

U.S. Long-Range Bombers Scheduled For Drastic Cut

WASHINGTON (AP) — Officials plan to reduce the U.S. long-range bomber force to about 250 planes — about one-third of current bomber strength — by 1971, sources indicated here.

At the same time, the sources indicated that U.S. air defenses against the Soviet bomber threat also will be scaled down. Information given to Congress in connection with Defence Secretary Robert S. McNamara's plan announced Monday to cut out 149 more military bases pointed in the direction of a bomber and air defence cut-back.

Details of the planned base closings are expected to be made public today by the defence department.

By all signs, the Pentagon intends to retain a bomber force of some 250 B-52G and B-52H models after 1971. These are the latest versions of the B-52. They have greater range and more powerful engines than the earlier models.

Currently, the U.S. has about 600 long-range bombers — about 600 of them B-52s and about 39 supersonic B-58s.

TO CUT OUT B-58s
Congress has been informed that the B-58s will be out of service by 1971, as apparently will all B-52s from the Model B through F.

The decision to phase out B-52s and B-58s over the next five or six years may be tied to a reported intention by the administration to propose an advanced bomber, a version of the controversial TFX plane.

It is known that top defence officials have been considering ordering an adaptation of the TFX, now designed chiefly as a fighter, into a bomber version which would be heavier and longer than the fighter type.

This is regarded as a compromise well short of the air force's proposal to build an entirely new advanced manned strategic aircraft which would cost an estimated \$10,000,000,000.

U.S. Corporations Expand To Meet Consumer Demands

WASHINGTON (AP) — U.S. corporations have been spending at a constantly-increasing pace to keep up with consumers' demands for goods and services, the government has reported. Another sharp increase in the rate of investment is scheduled next year.

A government survey showed businesses will spend some \$900,000,000 more this year on new plants and equipment than previously expected. Outlays probably will total \$51,800,000,000 compared with \$50,900,000,000 estimated in September.

In addition, spending for new plant and business equipment will be running at an annual rate of \$58,900,000,000 in another six months if investments match the projections. Expenditures this year would be 15 per cent higher than 1964 outlays and would come on top of substantial increases in the three previous years. The mid-1966 projection would be 70 per cent higher than 1961, when the U.S. was emerging from a recession.

The survey, conducted by the U.S. Securities and Exchange Commission and the commerce department, was taken before this week's federal reserve board announcement of a higher interest rate policy.

ANNOUNCE PROBE
The Senate - House of Representatives economic committee announced it will undertake, starting Monday, an investigation of the reserve board's decision to raise the discount rate and the ceiling on interest rates.

One administration economist said higher interest rates undoubtedly will cause some companies to reduce or eliminate marginal investment projects. He said there is no way to tell how much the increased costs of borrowing will affect spending on plants and equipment.

He said there is likely to be little immediate effect since financing is planned well in advance of most building projects.

In a followup to the reserve board's action, the Federal Deposit Insurance Corporation authorized state - chartered commercial banks Tuesday to pay 5 1/2 per cent on time deposits. The previous maximum was 4 1/2 per cent.

Chairman K. A. Randall of the FDIC urged small banks to use utmost caution in raising their rates, however, saying they should be under no compulsion to do so since they operate under different circumstances than large banks and other lending agencies.

DOESN'T AFFECT SAVINGS
The FDIC action applies to the maximum interest which the state banks may pay on specified time deposits of more than 30 days. It does not affect conventional savings accounts used by most individuals.

The trend in expenditures for new plants and equipment is a key economic indicator. An increase means more jobs and more profits for the construction and equipment industries.

and it also reflects businessmen's confidence in the market for their goods.

However, a rapid business expansion which outstrips demand can cause a recession. In this situation, corporations have money tied up in idle facilities; the amount of profits and the number of jobs decline and this starts a downward trend. Economists generally agree overbuilding was a major element in the 1957-58 recession and that there was not enough business investment in the ensuing years.

Commerce Secretary John T. Connor said spending by corporations has been "a main spring of the current business expansion."

