short sales	Dec. 25	311,960	475,110	501,330	321,640
Other sales	Dec. 25	2,224,730	3,143,560	2,670,250	1,717,950
Total sales	Dec. 25	2,536,690	3,618,670	3,171,580	2,039,590
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. 25	1,269,679	1,802,745	1,519,852	884,168
Dollar value	Dec. 25	$65,892,943	$92,607,588	$82,178,327	$47,440,763
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Dec. 25	1,184,808	1,706,960	1,368,678	866,043
Customers' short sales	Dec. 25	4,018	6,880	12,207	4,279
Customers' other sales	Dec. 25	1,180,790	1,700,080	1,356,471	861,764
Dollar value	Dec. 25	$65,892,943	$82,164,421	$69,545,531	$44,494,109
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 25	300,210	464,070	347,160	285,840
Short sales	Dec. 25	----	----	----	----
Other sales	Dec. 25	300,210	464,070	347,160	285,840
Round-lot purchases by dealers— Number of shares	Dec. 25	396,240	550,650	511,630	287,725
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Dec. 25	357,020	583,160	640,450	380,430
Other sales	Dec. 25	11,554,720	16,097,920	13,761,300	8,939,200
Total sales	Dec. 25	11,911,740	16,681,080	14,401,750	9,319,630
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Jan. 12	119.1	118.9	119.0	119.4
Farm products	Jan. 12	86.3	85.1	85.7	91.5
Processed foods	Jan. 12	105.6	105.2	105.5	109.0
Meats	Jan. 12	91.6	89.1	89.4	103.2
All commodities other than farm and foods	Jan. 12	128.0	128.6	128.5	127.3

	Latest Month	Previous Month	Year Ago
AMERICAN ZINC INSTITUTE, INC.—Month of December:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	69,666	62,346	75,503
Shipments (tons of 2,000 pounds)	91,404	77,440	77,010
Stocks at end of period (tons)	154,419	176,157	190,237
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1947-49 Average=100—Month of December:			
Adjusted for seasonal variation	151	145	143
Without seasonal adjustment	264	°176	253
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of November:			
Contracts closed (tonnage)—estimated	260,190	244,060	242,635
Shipments (tonnage)—estimated	180,772	195,313	271,088
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of December:			
Weekly earnings—			
All manufacturing	$91.53	$88.98	$88.04
Durable goods	98.98	95.44	96.29
Nondurable goods	81.19	80.19	78.01
Hours—			
All manufacturing	40.5	39.9	40.2
Durable goods	40.9	40.1	40.8
Nondurable goods	39.8	39.6	39.6
Hourly earnings—			
All manufacturing	$2.26	$2.23	$2.19
Durable goods	2.42	2.38	2.36
Nondurable goods	2.04	2.03	1.97
METAL OUTPUT (BUREAU OF MINES)—Month of October:			
Mine production of recoverable metals in the United States:			
Gold (in fine ounces)	116,643	113,202	171,253
Silver (in fine ounces)	1,906,595	°1,766,882	2,972,226
Copper (in short tons)	28,375	°26,570	92,140
Lead (in short tons)	20,955	°20,373	20,960
Zinc (in short tons)	30,598	°28,571	32,452
METAL PRICES (E. & M. J. QUOTATIONS)—December:			
Copper—			
Domestic refinery (per pound)	33.724c	34.060c	28.583c
Exports refinery (per pound)	30.801c	30.481c	27.041c
††London, prompt (per long ton)	£255.443	£250.583	£220.994
††Three months, London (per long ton)	£239.756	£241.381	£220.732
Lead—			
Common, New York (per pound)	12.523c	13.000c	13.000c
Common, East St. Louis (per pound)	12.323c	12.800c	12.800c
††London, prompt (per long ton)	£72.696	£72.146	£72.202
††Three months, London (per long ton)	£72.452	£72.390	£72.327
Zinc (per pound)—East St. Louis	12.500c	12.500c	11.500c
§§Zinc, prime Western, delivered (per pound)	13.000c	13.000c	12.000c
††Zinc, London, prompt (per long ton)	£95.190	£94.935	£74.342
††Zinc, London, three months (per long ton)	£90.162	£90.179	£71.253
Silver and Sterling Exchange—			
Silver, New York (per ounce)	91.375c	91.375c	89.935c
Silver, London (per ounce)	80.250d	80.250d	76.167d
Sterling Exchange (check)	$2.79845	$2.80268	$2.80380
Tin, New York Straits	99.153c	101.042c	98.976c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$214.091	$216.611	$220.182
¶Antimony, New York, boxed	32.590c	32.590c	32.590c
Antimony (per pound), bulk Laredo	29.000c	29.000c	29.000c
Antimony (per pound) boxed Laredo	29.500c	29.500c	29.500c
Platinum, refined (per ounce)	$77.000	$77.000	$52.000
Cadmium (per pound, delivered ton lots)	$1.30000	$1.30000	$1.45000
Cadmium (per pound, small lots)	$1.40000	$1.40000	$1.45000
Cobalt, 97% grade (per pound)	$1.75000	$1.75000	$1.45000
Aluminum, 99% grade ingot weighted average (per pound)	27.255c	26.800c	26.800c
Aluminum, 99% grade primary pig	25.155c	24.700c	24.700c
Magnesium ingot (per pound)	35.250c	35.250c	35.250c
**Nickel	74.000c	74.000c	74.000c
Bismuth (per pound)	$2.25	$2.25	$2.25
MOODY'S WEIGHTED AVERAGE YIELD 100 COMMON STOCKS—Month of Dec.:			
Industrials (125)	3.08	3.16	3.17
Railroads (25)	5.03	5.09	4.60
Utilities (not incl. Amer. Tel. & Tel.) (214)	4.01	4.04	3.87
Banks (15)	3.38	3.57	4.00
Insurance (10)	2.72	2.83	2.54
Average (200)	3.28	3.38	3.34
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOBILE MANUFACTURERS' ASSN.—Month of December:			
Total number of vehicles	572,666	303,422	621,704
Number of passenger cars	496,189	255,342	534,846
Number of motor trucks	76,077	47,875	86,526
Number of motor coaches	400	205	332
NEW CAPITAL ISSUES IN GREAT BRITAIN MIDLAND BANK LTD.—Month of Dec.	£34,471,000	£24,773,000	£8,635,000
PORTLAND CEMENT (BUREAU OF MINES)—Month of November:			
Production (barrels)	26,100,000	31,127,000	28,031,000
Shipments from mills (barrels)	22,025,000	32,282,000	24,528,000
Stocks at end of month (barrels)	27,794,000	23,912,000	23,686,000
Capacity used (per cent)	77	89	86
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of November:			
Total operating revenues	$780,918,826	$808,291,666	$809,652,811
Total operating expenses	617,366,563	625,821,487	623,805,872
Taxes	78,775,316	87,023,602	81,969,668
Net railway operating income before charges	56,366,052	67,091,965	80,341,761
Net income after charges (estimated)	41,000,000	50,000,000	63,000,000
RUBBER MANUFACTURING ASSOCIATION INC.—Month of November:			
Passenger Tires (Number of)—			
Shipments	5,476,329	8,722,325	6,764,947
Production	7,088,030	9,374,262	7,181,556
Inventory	21,995,753	20,287,143	17,419,873
Truck and Bus Tires (Number of)—			
Shipments	981,919	1,546,549	1,023,447
Production	1,259,437	1,509,721	1,211,076
Inventories	3,137,422	2,863,611	2,982,933
Tractor Implement Tires (Number of)—			
Shipments	178,516	267,364	209,366
Production	243,399	320,264	303,960
Inventory	989,796	°919,675	814,494
Passenger, Motorcycle, Truck and Bus Inner-Tubes (Number of)—			
Shipments	3,096,993	3,915,470	2,898,650
Production	3,755,874	4,391,930	3,318,609
Inventory	9,917,968	9,088,222	8,371,927
Tread Rubber (Camelback)—			
Shipments (pounds)	41,890,000	53,856,000	40,008,000
Production (pounds)	42,566,000	49,653,000	40,585,000
Inventory (pounds)	28,856,000	28,841,000	29,352,000
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of Oct. (000's omitted):			
Exports	$1,476,200	$1,479,000	$1,598,900
Imports	1,204,800	1,391,800	1,141,800

