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THE KIPLINGER WASHINGTON LETTER

Circulated weekly to business clients since 1923—Vol. 53, No. 5

THE KIPLINGER WASHINGTON EDITORS

1729 H St., N.W., Washington, D.C. 20006 Tel: 202-298-6400

Cable Address: Kiplinger Washington DC

Dear Client:

Washington, Jan. 30, 1976.

At this stage of the cycle, management judgment is at a premium.
In a recession the course is clear. Cut costs. Trim payrolls. Reduce inventories. Cut down on bank loans. Go all out to eliminate any excess fat. The successful survive, the others fall by the wayside.

In a boom it almost boils down to getting the doors open on time to take care of the orders coming in. Like shooting fish in a barrel.

It's in between recession and boom that tests executive mettle.
And that's where we are now. The economy overall is turning up and will continue to rise through 1976. Not for every line, of course, which means that each business must assess its own position and respond.

More business, more profits. That's the prospect for most firms.
But what about YOUR profits? Will they run ahead of the trend? Or lag? This is where you step in as a manager or owner of a business.

We've been talking with business leaders, management consultants, marketing & finance people, others for insights on what they plan to do. Not a blueprint...no two companies are just alike. But for bench marks which may help you to get the most out of the new climate for business.

First, don't let up on costs. Chances are there still is waste not yet uncovered despite previous efforts. The target is to stay lean.

Wages are sure to rise in spite of the efforts to restrain them. For the big union contracts, about 10% higher...wage rates and fringes. Naturally, not all employers will be hit this hard, but few will get by without yielding some increase. Either voluntarily or under pressure.

But labor COSTS don't have to follow wages...dollar for dollar.
Go slow on rehiring. Most companies hope to get more production out of the same work force. But they are also a bit more ready to hire in anticipation of rising sales. Despite the high rate of unemployment, the pool of workers with needed skills and aptitudes isn't bottomless.

On materials and stuff bought for resale:
Prices are going up. More slowly than in the past, but rising.
Still, inventories are being kept tight. Virtually no shortages, and most deliveries are made promptly. Hedge-buying to beat high prices is said to be a losing game with credit so costly. (More on this later.)
Tight, but not TOO tight. That's the narrow path most companies are trying to walk. This means some beefing up of stocks in anticipation of rising sales. It's either that or lose business to your competitors.

On capital investment, the current thinking is to be cautious. There is enough capacity around to handle expected increases in sales, at least for the near term. Still...recognition by many of the danger of UNDERplaying future expansion needs. But mood is to accept the risk, subject to periodic re-examination. Which seems like a sensible policy.

Now to some more specific areas that will affect your profits, suggestions on how to save money or get more for the dollars you spend.

Credit: You should be able to get what you need, no shortage.

But it will be expensive. Sure, interest rates are sliding now, especially for short-term money. But that's down from astronomical peaks reached during the boom. Rates are not "low" in any sense of the word.

So borrow only what you must, and try to arrange your repayments to match your cash flow. To avoid penalties or expensive bridging loans.

Don't let cash lie idle in checking accounts. Firms can transfer the money into a bank savings account, up to \$150,000, and earn interest. Then switch funds back to the checking account as needed...to pay bills.

On energy, key is to use less...you can't avoid price increases.

Work actively to do this. Make an audit of your energy uses now.

Assign one person to ferret out ways to save. Use outside help, especially local utility companies. Look into these areas: Insulation. Improved maintenance of machines. Lighting. Heating, air conditioning. Smaller delivery vehicles, better scheduling, realistic delivery routes. Obvious maybe, but surprising how many firms haven't gotten down to it.

Insurance: Because the cost is increasing, the name of the game is to get the most for what you pay. Seek out sound professional advice. Shop around, for insurance is a competitive business. Consider combining coverages in a single policy...liability, fire, theft, bonding, others. Also review higher deductibles or self-insurance for some of your risks.

But do NOT skimp on insurance. Personal and product liability. The trend is toward more claims and, with inflation, higher settlements.

Postage: A major cost for some firms and a rising cost for all. Know the rates. Inquire about various classes to see which might save. Weigh carefully, check your scales. And ask Postal Service to help you.

Telephone: Have a company policy on employee use for local calls as well as long-distance. Look into new devices designed to save money.

Losses from crime: One of the fastest growing business costs. Strongly recommend that you bring in an outside consultant for advice. Not too many people are familiar with all the devious ways of criminals.

Advertising: For most, this is a good time to boost spending.

Hard sell is the theme, with particular emphasis on added value via cents-off, special promotions, etc. More comparison advertising, pitting the product against competitor's. Some ads are rather dubious, but no clampdown. It's the Fed. Trade Comm. which is behind the idea.

Local and regional advertising is being pushed by nat'l firms. Lets them pinpoint markets, also appeal to special groups in the area.

Contingency planning is a fast-spreading business tool:

Starts with "what if." Asks what if competitor enters the market with a new or better product. Or gov't changes its rules and regulations on environment, pensions, discriminatory practices...to name but a few. Or shortages of materials loom. Or energy. Even a shortage of labor.

Then "what to do if." Try to make solid plans to be prepared for the changes. Can't be absolutely precise, but can point directions.

What this emphasizes is the need to be flexible, to adjust fast to shifting markets and opportunities. And thus to enhance your profits.

The prospects for agriculture look pretty good. Worth knowing because many businesses and investments depend on farming in some way.

Spending on food will rise as the economy gains vigor this year. Dairy products, cattle, hogs and poultry will benefit the most from this. Grains will be a bit slack, so gov't may increase price supports soon.

Things farmers use will be plentiful...seeds, feed, fertilizers.

And money will be available to finance agricultural production.

One threat: Drought. Snowfall this year has been quite sparse for much of the mid-continent. Water may be scarce in growing season unless precipitation is heavier than normal, now through the summer.

Investment advisers: Securities & Exchange wants tighter rules to set up minimum financial responsibility requirements for companies. Also training and experience rules for individuals to protect clients. SEC is asking Congress to vote this authority, and Congress may do so.

Mail-order sellers: The tougher Fed. Trade rules go in Feb. 2. Product must be sent within stated time. If no time stated, in 30 days. If there is an added delay, seller must advise buyer and offer a refund.

Swimming-pool slides: Gov't has set a safety standard for them, effective July 19. Covers both manufacture and installation of slides.

Mergers will start growing again. The number was down greatly during the recession, but it's expected that they will inch up this year.

These lines in the forefront: Food processing and agriculture, mines, timber, minerals, machinery, farm equipment, energy-related firms.

First-class seats on airlines will cost more. Prices up April 1, up again next year. Gov't is responsible, calls first-class underpriced. You may want to re-evaluate your policy on using the more expensive fare.

Shipline rebates are on the pan. Fed. Maritime Comm. is upset, so it's cracking down on the shiplines, freight forwarders and shippers.

