basic business NEWS

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DU PONT-G. M. RULING MAY HAVE WIDE EFFECT The Supreme Court handed the Government some powerful new antitrust weaponry in its decision last Monday against the du Pont Company. By the broadest reading of the Court's opinion, the trust-busters might now swing their axe at untold numbers of companies that have purchased stock in companies with which they do business. Nothing so sweeping will happen, but the new ground rules set by the Court are bound to have broad impact. The case at hand involves the purchase by E. I. du Pont de Nemours & Co. of 23% of the stock of General Motors Corporation some forty years ago. The Court, by a majority of 4 to 2, ruled that du Pont's interest in G. M. posed the likelihood that du Pont would dominate a market illegally, in violation of the Clayton Antitrust Act. The violation was detected in the market for auto paints and fabrics, where G. M. is a big du Pont customer. (Mooney. N. Y. Times, 6/9 V p.7)

CONSTRUCTION UP IN MAY Spending for new construction put in place rose 11% in May to a level 2% higher than a year earlier, the Commerce and Labor Departments reported in a joint release. New construction outlays totaled more than $4 billion last month. The Government termed May's increase "seasonal". May activity brought total construction outlays for the first five months of the year to a record $17.1 billion. This topped last year's January-May total by 3%. On a seasonally adjusted basis, new construction activity last month reached an annual rate of $46.9 billion, compared with the revised estimate of $46.1 billion spent in 1956. (Wall St. J., 6/10 p.7)

WHOLESALE PRICES MOUNT SHARPLY Wholesale prices in primary markets rose 0.3% to 117.5% of their 1947-49 level during the week ended last Tuesday, according to the U. S. Department of Labor's Bureau of Labor Statistics. This was the sharpest weekly rise since January. Average prices of farm products and processed foods increased 1% and 1.1% respectively. Prices of all commodities other than farm and foods rose 0.1%. (N. Y. Times, 6/8 p.29)

SALES ARE DOWN, INVENTORIES RISE   Manufacturers' sales and unfilled orders declined in April, the Commerce Department reported, while new orders and inventories increased. According to the Department's seasonally adjusted index, manufacturers sold $28.5 billion worth of goods in April. This was a drop of $300 million from the previous month's level with all of the decline coming in the durable goods sector--mainly transportation equipment. However, an increase in incoming business for nondurable goods producers more than offset a reduction in orders received by durable goods manufacturers. Inventory book values held by manufacturers at the end of April totaled $52.5 billion on the seasonally adjusted scale. This was a $200 million increase during the month with most of the rise occurring in the fabricated metal, machinery and aircraft industries. The Department noted the April inventory climb was at a "considerably moderated" rate from monthly increases over the previous year or so. (Wall St. J., 6/4 p.7)

STATE, MUNICIPAL SPENDING UP   Spending by State and local governments has come to play an important role in the national economy. Such spending has increased particularly rapidly since World War II and further acceleration seems assured for at least several years, according to the Federal Reserve Bank of New York. In an article in its "Monthly Review of Credit and Business Conditions," the Bank said that State and local governments constitute one of the country's biggest "industries". The 48 State governments and more than 100,000 local government authorities employ more than five million people. This is 10% of the nation's nonfarm employment and more than twice the number of civilians employed by the Federal Government. Purchases of goods and services by these governments, currently at a seasonally adjusted annual rate of over $35 billion, absorb about 8% of the nation's total output. This nearly matches the recent rate of business investment spending for new plant and equipment or for consumer purchases of durable goods. Looking to the years ahead, it seems virtually certain that further population growth and shifts will continue to push State and local spending steadily upward. (Amer. Bkr., 6/6 p.1)

FED. RES. CREDIT NOT AVAILABLE FOR SPECIAL AID   The Federal Reserve System cannot stabilize both the volume of money supply and the level of interest rates at the same time and cannot aid any special sector of the money market, whatever its condition may be, Woodlief Thomas, economic adviser to the Federal Reserve Board, said in an address before a general management conference of the American Management Association at the Hotel Statler. "Federal Reserve credit should not be used," said Mr. Thomas, "to provide special aid to any particular sector of the market--whether it be Federal securities, home mortgages, the borrowing needs of States and local governments, or business credit. Each of these sources of demand for credit must compete with others for the funds available for lending and pay the interest rates that become established by the forces of the market." (J. of Comm., 6/6 p.5)

