

# BUSINESS CONDITIONS

A REVIEW BY THE  
FEDERAL RESERVE BANK OF CHICAGO

OCTOBER 1941

# Business Conditions in the Seventh Federal Reserve District

As national income payments approach ninety billion dollars and industrial production in many lines strains at capacity with an increasing percentage of output consisting of defense products, the supply of consumers' goods in relation to demand will of necessity be limited. This situation calls for higher taxes, increased purchases of defense bonds, and a temporary restriction of consumer purchases if a well-balanced economy is to be maintained. The Board of Governors of the Federal Reserve System announced September 24 that on November 1 reserve requirements would be raised to the limit allowed by law, thus reducing the lendable funds of member banks by more than one billion dollars. On September 1 regulation of installment credit by the Board went into effect.

This national picture is truly reflected in the Seventh District, with its cross section of manufacturing, trade, and agriculture.

Production in those lines, which had not been operating at capacity, moved up sharply during the month of August. Pressure on the steel industry for higher production continued, although the mills in this territory operated above rated capacity throughout the month.

The automobile industry, which shifted over to 1942 models during August, maintained production at approximately forty thousand units a week, but increased this output to seventy-seven thousand units the week of September 27.

Notwithstanding the fact that the bituminous coal mines in Illinois were closed during the month of April, production for the first eight months in the year reached forty-nine million tons, which was 9 per cent higher than in the same period a year ago.

The Illinois oil field is rapidly becoming one of the major producing centers of the country, and during the month of September, it led all states in increases in production. Runs to stills and gasoline production showed sizable gains during August.

Furniture manufacturing, which ranks as one of the important industries in the Seventh Federal Reserve District, made a slight inroad on backlogs of unfilled orders during the month, with production and shipments both increased as a result of heavy orders placed following the summer furniture shows.

August payrolls were maintained at approximately July levels, notwithstanding the fact that they were down 11 per

cent in the automobile industry. There were sufficient gains in other lines to offset practically all of the decline in the automobile field. Employment was also practically unchanged, although some difficulties have been experienced in shifting labor from civilian to defense production. There have also been some dislocations caused by the inability of small firms to secure a supply of critical materials.

Under the impetus of Government financing, construction contracts awarded in this district reached a record high volume in August which has been exceeded only once since May 1929. Of the 129 million dollars in total valuation, more than 40 million dollars is for industrial plant expansion financed by Governmental agencies. The total contracts in August were more than double the volume of a year ago.

As the results of this increased activity filter down to the consuming public in the form of higher income payments, department store trade continues to rise to new high levels. August sales for the district as a whole gained 29 per cent over the previous month, and a similar rise was reported over figures of a year ago. Anticipating future demands, department stores increased their outstanding orders to twice that of a year ago, although the dollar volume of stocks on hand at the end of August was 13 per cent heavier than at the end of July, and 25 per cent above the year previous.

Reserves of reporting member banks in the Seventh Federal Reserve District increased \$137,000,000 during August and September. Their total loans increased \$53,000,000, with \$33,000,000 of that amount going in the commercial, industrial, and agricultural classification. Reserves of all member banks in this district likewise increased substantially. They rose to an all-time high of \$2,063,000,000 on October 1.

Notwithstanding the serious attention that has been given by the various Governmental agencies to the question of spreading defense orders, unemployment in certain industries threatens, due to the possible closing of small plants unable to obtain critical materials with which to continue manufacturing. One of the encouraging developments is the recent action taken by small manufacturing plants in various communities to group themselves into effective units which can command financial and manufacturing responsibility that will increase their individual effectiveness in securing defense contracts and enable them to remain important cogs in the industrial machine.

# Income Payments Rise to Record Levels

"We have been talking about inflation for a long time as if it were a threat remote from our daily lives," Secretary of the Treasury Henry Morgenthau, Jr., stated in his Boston address on September 9. "It is a distant threat no longer. We are facing it now and we must deal with it at once."

Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, told the Banking and Currency Committee of the House of Representatives on September 29: ". . . Price inflation threatens to develop with accelerating rapidity because our vast defense expenditures are putting buying power into the hands of the public at a faster rate than goods can be turned out to satisfy both the increasing civilian demand as well as our expanding defense requirements. . . . The most important aim of public policy on the economic front, next to procuring maximum production, is to dampen civilian demand for goods which cannot be produced in sufficient quantities. We cannot leave this to chance or to voluntary action on the part of the buying public. The inescapable result of letting the situation take care of itself would be a price inflation of staggering proportions and demoralizing effects upon our economic system."

