SAVINGS BOND President Eisenhower approved legislation that permits an increase in interest rates on United States savings bonds. As required by the new law, he then made a finding that it was in the national interest to increase the rates. This was done by the Treasury. The new rate for Series E and H bonds is 3-3/4% if the investor holds his bond until it matures. The previous rate was 3-1/4%. The increase was the third and largest ordered since E bonds were first issued at the start of World War II. It was more unusual in another respect—the increase applied to all savings bonds already outstanding, instead of only to those purchased after the increase was announced. (Mooney. N.Y. Times, 9/23 p.1)

BALANCED BUDGET The Government estimated officially today that its budget for the current fiscal year was still in balance. The Budget Bureau, in the annual post-Congress review, estimated that Federal spending and revenues both would be $1.9 billion higher than President Eisenhower estimated in his January message to Congress. With equal increases on both sides of the ledger, the predicted precarious surplus of $100 million remains unchanged. Congress was responsible in part for the changed picture of the current year, but the biggest changes of all were out of its hands. On the spending side, the rising cost of paying interest on the national debt accounted for the largest increase—$1 billion. On the revenue side, the pace of economic recovery permitted upward revisions in the estimates of all types of tax collections. (Mooney. N.Y. Times, 9/25 p.1)

DOLLAR STRONGER The managing director of the International Monetary Fund said that there was more foreign confidence in the dollar now than was the case six months or a year ago. According to the Monetary Fund chief, Per Jacobsson, the

Selection of these items does not imply this bank’s guaranty of their accuracy, nor agreement with the views expressed.
main reason is the financial policy of the United States Government—a balanced budget and credit restraint by the Federal Reserve System. Mr. Jacobsson told a news conference that the recent deterioration of the United States balance of payments, with its resulting outflow of gold, was in considerable part due to the financial measures taken to fight last year's recession—a big budget deficit and a huge expansion of credit. (Dale Jr., N.Y. Times, 9/27 p.1)

PRESIDENT SIGNS

THIRD HOUSING BILL

President Eisenhower signed the "third-try" housing bill without comment. Immediately after the signing, the Federal Housing Administration announced increases in interest rates on various types of mortgages it insures. This included an increase from 5-1/4% to 5-3/4% in the regular family-home mortgage used by several hundred thousand purchasers each year. The interest rates were increased to attract more funds into the programs. With interest rates generally at postwar peaks, lenders were either refusing to invest in FHA mortgages or were doing so only at discounts below the par price. This action will reduce the discounts substantially, though it will not eliminate them entirely in all parts of the country. The higher interest rate, however, will add to the monthly payments for home buyers. (Dale, Jr. N.Y. Times, 9/24 p.1)

CONSTRUCTION DECLINES TO $3 BILLION

Construction firms feel increasing repercussions from the steel strike. "Uncertainty over steel deliveries and prices" is causing extensive deferment of non-residential and heavy construction projects according to F.W. Dodge Corporation. Total building awards last month declined to around $3 billion—off nearly $600 million from July and 11% below August 1958. Construction on jobs where contracts have been delayed will be held up for months after the steel strike ends, a Dodge official noted. (Wall St. J., 9/26 p.1)

GASOLINE TAX BILL

President Eisenhower signed legislation to raise the Federal tax on gasoline a penny a gallon, effective October 1. Despite the increase, there will be a slowdown in the interstate superhighway program from the annual levels originally contemplated. The President attributed this to Congress' refusal to raise the tax by 1-1/2¢, effective last July as he had asked. He disclosed that "a comprehensive review of the interstate program's current policies, practices, methods and standards had been under way since July" (under the direction of General John S. Bragdon, his special assistant for public works planning.) The reason for the study was the President's concern that the program might be departing from its original objectives and costing more than necessary. On October 1, the tax rises from 3¢ to 4¢. With state
levies included, motorists will be paying an average of nearly 10¢ a gallon in taxes. (N.Y. Times, 9/22 p.1)

