

Federal Reserve Bank To Buy U.S. Bonds to Help Market

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Treasury opens its books today for a refunding operation involving \$16,300,000,000.

And the New York Federal Reserve Bank is in the market with practically unlimited resources to keep the government bonds strong enough to stand the shock of the offering. It is only a refunding deal, but the market is shaky. It got into a mess on Friday and the Federal Reserve Bank of New York indicated that it would purchase long-term as well as short-term government securities to stabilize the market.

The government needs a

strong market because it has a lot of real financing to do. Within three weeks it will seek some \$3 billion in new money.

Deficit

In October, there'll be still more new money sought because the treasury is running a deficit this fiscal year ending next June 30 of at least \$10 billion.

This \$10 billion could be swelled greatly if the Middle East situation develops into another Korea. Getting the new money out of investors is the big problem just now with inflation the watchword and people more stock than bond minded.

Even refunding is difficult, according to the experts. Hence the treasury elected to make its new issue for refunding and the one for the \$3 billion new money one-year issues. The refunding

will involve certificates bearing 1 1/2 per cent interest.

In one more year this means the government will have to refund the more than \$16 billion this financing involves now. But that's only a tiny drop in the big government bond puddle. First National City Bank of New York sums up that situation as follows:

Bonds Mature

"Out of the total U.S. debt of \$277 billion, no less than \$120 billion of public issues including \$52 billion of savings bonds are due or payable within one year and all but \$58 billion within five years."

"The accumulation results from failure to act energetically to lengthen maturities earlier in the post-war period."

"Since July 30, 1946, the treasury has issued, apart from treasury bill offerings, no less than \$488 billion of marketable securities."

The treasury had a bad time in its June financing when it tried to issue a few long term bonds. It had to bale out the speculators by buying back \$600 million of the issues it had sold. That operation apparently gave the treasury a profit, the speculators a loss, and unsettled the market.

Needed a Rest

The treasury in announcing its financing admitted, the market was congested and needed a rest.

However, treasury officials said they would renew their efforts later to stretch out the debt into longer term issues.

Meantime, studies are being made to divert government issues away from commercial banks to the hands of investors which would include institutions, pension funds, insurance companies, and savings banks.

Selling governments to commercial banks is seen as highly inflationary in that the process involves possible monetization of the debt, a process often compared to the German operations before the mark evaporated in wild inflation.

In our current inflation, the tendency is to steer away from the fixed income obligations and dive into the stock market.

Wheat Destroyed In Pendleton Area

Pendleton — Another wheat fire Saturday afternoon struck the harassed wheat and barley ranching area northwest of Pendleton. Some 70 acres of standing wheat were destroyed on the Ernest French in the Stage Gulch area.

The fire was the first to result in injury to a fire fighter in the current rash of blazes. Tractor driver Harley Sallee was burned about the face and arms when a wind change whipped flames over the tractor as he was attempting to get a fire line around the blaze.

Franklin Pangborn, Actor, Succumbs

Santa Monica, Calif. — Character actor Franklin Pangborn, a veteran of more than 21 years before movie and television cameras, died Sunday at St. Johns hospital.

Pangborn, 59, underwent surgery for a chronic intestinal ailment Saturday. His illness had forced curtailment of his professional appearances in recent months.

The veteran actor, a blustering, confused room clerk, floorwalker, or indignant passerby in most of his portrayals, was a native of Newark, N. J., and a veteran of World War One when he served as a Corporal, was wounded and gassed.

Funeral services will be conducted Wednesday at Forest Lawn.

Allowable Timber Cut Upped by O&C

Portland — The Bureau of Land Management announced Sunday that the annual allowable cut of timber on Oregon and California railroad grant lands in Western Oregon has been increased by 77.1 million board feet.

The increase, which boosts the cut to 769,300,000 M board feet, was based on recently-

completed new inventories, the Bureau said.

The new allowable cut "is the presently estimated capacity of the lands to produce timber crops," according to Virgil T. Heath, Oregon State BLM supervisor. Three units, Suislaw, South Umpqua and Josephine, account for the total current increase.



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