National income payments have risen under the stimulus of the defense program to a record level which exceeds even that of 1929. In August income payments in the United States reached an annual rate close to \$90,000,000,000. This level compares with \$82,400,000,000 in the year 1929 and an annual rate of \$74,000,000,000 in June 1940, when the defense program was inaugurated.

Income payments will continue to advance as expenditures for armaments mount upwards. Already defense expenditures as reported by the Treasury Department have risen to \$1,320,000,000 in September from \$153,000,000 in June 1940. As defense production increases, disbursements for war materials will rise to much higher levels.

Almost seven-eighths of the increase in income payments in the first seven months of 1941 over the same period in 1940 has taken the form of increased salaries and wages. More persons are at work in nonagricultural establishments today than ever before. As a result of overtime pay and

COMPOSITION OF INCOME PAYMENTS IN 1940

	Total Income Payments	Net Salaries and Wages <sup>1</sup>	Other Labor Income <sup>2</sup>	Income of Self-Employed Persons Available for Personal Use	Dividends, Interest, and Net Rents and Royalties	Ratio of Net Salaries & Wages to Total Income Payments	Ratio of Salaries and Wages in Manufacturing to Net Salaries and Wages (1939) <sup>4</sup>
						(Per Cent)	(Per Cent)
	(In Millions of Dollars)					(Per Cent)	
Illinois.....	5,462	3,635	335	757	735	66.6	29.5
Indiana.....	1,890	1,260	113	336	181	66.7	39.0
Iowa.....	1,197	589	66	423	119	49.2	17.4
Michigan.....	3,466	2,524	179	425	338	72.8	42.7
Wisconsin.....	1,690	1,055	108	338	189	62.4	33.8
Five States....	13,705	9,063	801	2,279	1,562	66.1	34.3
United States	75,512 <sup>3</sup>	47,463	4,609	12,313	11,127	62.9	26.6

<sup>1</sup>Salaries and wages less employee contributions to social security and other retirement funds.

<sup>2</sup>Includes direct and other relief, social security benefits, pensions paid out by private industries and governmental agencies, compensation for industrial accidents, and pensions and bonus payments to veterans.

<sup>3</sup>Of total income payments in the United States, 91.3 per cent was nonagricultural income, while 8.7 per cent was net income of farm operators, wages of agricultural labor, and interest and net rents on agricultural property.

<sup>4</sup>Amount of salaries and wages in manufacturing in 1940 is not available.

Source: Bureau of Foreign and Domestic Commerce and Bureau of the Census, United States Department of Commerce.

wage-rate increases, hourly earnings of wage earners in manufacturing industries have reached a new high.

Cash receipts of American farmers this year will be the largest since 1929, if present estimates are fulfilled. Prices received by farmers in September were more than 40 per cent higher than a year ago.

The record level of income payments has caused consumer spending in recent months to exceed all previous peaks including 1929. Demand for consumers' durable goods has been especially heavy, and the output of such goods uses the same scarce materials and skilled labor needed in armament production.

Huge defense expenditures have given the American people more money to spend than ever before. Output of the nation is larger than ever before. But a growing proportion of that national output represents armaments. Income payments to individuals are increasing faster than supplies of goods available for purchase. The inescapable result of this situation will be growing upward pressure on prices, unless more and more consumer income is saved or paid out in taxes.

## Salaries and Wages

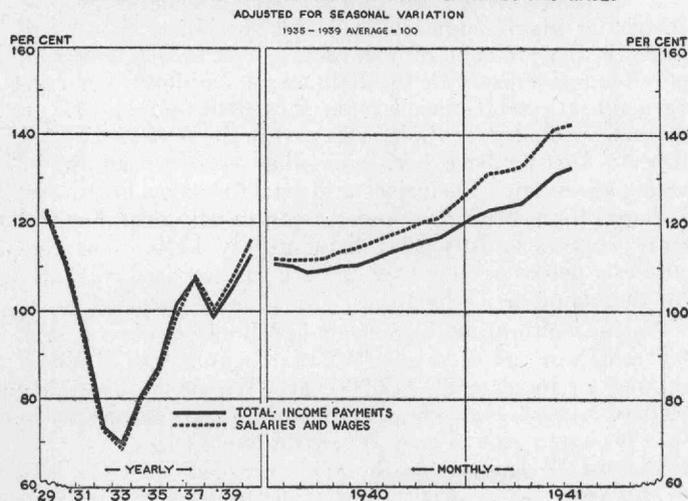
Salaries and wages are being paid in the United States today at a rate which is over one-fourth greater than at the beginning of the defense program and about one-sixth greater than in 1929.