°Revised figure. †Estimated totals based on reports from companies accounting for 96% of primary, 95% of secondary tin consumption in 1957 and 97% of total stocks end of 1957. ¶Domestic five tons or more but less than carload lot boxed. §§Delivered where freight from East St. Louis exceeds 0.5c. **F.o.b. Fort Colburne, U. S. Duty included. ††Average of daily mean and bid and ask quotations per long ton at morning session of London Metal Exchange.

°Revised figure. §Includes 951,000 barrels of foreign crude runs. ¶Based on new annual capacity of 148,570,970 tons as of Jan. 1, 1960 as against Jan. 1, 1959 basis of 147,633,670 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent per pound.

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OBSERVATIONS...

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al" and applied "by ear," he maintains.

He freely states that his value-appraising methods are not at all perfect, but constitute a serious effort to apply some factual discipline in lieu of the artistic "ear-playing" (so often, in this reviewer's opinion, merely an alibi for superficiality).

Unfortunately, space does not permit a detailed description of his Value Line technique.* Briefly summarized, it is based on the ratings revealing the relationship applied to individual issues over the past 20 years, between earnings and dividends on the one hand, and market price on the other. The Value Line shows the price which would be justified by a similar capitalization of the earnings and dividends, estimated for the future at a rate that has been normal according to past experience.

It seems to me that a fundamental flaw in logic is involved in relying on past performance in capitalizing earnings, and double-discounting an issue's trend. The important factor of past anticipation of the future having been already reflected in the past and present price-earnings ratio is left out of account. For example, reflecting the expectation of unavoidable trade difficulties and lower earnings in the anthracite coal industry, the shares of "X" Coal Company five years ago selling at 50, then represented the very low-price earnings ratio of 5-1. After the correctly discounted deterioration in the industry and the company's earnings came about, entailing the stock's decline to 10, continuation of the previous low price earnings ratio at the then price of 50, represents a duplicate, i.e., but out-of-order, re-discounting of the previous expected course of events.

No doubt, as freely granted by Mr. Bernhard, there are other flaws. In any event, the volume, with its logical approach, represents, at the very least, a tremendously needed step in the right direction. For it is based on the inclusion of the relevant-to-investment value factors as the basis of one's portfolio activity; in place of the tempting gadgets devoted to measuring *future* fluctuations of the market; which, with its domestic psychological tides, is unfathomable.

The Necessity for Spoon-Feeding

The massive "come-on" tone of the advertising which has been accompanying publication of this volume and its affiliated investors' service, in direct contrast to the serious, but highly articulate nature of the book itself, highlights the investors' continuing need for spoon-feeding, of the investment facts-of-life.

