basic business

NEWS

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BUDGET PREVIEW The broad outline of the coming Federal budget is beginning to emerge. As sketched by high Administration officials, here is the outlook: The $70 billion ceiling on Federal spending for next fiscal year is the official White House target, but nobody, not even in the White House, thinks it can be achieved. Equally out of the question is any large boost in Government spending above the $72 billion estimate for the fiscal year that ends next June 30. What the Administration is really aiming for--and thinks it can achieve--is a small reduction next fiscal year in the $72 billion Federal spending level. For the coming fiscal year, the Administration hopes to offset the slight increase in the defense budget, at least in part, by making reductions in spending on foreign aid, housing and other assorted items. (Otten, Clark. Wall St. J., 10/31 p.1)

EASTERN RAILS WEIGH MERGER The nation's two biggest railroads--the Pennsylvania and the New York Central--announced jointly yesterday that they were considering a merger. Such a consolidation not only would result in the world's largest railroad, in revenue and assets, but would represent one of the biggest mergers in America's industrial history. The combined assets of the two lines would amount to more than $5 billion; their revenues last year came to $1.7 billion. Only ten enterprises in this country have larger assets than a Pennsy-Central combine would have. James M. Symes, president of the Pennsylvania, and Alfred E. Perlman, president of the New York Central, made the announcement. They stressed that discussions about a merger were still under way and that no decision had been reached. A merger of the Pennsylvania and the Central would have to be approved by the Interstate Commerce Commission. The consensus was that an actual merger was a long way off. (Rutter. N. Y. Times, 11/2 p.1)

STOCK MARKET SLIDES AGAIN

Wall Street is aware that price erosion has caught up with investment values. Friday, the market slumped after staging a minor rally earlier in the week. Not only were the early gains wiped out, but The New York Times combined average of fifty representative issues declined 3.62 points for the week, closing at 274.17. The average was some 21% below the year's high. This represents a "paper loss" in the market of more than $41 billion. Last week, Wall Street was far from being in an ebullient mood. Few traders foresaw any sharp forward price movement in the near future. Take railroad stocks. Many leading issues are down 50%. Freight carloadings continue to decline, as do earnings of the carriers. There are many other indications that the tempo of business is slackening. (Forrest. N. Y. Times, 11/3 III p.1)

A.T. & T. BONDS SOLD AT 4.94%

American Telephone & Telegraph Co., which often has to defend itself against criticism for raising its rates, was the victim of higher rates itself when it came to the new issue market to borrow $250 million. On the basis of the winning underwriting bid, the interest cost to A.T. & T. is approximately 4.94%. The sale marked the highest borrowing cost A.T. & T. has paid in 27 years. On January 13, 1930, it floated $150 million of 5% debentures at a cost of 5.22%. (J. of Comm., 10/30 p.3)

TREASURY WEIGHS CASH BORROWING

The Treasury disclosed today that it was considering a new cash borrowing within the next month or so. In response to inquiries, it announced that four advisory groups of financiers would come to Washington within the next two weeks to discuss the refinancing of Treasury certificates that come due on December 1, "and the possible raising of some cash". The refinancing and the new cash borrowing were expected to be made through separate issues of securities at the same time. There had been indications that the Treasury had not ruled out the possibility of borrowing the cash for longer than one year. (N. Y. Times, 10/31 p.47)

BANKS BORROW MORE FROM RESERVE SYSTEM

The Federal Reserve System continued to keep the country's banks pretty sternly strapped for funds in the week ended Wednesday, according to the New York Federal Reserve Bank. As a result of the Federal Reserve's open market operations and other factors influencing the reserve position of banks, the daily average of net borrowed reserves of commercial banks as a whole climbed to $355 million from $46 million the week before. The principal factor responsible for the tightening of bank reserves in the statement week was a normal drop in "float"--credit automatically extended by Federal Reserve banks to member banks to cover checks delayed in transit. Since float is normally expected to decline at the end of the month, the Federal Reserve's Open Market Committee could have offset this--if it wanted, say, to ease bank reserves--by increasing its holdings of Treasury bills. (Wall St. J., 11/1 p.15)