The Department of Commerce seasonally adjusted index of salaries and wages, with the 1935-39 average as a base of 100, reached 142.1 in July. This level compares with 114.1 in June 1940, when the defense program was initiated, and 108.3 in August 1939, before the outbreak of the war. The index for the year 1929 stood at 122.7.

Factory payrolls have increased much more than payrolls in most lines of nonmanufacturing activity. In turn, payrolls of manufacturing industries subjected to the heavy pressure of military and naval demands and the unusual demand for consumers' durable goods have increased much more than payrolls of other manufacturing industries.

The increase in salary and wage payments has reflected, for the greater part, an increase in the number of persons employed and a rise in the number of hours worked. In

INDEXES OF TOTAL INCOME PAYMENTS AND SALARIES AND WAGES



Source: Bureau of Foreign and Domestic Commerce, United States Department of Commerce.

recent months, increases in wage rates have made a substantial contribution to the higher level of salaries and wages.

### Employment

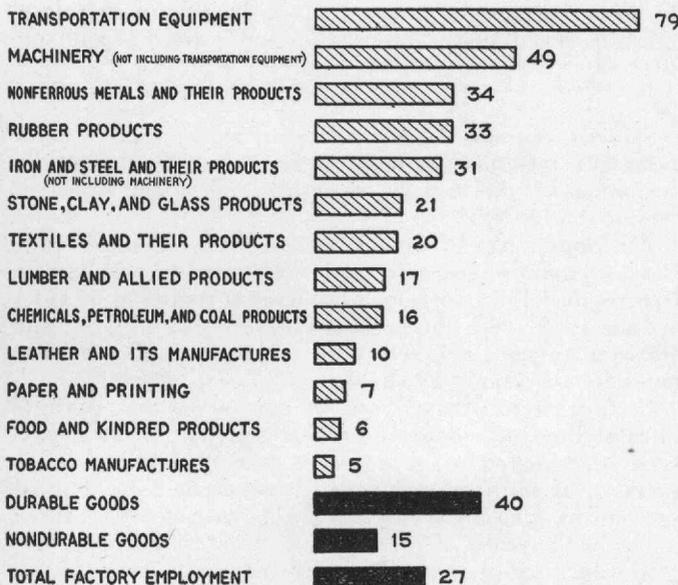
More persons are at work in nonagricultural establishments now than ever before. The estimated number of employees in nonagricultural establishments in the United States in August was 33,399,000, according to the Department of Labor. Previous peaks were 30,259,000 in September 1937 and 31,596,000 in September 1929.

More than 4,100,000 workers were added to nonagricultural payrolls from June 1940 to August 1941. Moreover, an additional 1,470,000 men were added to the military and naval forces of the country during that period. More than 2,320,000 workers secured jobs in manufacturing industries, and 600,000 more men were employed in construction.

Gains in factory employment, like increases in factory payrolls, have been especially large in industries which have been mainly devoted to defense work and in industries which produce consumers' durable goods. The accompanying chart shows percentage increases in factory employment by groups of industries for the nation from July 1940 to July 1941. Certain individual industries vitally affected by defense demands have shown even more striking increases. From July 1940 to July 1941, the number of workers employed in the aircraft industry increased 129 per cent. Employment in shipbuilding was 119 per cent greater, and employment in the locomotive industry increased 145 per cent. About 75 per cent more workers were employed in the engines and turbines; railroad cars; fire arms, ammunition, and explosives; screw machine products; and instrument industries. Employment rose from 45 to 55 per cent in the automobile; electrical machinery; lighting equipment; brass, bronze, and copper; machine tools and machine tool accessories; pumps; forgings; bolts, nuts, washers, and rivets; wire work; rubber boots and shoes; optical goods; and motorcycle and bicycle industries.