In fact, another best-selling volume whose title contains the word "Investor" on the front jacket, couples this "clean" word with the illustration of a man actually studying (believe it or not) ticker tape resting on his lap (on skeptical inquiry), we realize it is a **bond** ticker tape—possibly to soothe the publisher's conscience?

A Personal Disclaimer

This columnist wishes to declare his disclaimer of personal objectivity in the above. As most of my readers must realize by now, I am a long-time proponent of the Value approach. On the other hand, perhaps any bias contributing to this enthusiastic reaction, carries the advantageous offset of my familiarity with the theme.

*Mr. Bernhard is Founder and Editor of the Value Line Investment Survey.

Growth of Natural Gas In the Nation's Economy

Continued from page 10

tion should be in the form of a compensating upward adjustment in the rate of return.

Otherwise, the increased debt cost comes straight out of the common stockholder's pocket. There is no other place from which it can come. Such inequitable treatment of one group of investors when investors in general are faring well cannot be enforced successfully by the regulatory Commissions.

And in the case of the interstate gas companies, we are confident the Federal Power Commission will face up to the problem and that compensatory rates of return will be forthcoming to maintain investor confidence and continue the tradition of adequately meeting service.

Increased Ratio of Reserves

In view of the rapid and continuing expansion of the industry, an adequate supply of gas is vital. So let's look at the gas reserve picture for a moment.

The joint committee on reserves of the American Gas Association and American Petroleum Institute report that as of Dec. 31, 1958, proved recoverable reserves of the United States were 254 trillion cubic feet. Based on production in that year of about 11½ trillion, the ratio of reserves to production is 22. New figures, as of Dec. 31, 1959, will be available in a couple of months and no great change is anticipated.

But more important than the ratio is the fact that reserve growth has substantially outdistanced production growth over the years. Since 1950, for example, production has increased about a half-trillion each year on the average. But reserves have increased an average of eight trillion per year since 1950, that is, over and above production.

So we are definitely keeping ahead. Incidentally, since 1950 the nation's reserves increased 36%, while ours at Tennessee Gas increased nearly twice as fast, or about 63%.

Reserves on Both Sides of the Border

Two other points about reserves: First, we have been talking only about U. S. reserves. In addition, there are substantial volumes of gas in Canada, and to a degree in Mexico in excess of the long-range needs of those countries. These reserves can cross international boundaries and find markets in this country in the manner in which Midwestern's proposed pipeline through this area will utilize a Canadian gas supply. And Tennessee Gas has another application on file before the FPC to buy Canadian gas at Niagara Falls.

Second, the figures we have been discussing are proved reserves, that is, the reserves have been found and their extent determined. In addition, we in the industry get considerable comfort from the predictions of experts whose business it is to make long-range studies on what probably occur in the future, in other words, ultimate reserve figures.

A Bureau of Mines official has estimated that U. S. total gas including the 254 trillion of the present, plus those to be found in the future, will amount to some 1,000 trillion cubic feet. And the oil and gas economists for Eastern banks have estimated there will ultimately be discovered and produced in this nation a total of 1,700 trillion cubic feet.

In that connection, it is interesting to recall that in 1919 a man who was perhaps the most generally accepted authority of his day on gas reserves, a Mr. E. W. Shaw, estimated that the total recoverable reserves already known at that time and to be discovered in the future might equal 15 trillion cubic feet. Today the U. S. is producing almost that much every year.

Later estimates have consistently increased. But in each case it was the same story. Every pronouncement has been shown up as pessimistic in a few years by the technological advances and by the drillers' success in finding more and larger gas pools than anyone dreamed of.

So, I believe the gas reserve situation forms a solid base for the industry expansion of today and for projected future growth.

Expansion

The industry spent some $1.8 billion on new facilities in 1959—the biggest item being about 24,000 miles of new pipelines and distribution mains.

The outlook is for continued growth. As I said earlier, the industry expects to double in the decade of the '60's. In the year 1960, costs of estimated expansion will run a little under $2 billion.

Probably the most interesting project of 1960 to me is the northern segment of the pipeline of Midwestern Gas Transmission Company, subsidiary of Tennessee Gas.

In all more than $109 million of facilities will be built by three companies. Trans-Canada Pipe Lines Ltd., which will build a spur line from its main line at Winnipeg south to the Minnesota boundary, will invest about $33 million. Midwestern will expend about $52 million and Michigan Wisconsin Pipe Line Company some $24 million.

Awaiting Canadian Board's Reaction

Up to now the project is conditioned only on issuance of an export permit for the gas supply by the National Energy Board of Canada. On Jan. 5, 1960 the board began the hearings which are now underway in Ottawa, on the Trans-Canada application as well as other export applications.

In this country the Federal Power Commission has already approved the Midwestern project on Oct. 31, 1959. The pipeline is to be 24 inches in diameter and 504 miles long. Starting at an interconnection with the Trans-Canada spur at the boundary near Emerson, Midwestern's line will run south down the Red River Valley in Minnesota, swing east to pass about 40 miles northeast of Minneapolis and St. Paul, and end at Marshfield in Central Wisconsin.

There, 158 million cubic feet of the pipelines initial capacity of 200 million cubic feet will be delivered to Michigan Wisconsin. Another 30 million a day will go to Northern States Power Company. Northern States will substitute natural gas for manufactured at Fargo, Grand Forks, Chippewa Falls, Eau Claire and Menomonie. The remainder will go to 11 smaller customers, including:

Montana-Dakota Utilities Co. for service to Crookston; United Petroleum Gas Co., for service to Detroit Lakes, Dilworth and Warren; and nine cities or villages which Midwestern will serve directly. They are Ada, Argyle, Frazee, Hallock, Hawley, Lake Park, New York Mills, Perham and Stephen.

