COST OF LIVING  The cost of living index jumped 0.2% last month to an all-time high of 123.9, according to the Bureau of Labor Statistics. Higher costs for transportation, food, and medical care accounted for most of the increase. The July consumer price index was 2.6% higher than in July 1957. (The Government assigns to the 1947-49 average the figure 100.) The July cost-of-living increase means another small pay boost, about one cent an hour, for approximately 500,000 workers with union contracts pegged to the Government's consumer price index. (Cook. N.Y. Herald Trib., 8/23 p.1)

NATIONAL OUTPUT  The gross national product rose $3.2 billion in the second quarter, final figures of the Department of Commerce revealed. The figures put the total output of goods and services at an annual rate of $429 billion in the second quarter, compared to the recession low of $425.8 billion in the first quarter. The final figure for the second quarter was $1 billion higher than the preliminary estimate by the Council of Economic Advisers in late July. (N.Y. Times, 8/20 p.35)

SOCIAL SECURITY  The House of Representatives passed social security and welfare pension legislation, both of which had been passed previously by the Senate. The House voice-vote approval of the social security bill guaranteed a 7% rise in benefits starting next February 3. It also established an increase in payroll taxes that would increase maximum levels from $94.50 to $120 a year, starting January 1. For 12 million retired workers now drawing social security checks, the new rates will mean monthly payments ranging from $33 to $116, compared to the present $30 to $108.50. Payroll taxes will be raised more than necessary to

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cover increases provided in the bill. This was done to insure the long-range stability of the social security fund, described by Administration officials as being out of balance at present. Thus, taxes will go up on January 1 from 2-1/4% to 2-1/2% on both employers and employees. The taxable wage base will be raised from $4,200 to $4,800 a year, and the tax on the self-employed will go from 3-3/8% to 3-3/4%. (Drury. N.Y. Times, 8/20 p.1)

HOUSE REJECTS HOUSING MEASURE Opposition from economy-minded lawmakers blocked House approval of a catch-all housing measure despite deep cuts in its money totals by supporters. The action endangered chances that a regular housing bill will clear Congress this session. However, there were indications a move would be made in the Senate to revive the program in a form acceptable to the Administration. The bill killed in the House would have made new homes easier to finance and would have expanded the Federal slum clearance and urban renewal program. Congress earlier this year passed an emergency housing measure authorizing $1.9 billion for various program speedups to combat the recession, thus relieving the urgency of another housing measure. It has been 10 years since Congress last failed to clear an omnibus housing bill. (Wall St. J., 8/19 p.3)

HOUSE DEFEATS LABOR REFORM BILL The Senate-passed labor reform bill aimed at cracking down on union racketeering was voted down in the House. The tally was 198 to 190 against the measure, with proponents unable to muster even a majority under the special procedure requiring a two-thirds vote of approval. Several business groups and some labor leaders had opposed the measure. The business groups contended it imposed unfair restrictions on management, and could also deprive workers of some right they now enjoy. The measure, an outgrowth of the Special Senate Investigating Committee's hearings on labor racketeering, would have required public disclosure of union finances through reports to the Labor Secretary, plus reports by employers and labor relations "middlemen" on any improper "anti-union" activities. (Wall St. J., 8/19 p.4)

DEBT CEILING The higher cost of Government and the red ink prospects forced a reluctant Congress to grant two boosts in the national debt ceiling. The final increase lifted the ceiling to a temporary $288 billion and a permanent $283 billion, compared with the $275 billion permanent level now, and the present temporary maximum of $280 billion. Congress balked at the Administration's request to make the new temporary limit apply through June 1960, and voted instead to cut it off next June 30. (Wall St. J., 8/25 p.3)
**CREDIT SUPPLY SQUEEZE APPLIED** The nation's money managers have begun to tighten bank credit in support of the recent rise in the lending (discount) rate to member banks in the San Francisco Federal Reserve District. This seemed apparent from the publication of net free reserve figures for the week ended on August 20. Through reduction of $207 million in its holdings of Treasury 91-day bills, the Federal Reserve System brought average net free reserves down to $403 million. For more than five months, these had remained close to or above $500 million. (N.Y. Times, 8/22 p.26)