Substantial numbers of additional workers have been em-

### PERCENTAGE INCREASES IN FACTORY EMPLOYMENT BETWEEN JULY 1940 AND JULY 1941



Based on indexes of the Bureau of Labor Statistics, United States Department of Labor.

### ESTIMATED NUMBER OF EMPLOYEES IN NONAGRICULTURAL ESTABLISHMENTS<sup>1</sup>

(Thousands of persons)

	July 1940	January 1941	July 1941	Increase from July 1940 to July 1941	
				Number	Per Cent
Illinois.....	2,227	2,293	2,524	297	13.3
Indiana.....	757	808	929	172	22.7
Iowa.....	400	395	430	30	7.5
Michigan.....	1,283	1,457	1,561	278	21.7
Wisconsin.....	649	646	737	88	13.6
Five States.....	5,316	5,599	6,181	865	16.3
United States:					
Manufacturing.....	9,832	10,797	11,985	2,153	21.9
Mining.....	857	852	887	50	6.0
Construction.....	1,378	1,623	1,877	499	36.2
Transportation and public utilities.....	3,059	3,012	3,293	234	7.6
Trade.....	6,159	6,165	6,503	344	5.6
Financial service, and miscellaneous.....	4,218	4,142	4,391	173	4.1
Federal, State, and local government.....	3,828	3,887	4,162	334	8.7
Total.....	29,311	30,478	33,098	3,787	12.9

<sup>1</sup>Excludes proprietors and firm members, self-employed persons, casual workers, persons in domestic service, military and naval personnel, persons employed in WPA or NYA projects, and enrollees in CCC camps. In July 1941, there were 1,857,000 persons in the military and naval forces, as compared with 516,000 persons in July 1940.

Source: Bureau of Labor Statistics, United States Department of Labor.

### FACTORY EMPLOYMENT AND PAYROLLS SEVENTH FEDERAL RESERVE DISTRICT

	Indexes (1935-39 Average=100)			Per Cent Increase	
	August 1941	August 1940	August 1939	Aug. 1939 to Aug. 1941	Aug. 1940 to Aug. 1941
Total Manufacturing:					
Employment.....	143	107	94	52	34
Payrolls.....	167	117	98	70	43
Durable Goods:					
Employment.....	153	108	89	72	42
Payrolls.....	179	122	94	90	47
Nondurable Goods:					
Employment.....	123	104	101	22	18
Payrolls.....	139	108	106	31	29

ployed in non-defense industries, as increasing income payments have given stimulus to industries which produce consumer goods, to non-defense construction, and to trade and service industries. Defense needs, however, are forcing the curtailment of production in non-defense industries, particularly the consumers' durable goods industries, in order to conserve and release raw materials, plant capacity, and labor for the production of defense products.

A considerable portion of the Seventh Federal Reserve District is highly industrialized and specializes to a great extent in the production of durable goods. For this reason, percentage increases in the number of employees in non-agricultural establishments from July 1940 to July 1941 in the states included in whole or in part in the Seventh Federal Reserve District have been somewhat greater than in the nation as a whole. Nonagricultural establishments in Illinois, Indiana, Iowa, Michigan, and Wisconsin employed 865,000 more workers in July 1941 than in July 1940. This constitutes a percentage increase of 16.3, as compared with 12.9 for the nation as a whole.

Nonagricultural establishments in Illinois employed 341,000 more workers in August 1941 than in June 1940. Indiana showed an increase of 177,000, and Wisconsin a gain of 99,000. Seasonal lay-offs in automobile plants caused Michigan to show a gain of only 146,000 workers from June 1940 to August 1941, although the gain from July 1940 to July of this year was 278,000. Iowa, which is predominantly an agricultural state, employed 37,000 more men in nonagricultural establishments.

## Wage Rates, Hours, and Weekly Earnings

Payrolls have advanced more than have numbers of workers employed. Factory payrolls in the nation rose 55 per cent from July 1940 to July 1941, while factory employment rose 27 per cent.

There have been general increases in hours worked each week by those employed. In many industries, particularly those which produce defense products, overtime work, paid for at higher rates, has been common. From May 1940 to July 1941, average hours worked per week in manufacturing industries in the nation increased from 37.2 to 40.3, or by 8.3 per cent. In July 1941, the average number of hours worked per week in the machinery industries was 44.6, in the nonferrous metals and products industries, 42.0, and in the transportation equipment industries, 41.2.

