



PRISON RIOT—Convicts at Arizona State Prison, Florence, Ariz., lie flat in the prison yard after their hour-and-a-half riot. Warden Frank Eymann (in checked coat) stands in center, backed by armed guards. Oblique white lines are strands of barbed wire on top of the prison wall, from where this picture was taken.

Treasury Exerts Tremendous Power on Handling of Money

(Editor's note: Following is the last of six dispatches on the subject of money.)
 By **CLYDE FARNSWORTH**
 UPI Correspondent

New York—UPI—The Treasury—the nation's financial housekeeper—exerts a tremendous power on the buying and selling of money. To see this influence in action, take a look at some key figures.

The best guess is that the Federal government will spend \$79 billion in the year ending next June 30. But revenues, largely from corporate and personal income taxes, are expected to come to only \$67 billion, leaving a deficit of around \$12 billion.

In addition, more than \$40 billion of government bonds are coming due in the next seven months. This means the Treasury must find a way to get the holders of these bonds

to buy new bonds instead of turning old ones in for cash.

The First National City bank of New York says the Treasury will have "all its talents tested to invent securities that people will buy" and at the same time not to pay too much in interest rates for the money. Like any housekeeper, the Treasury is cost conscious.

Big Effect

The kind of securities the Treasury will offer and the reception investors accord them will have a big effect on interest rates throughout the nation.

If there is demand for the government bonds, the price of the bonds will rise on the market place and their yields will fall. Conversely, if demand is weak, prices will fall and the yields will rise.

FOOD FOR THOUGHT

Iowa City, Iowa—UPI—Coffee alone at a coffee break isn't enough, according to a professor of physiology. The boss should serve doughnuts too.

Iowa State University's Dr. Steven M. Horvath told a group of management experts here recently: "Food during the coffee break is essential in keeping up a worker's efficiency."

What they forgot about was the rapid recovery in business. With the recovery, they realized that borrowing would work toward pushing up interest rates and pushing up bond prices. So everyone wanted to sell.

In addition, some investors, anticipating inflation as well as recovery, drew their money out of government bonds and bought common stocks.

Economists expect that the Treasury probably will offer a large number of short-term securities—those with a life lasting no longer than a year—to meet its coming financial needs.

These economists say investors probably will not be willing either to buy (or swap for maturing securities) long-term bonds except at interest rates higher than the Treasury can pay.

The Treasury, which has to compete with other big borrowers for money, faces on the one hand a business recovery pushing up the demand for credit all around,

and on the other hand an interest rate limit of 4 1/4 per cent on securities it offers of more than five years' maturity.

Swelling of Reserves

But large offerings of short-term securities cause a swelling of bank reserves which in turn can bring about an increase in the money supply faster than goods and services are produced. The result is inflation.

The reason for the increase in bank reserves is that commercial banks are one of the few groups willing to buy short-term securities which usually bear low interest rates. The Federal Reserve is expected to supply the banks with the reserves temporarily so that they can make the purchases.

But this poses a dilemma for the Federal Reserve. It arises because the main tool the super bank uses to fight inflation is to restrict bank reserves and thus check borrowing. Supplying reserves, even temporarily, works at cross purposes with this tool.

The reason that banks will buy short term securities is that in an expanding economy other investors find they can channel their funds more profitably into areas where interest rates are higher.

Banks, however, find their daily needs for cash always

are fluctuating, hence they require securities easily converted into cash at little or no loss.

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SAC Group Used To Keep Flying Crews on Toes

March Air Force Base, Calif.—UPI—Just the mention of the initials "SSG" around a Strategic Air Command base compels SAC flyers to stand up straight—and start thinking.

"SSG" stands for Strategic Standardization group. This unit of 400 highly trained specialists, based at Barksdale Air Force Base in Louisiana, is charged with the task of keeping the flying crews on their toes.

The recent SAC Bombing and Navigation Competition at March AFB, Merced, Calif. and at Castle AFB, Merced, Calif., was set up and "policed" by SSG to test the crews under simulated combat conditions and make sure they are ready for the "big payoff."

Establishes Standards

SSG is commanded by Col. D. P. Wood, himself a former deputy SAC wing commander. The group was set up Jan. 1, 1958, to replace the older "Strategic Evaluation Squadron" whose unheralded and admittedly rough inspections had put many a SAC outfit "in a flap."

As explained by Maj. Wallace D. Horton, chief of the "stanboard"—standardization board—for B-47 crews, the ultimate mission of SSG is to "establish standards SAC-wide"—and "make sure they are followed."

"For one thing, we intend to make it possible—in this era of complicated aircraft and weapons systems—for a crew member to be able to fit into any crew at any base at any time," Horton said.

This is done by publishing a detailed manual—used at all SAC installations—"so everyone will be flying under the same rules." Each base continually schools its personnel in standardized procedure.

Checks On Work

In addition to the base work and a continuous standardization school at Barksdale, the SSG checks on its work by sending units—without advance warning—to fly with the crews, check on their procedures and rate the officers and men.

"Does this 'shake up' the crews? Yes, it does," Horton admitted, "but it helps a wing commander find any weaknesses and points out how they can be corrected."

Unlike the old SES, the SSG does not try to intimidate the crews. Instead, Horton insisted, "we do it by getting their cooperation."

"Our crews are mature now—real professionals," he explained. "They appreciate the suggestions we make because they know how vital their job is."

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