**DALLAS RESERVE BANK HIKES DISCOUNT RATE** The Dallas Federal Reserve Bank followed last week's action by the San Francisco Federal Reserve Bank in hiking the discount rate to 2% from 1-3/4%. But the other ten Federal Reserve banks, including the New York district, remained at 1-3/4%. The Dallas change is effective August 22. The action by the Dallas district did not come as a surprise. Bankers generally have been looking for confirmation by other Federal Reserve banks of the San Francisco action. Dallas, for example, has been one of the money centers around the country where bankers for some weeks have reported brisk loan demand. (Wall St. J., 8/22 p.2)

**CORPORATE BOND ISSUES SET RECORD** The Government reported that corporations borrowed more money on bonds and other debt issues in the first half of 1958 than in any other half-year on record. Corporate offerings of such issues amounted to $5.4 billion, about $350 million more than in the first six months of 1957. The increase, however, was more than offset by a substantial drop in common stock issues—from $1.5 billion in the first half of 1957 to $500 million from January to June of this year. An economist for the Securities and Exchange Commission, who wrote the report, said the two developments indicated greater receptivity in investment circles to bonds than to stocks. (N.Y. Times, 8/21 p.33)

**STOCK MARKET** Brokers were impressed with the action of the market last week. Implications of further restrictive credit moves, Congressional killing of the housing and minerals bills, a sharp drop in the short interest, and a prediction that the oil industry is heading for fresh inventory problems were ignored or overcome in the steady recovery during the week from last Monday's weakness. Drawing particular attention was firmness in the wake of the Dallas Federal Reserve District's action in following the San Francisco District's move in raising the discount rate to 2% from 1-3/4%. (Gingold. Wall St. J., 8/25 p.17)
SCRAP STEEL
BUYING SUBSIDES

The ferrous scrap industry has settled back from the short-lived burst of new business that came at the end of July. Dealers and brokers have been forced to revise their earlier conclusion that better times were here, and they are freely admitting that the acceleration in scrap purchases was only a flash in the pan prompted by the hubbub in the Middle East. Since reaching the high of $45 a ton for the key scrap grade in Pittsburgh, the ensuing lack of business has weakened the price by two or three dollars a ton. According to Department of Commerce reports, scrap supplies and pig iron in consumer hands are near an all time high, which permits mills and foundries to buy at their own convenience. At the same time, there has been a sharp drop in export demand from major foreign markets. (Cohen. J. of Comm., 8/19 p.1)

LEAD MINE
CUTS OUTPUT

The largest domestic producer of lead announced that it would slash output 20% as a result of the defeat of the minerals subsidy program in Congress. The curtailment was announced by the St. Joseph Lead Company, which said it would reduce the work week from five days to four, effective August 25, in its mines in southeastern Missouri. Officials of the concern said it had been producing "considerably more than we can sell and was still accumulating lead." The production cut had been deferred as long as possible in the hope that Congress would approve the subsidy program, but "we're terribly hurt by lead imports and without subsidies to lead producers, we feel we can no longer maintain output at present levels." (N.Y. Times, 8/23 p.18)

TEXAS INCREASES
OIL OUTPUT QUOTA

Things are looking up for Texas oil producers. For September, they will have a quota, or allowable, equal to 12 days' flow, which is a lot better than the eight days' production they were allowed last May. The largest buyer of Texas crude wanted a 14 day allowable, but the Texas Railroad Commission, which fixes the quotas, thought that would be too much for the market. (J. of Comm., 8/21 p.1)

AIR TRAVEL
LEVELING OFF

Air travel is leveling off after a decade of rapid growth, but airline executives feel the lull is only temporary. During the first seven months, domestic air travel was virtually unchanged from the corresponding 1957 level, according to the Air Transport Association. Traditionally, the airlines have grown an average of 12-15% a year. The airlines attribute this year's showing entirely to the recession. First-class traffic is off about 3.4%, while coach travel is up slightly more than 7%. Earlier this year, the industry was looking for a 5-10% gain. However, traffic has been below year-ago levels in four out of the last five months. (Gold. J. of Comm., 8/19 p.1)