Average hourly earnings in manufacturing industries in the nation rose from 66.9 cents in May 1940 to 74.4 cents in July 1941. Average hourly earnings in durable goods industries rose from 73 cents to 82.6 cents, and in non-durable goods industries, from 61.5 cents to 65.7 cents. Most of the increase in average hourly earnings from May last year through the first quarter of 1941 reflected overtime pay. Since March, widespread and substantial increases in wage rates have caused average hourly earnings and payrolls to increase.

## Cash Income From Farm Marketings

American farmers this year will receive the largest cash income since 1929, and about one-fourth of the total will go to farmers in Illinois, Indiana, Iowa, Michigan, and Wisconsin. Prospective receipts from marketings and Government payments for 1941 have been estimated by the Department of Agriculture at about \$10,700,000,000, as compared with \$9,100,000,000 in 1940, and \$11,200,000,000 in 1929. The larger farm cash income is attributable chiefly to the sharp rise in farm prices in the past year, especially since March, with prospects for a larger volume of marketings. Prices received by farmers in September were more than 40 per cent higher than a year ago. Total production of livestock and livestock products this year will probably be the largest on record, and aggregate crop production is expected to be the largest for any year except 1937. Government payments for the year 1941 probably will be somewhat less than in 1940.

## CASH INCOME FROM FARM MARKETINGS AND GOVERNMENT PAYMENTS IN THE UNITED STATES JANUARY-AUGUST 1939, 1940 AND 1941

Source of Income	Jan.-Aug. 1939	Jan.-Aug. 1940	Jan.-Aug. 1941	Per Cent Change Jan.-Aug. 1940— Jan.-Aug. 1941
	(In millions of dollars)			
Income from farm marketings . . .	4,398	4,794	5,995	+25.1
All crops . . . . .	1,594	1,779	2,130	+19.7
Grains . . . . .	547	653	746	+14.2
Cotton and cottonseed . . . . .	103	100	237	+37.0
Fruits . . . . .	232	242	290	+19.8
Vegetables . . . . .	397	437	474	+ 8.5
Tobacco . . . . .	114	106	116	+ 9.4
All livestock . . . . .	2,804	3,015	3,865	+28.2
Meat animals . . . . .	1,363	1,447	1,932	+33.5
Dairy products . . . . .	909	1,016	1,223	+20.4
Poultry and eggs . . . . .	443	447	579	+29.5
Government payments . . . . .	492	487	363	-25.5
Income including Government payments . . . . .	4,890	5,281	6,358	+20.4

Source: Bureau of Agricultural Economics, United States Department of Agriculture.

Cash income from farm marketings for the states of Illinois, Indiana, Iowa, Michigan, and Wisconsin in the first seven months of 1941 was 20 per cent greater than in the first seven months of 1940. Receipts from marketings of livestock and livestock products were 32 per cent greater, while receipts from marketings of crops were 11 per cent less. Most improvement has been shown in cash receipts from marketings of meat animals, poultry and eggs, dairy products, and fruits.

Taking the Seventh District as a whole, in recent years about three-fourths of cash income has been from livestock and livestock products and about one-fourth from crops. For the United States less than three-fifths has been from livestock and livestock products and more than two-fifths from crops.

Wisconsin had an estimated farm cash income which was 28 per cent larger than in 1940 for the first seven months of the year. Michigan showed a gain of 23 per cent, Indiana and Iowa were up 20 per cent, and Illinois followed with 15 per cent.

The relative changes in receipts from marketings in these states were due very largely to the relative importance of the various sources of income. The gains shown for Wisconsin reflect the fact that the predominant part of such income for