TREASURY BILL RATE HIGHEST SINCE 1933 The Treasury's short-term borrowing costs soared to 3.374%--the highest level in almost a quarter of a century. In the "Bank Holiday" period of 1933, the Treasury paid more than 4% to borrow short-term money. The highest rate since then had been 3.331% reached in mid-December of last year. This week's interest rate climb is the third straight weekly rise. In 1955, the rate stood at 1.390% at this time of year. At its current level, the rate now tops the discount rate charged by the Federal Reserve System on loans to member banks for the third straight week. The present discount rate is 3%. Though in theory the Reserve System likes to keep its discount rate above the prevailing Treasury bill rate, in practice, a higher bill rate has held very little clue to future Reserve Board policy. The Treasury rate has been above the Reserve System's discount rate most of the last six months. (Wall St. J., 6/4 p.2)

SHORT-TERM MONEY RATES RISING Short-term money rates again strained at their leashes. Commercial paper yield rates, for bills sold in the open through dealers, rose 1/8 of 1% to 3-3/4% for four to six months paper, the highest since the early 1930's and the first rise since last September. The bankers acceptance market became critical, as one dealer raised yield rates, with others likely to follow. U. S. Treasury bills, which this week went at a record rate since 1933 at 3.374%, promised to go still higher. These developments raised the familiar debate as to how long the Federal Reserve rediscount rates could stay so far below open market rates. There were no real signs that important changes were brewing in bank lending rates to business, though, if a business boom is reinstated later this year, higher borrowing rates would be almost sure. (J. of Comm., 6/6 p.1)

HOME MORTGAGE DEBT TOPS $100 BILLION Home mortgage debt early this year finally pushed across the $100 billion figure to reach an all-time high, the Federal Home Loan Bank Board reports in its latest statistical compilation. The current total is twice the 1950 level and over five times as great as at the close of World War II. The increase in non-farm mortgage debt last year was $11 billion, establishing the total at the year end at $99 billion compared with a 1955 year end figure of $88 billion. The Home Loan Bank Board noted that its figures can be only approximate, based largely upon mortgage recordings on nonfarm property in amounts of $20,000 or less. (J. of Comm., 6/5 p.4)

MONEY SUPPLY INCREASES

The nation's money supply rose $2.3 billion between March 27 and April 24 to within striking distance of the record level of last December 31. An increase in bank credit, both through loans and investments in Government securities, accounted for the increase. Total money supply on April 24 was $219.5 billion, compared with $217.2 billion March 27, and $220.9 billion December 31, 1956. Figures from which the Federal Reserve Board compiles money supply statistics monthly are based on consolidated condition statements of all commercial, savings and Federal Reserve banks, the Postal Savings System and Treasury currency funds. (J. of Comm., 6/6 p.4)

BOND PRICES FALL

The bond market sagged to the lowest levels in more than twenty years as big new corporate issues continued to compete for investment funds. Major developments were: The new issue of New York Telephone Co. 4-1/2% debentures broke from an issue price of 101-3/4 to 98-3/4 following the dissolution of the syndicate that brought the securities to market on May 21. The Boston Edison Co. sold to investment bankers $25,000,000 of AAA-rated mortgage bonds, which are being reoffered to investors at a price to yield 4.53%. The 3-3/4 Government bonds due in 1983 hit a new low at 95-5/8, yielding about 3.49% to maturity. With price rises persisting, the Federal Reserve is maintaining a policy officially described as "passive". As a result, bond men see no prospect of a downturn in interest rates stemming from official money management. (Heffernan. N. Y. Times, 6/5 p.49)

FRANCE MAY DRAW ON GOLD RESERVES

Officials indicate that the gold reserve of the Bank of France, $860 million, may have to be drawn upon by the end of July. They suggest this may be necessary in spite of the aid granted to France last week by the European Payments Union. This sum, $200 million, was granted because the French quota with the Union was exceeded by the end of April. The part of the deficit exceeding the quota must be settled 100% in gold. But the supplementary quota enables France to continue the normal system of paying 75% of her debt in gold. The creditor receives the remaining 25% of the debt as a credit. However, despite the supplementary credit, resort to the gold reserve can hardly be avoided at the end of July, unless France receives, meanwhile, a substantial foreign loan. (N. Y. Times, 6/10 p.37)