CONGRESS The 85th Congress brought its first session to an unhurried, almost leisurely close on August 30. The second session convenes January 7, with much of the President's legislative program still to be disposed of. Major accomplishments for the first session were claimed by Democratic leaders in the usual closing round of oratory that occupied members for most of the final day. Republicans, less enthusiastic, contended that a better record should have been achieved. (N. Y. Times, 8/31 p.1)

CONSTRUCTION Construction contracts in July fell 4% below year-earlier levels, F. W. Dodge Corp. reported. In the process, some sectors of the building business ran surprisingly counter to their previous paths this year, but a Dodge official warned against reading a trend into the July reports --yet. The July total of $2.9 billion was below the $3.2 billion registered in June. Housing, a weak spot this year, rose last month both in dollar volume of contracts and units, but the increase was accounted for mostly by an over-100% rise in multi-family housing units and their contract value. Single family homes in July fell 7% in units, but rose slightly in dollar volume. These changes reflect increases in both the average size of homes and in construction costs. Heavy engineering projects, especially public works and utilities, fell sharply last month, Dodge said. This type of construction has been a major source of strength in the industry this year, accounting for most of the gains over 1956 levels. (Wall St. J., 8/30 p.1)

U.S. APPROACHING LIMIT ON DEBT Secretary of the Treasury Anderson notified Congress that the national debt will "be within a few hundred million dollars" of legal debt ceiling in the months ahead. He also said that the Treasury would have

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"very small cash balances" in such periods. "This not only interferes with orderly debt management, but gives little margin to meet unexpected contingencies." Nevertheless, "realizing the importance of keeping within the lowest practicable debt limit, we are ready to try to operate within the present debt limit" in fiscal year 1958, which began July 1. (J. of Comm., 8/29 p.4)

TREASURY BILL The Government's short-term borrowing cost has jumped to a twenty-four-year high of 3.571%. The Treasury Department said that this is the average yield at which it auctioned off its latest weekly issue of ninety-one-day bills. The new peak is the highest since the Treasury sold an offering of bills at an average yield of 4.259% during the March 1933 bank holiday. (N. Y. Herald Trib., 8/31 II p.2)

TIGHT MONEY EXAGGERATED SAYS BANK GROUP SURVEY There is considerable exaggeration in the report that heavy demands for credit, plus the restrictive monetary policies of the Federal Reserve System, have caused a serious tightness of bank credit. This is indicated in a survey of 1,400 commercial banks just completed by the Department of Monetary Policy of the American Bankers Association. The survey shows that 32.5% of the polled banks consider bank credit "readily available" in their localities, and another 55.5% consider it to be only "somewhat tight". It points out that "it is obviously significant that small and medium-sized banks, whose business loans consist predominantly of credits extended to small concerns, have been less affected by the tightening of credit than the larger banks. Also, the greater majority of banks, and especially the small and medium-sized banks, report that greater selectivity has had much influence on the aggregate total of their lending." (Amer. Bkr., 8/28 p.1)

WORLD BOOM PUTS INTEREST RATES UP Interest rates are rising throughout the free world. The upswing that has been registered in the United States during the last two and a half years has been matched, and even outstripped, by rate boosts in other major free world countries. Rates are climbing partly because huge borrowing demands generated by a world-wide investment boom have outstripped the supply of savings in country after country, and partly because the governments of the free world countries are resorting deliberately and increasingly to the use of monetary curbs to damp inflationary pressures. Here at home, the Federal Reserve System has just raised the discount rate for the seventh time since April 1955. The advance amounted to 1/2% and boosted the Federal Reserve lending rate to 3-1/2%. France has lifted its rate twice since last
winter. It raised the discount rate to 4% in April, then to 5%, August 13. The Netherlands boosted its discount rate twice in little more than three weeks. It went to 4-1/4%, then to a flat 5%, August 16. Belgium went to 4-1/2%, July 24. Spain went to 5%, July 22, and Sweden jumped to 5%, July 11. Close observers of international financial trends believe that the series of discount rate hikes demonstrates that the people of the free world are increasingly determined to prevent inflation. (Slevin. N. Y. Herald Trib., 8/27 II p.3)