## CASH INCOME FROM FARM MARKETINGS AND GOVERNMENT PAYMENTS, JANUARY-JULY 1940 AND 1941

	Crops			Livestock and Livestock Products			Cash Income from Farm Marketings			Income Including Government Payments		
	January- July 1940	January- July 1941	Per Cent Change	January- July 1940	January- July 1941	Per Cent Change	January- July 1940	January- July 1941	Per Cent Change	January- July 1940	January- July 1941	Per Cent Change
	In millions of dollars			In millions of dollars			In millions of dollars			In millions of dollars		
Illinois . . . . .	115	96	-16.5	186	249	+33.9	300	346	+15.3	315	359	+14.0
Indiana . . . . .	39	35	-10.3	113	147	+30.1	152	182	+19.7	164	189	+15.2
Iowa . . . . .	93	76	-18.3	292	384	+31.5	385	460	+19.5	400	468	+17.0
Michigan . . . . .	37	41	+10.8	83	106	+27.7	120	148	+23.3	129	153	+18.6
Wisconsin . . . . .	23	26	+13.0	150	198	+32.0	174	223	+28.2	176	226	+28.4
Five States . . . . .	307	274	-10.7	824	1,084	+31.6	1,131	1,359	+20.2	1,184	1,395	+17.8
United States . . . . .	1,475	1,568	+ 6.3	2,612	3,332	+27.6	4,087	4,901	+19.9	4,532	5,244	+15.7

Source: Bureau of Agricultural Economics, United States Department of Agriculture.

the state is derived from livestock and livestock products, with less than one-eighth coming from crops. Although more than one-third of Michigan's cash income from farm marketings is from crops, fruits in that state are much more important than grains. Iowa, Illinois, and Indiana receive a larger share of their income from marketings of crops. For that reason, improvement in their receipts from farm marketings over 1940 was less marked than in Wisconsin and Michigan.

### Farm Prices

Higher farm incomes and farm prices have resulted from increased urban incomes, stepped up loan rates on certain crops, and substantial purchases under the lease-lend program. The impetus of these forces has caused farm prices to rise sharply, especially since March of this year.

The Department of Agriculture index of prices received by farmers in the United States rose to 139 in September from 103 in March and 95 in July 1940, with the base period 1909-14 as 100. The index stood at 88 in August 1939 and 118 in September 1937. Prices received by farmers increased 36 per cent from March to September and 58 per cent from August 1939 to September of this year.

The average September price received by United States farmers for hogs advanced to \$11.10 from \$7.08 in March and \$5.96 in the year 1939. This rise has been particularly stimulated by lease-lend commitments. Cattle and calves are about one-third above 1939 levels, but most of their price rise occurred prior to March of this year.

Prices of dairy products have risen with increased consumer incomes, but especially as a result of the strength of buying under the lease-lend program. Prices of evaporated and powdered milk and cheese have risen more than one-fifth since March and are 45 per cent above mid-1939 levels. Butterfat in September was returning 37 cents to the farmer, as compared with 31 cents in March and 22 cents

in June 1939. The farm return on wholesale milk was \$2.37 in September of this year, as compared with \$1.89 in March and \$1.76 in September 1939.

The high level of business activity engendered by the defense program has greatly increased nonagricultural salaries and wages. These higher urban incomes are making themselves felt in the form of increased demand for farm products. Rising incomes expand especially the demand for the better cuts of pork, beef, and lamb, milk and butter, poultry and eggs, and fruits and vegetables.

Government loan rates on wheat and corn, as well as on cotton and tobacco, have contributed to farm income by placing a floor under prices for those crops. Under the Fulmer Bill, passed in May, Government loan prices on wheat, corn, cotton, tobacco, and rice were set at 85 per cent of parity. Parity is attained when the relationship between what the farmer receives and what he pays out is that of the 1909-1914 average. On wheat and corn the loan rates plus parity payments plus soil conservation payments yield a return slightly above parity prices and considerably above market prices.

Farm prices have already benefited substantially from lease-lend purchases by the Surplus Marketing Administration, and such purchases will be increased as the program of the Department of Agriculture of feeding ten million Europeans is carried out. Thus far, the buying has been concentrated in such products as powdered and condensed milk, cheese, cured pork, lard and dried beans. Up to September 1, the Commodity Credit Corporation had purchased 422 million pounds of such foods.

