Sec. Anderson Next Candidate to Attempt to Put Reins on Nation's Galloping Short-Term Debt

By G. K. HODENFIELD

WASHINGTON, July 6 (AP)—Being secretary of the Treasury can be a pretty luxurious job.

He gets $25,000 a year, a chauffeur-driven limousine (plus a place to park it), and an air-conditioned office with a nice view of the White House.

He also gets his autograph on all of Uncle Sam's paper money, including those handy little $100,000 bills. Then there are the invitations to attend 25 or 30 parties a night and requests to make 50 to 100 speeches a month.

That's the tinsel. Underneath all the pretty wrapping is one of the toughest jobs in government: trying to manage the country's short-term debt.

When Robert B. Anderson takes over shortly as secretary of the Treasury from George M. Humphrey, he'll assume a total national debt of nearly 275 billion dollars.

Its size makes the national debt an awesome thing. But this is only part of the problem. The real headaches come with the short-term I.O.U.'s, the government securities that fall due within a year of their sale.

To Inherit Problem

That's a problem Humphrey has tossled with for more than four years and soon will pass on to Anderson.

When Humphrey took over as secretary of the Treasury four years ago he said the Treasury's goal was to lengthen the debt by issuing more long-term bonds and fewer short-term notes and bills. That, he said, would ease inflationary pressures.

Four years later he has had to admit that he has been able to make no improvement in the situation.

He says it's a problem of prosperity: the demand for money far exceeds the supply, and this in turn has raised interest rates all around to a point where investors aren't interested in long-term government bonds at comparatively low rates.

"Tight Money" Blamed

The Democrats blame the administration's "tight money" and debt management policies. Sen. Kerr (D-Okla) put it this way: "It looks to me like they (the Treasury and the Federal Reserve) arranged it so they would have to pay higher interest rates at the expense of Uncle Sam and everyone else who borrows money."

The Federal Reserve system, which manages the nation's money and credit supply, insists tight money isn't a policy, it's a condition. As one Federal Reserve spokesman said, "The Weather Bureau has to contend with a condition of hurricanes and typhoons, but you could hardly say they have a policy of violent storms."

Kerr says the Treasury started out on the wrong foot by floating what became known as the "Humphrey-dupties" — 30-year bonds at 3¼ per cent, highest interest offered by the government in years. The Treasury, he says, led the market instead of following it.

Praised as Good Idea

About the only thing that everyone seems to agree on is that it would be a good thing to cut down the short-term debt and put it in long-term securities.

There are several reasons for this, all of them concerned with the effect of such government borrowing on the nation's economy.

For instance, much of the short-term debt winds up in the hands of the commercial banks. That's when it is most dangerous, because it adds to the money supply and tend to be inflationary.

It works this way: When commercial banks buy the government's notes, they do it by opening a deposit account for the government. The government can write checks on this account just as any individual depositor. This deposit account in turn ads to the banks' reserves, and increases the amount of money they can loan to businessmen and consumers.

Another factor is that the government pays off most of its obligations by borrowing more money. When much of the debt is shortterm, it means Uncle Sam has to make all-too-frequent trips to the money market in search of fresh funds.

Many a harassed father has learned at Christmastime that there just wasn't enough money to go around. It's much the same for the borrowers in a period of tight money — there just isn't enough lendable cash — at a reasonable price — to meet the demand.

When the government is in competition with private industry for available funds, the old law of supply and demand pushes interest rates higher for everyone. Moreover, such government borrowing makes just that much less money available for such things as the construction of new factories and the expansion of public utilities.

In general, industrial borrowing can create jobs and goods and apply the brakes to inflation; government borrowing can loosen those brakes.

Long-Term Basis Sought

Thus the government would like to stay out of the money market as much as possible. It would like to do most of its borrowing on a long-term basis from life insurance companies, corporations and individuals.

Why, then, doesn't the government simply convert its short-term bills and notes to long-term bonds and end this unhappy state of affairs: It's easier said than done.

In recent months there has been an increasing demand for long-term money, at near record high interest rates.

For instance, Metropolitan Edison Co., a Pennsylvania utility, recently sold 19 million dollars worth of 30-year first mortgage bonds at a net interest cost of 4.84 per cent. The rate was described as the highest in nearly 25 years for such securities.

If the government tried to meet such interest rates in the market there would be two side effects: it would further glut the market with long-term securities, driving interest rates even higher, and it would increase the already heavy cost of financing the public debt.

And if it doesn't meet the going interest rates, its offerings get a frigid reception from the people with money to lend.

Plenty of Headaches

This is a sample of the sort of headache Anderson is going to get in his new job.

The Treasury's debt managers have been getting a pretty thorough going-over on their policies, and there's no indication of a truce. But they insist the situation isn't as black as it has been painted, and they list these accomplishments:

The amount of debt held by commercial banks—the dangerous amount — was reduced by four billion dollars between December 1952 and December 1956.