In my opinion, bringing another supply of gas to Minnesota and Wisconsin from a new source, Canada, will be very beneficial to the people of both states. Midwestern has a further option on the next 200 million cubic feet of gas per day Trans-Canada may have available for export, so expansion is provided when and if it is needed.

This line will be Midwestern's second. Its first line, which runs from Tennessee to Chicago, was authorized in May, 1959, and built and put in service Oct. 7, 1959. Including both lines, Midwestern's total contracted sales of 560 million cubic feet per day—360 on the southern line, 200 on the northern—are 25% larger than the earlier Midwestern project denied by the FPC in 1958. Furthermore, the controversial center section between the two is not being built. But Canadian gas will be available to the Chicago market through an exchange agreement between Midwestern and Michigan Wisconsin Pipe Line Company.

This project is reasonably typical of the industry's proposed expansion in 1960. In each case, a new source of fuel and energy is provided for homes, businesses and industry. Big investments are involved, gas supplies and markets must be made to mesh, and often regulatory problems are not easily resolved.

But the industry has made great progress in spite of difficulties in the past, and I'm sure it will again in 1960 and the years ahead.

The industry is a dynamic one. We are not discouraged by problems, nor do we lie down and play dead when new challenges arise. This great industry has inherent stability linked with a growth incentive arising from public preference and demand.

Gas has earned for itself a well-deserved position of prominence in the nation's fuel economy. Further progress won't come easy, but I look for continued sound healthy growth both actual and relative in the coming decade.

*An address by Mr. Symonds before the Investment Outlook Meeting sponsored by Paine, Webber, Jackson & Curtis, at Minneapolis, Minn., Jan. 14.

Banks for Coops. Offer Trust Debs.

The Banks for Cooperatives offered on Jan. 19 $109,500,000 of 5.15% consolidated collateral trust debentures, due June 1, 1960, at 100%. The offering was made through John T. Knox, Fiscal Agent for the Banks, with the assistance of a nationwide selling group of securities dealers.

Proceeds from the financing will be applied by the banks toward the refunding of $113,000,000 of 4⅞% consolidated collateral trust debentures due Feb. 1, 1960.

Gruntal & Co. Offices

Gruntal & Co., 50 Broadway, New York, members of the New York Stock Exchange, announced the opening of the following branch offices: 364 Seventh Avenue, New York, with Sam Schecter and Jack Shper, co-managers; Tower Building, Baltimore and Guildford Avenues, Baltimore, Md., with Norbert L. Grunwald, resident manager; a mutual funds office at 7 South Street, Baltimore, with Irving S. Mindess, resident manager, and an office in the Diplomat Hotel, Hollywood Beach, Fla., with John E. Greenia, as resident manager.

New Witter Branch

SAN MATEO, Calif.—Dean Witter & Co. has opened a branch office at 215 East Fourth Avenue under the management of Gordon H. Oosting.

The Security I Like Best

Continued from page 2

one-half times that of the industry; and (3) ratio of sales to net worth is almost twice that of the industry. The keen interest in the company on the part of professional investors is indicated by the recent addition of a block of CENTRAL to the portfolio of Florida Growth Fund.

There is every indication that CENTRAL has just completed the first quarter of what will be a record breaking year (fiscal year ends Sept. 30). First quarter billings were $1,962,000 up sharply from the comparable period last year, and full year sales are projected at $8.4 million compared to $7.4 million last year. This year's earnings are projected at $1.20 . . . a 50% increase over fiscal 1959. The first shipment will be made from the Florida plant in less than 90 days and it is expected that this new operation will be making important contributions to earnings before the year is over.

In my opinion, CENTRAL TRANSFORMER CORP. represents a unique investment opportunity. The company has manifested a superiority in its field and we believe that it is serving a market which will experience further vigorous growth in the years ahead. Currently selling at less than 16 times 1959 earnings, the stock is attractively priced and should appeal to the investor interested in true "growth" potential. It is traded in the Over-the-Counter Market.

Provident Mgt. Formed in Phila.

PHILADELPHIA, Pa.—Provident Management Corporation has been formed with offices at 3 Penn Center Plaza. Officers are Douglas K. Porteous, President; Alfred Weitknaut, Vice-President; and Jack S. Lautsbaugh, Secretary-Treasurer. Mr. Porteous is President of Pennsylvania Funds Corporation, with which Mr. Lautsbaugh has also been associated.

Douglas K. Porteous

Didier Joins Staff of North American Secs.

LOS ANGELES, Calif.—Urban J. Didier has been appointed regional representative for the southern California office of North American Securities Company, underwriter and distributor of the Commonwealth group of mutual funds. He will be associated with John J. Hood, regional Vice-President for southern California in the Los Angeles office, 650 South Spring Street.

Mr. Didier formerly was associated with Dempsey, Tegeler & Co. in Studio City, Calif.

R. A. Holman Display At Motor Boat Show

R. A. Holman & Co., Inc., 54 Wall Street, New York City, has a booth at the National Motor Boat Show in the New York Coliseum. This is the first time an investment banking firm has had such a booth at the Boat Show. R. A. Holman & Co. specializes in underwriting boating issues.

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Dealer-Broker Recommendations

Continued from page 8

Oklahoma Gas and Electric Company—Annual report—Oklahoma Gas & Electric Company, 32 North Harvey, Oklahoma City, Okla.