U.S. GAINED GOLD IN FISCAL 1957 The Federal Reserve Board reports that, in a sharp reversal of form, foreign countries lost half a billion dollars doing business with the United States in fiscal 1957. This contrasts with the record of the four years previous, the October issue of the Federal Reserve Bulletin said, when foreign nations as a group scored net gains in their gold and dollar reserves of between $1.5 and $2 billion a year. The Board pointed to two major developments between July 1, 1956, and June 30 of this year that contributed to the drain on foreign holdings: (1) The emergence of large foreign trade deficits in a number of important countries "where resistance to inflationary pressures had not been sufficiently effective"; and (2) widespread speculation in key currencies. (J. of Comm., 10/29 p.22)

FRANCE COMPLETES DEVALUATION The French franc dropped in terms of the U.S. dollar here following the completion of France's devaluation of the franc over the weekend. However, New York dealers said the franc had already showed weakness late last week, prior to the French Government's announcement. France took its first step to devalue the franc effective last August 12 when it changed the rate on most transactions except imports of vital materials. Sunday's move extended the devaluation to all transactions. It seemed, from the reasons given, that unexpected speculation had occurred in vital imports and the government wanted to discourage it. It was explained, further, that the French wished to conform to the International Monetary Fund's policy that a country should have a single exchange rate. (Wall St. J., 10/29 p.21)

CARLOADINGS TUMBLE BELOW LAST YEAR Revenue freight carloadings by the nation's railroads in the week ended October 26 took their sharpest tumble of the year below corresponding 1956 levels, the Association of American Railroads reported. During that week, the carriers loaded 13.8% fewer cars than in the like period a year ago. Loadings have been dropping behind comparative 1956 levels for eleven straight weeks, and, on a cumulative basis, are now trailing last year's figures by 4.5%. An A.A.R. spokesman attributed last week's steep slump to a "general falling off in the level of business". He noted that the deepest drop occurred in the miscellaneous freight category, which includes, among other things, all manufactured goods. (Wall St. J., 11/1 p.22)

INSTALMENT DEBT UP IN SEPTEMBER — Consumers added $114 million to their instalment debt during September, the Federal Reserve Board reported. The gain was larger than the like month of 1956 but considerably under the figure for September of 1955. Total consumer debt rose to $43 billion on September 30--nearly $3 billion above a year ago. (Wall St. J., 11/1 p.2)

CHECKING ACCOUNTS SCORE RECORD — Each month this year, checkbook spending has reached new all time monthly highs, notwithstanding a slowdown in the rate of growth, compared with 1956. Total bank debits in September for 344 reporting centers, as reported by the Federal Reserve Board, amounted to $189.2 billion. This is a gain of 13.3% from the volume in September 1956 and the best monthly gain since July 1956. In all probability, this marks the beginning of the customary seasonal improvement in the final months of the year. (Amer. Bkr., 11/1 p.1)

LAKE SHIPPING NEARS CLOSE — The 1957 shipping season on the Great Lakes is drawing to an end. November 1 officially marks the beginning of the final month of the season, but already about 40 of the 251 vessels in the ore-carring fleet have entered winter quarters. One reason for the early lay-up of some vessels is the steel operating rate, now standing at about 80% compared with 98% at this time last year. (Hendrickson, Cleve. Plain Dealer, 11/1 p.12)

OCTOBER AUTO OUTPUT RISES — All auto producers, having completed model changeover operations, hiked production of passenger cars in the U.S. last month to 327,506, up 15% from September. Production last month, however, still was 15.8% under output in the comparable month last year. Industry output this year through October totals 5 million units, up 8.3% from the 4.6 million built in the like 1956 period. (Wall St. J., 11/4 p.5)

RUSSIANS FIRE SECOND SPUTNIK — Russia rocketed a second satellite into space carrying a small, shaggy dog. The new artificial moon, Sputnik II, has a maximum altitude of 1,056 miles, compared with the earlier satellite's 570 miles. A top Pentagon official declared he doubted the new Soviet satellite would have any ther impact on this country's top-priority ballistic missile programs. Another high Government official, however, said the latest Russian achievement will generate more public pressure for a step-up in missile spending. (Wall St. J., 11/4 p.1)