Telephone users can start adding their own equipment on April 1. A court ruling will allow people to use telephone devices not installed by phone company...automatic dialers, answering systems, extra phones.

Selective Service: Young men no longer need register for draft at age 18. Registration will be reactivated if world conditions require.

Minuteman missiles: Production will be phased out in fiscal '77. Defense Dep't is winding down the output. Some 30,000 jobs are involved.

B-1 bomber: It's going to be a hot fight this year in Congress. Ford wants to go ahead with the new manned bomber, but liberals say no. On the outcome rests a huge investment...many billions will be at issue.

International trade fairs: Gov't has a list of the 1976 fairs. To get a free copy of "Trade Fairs Abroad," write to Mrs. Janet Thomas, Room 4006, Off. of Int'l Marketing, Commerce Dep't, Wash., D.C. 20230.

On sources of energy: The Energy Research and Development Adm. is working on a variety of ideas, some with immediate payoff, others not.

Here are some projects on the fire: A gas turbine-powered car, using many fuels...gasoline, hydrogen, vegetable oil, methane and diesel. Solar energy for heating, cooling. Ways to convert sun into electricity. Getting heat from earth and oceans...a source of power to drive turbines. Harness wind power. How to get more oil and gas out of existing wells. Better methods to convert coal into gases and liquids for use as fuels. Production of synthetic fuels. Safer and more efficient nuclear power.

The housing industry is at last going to show new signs of life,
the start of an uptrend which will run through this year and into next.

Steady rise in first half of '76, perhaps slowing a bit later on,
with the full year on the UPbeat. Not a super year, but an improvement.

Near 25% more starts this year...1.5 million, up from 1.2 million
in 1975. So out of the bog, yet far from 2 million-plus of early '70s.

Why the optimism? Better deals on mortgages are a prime reason.
Savings & loans are flush. And mortgage interest rates are easing down.

Best buyers' market in some time is coming up in next few months.

Take note, if you're in the market for a home. This won't last.
Mortgage rates will stay down for only a short while, then go up again.

Come spring, watch out: More people will be scouting for houses
when they wise up to the favorable climate. That means more competition
for available houses...bringing higher house prices AND mortgage rates.

Shop for financing. Some lenders offer better deals than others.
And be prepared with personal data they'll demand. Such as employment,
salary history, cash in banks, credit references and outstanding debts,
plus the value of your auto, life insurance, real estate you own, etc.

Moderately priced single-family homes will be the best sellers.
Builders are swinging over to them despite the fact that profits are low
on such units. It's what the buyers WANT...can't afford costlier homes.

The "affordable home" will be the rule. Basic, no-frills unit,
townhouse or detached. Two bedrooms. A combined kitchen/dining room,
or living/dining room. No garage, maybe no basement. Less hall space,
smaller closets. No second bathroom or recreation room...or, if there,
just roughed in and not finished. Fewer appliances...dishwasher, dryer,
but these can be bought separately. Owner improves home as income grows.
Plenty of insulation...long-range emphasis is on saving utility costs.

On foreign trade: A change is in the air...relating to Europe.
It will affect companies selling abroad plus those now competing
with European-made goods imported into this country. Here's the story:

Suddenly the U.S. is outstripping Europe once again in a big way.
Inflation is lower here, interest rates lower, our recovery is stronger.

Europe is hampered by fringe benefits, featherbedding, welfare.
More so than here. Producers are saddled with many more free riders.
The gov'ts know something must be done, but they're loath to crack down
lest it spark more unrest, which might speed current drift to the left.

Result: Slide in Europe's competitiveness. The day is fading
when Europe can undersell us. Asian, Latin American and U.S. companies
are gaining on it. And U.S. now is more firmly No. 1 in the free world.

So U.S. will go easier on Europe in trade disputes...to help it
hold back the leftward tide. The U.S. anti-dumping, anti-subsidy moves
against imports will go on, but gentler...giving foreigners the breaks.

Will Europe's plight stifle our recovery? No. Much too strong
an upswing and Europe's impact on our total economy isn't that damaging.
Despite the problems in the rest of the world, the U.S. is rolling again.

Yours very truly,


THE KIPLINGER WASHINGTON EDITORS

Jan. 30, 1976

THE KIPLINGER WASHINGTON LETTER

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THE KIPLINGER WASHINGTON EDITORS

1729 H St., N.W., Washington, D.C. 20006 Tel: 202-298-6400

Cable Address: Kiplinger Washington DC

Dear Client:

Washington, Feb. 6, 1976.

It's just as important this year to know what Congress WON'T do as to know what it will do, for if you base plans on false assumptions or false hopes this may be very costly to you. Some of Ford's proposals would be beneficial to business...and the public. But they won't pass. Probably won't even be taken up. On the other hand, Democratic bills that would also be helpful will pass BUT will then be vetoed by Ford.

So it's a good time to sort out what will happen and what won't. Now...at the beginning of the session, to avoid disappointments later.

If you're hoping for an additional tax cut, forget it. A cut that goes deeper than the present one. Ford is currently pushing this but ties it to heavier reductions in spending. The Democrats say no.

Gov't spending will go higher than Ford wants. That kills off any chance for his tax program. The Democrats are already committed to boost spending beyond 395 billions. Will be at least 410 billions.

But defense spending will be slashed. The Democrats will use whatever they cut out of defense for social programs...plus lots more.

Job programs will get a high priority in Congress. Reason is that Democrats want to reduce unemployment by using make-work programs, even though they know Ford will veto them. The politics of creating jobs is irresistible in an election year. Our soundings over this past week indicate many Republicans plan to desert Ford and vote for more jobs. They feel it will be politically unwise to ignore unemployment at home.

Don't forget that much of this money will go directly to cities for use pretty much as they see fit. Tough for Republicans to oppose.

Other Ford proposals that will not pass:

Tax-free investment in common stocks, to stimulate more buying of securities among middle-income families. Democrats will ignore it.

Revision of estate and gift taxes also will get all balled up.

An increase in social security taxes, to assure the soundness of the system in the years to come, postponed for at least another year. Few in Congress dare to raise taxes of ANY kind just before elections.

Greater tax incentives for business, to increase the purchasing of new equipment, modern plants. Democrats are very cool to this idea.

The truth is, Congress is willing to risk aggravating inflation in the last part of this year and next year to stimulate the recovery.

Democratic leaders tell us they are convinced that the economy has enough slack in it now to warrant heavier spending than Ford wants.

This is essentially the union line: Spend now, worry later.

What impact on business this year when Democrats get their way?

Not much, either on pace of the upturn or on rate of inflation.

The economy just doesn't respond that fast. But a "do something" policy is supposed to appeal to the voters. Which is what counts right now.