Pittsburgh Plate Glass Company—Analysis — Auchincloss, Parker & Redpath, 2 Broadway, New York 4, N. Y.

Puget Sound Pulp & Timber Co.—Analysis — Pacific Northwest Company, United Pacific Building, Seattle 24, Wash.

St. Louis San Francisco Railway—Analysis — du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also available are memoranda on **Studebaker Packard, Kennametal, First National Bank of Boston,** and **Boston Isunrance Company.**

Sister of Third Order of St. Francis, Peoria, Ill. — Circular — B. C. Ziegler & Co., Security Building, West Bend, Wis.

Southern Natural Gas Company—Bulletin — Carreau & Company, 115 Broadway, New York 6, N. Y.

Standard Financial Corporation—Report—Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y.

Stanley Warner Corporation — Analysis—Schweickart & Co., 29 Broadway, New York 6, N. Y.

Sunray Mid Continent Oil Company — Report presented to New York Society of Security Analysts, by Paul E. Taliaferro, President —Sunray Mid Continent Oil Co., 9th & Detroit Ave., Tulsa 20, Okla.

Tri-Continental Corporation — 30th annual report — Tri-Continental Corporation, 65 Broadway, New York 6, N. Y.

Tri-Continental Corp. — Data in the January issue of "Investor's Reader" — Merrill Lynch, Pierce, Fenner & Smith, Incorporated, 70 Pine Street, New York 5, N. Y. In the same issue are reviews of **Northern States Power, International Business Machines, Simmons Company, Lone Star Gas Company Small Aircraft Companies, Chesapeake & Ohio, Spector Freight System, Inc., Republic Aviation, Fireman's Fund Insurance Company.** Also available are memoranda on **Bristol Myers, Celanese, Emerson Electric, Life Insurance Co. of Virginia, Magnavox Co., P. R. Mallory Co., Stix, Baer & Fuller Co., Studebaker Packard,** and **Sunstrand Corp.**

United Marine Inc. — Report — Boenning & Co., 1529 Walnut St., Philadelphia 2, Pa.

United States Plywood Corporation—Analysis—Reynolds & Co., 120 Broadway, New York 5, N. Y.

Universal Match — Analysis — Cooley & Company, 100 Pearl St., Hartford 4, Conn. Also available is a discussion of **Utility Companies** with particular reference to **Public Service of New Mexico, Texas Utilities, Niagara Mohawk Power, Maine Public Service, Northern Indiana Public Service,** and **Illinois Power.**

Universal Match Corporation — **Data**—Oppenheimer, Neu & Co., 120 Broadway, New York 5, N. Y.

Varicon—Report in current issue of Profit Situations—$1 for sample issue, $15 for three-month subscription, $50 for one year — Profit Situations, P. O. Box 14, Hillsdale, N. J.

Ward Baking Company—Analysis —Herzfeld & Stern, 30 Broad St., New York 4, N. Y.

Form Binday, Reimer

HEMPSTEAD, N. Y. — Binday, Reimer, Collins & James, Inc. has been formed with offices at 45 Meadowbrook Road to engage in a securities business. Officers are Ronald Binday, President and Treasurer, and Justin F. Collins, Vice-President and Secretary. Mr. Binday was formerly with Heft, Kahn & Infante, Inc. and A. M. Kidder & Co., Inc.

Manning, Shanley Admit

On Jan. 25 Elizabeth O'Neill Shanley will become a partner in Manning, Shanley & Co., 25 Broad Street, New York City, members of the New York Stock Exchange. On the same date William J. Lange, Jr., will withdraw from partnership.

Joseph Walker Changes

Joseph Walker & Sons, 120 Broadway, New York City, members of the New York Stock Exchange, on Feb. 1 will admit Joseph Walker to limited partnership. On the same date Samuel S. Walker, general partner, will become a limited partner.

Join Richard E. Kohn

NEWARK, N. J.—Alfred F. Tokar, Monroe A. Goffman and Jerry Applefield have become associated with Richard E. Kohn & Co., 20 Clinton Street, members of the New York Stock Exchange. Mr. Tokar will be in charge of dealer relations.

Snyder Regional Rep. For Nor. American Secs.

CHICAGO, Ill.—Theodore Snyder has been appointed regional representative for the Midwestern territory of North American Securities Company, underwriters and distributors of the Commonwealth group of mutual funds. He will be associated with regional Vice-President Robert Shields in the Chicago office, 208 South La Salle Street.

Mr. Snyder comes to North American Securities from the headquarters office of Hugh W. Long & Co. in Elizabeth, N. J., where he was on the sales staff. His prior business experience consisted of six years in the investment securities field.

Coffin & Burr

MORRISTOWN, N. J.—Coffin & Burr, Incorporated, member of the New York Stock Exchange, announces the opening of an office at 12 DeHart Street under the management of J. Raymond Manahan, Mayor of Morristown.

The firm's main office is situated in Boston.

Walnut Securities Corp.

PHILADELPHIA, Pa. — Walnut Securities Corporation is conducting a securities business from offices at 220 South 16th Street. Officers are Albert M. Zlotnick, President; and Louis P. Sanza, Secretary-Treasurer.

Form Investment Co.

BATON ROUGE, La.—Policyholders Distribution Corp. is engaging in a securities business from offices at 8149 Florida Street. Officers are Richard O. Rush, President; Robert E. Wilder, Vice-President and Treasurer; Harold A. Webb, Secretary; and Von Perry Heatherly, Assistant Secretary.