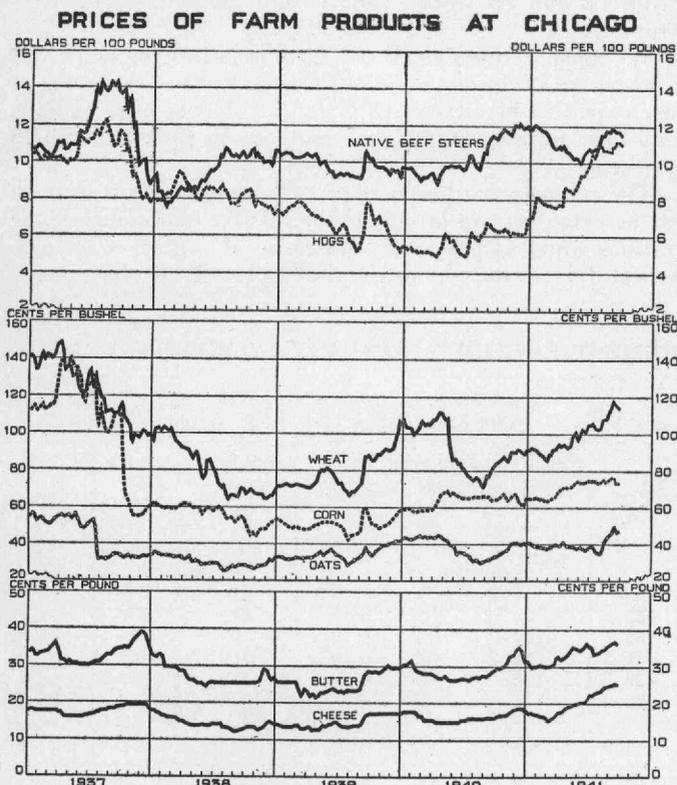
The buying power of farm products is measured by the ratio of prices received by farmers to prices paid by farmers, including interest and taxes. In September this buying power was one per cent above parity with the 1909-1914 relationship. In the past thirty years, prices received by farmers have reached or exceeded parity only in the years 1917 to 1920.

### 1942 Production Goals for Agriculture

Food for defense is the 1942 objective of the Department of Agriculture, according to Secretary Wickard, who announced the production goals before a meeting held recently in Chicago. Farm leaders and government agricultural workers from twelve West Central states attended. In general, the program calls for increased production and marketings of agricultural products, amounting to about two per cent more than the estimated output for 1941.

Under the Secretary's slogan, "Food will win the war and write the peace," the plans have been drawn with three major objectives. The program asks for sufficient production to meet usual domestic requirements, with some contemplated expansion in the consumption of the products best adapted to building body and nerve health of Americans. Such a program includes milk and milk products, poultry and eggs, fresh fruits, and vegetables. A second objective is the provision of vital foods to feed approximately 10,000,000 persons in the United Kingdom during the war. These commodities are to be provided by government purchase under the provisions of the lease-lend act. The Secretary announced that one billion dollars of the new lease-lend appropriation will be allocated to the purchase of agricultural commodities. The third major objective is to provide reserve stocks, in order that this country may be in a position to deal effectively with human distress in the period immediately following the end of the war.

The most substantial increases asked are for hogs, chick-



By weeks, 1937 through September 27, 1941.

ens, eggs, cheese, and evaporated and skimmed milk. Plans call for a reduction in those crops of which there are now adequate carryovers.

**1942—PRODUCTION GOALS FOR CERTAIN AGRICULTURAL PRODUCTS**  
(Expressed as percentage increases over 1940 or 1941)

Product	United States	Illinois	Indiana	Iowa	Michigan	Wisconsin	
Milk (1941).....	7	4	4	4	8	13	
Cheese (1941).....	54	(Other East North Central States 47)					47
Condensed and Evaporated Milk (1941)...	54	(Other East North Central States 50)					40
Dry Skimmed Milk (For Human Consumption 1940)	116	(Other East North Central States 222)					12
Eggs (1941).....	11	7	12	12	6	11	
Chicken Slaughter (1941).....	14	(North Central States 13)					
Hog Slaughter (1940).....	5	6	10	12	2	12	
Cattle and Calf Slaughter (1940).....	15	15	15	16	5	5	

After presentation and general discussion of the national goals, the farmers and farm leaders met in separate state groups and discussed the problems they expected to encounter in meeting the goals. At a subsequent meeting, the state representatives presented the problems and questions uncovered by the state conferences. Three points were raised in this session. The first was that on the beef goals there would be some difficulty in getting sufficient feeder stock to meet the desired increase in marketings. The second was that the shortage of farm labor appeared to be serious, due to selective service withdrawals and to the drift to higher wage jobs in defense industries. The third point raised was the problem of finding sufficient seed.

The campaign to achieve the goals set up for states is to be headed by the chairman of the various state agricultural defense boards, who in most cases are the administrators of the AAA programs. The state goals are to be broken down into county goals, with county committees making further breakdowns within the counties. During October and November, workers in the program will participate in a farm by farm canvass to obtain the 1942 plans of each farm operator, as well as his 1941 production and marketings. Each producer will be given opportunity to "sign up," pledging his support for 1942 production and marketings.