Prospects for these bills in Congress...and key investigations:
Natural gas prices will be deregulated somewhat but not entirely as industry seeks. House wants prices freed only for smaller producers. The Senate voted for full decontrol. That sets the stage for compromise and SOME deregulation. So user prices will rise a bit, but no big jump.
New clean air bill will pass. Not as tough as environmentalists are shooting for, lest their proposals choke the progress of recovery.
Strip mining controls will be pushed. Ford vetoed them once, but the conservationists will try again to put limits on strip mining.

Solicitations for charity will be on the pan, and then Congress will order that firms asking for money to be sent by mail give the gov't details about themselves, including how much actually goes to the needy.

Veterans' educational benefits will start running out for many unless Congress acts to extend them. It will do so, probably by summer.

More money for Postal Service, bigger gov't subsidy, is coming. Congress is hearing talk of a hike in first-class stamps from 13¢ to 17¢ unless it votes a big subsidy. But Congress sees this as PS scare tactic, so will come down hard and tie plenty of strings to any future subsidies.

An extra census will be voted, mid-decade, beginning in 1985... in addition to the regular 10-year census. And the agricultural census will be taken a year earlier than the regular count to speed up results. (Both important to business. Markets are shifting and growing rapidly.)

Two political bills will be vetoed: Voter postcard registration will be banged through by the Democrats, figuring it will benefit them. And changes in a law that now prevents federal employes from politicking will also go through, since most such employes lean strongly Democratic.

Doubt that Congress will override...Republicans will back Ford.

Strikes by public employes will increase this year, as demands mount for "catch up" pay to counter inflation. Congress is considering a union-backed bill to put federal gov't in charge of such bargaining. But the odds are against passage. Climate wrong...before the elections. People are fed up with local strikes and higher taxes for higher wages.

Note the investigations planned by Congress this session:

Funeral industry, to air complaints on pricing practices etc.

Aviation safety, to see how to improve survivability in crashes.

Banks, to pry into their lending policies and financial strength.

Defense contractors, to stop abuses on entertaining gov't people.

Drugs, to see why prices of prescriptions can not be advertised.

Oil industry, to see whether big companies should be broken up.

Keep in mind that these are only SOME investigations now planned in the months just ahead. More will be added as elections draw nearer.

One investigation helpful to small firms will deal with pensions and the burden that smalls must shoulder to comply with new pension law.

Paperwork, its expense to small companies. How to reduce this.

The heavy cost of pensions, of vesting, funding future pensions from year to year. Many firms are dropping plans, others not starting.

Congress sees now what a mess it may have made for ALL employers while trying to correct the faults of a few. While the law will stand, probably for some time until Congress gets up its nerve to change it, the inquiry will goad the gov't into easing up on some of the rules.

Construction business will improve this year, over-all total. Housing as we have reported. Plus ups-&-downs for other key sectors.

Better than average: Sewer projects, spurred by antipollution. Water, too. And public utility building will rise due to energy demands. Commercial, offices, shopping centers...up, but mostly due to inflation.

Not much change: New plants. Even though expenditures will rise they will match inflation, so volume steady. Mainly plant modernization.

Down slightly: Schools, libraries, etc. Most highway projects. Note that these are averages. Wide variations within areas.

"Downtown" is making something of a comeback...shopping centers being refurbished or built anew in older retail sections. Trend to watch.

Fringe areas are the most attractive, out from old central core, often tied to renovated housing or along the corridors for rapid transit.

Mostly in small to medium cities but also some bigs. Overbuilding in far-out suburbs put some outlets into red due to disappointing markets. So many retailers are pulling back in toward the older centers of town.

About those airline discount fares getting such a heavy ad play: Remember, you must reserve and buy early. The stopover you make must be of a set duration. Bargains, yes...but complex, so plan ahead.

Highway signs: There's a new system of markers for interchanges, to direct drivers to motels, food and gas. Local businesses can check, get state highway dep't to install. Probably good for all nearby trade.

On school buses: New gov't safety standards take effect in fall. School boards, city officials, note this, if you plan to buy new buses.

Watch out for aluminum price hikes, starting with mill products. Several producers already have posted them, and discounts are shrinking.

Wastepaper is a growing market...expected to rise 15% this year. Mills are gobbling this up to make recycled paper, already 20% of sales.

Alcoholic beverage sales will gain 8% this year...malts and wines leading, distilled stuff a bit less. The distillers are reducing proof of many items, quietly. Way to cut cost (and taxes) while holding price.

Citizen-Band radios: Their popularity is forcing business users to switch to costlier higher frequency equipment to eliminate crowding.

Help for small business on energy problems: Federal Energy Adm. has set up a staff to advise on fuel supplies, energy conservation, etc. Write FEA, Room 4321, 12th & Pa. Ave., N.W., Wash., D.C. 20461, Attn: Off. of Small Bus. Or check FEA locally (see U.S. Gov't in phone book).

Solar energy: Dep't of Housing & Urban Dev. is pushing builders to test ideas. "Residential Energy From the Sun" explains. It's free. Available from Solar Energy Program, Room 8158, HUD, Wash., D.C. 20410.

"Executive Development Programs," list of business-school courses for upgrading. G.W. Bricker, Box 265, S. Chatham, Mass. 02659...\$3.75.

"How to Profit from Radio Advertising," new ideas for retailers. Send \$5.95 to Nat'l Retail Merchants Assn., 100 W. 31st St., NYC 10001.

Might be a baseball strike before spring training opens late Feb. Even a lockout by owners...over players' demand for free-agent treatment as in football, instead of being bound to clubs by the "reserve clause."

Threat of big revenue losses all around, and not just to baseball but to TV and businesses tied to baseball. May bring gov't mediators in.

Congressional elections: Much more is riding on them this year. Used to be they were treated as a sort of sideshow to Presidential races by much of the press and voters themselves. But that's all changed now. Congress is asserting itself, insisting on at least equal weight in the making of gov't policies. No longer does the President dominate. So what are the prospects? Which party will run the Congress?

The Democrats will keep command of both Houses. This is a fact recognized by the political leaders, the realistic pros in both parties.

Republicans will make small gains in the Senate...2 or 3 seats. Partly a matter of mathematics...21 Democrats up, only 11 Republicans. Also, Democrats are said to be in trouble in Calif., Ind. and New Mexico. Republicans, on the other hand, will have a tough fight in Hawaii and Pa.

In effect, no change with regard to representation on committees, leadership, or the ability to swing votes on controversial legislation.

In the House, there may be some shifting in the present balance. Republicans lost a raft of "safe" seats in '74 due to Watergate. Many of them will return to the fold, swingback of the pendulum. Helped along by the fact that the bulk of the Democrats holding the seats are first-termers who haven't had enough time to solidify their position.

A net pickup of at least 20 seats is looked for by Republicans, without much argument from Democrats who also study the election trends.


