EMPLOYMENT RISE PREDICTED

Labor Secretary Mitchell predicted that civilian employment will climb to a record 68 million persons this summer. The present record of 66.5 million was set last August. The Commerce and Labor Departments have just reported that employment stood at 64.3 million in mid-April, and unemployment declined 200,000 to 2.7 million. Mr. Mitchell said the prospective summer employment peaks will be spurred by seasonal rises in hiring for the farm, construction, resort, and food processing industries. Nearly one million summer jobs are available in the agricultural and construction industries alone. (Wall St. J., 5/13 p.12)

28% INSIST ON CASH IN U. S. REFUNDING

The Treasury has reported a 28% "attrition" on its $4,155 million refunding operation, the highest rate of cash payout in recent years. The "failure" of the refunding to the extent of $1,167 million occurred despite the fact that the Treasury had offered the highest interest rates on new issues since 1933, in exchange for notes falling due on May 15. The reason for the large cash payout, according to Treasury officials, was that a large portion of the maturing issue was held by corporations, who wanted the cash to pay their June taxes. They had held the maturing issue, in effect, for tax reserves and had always intended to cash it in. The cash payout of slightly more than $1 billion will put a mild squeeze on the Treasury's cash position, but its cash balance will still exceed $4 billion. (Dale. N. Y. Times, 5/11 p.27)

SEE BUSINESS BETTER IN 1957 THAN 1956

Top industrialists and Government officials predicted that 1957 will be a better business year than 1956 and pinpointed price inflation as the chief threat to economic stability. This was the main conclusion developed at the semi-annual meeting of Commerce Secretary Weeks' Business Advisory Council at Hot Springs Va. W. Randolph Burgess, Under Secretary of the Treasury, endorsed the Federal Reserve Board's credit
policies and noted a less critical attitude among business leaders. Dr. Raymond J. Saulnier, Chairman of the Council of Economic Advisers, told the BAC that he is "a trifle more optimistic" and believed an upward rush may be in store next year, if not sooner. The former CEA Chairman, Dr. Arthur F. Burns, displayed no outward fears of an economic decline in the foreseeable future. (Karmin. Wall St. J., 5/13 p.9)

STEEL USERS IN NO HURRY TO BUY Price increases in prospect for July 1 are failing to dislodge steel customers from their buying rut. Except for a scattering of companies whose rates have plunged, steel business is running along at satisfactory levels, but it lacks the spark it had a year ago. In 1956, hedge buying against the probabilities of a steel strike and a price increase kept May steel operations at better than 96% of capacity. Currently, steel is being produced at around 87% of a higher capacity. Ingot production last week was scheduled at 87.5%. That was up 1/2% from the week before, which marked the lowest steel output since August 1955, barring strike periods. (Lally. Wall St. J., 5/13 p.24)

CREEPING INFLATION C. Canby Balderston, Vice-chairman of the Federal Reserve Board, delivered a slashing attack on three "misconceptions" about creeping inflation: that it is harmless, that it is inevitable, and that it can be stopped without inconveniencing anyone. "It is not possible to have just a little inflation," he told the annual convention of the Health Insurance Association. Creeping inflation is not inevitable because economic growth and stable prices can be compatible when sound fiscal policies and general monetary controls are properly employed. Inflation cannot be stopped without inconvenience because "we cannot have everything at once if our objectives are to be maximum growth and a stable price level. No matter how great is our need and desire for more and better schools, roads, housing, and productive facilities--they must be fitted into our available capacity and resources." (J. of Comm., 5/9 p.4)

BIG BANK LENDING SURVEY Almost since the beginning of banking in the United States, New York's big downtown banks have pumped credit into the business lifestream of cities and towns throughout the country. For the first time, an attempt has been made to measure the contribution of Wall Street banks to Main Street businesses. In a new study, published last week in its Monthly Review, the Federal Reserve Bank of New York puts a yardstick on out-of-town loans made by the eighteen downtown banks classified as Central Reserve City institutions. Because it is the first, the study gives no indication of the changes that have occurred. It should, however, provide a basis for recording future changes. In one recent month, the study
found, almost half the loans on the books of the big New York banks went to businesses outside the Second Federal Reserve District. These loans accounted for 43% of dollar volume, but only 9% of the number of loans. This indicates that individual loans were large, chiefly to the major corporations. (N. Y. Times, 5/12 III p.1)