INVESTMENT YIELDS PATTERN SHIFTS

For the last year and a half, investment yields on short and intermediate term securities of the United States Government have been exceeding those on Treasury bonds of long term. The persistence of this pattern—a reversal of that which prevailed from 1933 to the spring of 1956—has been given further emphasis by the market standing assigned to the Treasury's newest offering of securities other than the weekly issue of 91-day bills. The new issue—$1.7 billion of bills due next April 15—are selling in the market at a yield of about 4.15%, a return more than one-half of 1 percentage point above that obtainable from the Treasury's longest-term marketable bonds, and more than 7/8% more than that obtainable from a non-market table Series E savings bond if held to maturity. (Heffernan. N. Y. Times, 8/31 p.20)

SAVINGS BOND SALES DECLINE

Fewer people want to buy U.S. savings bonds, and more want to invest in stocks and real estate. This finding in a Federal Reserve Board survey of consumers' views early this year, indicates the Treasury faces an uphill fight in its effort to boost lagging savings bond sales and reverse the excess of cash-ins over sales. Through July this year, sales have totaled about $2.7 billion compared with over $2.9 billion a year earlier, and redemptions have topped sales by more than $600 million. (Wall St. J., 8/29 p.11)

LOANS TO BUSINESS DECLINE IN WEEK

A sharp decline in the business loans of the larger New York banks occurred in the week ended August 28, according to figures made public by the Federal Reserve Bank of New York. The drop amounted to $150 million and was the largest in many weeks. The whole loan portfolio of the reporting banks showed a decline, and there was a substantial decrease in holdings of investment securities. (N. Y. Times, 8/30 p.23)

STOCKS DECLINE IN AUGUST

Stocks took a beating this month despite two rallies this week. Prices were hammered down about $13.5 billion. The New York Times combined average of fifty representative stocks showed the largest decline for any
month since May 1940. Trading was the smallest since last March. (N. Y. Times, 8/31 p.20)

1958 AUTO PRICES The Ford Motor Company conceded today that its 1958 cars would cost more than the current models. Instead of cutting prices by $100, as suggested by Walter P. Reuther, president of the United Automobile Workers, it was indicated that automobile prices would rise an average of $100. The announcement was made by Ernest R. Breech, chairman of the board of the Ford Motor Company, at an off-the-cuff conference. (Ingraham. N. Y. Times, 8/29 p.1)

MACHINE TOOL ORDERS ORDERING OF MACHINE TOOLS JUMPED SHARPLY IN JULY July, but industry leaders doubted that it signaled any reversal of the sharp decline of the previous nine months. A major factor in last month's upswing apparently was a rush by customers to beat price increases initiated by a number of tool makers. Normally not announced publicly, price increases have been widely anticipated due to rising costs for labor, freight and materials, principally steel. The price boosts are running an average of around 5% to 7%. Last year, machine tool prices went up about 10%. July net new orders climbed to $56 million. This was almost 30% ahead of June, but under the $62 million of new orders in July 1956. (Wall St. J., 8/27 p.3)

FARM ASSETS REACH FARM ASSETS ROSE TO A RECORD VALUE OF $177 BILLION RECORD $177 BILLION on last January 1, but farm debt also touched a new high. The Federal Reserve's annual balance sheet of agriculture said that the value of assets increased $8.6 billion in 1956. Farm debt increased by $600 million to a record $19.5 billion. The equity of farm operators--assets minus debt--also moved to new heights, $157 billion or an increase of $8 billion during last year. The strength of the market for farm real estate was largely responsible for raising total farm assets, and the value of owners' equities, to new record levels after 1951. (J. of Comm., 8/29 p.3)

FRANCE IMPOSES FRANCE IMPOSED TODAY A PARTIAL FREEZE OF PRICES TO MATCH THE PARTIAL DEVALUATION OF THE FRANC. President of Finance, announced that prices of most industrial production would be frozen at the August 15 level. Exceptions will be permitted, he said, in cases where devaluation has caused important increases in production costs. The minister promised that most agricultural prices would remain stable or be reduced. (N. Y. Times, 8/28 p.1)