This would still leave a Democratic edge of better than 60%-40%, certainly sufficient for effective control on nearly all major issues.

Unions will go all out to limit Democratic losses in Congress. On Democratic candidates for President, union strategy is this: Get out a heavy vote among union members. Tell them to support labor delegates to the Democratic convention, no matter WHICH candidates the delegates are for. The point is to pack the Democratic convention with pro-union delegates. Union leaders are gambling that no candidate will win on the first ballot, so the union delegates will then be freer to vote for the man their leaders want, a man the leaders can put over. Get behind Humphrey. He's THE favorite of the union leaders. If Humphrey can't make it, hang together for the next-best... from a union standpoint. Maybe Jackson or Bayh or Udall. Not Wallace.

You may see some strange-looking voting in the delegate selection in your own home state. If union strategy is to work, no one candidate can come to the convention with a clear lead. So if a breakaway looms, unions may gang up to block it, even if it means undercutting a "friend."

Voters are reported to be tired of politics...and politicians. The polls show it, and you can probably see the signs all around you. Unions are battling to overcome this among their own members. To elect people they can count on...for President and Congress. They know how to go about it...organize and get out the vote. There may be some inner satisfaction in staying at home, but remember: A vote not cast leaves the choosing to someone else.

Yours very truly,


THE KIPLINGER WASHINGTON EDITORS

Feb. 6, 1976

THE KIPLINGER WASHINGTON LETTER

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THE KIPLINGER WASHINGTON EDITORS

1729 H St., N.W., Washington, D.C. 20006 Tel: 202-298-6400

Cable Address: Kiplinger Washington D C

Dear Client:

Washington, Feb. 20, 1976.

One thing is now clear. The recovery is beginning to broaden.
There is virtually no chance that it will slacken or fall back into a new recession before it has a chance to spread across the board. This is the view of nearly all the leading business executives, bankers, investment analysts and economists we've talked with this week. Confidence about the future is stronger now than in many months.
The lingering doubts about whether the upturn will continue are gone.

But...it's important to maintain perspective on the outlook.
We're not headed into a new boom. Not yet anyway. Looks as if the recovery will keep plodding along gradually rather than get frothy. It's going to be uneven, as we've said before. Some lines moving ahead rather nicely, catching the early winds. Others taking a little longer. In six months the whole business front probably will be going briskly... with few exceptions. Then, perhaps, we may be approaching another boom. But that remains to be seen. Plenty of time to measure it later on.

The key strong points in the recovery are these:
People are spending more freely again. Retail sales show this from month to month. Stores are busy in most areas, even on weekdays. Store managers are optimistic that this will continue through the year. Gov't policies are stimulating the economy. No new restraints on the supply of money. And gov't spending is going to remain strong. Inventories are under control once more in nearly every line. Industrial production will continue to rise as more new orders pour in to replenish depleted stocks of all kinds, both consumer and industrial. Profits are increasing, not only because of the steady recovery but also because inflation is moderating, making costs less burdensome.

And money is available...an enormous accumulation of ready cash. This is the engine that drives the economy, now all tuned up, set to go. Interest rates will be no problem for at least several months. Short-term rates for working capital etc...steady to down a bit between now and early summer. After that, probably a gradual increase. By year end, prime rate may drift back up to 8% from current $6\frac{1}{2}\%$ - $6\frac{3}{4}\%$. Long-term rates will be firm to slightly lower throughout 1976. Mortgage money will go down a little, but will vary by locality. Savings & loans are loaded with funds, despite their cautious attitude about making loans right now. This will be changing as the months pass. Consumer credit, no noticeable change. Rates will hold steady.

Note that the stock market is reacting to this new atmosphere.
The over-all trend will be UP this year, despite occasional dips from time to time. Stock prices always move along on a ratchet course. But 6 or 8 months hence when you look back at the current market trend, you will see that investors are anticipating a strong recovery. Now.



What might make this year even BETTER than expected?

A real kick in auto sales, going far beyond the current levels. They are good compared with 1974 and early 1975, but those were punk.

A faster upturn in housing, spurred by plentiful mortgage money. The demand for housing is still strong, so its comeback might quicken.

Continued moderation in price rises, which DOES seem probable, for many companies have made strides in increasing their profit margins, so they may tend to hold prices steady...or raise them only gingerly.

Remember that competition will remain sharp all through 1976.

The recovery will not be rosy enough to assure easy sales for everyone.

And tough competition tends to restrain prices. Most companies watch the market closely, especially in retail lines, before announcing any new price increases. People are too price conscious to bamboozle.

One key spot in the economy is spending for plant & equipment. This has been a weak point up to now, lagging behind other indicators.

It's showing new life. Faster retail sales and better profits are spurring production, prompting many outfits to speed modernization.

Labor-saving equipment is high on the list of many managements. We were told by several executives who have taken the time to project future labor costs that they are shocked at the burdens they're facing. Not just wages but also social security, pension costs, other fringes. Plus the towering headaches and expense of record-keeping for the gov't. Firms are turning more to computers and other cost-cutting machinery.

Unemployment is a weak link in the recovery. It won't improve very much this year, although the rate of unemployment will trend down. Means continuing problems and expenses for states and the federal gov't and pressure for higher taxes to help jobless. Still, hiring will lag. Businesses will be slow to add people because of the reasons given above.

But by year end some improvement is likely, as recovery runs on and keeps its momentum going into 1977. Then a breakthrough...perhaps.

What about inflation this year? Well, it's figured at 5% to 7%. That's the range most often cited by our sources. It seems reasonable.

Inflation is THE crucial element in the recovery...its pattern. A 5%-7% inflation isn't good, but it is "livable" as long as the economy rises at a steady pace. The recovery can stand it and still make gains. But if inflation should accelerate or threaten to get out of hand again, the outlook would be clouded correspondingly. Not for the current year, but next year. Repeating: Prospects for THIS year now look very good.

TV and the political party conventions: You'll see some changes in how networks behave themselves...at Democrats' July convention in NYC, and the Republicans' in August in Kansas City. Much different from '72.

No gavel-to-gavel coverage this time. Much much too expensive...and boring. So they all plan to "edit" their coverage, pick high spots, follow most top news events. Thus not shut out so many other programs.

And the politicians will bend over backwards to cooperate with TV. Example: Democrats will plan nothing big during All Star baseball game when they're in New York. And they'll make sure the acceptance speech of their nominee will come in prime time...not the wee hours as in '72.

Lots of special gimmicks to lure viewers. McGovern, for example, guest commentator at Republican convention. Goldwater at the Democratic.

The rest of winter will be mild, according to Weather Service.

Long-range prediction, warmer temperatures throughout most of the U.S. East, most of Midwest, South, 2/3 of country. Near normal elsewhere. Only the far West Coast will have temperatures colder than are seasonal.