A. P. Shore Co. Opens

MIAMI, Fla.—A. P. Shore & Co. has been formed with offices at 1090 Northeast 79th Street to engage in a securities business. Officers are Albert P. Shore, President and Treasurer; R. G. Shore, Vice-President; and Jerry M. Lindzon, Secretary. Mr. Shore was formerly with H. Hentz & Co.

COMING EVENTS

IN INVESTMENT FIELD

Jan. 25, 1960 (Chicago, Ill.)
National Security Traders Association National Committee meeting at the Ambassador West.

Jan. 25, 1960 (Chicago, Ill.)
Security Traders Association of Chicago, Inc. Mid-Winter Party at the Guild Room of the Ambassador West.

Feb. 1-2, 1960 (Dallas, Texas)
Association of Stock Exchange Firms meeting of Board of Governors at Sheraton Dallas Hotel.

Feb. 3, 1960 (Detroit, Mich.)
Bond Club of Detroit annual winter party at Sheraton Cadillac Hotel.

Feb. 12, 1960 (Boston, Mass.)
Boston Security Traders Association Winter Dinner.

Feb. 19, 1960 (Houston, Tex.)
Stock and Bond Club of Houston annual outing at the Brae Burn Country Club.

Feb. 19, 1960 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia 36th annual Mid-Winter dinner at the Bellevue-Stratford.

Mar. 25-26, 1960 (Chicago, Ill.)
Chicago Chapter American Statistics Association & Chicago Association of Commerce & Industry 7th annual Mid-West Conference at Congress Hotel.

April 10-11-12, 1960 (Dallas, Tex.)
Texas Group of Investment Bankers Association of America 25th annual meeting at the Sheraton Dallas.

April 8, 1960 (New York City)
New York Security Dealers Association 34th annual dinner in the Grand Ballroom of the Hotel Biltmore.

May 9-10, 1960 (Atlanta, Ga.)
Association of Stock Exchange Firms meeting of Board of Governors at Hotel Atlanta Biltmore.

June, 1960 (Detroit & Michigan)
Security Traders Association of Detroit and Michigan Summer outing at Western Golf & Country Club.

June 16, 1960 (Minneapolis, Minn.)
Twin City Bond Club 39th annual picnic and outing at White Bear Yacht Club (preceded by a cocktail party June 15th at the Nicollet Hotel.

Sept. 11-14, 1960 (Sun Valley, Idaho)
National Security Traders Association Annual Convention.

Sept. 12-13, 1960 (New York City)
Association of Stock Exchange Firms meeting of Board of Governors at Fisher's Island Club, Fisher's Island, N. Y.

Nov. 27-Dec. 2, 1960 (Hollywood Beach, Fla.)
Investment Bankers Association Annual Convention at Hollywood Beach Hotel.

DIVIDEND NOTICES

GREEN BAY & WESTERN RAILROAD COMPANY

The Board of Directors has fixed and declared $50.00 the amount payable on Class "A" Debenture Coupons (Payment No. 64), and a dividend of $5.00 to be payable on the capital stock, and $15.00 to be the amount payable on Class "B" Debenture Coupons (Payment No. 41) out of the net earnings for the year 1959, payable at Room No. 3400, No. 20 Exchange Place, New York 5, New York, on and after February 8, 1960. The dividend on the stock will be paid to stockholders of record at the close of business January 22, 1960.

W. W. COX, Secretary

New York, New York, January 6, 1960.

COMMON STOCK DIVIDEND

The Board of Directors of Central and South West Corporation at its meeting held on January 14, 1960, declared a regular quarterly dividend of twenty-four cents (24c) per share on the Corporation's Common Stock. This dividend is payable February 29, 1960, to stockholders of record January 29, 1960.

LEROY J. SCHEUERMAN
Secretary

CENTRAL AND SOUTH WEST CORPORATION
Wilmington, Delaware

CERRO DE PASCO CORPORATION

To the Holders of the 5½% Subordinated Debentures Due 1979:

NOTICE IS HEREBY GIVEN to the holders of the 5½% Subordinated Debentures Due 1979 (convertible until December 31, 1968) of Cerro de Pasco Corporation that the conversion price at which such Debentures may be converted into Common Stock of the Corporation has been adjusted from $52.14 to $49.43 per share, effective as of the close of business on January 15, 1960.

MICHAEL D. DAVID
Secretary

300 Park Avenue
New York 22, N. Y.

DIVIDEND NOTICES

DIVIDEND NO. 81

Hudson Bay Mining and Smelting Co., Limited

A Dividend of seventy-five cents ($.75) (Canadian) per share has been declared on the Capital Stock of this Company, payable March 14, 1960, to shareholders of record at the close of business on February 11, 1960.

J. F. McCARTHY, *Treasurer*

R. J. Reynolds Tobacco Company

Makers of
Camel, Winston, Salem & Cavalier cigarettes
Prince Albert, George Washington Carter Hall smoking tobacco

QUARTERLY DIVIDEND

A quarterly dividend of 55c per share has been declared on the Common Stock of the Company, payable March 5, 1960 to stockholders of record at the close of business February 15, 1960.

W. J. CONRAD,
Secretary

Winston-Salem, N. C.
January 14, 1960

United States Pipe and Foundry Company

New York, N. Y., January 13, 1960

The Board of Directors this day declared a quarterly dividend of thirty cents (30¢) per share on the outstanding Common Stock of this Company, payable March 15, 1960, to stockholders of record on March 1, 1960.

The transfer books will remain open.

UNITED STATES PIPE AND FOUNDRY COMPANY
JOHN W. BRENNAN, *Secretary & Treasurer*

UNITED STATES LINES COMPANY

Common Stock DIVIDEND

The Board of Directors has authorized the payment of a dividend of fifty cents ($.50) per share payable March 4, 1960, to holders of Common Stock of record February 11, 1960.

