PRIME RATE    Private money rates in the United States went to the
UPPED TO 5%    highest levels since February 1930 as commercial banks,
                rapidly running out of money to lend to business bor­
                rowers whose demands for credit continued to mount, raised their
"prime rate" to 5% from 4-1/2%. It was the first change in the basic
business borrowing rate since last May 18, when the rate was jumped
to 4-1/2% from 4%.

The rise in commercial bank lending rates that has been predicted
for so long, and which meant a cost of more than 6% for most borrow­
ers, stirred immediate speculation as to over-all effects. Obviously,
with a 52% corporate income tax rate, the higher cost of money will
not be a barrier to the plans of most businesses to borrow. Some, of
course, will just not be able to get money because the banks will not
lend it. So availability will enter the picture as well as cost.

More to the point was speculation as to whether the higher rates in
the money market would spur savings, draw money from Europe, or induce
country banks that are better supplied with funds than are city in­
tstitutions to use more of it in financial centers, thereby adding to
the usable supply of short-term funds. Seldom has an increase in the
prime rate spread over the country as rapidly as it has done on this
occasion, and seldom has the reaction of satellite money markets been
so swift and so uniform. Both the stock market and the bond market
fared dismally on the day; Government bonds sold at new lows again
and all buyers of the Treasury's new bills found market prices for
them below what they paid for them. The commodity markets shrugged
off the latest round of money rate increases as just another of those
things and were no worse than irregular. (J. of Comm., 9/2 p.1)

182-DAY BILL RATE    Rates on three-month and six-month Treasury bills
HITS 4.468%    rose again this week to post-war records, with
                the larger rise in the longer series, the Treas­
                ury disclosed August 31. While the increase in the discount yield
Selection of these items does not imply this bank's guaranty of their accuracy,
nor agreement with the views expressed.
on ninety-one day bills was slight, that on 182-day bills was exceptionally steep. The six-month bills sold at a rate of 4.468\%. Thus the Treasury will be paying for six-month money at a rate of interest higher than the legal ceiling allows for bonds of five years and longer to maturity. (N.Y. Times, 9/1 p.35)

INSTALMENT CREDIT Consumer instalment credit rose more in July on an adjusted basis than in any other month in nearly four years, the Federal Reserve Board reported. Instalment debt outstanding in July increased by a seasonally adjusted $500 million, officials said. This was the biggest monthly rise since September 1955. The increase in instalment debt in July raised the total outstanding at the end of the month to a record of more than $36.4 billion, officials reported. This was nearly $3.4 billion above the amount outstanding July 31, 1958. Government economists rate the willingness of consumers to take on an increasing amount of instalment debt as one of the prime factors in the business boom. Federal Reserve Board officials have commented that the consumers' demand for money for instalment purchases also has been a factor in the tightening of credit. (Wall St. J., 9/3 p.9)

PEAK INTEREST RATE The Federal National Mortgage Association announced a two-year, $150 million debenture issue with an interest rate of 5-1/8\%, far the highest ever paid by the Agency in its market borrowing. The offering will be sold next Thursday and the offering price will be announced then. The money is for use in the Agency's secondary-mortgage-market operation. The previous high interest rate on a Fanny May offering was 4.7\% in September 1957. (N.Y. Times, 9/4 p.25)

BUDGET DEFICIT The Government's budget picture has darkened. An air of dejection has settled over top fiscal officials for these reasons: The odds now are that the budget for the current fiscal year will show a small deficit instead of being balanced. The next budget will inevitably rise to a level of $81 billion or higher--an increase big enough to eat up all or most of the expected growth in revenues from an expanding economy. This means that the Administration will be hard put to achieve a balance in the next budget, let alone achieve the surplus needed to reduce the national debt. (Dale, Jr. N.Y. Times, 9/2 p.1)

HOUSE APPROVES BOND INTEREST RISE The House of Representatives approved, 378 to 7, a measure to increase the interest rate on United States savings bonds. The bill now goes to the Senate, where approval is expected. The House action affects bonds
of the E- and H-series, which mature in a little less than ten years and yield 3.26% interest. The bill would remove the fixed ceiling. The Administration has said it would lift the rate to 3.75% at maturity. The higher rates will apply not only to bonds bought after the bill's effective date, June 1, but to bonds purchased before that and still outstanding. (N.Y. Times, 9/5 p.1)

