basic business

NEWS

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BRITAIN REDUCES BANK RATE

The British Government reduced the bank rate from $5\frac{1}{2}\%$ to 5%. The reduction was regarded in some quarters as evidence that the Government had decided the time had come to ease credit. The rate had been at $5\frac{1}{2}\%$ since February 1956 as part of the anti-inflation fight. Peter Thorneycroft, Chancellor of the Exchequer, cautioned against interpreting the reduction as a change of economic policy. It was designed, he said, to enable the Bank of England to maintain the full effectiveness of monetary policy. He stated that he had been assured that the Bank's control would not be weakened by the move. The Bank of England's bank rate is analogous to the Federal Reserve System's discount rate. (N.Y. Times, 2/8 p.9)

WARNS OF PRICE CONTROLS TO STEM INFLATION

President Eisenhower warned that the Government would have to impose price and wage controls unless business and labor used restraints to reinforce the Government's efforts to curb inflation. The President made it plain at his news conference that he did not want direct controls. But he added that "any intelligent man can see the direction we will have to go, unless there is some wisdom exercised not only in Government but throughout the whole economy." The President argued that in his appeal for restraint by business and labor he "wasn't asking them to be altruistic". What he is asking, he said, is for them to act "as enlightened Americans" for "their own long-term good". (Dale. N.Y. Times, 2/7 p.1)

EMPLOYMENT DROPS 1,660,000 IN JANUARY

There were 1.7 million fewer jobholders last month compared with December, according to the Bureau of the Census and the Bureau of Labor Statistics. This was the largest January decline in eight years.

The drop was mostly seasonal as farm and nonfarm activity reached winter lows. It cut the total number employed to 62.9 million. The monthly drop was accentuated because the December survey was taken closer than usual to Christmas and picked up a comparatively large number of temporary workers. The rise in unemployment was about 500,000 to a total of 2.9 million. (N.Y. Times, 2/9 p.1)

PERSONAL INCOME RISES IN 1956 The Department of Commerce reports that personal income in 1956 totaled $325 billion, 6% higher than the $306 billion of the previous year. The Department's personal income estimates include wages and salaries, the net income of proprietorships and partnerships, dividends and interest, net rents received by landlords, and other types of individual income. Among the various industries, auto manufacturing was the only one in which payrolls declined "significantly" from 1955 to 1956. Farm proprietors' income was essentially unchanged from 1955 to 1956. (Wall St. J., 2/7 p.5)

HOOVER DETECTS 1929 SYMPTOMS Former President Herbert Hoover told a nation-wide radio audience that big government spending threatened to bring increasing inflation and possible depression. He pointed to his own experiences as President from 1928 to 1932 as he adopted the assertion of George M. Humphrey, Secretary of the Treasury, that continued high spending would bring "a depression that will curl your hair". Said Mr. Hoover, "Mine has already been curled once, and I think I can detect the signs." He declared that he had "no fear of a serious depression--if we can stop the march of inflation". (N.Y. Times, 2/5 p.14)

CREDIT CONTROLS CALLED TOO LOOSE William McChesney Martin, Jr., chairman of the Federal Reserve Board, said prices went up the last year chiefly because the Federal budget surplus was too small and credit restrictions were not tight enough. He told the Congressional Joint Economic Committee that a bigger budget surplus would have been "helpful" in checking the 1956 price advance. Mr. Martin blamed the Federal Reserve's failure to keep credit under sufficiently tight control on its desire to help hard-pressed, creditworthy borrowers. He opposed the establishment of a selective controls system to allocate credit among would-be borrowers. He said that any attempt to hold down loan demands and interest rates through a "system of general administrative rationing of credit" would create inequities, would require the placing of great powers in the hands of administrators, and would tend to undermine the flexible character of the American economy. (Slevin. N.Y. Herald Trib., 2/6, II p.3)