WALTER E. FOX, *Secretary*
One Broadway, New York 4, N. Y.

SOUTHERN NATURAL GAS COMPANY

Birmingham, Alabama

Common Stock Dividend No. 84

A regular quarterly dividend of 50 cents per share has been declared on the Common Stock of Southern Natural Gas Company, payable March 14, 1960 to stockholders of record at the close of business on February 29, 1960.

W. S. TARVER,
Secretary

Dated: January 16, 1960.

THE SOUTHERN COMPANY
(INCORPORATED)

The Board of Directors has declared a quarterly dividend of 35 cents per share on the outstanding shares of common stock of the Company, payable on March 5, 1960 to holders of record at the close of business on February 1, 1960.

L. H. JAEGER,
Vice President and Treasurer

THE SOUTHERN COMPANY SYSTEM
Serving the Southeast through:
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GEORGIA POWER COMPANY
GULF POWER COMPANY
MISSISSIPPI POWER COMPANY
SOUTHERN ELECTRIC GENERATING COMPANY
SOUTHERN SERVICES, INC.

TENNESSEE GAS TRANSMISSION COMPANY
HOUSTON, TEXAS

DIVIDEND NO. 50

The regular quarterly dividend of 35c per share has been declared on the Common Stock, payable March 15, 1960, to stockholders of record on February 11, 1960.

J. E. IVINS, Secretary

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WASHINGTON AND YOU

BEHIND-THE-SCENES INTERPRETATIONS FROM THE NATION'S CAPITAL

WASHINGTON, D. C.—A great majority of the legislative proposals President Eisenhower submitted to Congress in connection with the all-important budget for the 1961 fiscal year will not get off the legislative ground this year. But some important ones will.

The Chief Executive is hopeful of a $4.2 billion surplus at the end of the next fiscal year. But Mr. Eisenhower is engaging in some wishful thinking if he thinks this Congress will allow his Administration to pile up that big a sum. Budget receipts for 1961 (fiscal) are estimated at $84 billion, and budget expenditures which he submitted to Congress totaled $79.8 billion.

There are a number of important legislative proposals now before the law-makers. One of these is to remove the 4¼% statutory ceiling on U. S. Treasury bonds in order to permit the government to do some long financing of its huge debt. The House Ways and Means Committee appears fairly certain now that it will recommend raising the ceiling. All tax and public debt matters must originate before this important Congressional committee.

The public debt at the end of the 1960 fiscal year on June 30 of this year will be about $284.5 billion. Should, by some chance, Congress hold expenditures to $79.8 billion, which is extremely unlikely, and a $4.2 billion surplus be devoted to debt retirement, then the debt would be reduced to $280 billion in fiscal 1961.

Debt and Interest

On June 30, 1959, the public debt stood at $284.7 billion. While a surplus on paper is shaping up, it is again necessary for Congress to provide a temporary increase in the debt limit. This is made necessary because of the seasonal pattern in tax income. The present temporary limit of $295 billion expires on June 30, 1960.

Why is it to the interest of the government and the people that the interest ceiling be lifted on Treasury bonds? Three-fourths of all outstanding marketable securities will come due in less than five years. A total of $80 billion will mature before next Christmas.

Of course there is no limit on securities up to five years. However, the Treasury is most anxious to get started on long-term financing rather than have to go to the money market so often. That is why, among other things, that this Congress now seems likely to lift the 42-year-old 4¼% limitation on interest rates.

As it now appears Congress will raise the ceiling to 5%. Incidentally, 11 cents out of every tax dollar is now going to interest on the national debt. The President recommended $9.6 billion for interest rates alone.

Under the budget recommendations which Mr. Eisenhower submitted to the law-makers, totaling $79.8 billion, the national security program would get $45.6 billion of the total; agriculture $5.6 billion, veterans $5.5 billion, interest $9.6 billion, and all other expenditures $13.5 billion.

Thus, it is clear that the interest on the national debt has reached a staggering figure, second only to national defense. It is no wonder that the government bond market today is the biggest market in all the world.

Legislation Prospects

Some of the other legislative proposals recommended by the President which seem to have a chance of becoming law at this session are:

Extend the corporate and excise tax rates which are scheduled to expire June 30; increase aviation fuel taxes; increase savings and loan association premiums; liberalize authority of small business investment companies; broaden exemption of small security issues from registration, and raise the minimum wage and bring in more people under this law like clerks in stores.

On the other hand the President is likely to get turned down on increasing the postal rates, increasing the gasoline tax by a half-cent a gallon for the big road program; raising interest rates for rural electric and telephone loans which are subsidized by the taxpayers, increase the taxes on Cooperatives which are getting bigger in many cases but pay little tax.

President Eisenhower's recommendation that the scheduled reduction in excise tax rates on transportation of persons, and the scheduled repeal of the tax on local telephone service, be postponed, will not be heeded. This is a pretty safe assumption after talking with some members of the House Ways and Means Committee and the Senate Finance Committee. The scheduled reductions were enacted by Congress in 1959.

The Federal Airways System in this country is getting bigger all the time. Everytime a man or woman boards a commercial airliner in the United States, his trip, to a certain degree, is subsidized. The White House proposal sent to Congress recommends that the aviation gasoline tax be promptly increased from 2 to 4½ cents a gallon, and that an equivalent tax be levied on new untaxed jet fuels.