Little relief from drought running through southern Great Plains over the next several weeks. Chance of rain is dim for the parched area.

Daylight saving time won't be changed. Starts Sunday, April 25, as scheduled. Bill in Congress to move it up to March 7 will not pass.

Two tax notes on your personal federal return:

Be sure to take your personal exemption credit. Many have not, early returns show. It's \$30 per dependent, deducted directly from tax.

Get revised form for Individual Retirement Accounts. Form 5329 was given to many people but is in error. Needed is REVISED Form 5329.

Credit cards: Personal information given to firms issuing cards often has been sent to others asking for it, including gov't agencies. This was brought out during the hearings of the Privacy Protection Comm., which will ask Congress to prevent card issuers from passing on the data.

Mailing lists: The Privacy Commission feels that people's names on such lists do not constitute an invasion of privacy. So no change.

Two dollar bill: Soon to be widespread again. Thomas Jefferson will be on the bill. April 13 is the issuing date, Jefferson's birthday.

Restaurants withstood the recession pretty well in most places. And operators think they're in for healthy growth. One reason for this is that many families dine out more nowadays because both partners work. It's expected sales gains will come across the board...fast-food places to fancy restaurants. Many "theme" places will provide variety locally.

Hotels and motels near cities will be offering sports specials, weekend rooms combined with golf, tennis or such. To lure local people, and offset the peaks and valleys caused by the midweek business traveler.

Supermarkets: Many are being closed...shakeout of older stores. Chains are replacing them with larger, more modern units. Fewer outlets, and many times they are a longer distance away from potential shoppers. But total store space is larger. And there's a trend to price cutting, also greatly extended hours. All aimed at building volume...and profit.

Nutritional labels on processed meats: Gov't will issue rules forcing firms to state nutritional value if they fortify or make claims.

Nitrate in bacon: Gov't will order processors to reduce amount.

The federal law on pensions: Two new booklets can go a long way in answering questions on the Employee Retirement Income Security Act. "Often-Asked Questions About ERISA" and "Reporting and Disclosure ERISA." Free from Labor-Mgmt. Adm., Rm. N5432, Labor Dep't, Wash., D.C. 20216.

Cable television: Gov't is moving toward removal of regulations that have hampered cable TV. Some steps taken already, others coming...perhaps by year end. Major growth will be in urban and suburban areas.

Pay TV: Justice Dep't wants the federal rules on pay TV relaxed, but the FCC isn't too keen on it. Some bending will come...but not much.

Public TV: Law just signed authorizes money to public television from federal gov't and spurs matching funds from state and local sources. Subscribers donating more too, which is giving public TV a real boost.

Jobs for college grads in June: More plentiful than a year ago. Noticeably better, but still scarce enough to make youngsters hunt hard.

Big companies are out hiring again, particularly the auto makers and basic lines like chemicals, steel. Plus retailing and manufacturing. More are recruiting on campus again and all are looking for top talent.

Students are well advised to hunt methodically...follow up leads and interviews. Once contact is made, pursue it, don't WAIT for a call. Be prepared to "apprentice"...take a lower job to get a foot in the door. Call attention to offshoot elective courses. May pave the way for you.

On summer jobs...still time to hunt one up but better not delay. Business upswing will make more jobs available but competition is fierce. Might check nearby gov't offices too...they may have a few openings left.

Fringe benefits for executives are looking up. Not exactly lush. The recession still haunts managers, but rising profits do assure a turn.

Notably bonuses tied to profits, the traditional direct incentive.

And stock options may become popular again in this rising market. Some firms are hoping to beat coming congressional crackdown on options.

So-called cafeteria plans are being tried and catching on slowly. Company allots so much money for fringes to each executive, who then picks the combination of fringes he or she prefers. Design one's own program. Congress will rule on tax aspects in due time, but right now no problem.

Some others are spreading. Full medical coverage, for example, the company paying everything insurance doesn't. And educational trusts whereby firm sets up tax-deductible college tuition fund for execs' kids.

Politics: The Presidential primaries make the news. But... What happens to Congress will be more significant to business in the next two years, and it is a situation NOT making the headlines. Whether Congress will be pro-business or anti-business is the question being largely overlooked, for Congress determines the business climate.

The trend is not particularly comforting to business today. Especially in upcoming House elections where great changes are coming.

A large number of House members are retiring after this year. Far more than "normal"...35 members have said they're quitting and another 20 will announce their intentions. Most are "getting out," a few will run for other offices. Why this sudden exodus taking place? Disgust. Frustration. Fed up with abuse from home, from constituents who accuse them of crookedness. Impatience with defending their names and reputations. Weary of "rebellions" in the House, poor leadership.

Remember that the House went through turmoil only a year ago when so MANY new members were elected and challenged the old leaders. Seems to be headed that way again. Even more freshman members taking the place of older, wiser heads who resent the new atmosphere.

This is something to think about in the weeks & months ahead.

Congress will become even more unstable. That's the meaning. New members, green but full of solutions to any problems, going off in all directions. Agreement harder to get. Tougher on business.

Yours very truly,

The Kiplinger Editors
THE KIPLINGER WASHINGTON EDITORS

Feb. 20, 1976

THE KIPLINGER WASHINGTON LETTER

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THE KIPLINGER WASHINGTON EDITORS

1729 H St., N.W., Washington, D.C. 20006 Tel: 202-298-6400

Cable Address: Kiplinger Washington D C

Dear Client:

Washington, March 5, 1976.

It comes as no surprise that gov't spending is still soaring.
Current levels are shocking enough, some 535 billions in 1975.
That for all levels of gov't...federal, states, counties, cities, towns.
But the TREND is even more alarming...the breakneck acceleration.

Look at federal alone: In fiscal year 1974, the gov't poured out 268 billions. For the current fiscal year the estimate is 375 billions, an increase of 40%. At that rate, spending in 1978, just two years off, would approach 525 billions. This is almost as much as was spent in 1975 by ALL gov'ts. Add to this still more billions for nonfederal outlays.

Along with the increase in spending, a skyrocketing public debt.
At a heavy cost in interest. For this fiscal year, 38 billions.
Or go at it this way: From July 1, '74 to Sept. 30, '77, gov't will pay 125 billions in interest. This works out to \$580 for each person in U.S. For a family of four, that's close to \$60 a month for the 39-month span.

Inflation gets much of the blame for the recent fast run-up.
You see the effects every day in your own business and personal spending, more dollars needed to hold your standard of living or volume of sales. Gov'ts are subject to the same stresses and strains in their operations.

But inflation is only one cause. The plain fact is that gov'ts have vastly expanded their programs in health, education, welfare, etc. Inflation added to the costs, but it didn't initiate the bigger programs.