The amount held by individuals — the safest amount — in this period increased by about 1½ billion dollars.

The total of the under-one-year marketable debt has been cut from a high of nearly 59 billion dollars at the end of 1953 to the present 47 billion.

In 1954 and 1955, when the demand for money was considerably less than it is now, about 40 billion dollars of the debt was spread out into the longer maturities.

But those are only partial solutions.

Editor Arrested

JAKARATA, Indonesia, July 6 (AP)—The fifth editor arrested since President Sukarno imposed martial la wMarch 14 was taken in custody this week. Zulkifli Hafas of the Indonesian-owned Dutch language Nieuwsgier had no immediate charge against him. The others were seized on charges of publishing military news without asking permission and "mixing facts and opinions."

U.S. Said Far From Arms Race Limits

GENEVA, July 6 (AP)—The United States is capable of maintaining indefinitely an arms race with Russia if the disarmament talks in London, fail, the U.S. representative at the U.N. Economic and Social Council said Friday.

Dr. Neil H. Jacoby told a news conference: "We are far from the limit of our economic capacity to support a national defense program."

Search for Missing Son

NEW YORK, July 7—Harry A. Newton and his wife, Rebecca, both 68, leave their home with their dog, Shep, to begin nationwide search for their son, Victor, who disappeared in Chicago in 1953. (AP Wirephoto)

Fitness Director Sees Danger in Easy Living

By ARTHUR EDSON

WASHINGTON, July 6 (AP)—Every morning Shane MacCarthy leaps from his bed and hurries away from an early workout on his bicycle.

Undoubtedly MacCarthy is the only member of President Eisenhower's official family for whom an early morning spin is, at least indirectly, a part of his job.

MacCarthy is executive director of the President's Council on Youth Fitness. And since he firmly believes in setting an example of fitness — not only for youth in general, but for his five sons in particular — this ride combines duty, pleasure and research.

As he cycles along MacCarthy considers such matters as:

Why should laws prohibit cycling on sidewalks? Particularly since so few persons walk on them nowadays?

Why shouldn't certain streets right in the heart of town be set aside for play areas during all but the rush hours?

Use for Parking Areas

Why aren't parking areas at big shopping centers used for tennis, basketball, roller skating and assorted fun when marketing is over?

MacCarthy thinks the answers to these and related questions may well determine the fate of America.

Many persons, including Dwight D. Eisenhower have worried about the fitness of U.S. youth. They point to the high percentage unable to qualify for military service. They look unhappily at statistics indicating that U.S. youngsters have less muscular coordination than young Europeans. They fret over studies that suggest youngsters today are less skilled than those of 15 years ago.

Accent on Easy Living

MacCarthy sees no cause for immediate alarm — if there's a change of heart and habit. Nor is he surprised, since the accent today is on easy living.

It isn't the middleaged who worry MacCarthy. His job is with the young.

"While we are enjoying the benefits of today," he says, "we must be big enough to see that they (our youth) do what we had to do when we were young." In other words, they must get the exercise their parents got by walking to school, by doing the chores.

MacCarthy grew up in an Ireland untroubled over finding ways to provide exercise for a growing boy. At 17, gloriously fit, he came to America. Eventually he was to teach political and social science at Georgetown and Catholic universities.

Acquired Five Sons

Finally, he acquired a home laboratory essential to one eager to solve youth's problems: five sons, ranging in age from 18 to 4. And it's a fine sight on a summer evening, to see the whole brood, including Mrs. MacC., pedaling their bikes around the nation's capital.

Fortified with this background, MacCarthy, still fit and vigorous at 48, scurries around the United States, spreading the fitness gospel to all who will listen.

Whether MacCarthy—or anyone else—can become the Paul Revere of physical fitness is a question no one can answer. MacCarthy knowns what he's up against.

"The human being," he admits, "has a great tendency to become just lazy."

Still MacCarthy is persuasive and he's ever alert for converts.

Scalped Woman Faces Long Stay In Hospital

SAN PABLO, Calif., July 6 (AP)—Mrs. Lucretia Galbraith, whose hair and scalp were torn from her head by a boat's whirling propeller shaft, will spend at least 30 days in a hospital for skin grafting.

Dr. Elsa Ross said skin tissue was ripped off 34 square inch of Mrs. Galbraith's head in the accident at a boat harbor this week. He said hair cannot be restored in that area. Mrs. Galbraith's own skin will be grafted to the scalp area, said Dr. Ross.

Mrs. Galbraith, 30, a San Francisco bookkeeper, caught her long dark hair in the propeller shaft as she bent to inspect bilges in a 30-foot cabin cruiser. She and T. R. Henry, San Francisco salesman piloting the boat, were just starting on a cruise.