SCHOOL AID REQUIRES SHIFTS — Marion B. Folsom, Secretary of Health, Education, and Welfare, conceded that some states would have to change their tax laws to take advantage of the school construction aid proposed by President Eisenhower. Mr. Folsom was testifying before a subcommittee of the House Education and Labor Committee on the four-point plan to make $2 billion in Federal funds available to states and school districts. One of the objectives of this program is to encourage greater participation at state, rather than local levels. The main item in the program is a grant of $325 million a year for four years. The Federal Government also would buy $750 million in local school bonds. (Loftus. N.Y. Times, 2/6 p.14)

TREASURY PLANS CASH FINANCING — The Treasury plans to conduct its next big "new money" raising operation in April. But there's a chance it may come sooner because cash demands in connection with the recent refunding turned out to be "on the high side". Preliminary figures showed that about $9.8 billion of the $10.7 billion maturing securities were turned in for new issues. Holders of the remaining $875 million, however, asked for cash. Even if the Treasury holds off major financing until April, it probably will have to continue its $100 million-a-week cash borrowings through the regular 91-day bill offerings. (Wall St. J., 2/11 p.1)

COPPER PRICE LOWER — Copper prices continued to decline in the U. S. and foreign markets as supplies remained larger than demand. Last week, producers lowered prices 2¢, to 34¢ a pound. There were no accompanying statements that mine production would be curtailed along with the cut in price. Last fall, when the price dropped 6¢ a pound, two large producers reduced production by a combined total of nearly 4,000 tons a month. (Wall St. J., 2/4 p.4)

DRIVE TO UNIONIZE WHITE COLLAR WORKERS — The united labor movement gave the green light for its first large-scale organizing campaign--an effort to lure 13 million unorganized white collar workers into union ranks. The go-ahead signal was given at the mid-winter meeting of the Executive Council of the AFL-CIO. A total of 120 organizers will be assigned to work with a score of unions in trying to "crack" the white collar field. The present estimated total of union white collar workers is 3 million. Even though four workers are still unorganized for every union member in banks, insurance companies, retail stores, and other white collar enterprises, most top unionists appear to believe the chances for an immediate break-through of major proportions were slight. (Raskin. N.Y. Times, 2/8 p.1)

FARM PRICE PROPS CUT The Department of Agriculture announced lower price supports for eight major farm products. Supports were fixed at lower levels for 1957 crops of cotton, oats, barley, rye, grain sorghums, soybeans, flaxseed, and cottonseed. The props under dairy products were continued at present levels. The new support amounts to 77% of the current parity price, compared to 82% on the 1956 support. This action does not necessarily mean that farm income will be reduced. Market prices could continue at levels above the support rates. (Shuster. N.Y. Times, 2/10 p.1)

SHARP FALL IN U. S. SURPLUS FARM GOODS The Agriculture Department's farm surpluses slipped well below year-earlier levels as of December 31, although they climbed seasonally from the month before. The Agency reported it had $8.2 billion in price supported commodities at the year's end, compared with $8.16 billion November 30, and $8.6 a year earlier. The November report had disclosed the first slight decline below year-earlier levels in 4½ years, and the trend accelerated in December. (Wall St. J., 2/5 p.5)

UK'S DOLLAR RESERVES DIP The sterling area's gold and dollar reserves declined $49 million in January to slightly over $2 billion, the British Treasury disclosed. The slump left reserves only $84 million above the margin considered by many economists as the level of safety for the value of the pound. In December, the reserves showed a net gain of $168 million, when hard currency holdings benefited from a $561 million drawing from the International Monetary Fund. However, partially offsetting the I.M.F. credit was payment of $189 million in respect to U. S. and Canadian debt service of which $104 million is being held in special accounts and will be returned to reserves if Britain's request for a waiver of year-end interest payments is granted. (Wall St. J., 2/5 p.5)

COAL PRICES UP 25¢ A TON Soft coal price increases of 25¢ a ton, effective April 1, are being proposed by producers in price negotiations with leading electric utilities. At the same time, traces of softening coal demand are beginning to show up. Operators remain confident, however, that 1957 output will surpass last year's. The price boosts would go into effect on the same day that more than 200,000 soft coal miners receive an additional wage increase of 80¢ a day under the two-step advance won by the United Mine Workers last October. (Wall St. J., 2/8 p.1)