Will gov't spending continue to rise at this dizzy pace?
In our judgment, no. Spending will go up, but not as rapidly.
Less hectic inflation will soften the impact from rising prices.
The money market is putting new curbs on state and local gov'ts.
Investors are demanding full disclosure of how the money will be spent and how it will be repaid. Also, fiscal prudence as a basic condition for lending money. "Full faith and credit" alone are no longer enough.

But it's the change in voter attitudes that weighs heaviest.
People want an end to runaway spending. It is most evident now at the state and local levels where voters soundly defeated bond issues up for referendum last fall. Also, they violently oppose higher taxes.
The politicians are responding. The degree is masked at present because most candidates can't resist promising more in an election year. But in Washington you can sense the difference, even among big spenders. Most are aware that spend-spend turns off more voters than it turns on.

This shift isn't going to take place overnight. Vested interests are involved in various programs, and they will not give these up easily. And obligations incurred for the future are tough to trim back quickly.
But the trend is to curb spending. And that's the good news.

Stock market will go higher, despite its latest thrashing around. That's the solid opinion of experts we have consulted. They expect snags from time to time. Breathers. Trends in the market are always sawtooth. Hence, the experts foresee more jiggling as part of the extended climb.

Be careful on foreign stocks. The interest in them has surged. Easy to buy too. Can be ordered through any broker, like U.S. stocks. But be wary of those from nations with political or currency weakness, like England, Italy, France. The pros prefer Germany, Japan, Australia.

Overall, the U.S. stocks offer better opportunities and safety.

The Bicentennial has drummed up demand for Americana...antiques: American paintings, silver, bronzes, furniture, tools, many other things. The 19th-century items are selling fast, many using them for furnishings. The 18th-century objects are more for collectors. Fewer of these things, and they are costlier. Revolutionary War mementos are especially hot.

It's a good time to sell. Bicentennial has sent prices soaring.

But be cautious on buying. Be sure you know what you're getting, the market is glutted. Check museums, catalogs, galleries, consultants.

On investing: The values will continue to increase long range, as they have in the past. But there may be a decline in shorter range, as Bicentennial fades next year. Art and antiques are tougher to sell than stocks, etc. And they don't earn interest or dividends while held.

Food prices will behave better this year, up less than 1973-75.

Beef inching down until May or June, gaining some back in summer.

Pork will be level or down slightly. Broilers, steady now, gain later. Turkeys, prices flat until fall rise. Eggs, trending high until Easter. Milk, holding, then up in summer. Butter and cheese will creep higher. Fresh fruits will edge up seasonally. Fresh vegetables, staying stable. Canned fruits & vegetables, level for a few months. Good time to buy.

People who work while receiving social security: Pay attention to the ruling that says gov't will reduce benefits if you earn too much.

On the earnings tests: Even if you earn over \$2760 in one year, your benefits will not be cut for months in which you earn \$230 or less.

And for self-employeds, if you did not work 15 hours in a month, you can earn any amount during that month without losing your benefits.

Advertising: The gov't suddenly has a new attitude toward ads. Not spelled out, but it's evident from our conversations with officials.

Advertising is in favor. Used to be frowned on..."covering up" defects in products with wild claims, or for the bigs to corner markets. Not so now. Gov't sees ads as informing buyers. Good for competition. And it wants advertisers to use more comparison ads, product v. product.

Gov't wants lawyers to advertise more. Feels American Bar Assn. did not go far enough in allowing ads for lawyers when it let attorneys advertise in the telephone yellow pages. Gov't wants most limits off.

Here's what some cities are doing on mass transit fares:

They reduce fares at rush hours, thus cutting cost for workers. Why? To lure transit riders out of their cars. Worth checking locally.

This idea for shopping centers to benefit from rapid transit:

"Park and ride." Shopping centers let commuters use their lots, which usually have space during work days. The riders take buses to work. In the evening, bus riders often stop and shop before picking up cars.

Looks like an early spring for most places east of the Rockies... except along the northern fringes where winter will linger a bit longer. And in Southwest where spring will be late...Ariz., Nev., Utah, Calif. So says Weather Service in its latest try at 3-month weather forecasting.

In stores, warm-weather things are showing up somewhat earlier. Men's, women's. And children's in particular. Weather has been so mild, many merchants are ordering summer clothing stocks unusually far ahead.

Easter is late this year, April 18, but it's not the fashion deal it once was. Merchants say shoppers are turning away from holiday finery they seldom wear, toward more practical things they can use more often.

There is a glow to the retail business. Sales will keep rising well into early summer at least. People are spending money more freely, and that ought to give nearly all retail lines a pretty healthy shove.

Note on gardening needs: Bargains in fertilizer will make news. Laws protecting list prices are dead, and many stores plan to cut prices.

Higher postal rates for publications in July. By law these rates go up in phases over several years so as to soften impact on publishers.

Up roughly 40%-50% for newspapers, magazines, etc. All of them, profit-making and nonprofit periodicals. Also special rates for books, records, etc., will go up about 25%. Exact rates haven't been set yet.

But talk of 100% jump in rates is bunk. Congress will cough up the extra money needed to continue the phasing, thus stall bigger jump, as it did last year. Ford won't veto, even if he didn't ask for money.

On clean air, want to alert you to a hot controversy in Congress, for future operations of many companies may hinge on it. Big and small.

A scheme to ban pollution of any sort in most areas of the U.S. is being pushed by environmentalists. Not just where air already is pure but where it is not. "Nondegradation" is key word, can't make air worse.

Means industrial development would be prohibited in those areas.

This smacks of land use control by gov't say the business lobbies fighting it. They say any mention of nondegradation of air in the law would give crusading gov't regulators real say-so over economic growth.

The issue will erupt this spring. We will have more on it later.

Here's another area gov't is into: Company energy-saving plans. Gov't will lay out plans the big companies must meet by a given deadline.

The 10 industries using the most energy will be selected by FEA, Fed. Energy Adm. It will issue plans by Dec. 22 on how they can cut use.

From this list: Chemicals. Metals. Oil and coal. Wood. Clay. Stone. Glass. Paper. Leather. Lumber. Rubber and plastic products. Textiles. Apparel. Furniture. Food. Transport equipment. Machinery. Instruments. Tobacco. Printing and publishing. Electrical equipment.

Top 50 companies in each industry will have to take initiative... meet the FEA conservation goals and proposals by Jan. 1, 1980. Or else.

Chloroform in cough & cold medicines and toothpaste may be nixed. Food & Drug under pressure to ban it because of possible link to cancer. Important because the stuff is used in several national-brand products. It may come as a surprise to many people that chloroform is in products.

Value of vitamin C in fighting colds is being challenged by FDA. The gov't will require more testing on its use in cold preparations... will also block any labeling claims until the controversy is settled.