He said the new figures present "further evidence of the strength of demand in the months to come." However, he added:

"Under these circumstances it is essential to stress the importance of deliberate and constant moderation in wage and price decisions in the period ahead and to reaffirm the government's commitment to a proper balance of fiscal, monetary and other policies."

DIDN'T MENTION RATES
Connor's statement made no mention of the possible effect of higher interest rates. In its Sunday announcement, the federal reserve board said it plans to continue expanding credit to meet business and consumer needs. In effect, the board said credit will continue to be available — but many businessmen, and probably some consumers, will have to pay more for it.

Almost all major industries are expected to step up their outlays for new plants and equipment next year. The largest percentage increases will be made by manufacturers of transportation equipment, non-electrical machinery and paper, and by food processors, gas utilities and airlines.

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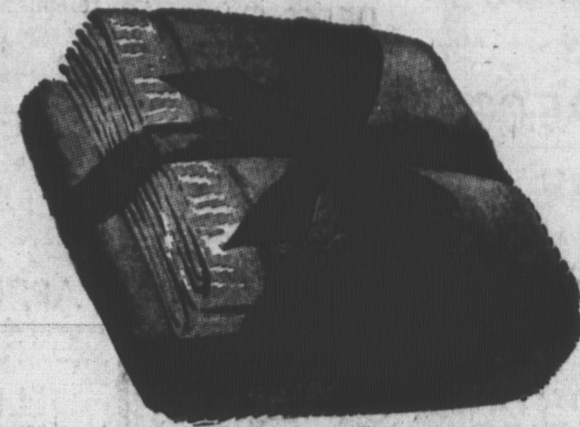
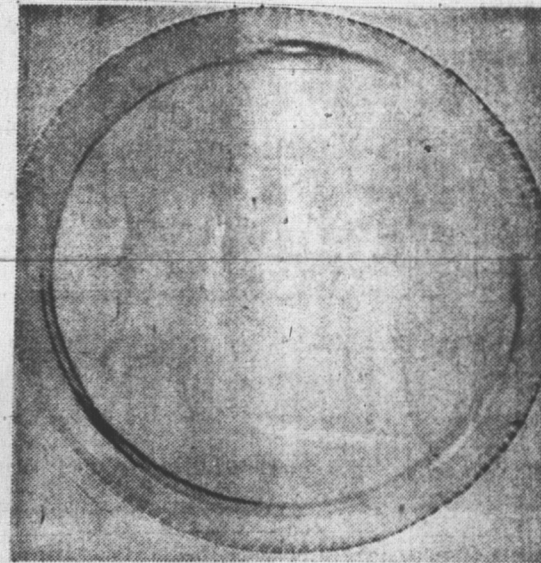
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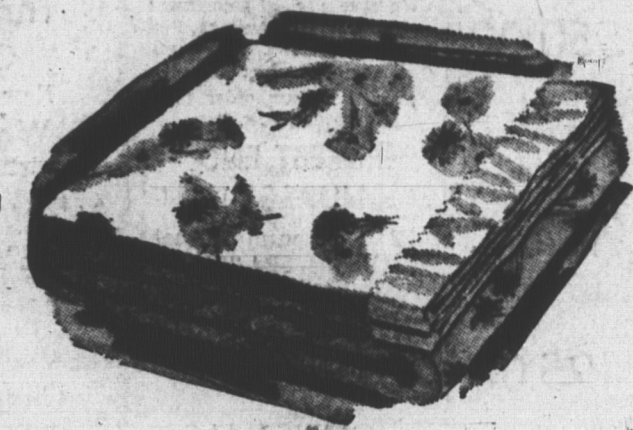
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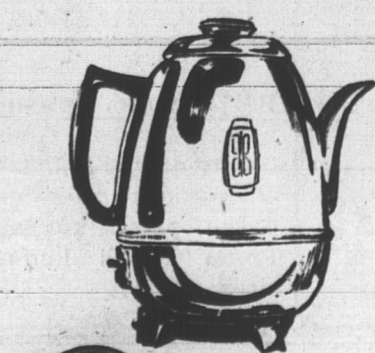
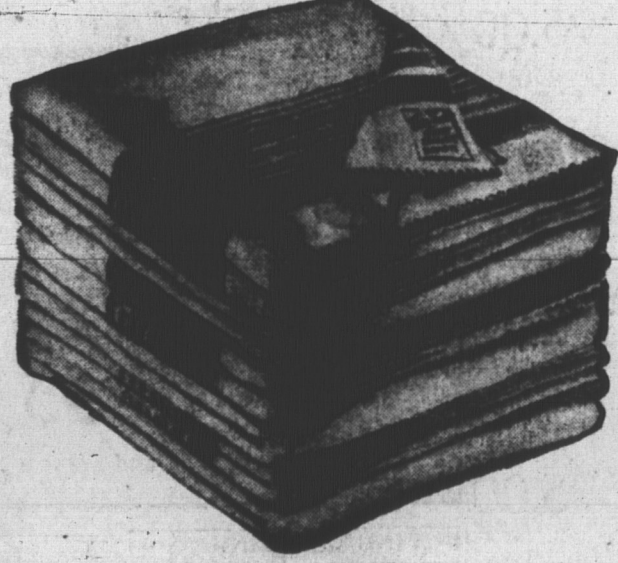
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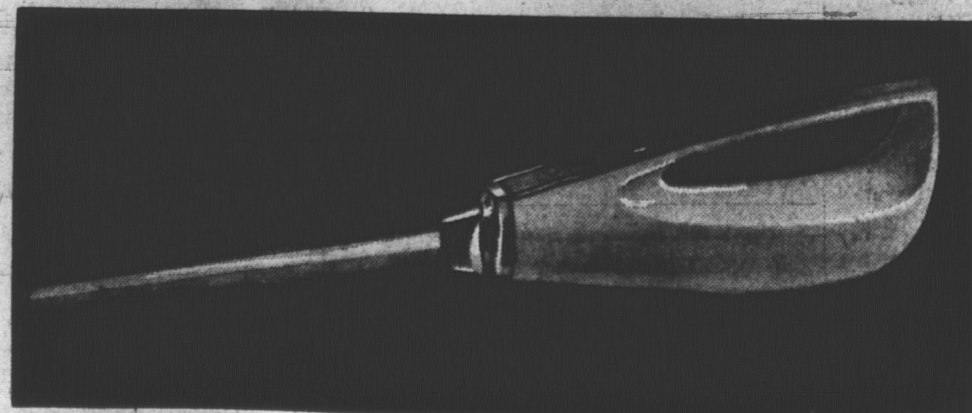
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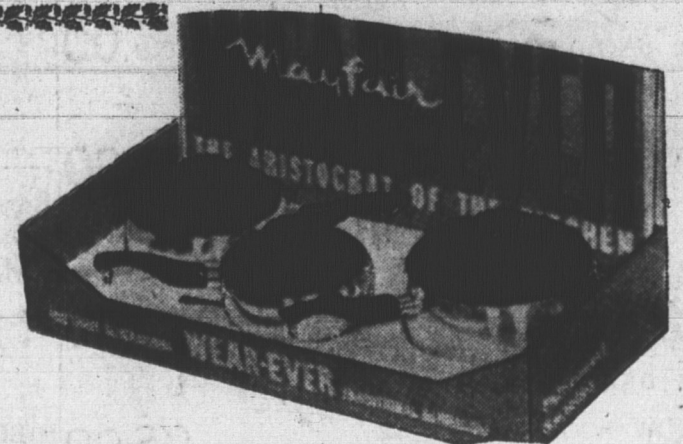
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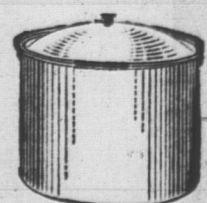
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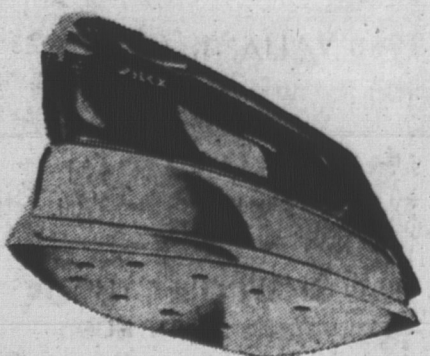
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