Savings and Loan Association Reserves

The building and loan or savings and loan associations have had a spectacular growth since World War II. Many associations have been organized, and the number of share accounts has been increasing at an unprecedented rate. A continuation of marked growth appears ahead. As a result the insurance reserve of the Federal Savings and Loan Insurance Corporation cannot keep pace without an increase in the premium rate.

Therefore, the President recommended legislation to restore the higher premium rate in effect prior to 1949, to remain in force until the reserve exceeds 1% of the share accounts and borrowings of insured institutions.

There is considerable sentiment on Capitol Hill to increase the financial assistance to small businesses, by encouraging the formation of additional investment companies, and liberalizing the authority of those companies as suggested by the White House. In making this recommendation to Congress, President Eisenhower declared that in order to facilitate small business financing, the Securities Act of 1933 should be amended to extend the privilege of simplified filings to a wider range of security issues.

The President once again recommended amendments to the antitrust laws designed to empower Federal regulation to bank mergers.

Subsidizing the Customers of REA

Since 1935 electrification loans to cooperatives to finance electrification facilities has amounted to more than $4 billion. About 96% of the farms now have electric power as compared with 11% in 1935. The REA currently finances the capital needs of the cooperatives by borrowing from the Treasury at the statutory interest rate of 2% and relending it to the co-ops at the same rate.

Of course it is costing the taxpayers a substantial sum each year in that Treasury borrowing now runs in the neighborhood of 5% or more. Furthermore, more than 80% of the new customers of REA are non-farm users.

This being election year, among other things, Congress is likely to again turn thumbs down on the President's proposal to revise these rates, and provide legislation for the telephone and electric Cooperatives to borrow from a mutually owned financial institution.

At the 1959 session Congress authorized the Tennessee Valley Authority to issue up to $750,000,000 to expand its power facilities to meeting increasing power needs of the area. As a result, TVA plans to issue $115,000,000 of revenue bonds in 1961. As part of the overall TVA program of both power and navigation, President Eisenhower recommends an appropriation to begin construction of a new lock at Wheeler Dam.

More Veterans' Aid

Under the heading of "Veterans Services and Benefits," President Eisenhower indicated, as many people already suspected, the costs of the veterans programs are going to increase in the years ahead. For instance, the program in 1961 will increase an estimated $314,000,000 to $5.5 billion. Why? Because of additional pension cases and higher pension rates, both authorized by the Veterans' Pension Act of 1959.

There are 23,000,000 living veterans. They and their dependents and survivors comprise a total of 81,000,000. A considerable portion of these are potential recipients of one or more types of benefits. A first rate hospital and medical care program is being provided. A VA hospital program at 125,000 beds has been established.

Social Security and Other Welfare Costs

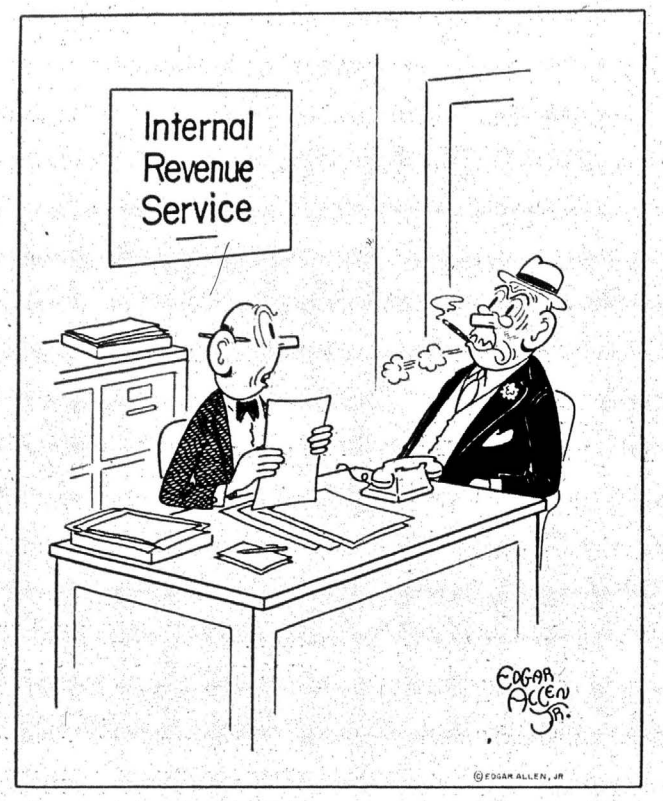
The President's budget message touched on the social security social insurance and the welfare phase of our society. At this time 10,000,000 of the 16,000,000 people in this country aged 65 and older are receiving monthly old age or survivors' insurance benefits. This tremendous insurance system, with all of its defects, will pay an estimated $11.7 billion in old age, survivors, and disability benefits to 14,600,000 people of all ages in 1961.

The Federal Government shares, through grants to the various States, in providing four categories of public assistance payments. These are old age assistance, aid to the blind, aid to dependent children and, aid to the permanently and totally disabled. In 1961, the Federal share for payments, made to an estimated monthly average of 5,900,000 beneficiaries, will total an estimated $2.1 billion.

As the budget, which will affect every man, woman and child in our country, reached Congress a word of caution went out to the members. Senator Harry Flood Byrd, Chairman of the Senate Finance Committee, and a powerful opponent of government waste, expressed doubt the surplus would go as high as President Eisenhower said it would.

The distinguished Virginian said that from experience it is rare that accurate budget estimates can be made 18 months in advance. Certainly, he cautioned one and all, a prospective surplus is no excuse to cut taxes or increase spending.

[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.]



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