Politics: The Democrats now have three viable candidates.
Jackson. Carter. Udall. They'll stay in the race to the end, and it is probable that one will be chosen as party nominee next July.
Udall is least likely to be nominated, for he has now emerged as the leading "progressive" or "liberal," and that's not a good spot. The voters this year seem to hanker for a candidate who isn't "liberal."
Carter is a fresh face, lots of charm, but vague on the issues and is regarded as a lightweight by the pros. Hence, a doubtful choice.
Jackson is middle of the road, has the support of most unions, plus the advantage of being a party "regular," which means dependable. Pros say he is the man to beat. May be, depends on NY primary April 6.

Wallace will have a big bloc of votes at the convention, but... party leaders are saying he won't have enough support to put him across. Still, Wallace will be a force that the other candidates can not ignore.
Humphrey's position is precarious. He has wanted to settle back and wait for the party to come to him after the primaries. The chances still exist for a deadlock benefiting him. But they are diminishing.

As for Republicans, Reagan has failed to catch fire as he hoped. The blitz he and his aides planned to knock Ford off stride is fizzling unless he can win handily in the next few weeks, which is a tall order.
Ford has momentum...precisely what Reagan was hoping to block.

A reminder on the primaries: The primaries are simply contests among warring factions WITHIN each party. They reflect the attitudes of small segments of the parties, not the masses of voters. The masses are only moderately interested in these intraparty rows. They sit back and let the activists go at it, then make their own decisions in Nov.

This accounts for those instances in which the parties blunder in selecting their nominees, as happens from time to time. Shows how a faction within a political party can actually lead it into defeat.

Note how the South is gaining in political heft...nationally, the result of its population growth. Now more people than any section. A belt that extends from Virginia all through the Old South into Texas.

The Southeast is the fastest growing. Virginia. The Carolinas. Georgia. And Florida which is outstripping ALL the Southeastern states, a phenomenal rise in population in past decade...with still more ahead. Coming up so rapidly that it will gain 4 or 5 more seats in the House after the 1980 census, putting it up with several big industrial states. Ohio. Illinois. Pennsylvania. And almost as big an influence as Texas.

A "Southern strategy" is certain to become the standard approach for national candidates, not an oddity or afterthought. This will mean a further drift toward "conservatism" in U.S., for the Southern attitude will be reinforced by its greater population. More national candidates coming out of the South, reflecting the new mainstream of U.S. thinking.

You're seeing it now...the active campaigning in Florida primary in recent weeks. There will be more in the future. Something to watch.

Yours very truly,

Austin Kiplinger
THE KIPLINGER WASHINGTON EDITORS

March 5, 1976

THE KIPLINGER WASHINGTON LETTER

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THE KIPLINGER WASHINGTON EDITORS

1729 H St., N.W., Washington, D.C. 20006 Tel: 202-298-6400

Cable Address: Kiplinger Washington D C

Dear Client:

Washington, March 12, 1976.

Things are turning brighter for Ford in his election campaign. Reagan is fading fast in his challenge to win the nomination. The economy is doing better than expected. And by election time it will be rolling in high gear. Production will be picking up strength, prices not too bouncy, unemployment will be lower. A BIG plus for Ford. And now Ford may have Congress where he wants it...looking bad.

On gov't spending, the Democrats are in a can't-win situation... even with a two-thirds majority. Congress voted to put a limit on money it will appropriate for gov't next year, but Democrats are having a time agreeing on what this limit should be. They're split in every direction.

A bruising battle is shaping up within 60 days that will reveal all their differences and tell whether they have the guts to do the job.

Liberals want lots more money than Ford does for social programs.

Conservatives want to hold the line or even cut Ford's proposals. And a big bloc of moderate Democrats oppose setting ANY budget ceiling.

So, a spectacular mess on money bills. The result may well be NO ceiling at all...letting Ford tag the Democrats as do-nothing chumps, while Republicans sit back and let them play smack into Ford's hands.

Congress also is stymied on election-year goodies usually voted to help members woo the electorate...bigger handouts, pork barrels, etc. Nowadays most members fear the public wrath if they vote for such things.

Much grumbling, especially among freshmen Democrats in the House who swept into office in 1974 on promises, promises. Few are being kept.

Extension of present tax cuts, about the only goody they'll get. Taxes are due to rise July 1, but Congress will extend cuts through 1976.

Time is getting short. Practically speaking, only three months remain for most bills to get through...before the House gets all tied up in voting gov't money bills. Then the party conventions in July & Aug. when not much will be done. Finally, adjournment in October to campaign.

Note this schedule if you're interested in any particular bills.

As for tax reform, it's in trouble. Liberals are being buffaloed on closing tax "loopholes" by the delaying tactics of the anti-reformers. Time squeeze is likely to kill it in June. Includes tax-shelter changes.

And no change in estate and gift taxes will be voted this year. There's a great demand to boost inheritance tax exemption up to \$200,000 from present \$60,000. Ford himself is proposing to raise it to \$150,000. Many lawmakers oppose this on the grounds it's "a rich man's tax break."

But groundwork will be laid. Chances in next Congress seem good.

And Congress won't kite social security taxes. But the wage base is going up anyway...pushed to about \$16,500 Jan. 1 by the existing law. You can expect a higher rate to be voted next year. It's inevitable.



Note this on minimum wage: Congress wants raises made automatic, tied to a gov't hourly wage index rather than voting on them every time. It means that if average of all wages increases, as it constantly does, the minimum wage would be boosted about every six MONTHS. The scheme is to jump minimum 45¢ to \$2.75 an hour Jan. 1, and tie the index to it.

Democrats expect a veto. They think Ford will be forced to do it due to inflation, figure this will push many workers to vote against him.

Debt collectors: Hearings soon on bill to ban abusive practices by independent collectors will raise a stink. But no law on it in 1976.

Consumer credit: Discrimination on race, color, religion, age, nationality or welfare status will be illegal. Adds to the present law.

Truth-in-leasing: Congress just sent Ford a bill that requires full disclosure of details in consumer leases. Aimed mainly at autos.

Antitrust: Nothing big from Congress this year. Except threats such as breaking up the big oil companies. Ford has withdrawn support from a bill to make it easier for gov't to bar mergers of big companies.

But new powers for states are likely. State prosecutors may get authority to sue antitrust violators on behalf of all state residents.

Copyright law will be updated...to take into account such things as records, tapes, photocopying, etc. Longer protection for the authors. The new law is not likely to upset what libraries can do now on copying.

But not the patent laws. Put off again...hung up on controversy.

Small business will get a bit more clout in Congress. The Senate will allow Small Business Committee to initiate bills now being handled by the Banking Committee where smalls' problems usually get short shrift.

Veterans: Chances for extending the 10-year limit to finish up education under GI bill are improving a bit. Congress is being flooded with letters from vets whose time runs out in June. Still, nip & tuck. Another bill would allow vets to use part of their educational benefits for graduate school. Congress seems certain to change the present law.