BUILDING OUTLAYS RISE Increased public spending pushed the value of new construction put in place during April up a seasonal 10%, the Commerce and Labor Departments have reported. Outlays during the first four months of the year rose 2% above a year earlier. However, if it weren't for higher prices, this year's dollar volume of construction outlays would probably be below last year's. New construction totaled $3.5 billion last month, $400 million higher than March, and $100 million over April 1956. The gain over last year came entirely in the public segment of construction spending. Private spending declined 1% from the year-ago level during the first four months, while public outlays rose 11%. The flattening out in private construction stems mostly from the downward trend in store building and housing. Industrial and most other types of private non-residential building activity were still running "well ahead" of last year. The four-month spending works out to a seasonally adjusted annual rate of $44.5 billion, compared with nearly $44.3 billion in the full year of 1956. (Wall St. J., 5/8 p.26)

INVENTORIES, SALES SHOW SLIGHT GAINS Businessmen added $1.1 billion of good to their inventories in March, the Commerce Department reported. The actual rise was a bit more than normal for the month, but the seasonally adjusted increase was the smallest since January 1955. On a seasonally adjusted basis, the March inventory rise amounted to only $100 million--to $39 billion from $38.9 billion the previous month. The department said businessmen sold $56.3 billion of good in March. However, this sales increase was not up to usual expectations, so the seasonally adjusted index fell to $56 billion in March from $56.4 billion in February. (Wall St. J., 5/9 p.24)

LEAD CUT Lead's price was cut by a half-cent a pound to 15-1/2¢ at New York, the first change in the U. S. price since January 13, 1956. The cut in the price of lead, like the 1-1/2¢ a pound reduction in zinc's price to 12¢, results from uncertainty over the fate of the Government's stockpile programs for both metals. Government stockpile purchases of lead and zinc--domestic origin as well as foreign--have been major price props for both metals. The lead cut was initiated by custom smelters and was followed by others, including some producers. (Wall St. J., 5/9 p.14)
SHOE ORDERS Spurred by excellent pre-Easter sales and a fear that a shortage of lasts to make the new narrower shoe styles will leave latecomers unprepared for the fall demand, retail shoe stores are placing orders for new stock at a rate unprecedented under peacetime conditions. In sharp contrast to last winter, when tight money considerations and a pessimism toward sales potentialities caused retailers to pare inventories to the bone, the buyers attending the 18th Popular Price Shoe Show are committing themselves to purchase in volume. Hence industry leaders are confident shoe sales will equal or exceed last year's 592 million pairs. (J. of Comm., 5/8 p.1)

EGG PRICES Continued slow demand and heavy receipts have pushed top grade eggs to the lowest level in almost 16 years in the Chicago wholesale market. This further weakness carried the top grades to 28-1/2¢ a dozen at last week's close, off 1-1/2 to 2¢ from the week before. Trade sources believe the decline in prices has just about reached bottom, and a continued tapering in output is expected to bring a slight recovery in graded eggs in the near future. (Wall St. J., 5/13 p.16)

STATE FINANCES State Governments spent $468 million more than they took in revenues during the 1956 fiscal year, the Census Bureau reported. The red-ink spending brought their total debt to a record high of $12.9 billion. Expenditures totaled $18.9 billion, a new record and an increase of 9.8% over the previous year. Revenue amounted to $18.4 billion, also a new high and 13.6% above the previous twelve months. States spent more on education than for any other function. This outlay totaled $5.7 billion. Running a close second were expenditures for highways, which totaled $5.3 billion. Spending for public welfare rose slightly to a total of $2.7 billion. (N. Y. Herald Trib., 5/7 p.8)

BREAK IN Tokyo stock market suffered its sharpest break since the end of the Korean War, in reaction to an increase in the discount rate and other discouraging business news. The stock average dropped nearly 4%. Market analysts said the main cause of the drop in prices was the severity of the increase in the discount rate of the Bank of Japan. The increase was from .021 yen a day to .023 yen. That makes the annual interest rate 8.395%, against the former rate of 7.665%. (The Federal Reserve rate is 3%) Masamichi Yamagiwa, Governor of the Bank of Japan, said the intent of the action was to force an increase in loan rates by commercial banks; to slow the rate of capital investment; and to reverse the growing deficit in Japan's foreign trade. (Hailey. N. Y. Times, 5/9 p.45)