LIVING COSTS The cost of living dropped in August for the first time in six months, the Government reported. Lower food prices more than offset increased costs of such items as clothing and transportation. The Department of Labor's index of consumer prices fell one-tenth of 1% below July levels to 124.8% of average 1947-49 prices. Despite the drop, the August showing was the highest ever recorded for the month. In August 1958, the index stood at 123.7%. The Department also reported that the idleness of striking steel workers plus layoffs in the auto industry due to model changeovers, caused a drop in the average earnings and buying power of factory workers. (J. of Comm., 9/24 p.4)

STOCK MARKET The emergence of strong counter-inflationary forces in the economy has been largely responsible for the downward trend of stock prices during the past six weeks. The most apparent of these forces at the moment is the scarcity and high cost of credit. A second force is foreign competition in a number of industries. Where domestic producers are losing markets to foreign competitors, they are under pressure to reduce prices to hold customers. Another major counter-inflationary influence is the growing resistance of managements to granting wage increases not justified by productivity gains. But now that tight money and stronger foreign competition make the ability to raise selling prices much more doubtful, wage increases not justified by higher productivity per man-hour will squeeze profit margins. (J. of Comm., 9/22 p.1)

NEW ENGLAND T. & T. RATE HIGHEST SINCE '23 New England Telephone & Telegraph Co. had to accept a 5.72% annual net interest cost to sell its $45 million block of double-A rated 35-year debentures, due September 1, 1994. That rate is the highest ever for the Boston-based communications unit. It's the loftiest on record for a bond issue by any Bell System unit since November 5, 1923. At that time, American Telephone & Telegraph Co., the parent company, incurred a 5.95% annual interest cost on a $100 million debenture borrowing. (Wall St. J., 9/22 p.22)

RAIL UNIONS ASKED TO TAKE PAY CUT Eleven of the 16 non-operating rail unions have been asked to take pay reductions of 15¢ an hour by the nation's railroads. Previously, the carriers had proposed a similar cut for the five operating unions. The carriers said the cut is being proposed "in order to bring the workers' wage in line with straight time hourly earnings of production workers in all other industries." The carriers also proposed an
adjustment in present health and welfare programs. A spokesman for
the railroads said the nonoperating unions had presented demands for a
25¢-an-hour wage increase and fringe benefit changes. The moratorium
on changes in wage rates with the unions expires October 31. (Wall
St. J., 9/22 p.2)

AUTO SALES Auto sales eased in September in line with the seasonal
EASE pattern. Retail deliveries for the full month are indi-
cated at 350,000 cars—lowest since last October, though
still 37% above September 1958. Dealers had about 595,000 new cars
on hand September 20—mostly 1959 models—and production of 1960 lines
is rising. But output will begin falling before October ends if the
steel strike continues, and buyers may find some new models scarce.
(Wall St. J., 9/28 p.1)

UNIONS AGREE The American labor movement agreed, for the first
ON UMPIRE PLAN time in history, on a plan for submitting jurisdic-
tional disputes to an impartial board with final
power. The action, made possible by a compromise, may end the basic
bitter split that has existed in the labor movement since formation
of the CIO in 1935. But some unions were unhappy about the proposal
and one declared it would never submit to an arbitration board.
(J. of Comm., 9/24 p.4)

PERSONAL DEBT ROSE Individuals increased their debt by an estimated
IN SECOND QUARTER $5.9 billion in the second quarter, the biggest
expansion for any quarter in four years, the
Securities and Exchange Commission reported. The increase equaled
the record upswing in the 1955 second quarter and brought individuals' debt
to a total of $157.9 billion. The SEC said the rise this year
featured a record climb in residential mortgage debt and a near-record increase in consumer debt. The Commission attributed the latter to rising consumer expenditures, particularly for automobiles. As a result of the debt increase, net savings of individuals rose only
$2.4 billion in the quarter, although gross savings were estimated
at $8.3 billion for the period. (Wall St. J., 9/24 p.18)

CANADIAN SAVINGS BONDS With hands untied by any legislative act,
YIELD 4.98% INTEREST the Canadian Government has priced its 1959
Series Canada Savings Bonds at a price at-
ttractive to savers, and competitive within money market conditions
of today. The new bonds will be sold at an average yield to maturity
of 4.98%. They will go on sale October 13. The bonds can be re-
deeded at maturity for 103%. (Amer, Bkr., 9/23 p.3)