Housing: A national building code to conserve energy is coming this year for new homes and office buildings. The Senate wants to force local gov'ts to require adoption, but House will hold out for voluntary.

Criminal laws: No chance at all for hotly disputed S. 1, a bill to pull crime laws together. Too much for Congress to digest this year.

Now on other matters. Such as U.S. sales of grain to Russia: Another 5-6 million tons of corn and wheat before Oct. Perhaps more.

Steeped in politics. These sales are seen as a benefit for Ford to get the farm vote. Gov't pooh-poohs fears this will jump food prices.

A caution on stock options...the market trading of the rights to buy or sell a stock at a set price within a specified period of time. They are catching the eyes of investors. Always happens in an up market.

The big "plus" is leverage. A relatively small amount of money can account for much larger sums, so return on investment may be great.

But there are many "minuses" for unwary investors. Options die on a certain date, so if stock doesn't move promptly, you can lose 100%. And commission costs on some option deals run high, eating up the gains.

There are solid uses for options. OK to buy...with a tiny part of your capital, invest the rest conservatively. Or SELL some options on stock you own...sure return, low risk. But study all angles first.

Fashion note for men: Narrower ties are beginning to come back. The vested suits call for slimmer shirt collars, less bulky tie knots.

Sport coats also are moving again after years of mediocre sales.

And more conservative casual clothes are starting to sell FAST, so fast that retailers may have supply problems soon. The leisure suits that have a "cleaner" look, plainer lines. Widest selections right now.

Active sportswear still selling well. Tennis leading, then golf. Men's colorful shirts, slacks, jackets. Women's culottes and blouses.

Warm-up suits. Also sporting goods for tennis, golf, baseball, camping.

Sports clothing prices a bit higher than 1975. But discounters are keeping them restrained. The discounters have a lot of this market.

Notice how anti-smoking laws are spreading...now in 26 states.

Various kinds of restrictions, mainly against smoking in public places: Theaters, buses, schools, hospitals. There's a push in Congress for law to make the bans broader and nationwide. But isn't likely to be voted. (Smoking is on a rise despite such laws, especially among young women.)

Career guidance for youngsters, a booklet from the Labor Dep't: It has charts of 25 characteristics students can use to measure aptitude for 282 different jobs. "Toward Matching Personal & Job Characteristics" is available free by writing BLS, Rm. 2461, GAO Bldg., Wash., D.C. 20212.

Bank robberies: One idea for foiling them is to put new banks in buildings above the street level, make robbers use stairs, elevators. Many bankers oppose this as being inconvenient. Might hinder patronage.

Better locks on autos to cut down thefts: Gov't is considering making auto companies use stronger locks, locks on auto hoods and trunks that work from inside car, systems where keys can't be left in ignitions, different keys for doors, trunks, steering wheels. All these...or some.

Mail fraud is skyrocketing, doubled in one year...400 millions ripped off in all sorts of schemes from stock frauds to gyp sales firms. Postal Service recovers money for some of people bilked, but can not cope with all of it. If you do get taken, ask your postmaster for assistance.

Trip cancellation insurance is now available if a travel outfit requires payment ahead of a trip. Protection against sickness or injury that would force a passenger to lose his payments. But these policies must be bought well in advance from a travel agency or insurance agent.

More airline service for a flock of cities seems to be certain as result of gov't irritation at being accused of limiting competition.

Here is a list of probables: Boston. Cleveland. Kansas City. Detroit. Atlanta. New Orleans. Shreveport. Dallas. Oklahoma City. Tulsa. Denver. Los Angeles. San Francisco. Montreal. Edmonton.

Bicentennial coin sets: Many readers are STILL waiting for sets ordered from U.S. Mint late last year. We checked into the long delay and find (1) Mint is swamped with orders, (2) it's filling bulk orders before those for individual sets. But all will be filled in due time. Many local banks have identical sets, in case you can't wait any longer.

An excellent new book on U.S. space program by 18 of the key men behind man-on-the-moon voyages. From Public Documents Distribution Ctr., Pueblo, Col. 81009...ask for Item 89C, "Apollo Expeditions to the Moon." Price is \$8.90. It covers the program from the beginning and includes engineering breakthroughs, rockets, astronauts and all moon missions. Beautifully illustrated. Great for schools, libraries, also for gifts.

Battering of the British pound has about run its course for now.
Impact on us will be indirect, not instant, in terms of trade.
With inflation so high in Great Britain, our exports can still compete.
And the basic price of English goods will prevent any import surge here.
Danger is that other currencies will drop vis-a-vis the dollar.
With the Italian lira down as well as the pound, other gov'ts may decide
to let their currencies fall to improve competitive position for exports.
This would protect against rising imports from the cheap-money countries.
Which could hurt our exports again, as in the 1960s, and boost imports.

It is only a threat at this stage. Up to now, major countries
have held back on competitive devaluations and other trade restraints.
But with recovery lagging in most, it becomes more tempting to fiddle.
Our officials are watching this closely. We will too...and report back.

The dominant note among home builders is caution. We hear this
from across the country. It is an improvement over the mood of despair
that prevailed in '74 and '75. But it dims any hopes of a rapid upsurge.

Single-family housing isn't doing too badly...new and existing.
Real incomes are rising, so buyers can better handle the higher prices.

Mortgage money is plentiful, and rates are edging down in bits.
But between now and year end the prospect is for rates to firm up first,
then begin to rise. So don't delay too long if you plan to buy a house.

Another story on apartment houses and high-rise condominiums.

There's a glut in many areas, especially resort & vacation spots.
This has to be slimmed down before builders and lenders will get going.
And it may take up to two years in parts of the Southeast and elsewhere.

Other problems face apartment developers. Control over rents,
tenant demands, maintenance costs, insurance, taxes...all these combine
to discourage new building. There are faint signs now of a turnaround,
but no real increase in new apartments is likely until around year end.

Meanwhile, renters face a squeeze. Vacancies are getting scarce.
The rate may be as low as 2% in some metropolitan areas within 12 months.
One of the peculiarities of housing: Glut to famine in a short span.

As for land, farmland is still a good bet. Hectic price rises
of recent years will slow, but prices this year will be up by 5% to 10%.

Biggest gains in farmland for farming, especially grain areas
in Midwest and the Plains. Farming has been profitable in recent past,
and 1976 should be no exception. As income rises, so do land prices.

Suburban land has been kind of blah for those speculating in it.
In most areas, still a good supply of developed land, which will dampen
price pressures. Will begin to change around midyear in some places,
so builders and investors should keep a close eye on local developments.

Back to Congress: Much recent legislation has made nightmares
for businesses affected. New pension law and occupational safety act
are just two examples. Congress is aware but will put off any changes
lest it tread on some sensitive toes just ahead of the elections.

Yours very truly,


THE KIPLINGER WASHINGTON EDITORS

March 12, 1976