HOUSING BILL President Eisenhower's second housing-bill veto of 1959 VETOED AGAIN was sent to Congress and was immediately sustained in the Senate. Whether Congress would make a serious third effort to write housing legislation acceptable to the President, including extension of mortgage insurance authority for the Federal Housing Administration, was in great doubt. (Baker. N.Y. Times, 9/5 p.1)

TRADE DEFICIT The big deficit in the United States balance of MAY CUT AID FUNDS international payments, with its resulting out-flow of gold and build-up of foreign assets in New York, has begun to have a major impact on Administration thinking about foreign aid. Powerful voices, centering in financial agencies, have begun to argue that the flow of Government capital abroad in the form of aid is too large for the continued strength of the dollar. The underlying belief in top Administration financial circles is that there is an entirely new situation in the world economy, with European currencies gaining strength while the dollar is showing the first faint signs of vulnerability. (Dale, Jr. N.Y. Times, 9/6 p.1)

MANUFACTURERS' Inventories of durable goods continued to build up inventories in July despite the steel strike, INVENTORIES MOUNT the Department of Commerce reported. The report showed that manufacturing inventories, adjusted for seasonal factors, rose $100 million in July, with the entire increase in durable goods. This was much less than the increases of $500 million or $600 million a month earlier this year, but still an increase. The report said "liquidation of stocks by primary metal and transportation equipment companies was more than offset by further accumulation by other durable-goods firms." (N.Y. Times, 9/1 p.35)

OVERSEAS TOOL ORDERS Machine tool orders in July were unexpectedly HIT 4-YEAR HIGH boosted by foreign buyers. According to the National Machine Tool Builders Association, orders from abroad were an estimated $5 million. That was nearly equal to the total of all foreign orders in the previous six months, and helped to offset a domestic lull caused by vacations and uncertainties growing out of the steel strike. Despite this, net new
orders for the month, at an estimated $63,450,000, were down nearly $2 million from June. (Wall St. J., 9/2 p.1)

ELECTRICITY OUTPUT For the second straight week, businesses and individuals in the United States used a record amount of electricity last week, according to the Edison Electric Institute. The institute said that electric energy distribution for the week ended August 29, totaled 14,109,000,000 kwh. This was 15% above a year ago and topped the previous record in the preceding week by some 100 million kwh. Contributing most to the rise in electricity consumption was hot weather in many parts of the country. This sent both large and small air-conditioning equipment working overtime. (Wall St. J., 9/3 p.9)

RUBBER CONTRACTS SIGNED WITH UNION United States Rubber Company, The B. F. Goodrich Company, and Firestone Tire and Rubber Company signed new wage agreements with the United Rubber Workers providing pay increases of 10¢ an hour. All the agreements follow the pattern set August 31 when Goodyear Tire and Rubber Company averted a strike by accepting a settlement for 24,000 workers. The rubber industry wage settlements were negotiated under reopening clauses in three-year master contracts signed last spring, following the biggest strike in the Rubber Workers' history. The average hourly wage for employes has been $2.48 an hour. (Wall St. J., 9/3 p.5)

RAIL UNIONS SEEK 25-CENT PAY RISE Eleven nonoperating railroad unions announced that they would seek a 25-cent hourly wage rise and welfare concessions. A nation-wide strike could result if management refused the demands. About 800,000 railroad workers who do not operate trains, belong to the eleven unions involved. Their hourly pay averages about $2.30. The unions concerned usually bargain as a unit. George E. Leighty, spokesman for the eleven unions, threatened to call a strike on November 2 if the companies maintained that present agreements must continue beyond November 1. Mr. Leighty said the new proposals by the eleven nonoperating unions would call for cancellation of the cost-of-living escalator provision in the present contract. The provision has given the eleven unions a 13-cent-an-hour increase over the last three years. (Drury. N.Y. Times, 9/1 p.1)