## The Monetary Situation

### Increase in Reserve Requirements

As a further step in the Government's program for combating inflation, the Board of Governors of the Federal Reserve System, after consultation with the Secretary of the Treasury, has increased reserve requirements for member banks to the present statutory limit, effective November 1. This action, announcement of which was made on September 24, increases reserve requirements by about one-seventh and will lower excess reserves for member banks taken as a whole by about \$1,200,000,000.

The following table compares the new requirements with the present requirements which have been in effect since April 16, 1938.

MEMBER BANK RESERVE REQUIREMENTS (Per cent of deposits)		
Classes of deposits and banks	Present Requirements	New Requirements
On net demand deposits:		
Central reserve city banks.....	22 $\frac{3}{4}$	26
Reserve city banks.....	17 $\frac{1}{2}$	20
"Country" banks.....	12	14
On time deposits:		
All member banks.....	5	6

Given the present total and distribution of excess reserves, the increase in reserve requirements will result in a reduction of excess reserves for all member banks from about \$5,200,000,000 to about \$4,000,000,000. At central reserve city banks, excess reserves will be reduced approximately from \$2,400,000,000 to \$1,700,000,000; at reserve city banks, from \$1,850,000,000 to \$1,500,000,000; and at "country" banks, from nearly \$1,000,000,000 to \$800,000,000.

The increase in reserve requirements will cause excess reserves of all member banks in the Seventh Federal Reserve District to decline from about \$750,000,000 to approximately \$580,000,000, with an estimated decline from \$430,000,000 to \$320,000,000 in excess reserves of Chicago central reserve city banks.

The Board of Governors stated that "the action will leave the banks as a whole with ample funds to meet all bank credit needs of the defense program and all legitimate requirements of their customers." A survey made recently by the Board showed that a large majority of member banks will be able to meet the increased requirements out of existing excess reserves, and all but a few of the remainder by drawing upon a portion of their deposits with city correspondents. Moreover, penalties for deficient reserves prior to December 1, 1941 will be based upon reserve requirements in effect October 31, 1941.

The Secretary of the Treasury and the Chairman of the Board of Governors issued the following statement on September 23: "The Treasury and the Board of Governors will continue to watch the economic situation and to cooperate with other agencies of the Government in their efforts, through priorities, allocations, price regulation, and otherwise, to fight inflation. Recommendations on the question of what additional powers, if any, over bank reserves the Board should have during the present emergency and what form these powers should take will be made whenever the Treasury and the Board, after further consultation, determine that such action is necessary to help in combating inflationary developments."

### Member Bank Reserves

Excess reserves of all member banks rose \$130,000,000 in the six weeks ended October 1. This was the net result of an increase of \$203,000,000 in member bank reserve balances and an increase of \$73,000,000 in required reserves.

**RESERVE BALANCES, REQUIRED RESERVES, AND EXCESS RESERVES OF ALL MEMBER BANKS**

JANUARY 15—OCTOBER 1, 1941  
(In millions of dollars)

	Jan. 15	Aug. 20	Oct. 1	Change from Jan. 15 to Oct. 1	Change from Aug. 20 to Oct. 1
<b>FACTORS, INCREASES IN WHICH INCREASE RESERVE BALANCES:</b>					
Reserve bank credit outstanding.....	2,254	2,272	2,244	-10	-28
Gold stock.....	22,066	22,710	22,761	+695	+51
Treasury currency.....	3,092	3,178	3,196	+104	+18
<b>FACTORS, INCREASES IN WHICH DECREASE RESERVE BALANCES:</b>					
Currency in circulation.....	8,542	9,840	10,183	+1,641	+343
Treasury cash holdings.....	2,195	2,377	2,259	+64	-118
Treasury deposits with Federal Reserve banks.....	237	785	309	+72	-476
Foreign deposits.....	1,230	1,203	1,185	-45	-18
Other deposits.....	512	632	733	+221	+101
Other Federal Reserve accounts.....	283	286	291	+8	+5
<b>MEMBER BANK RESERVE BALANCES.....</b>	<b>14,414</b>	<b>13,037</b>	<b>13,240</b>	<b>-1,174</b>	<b>+203</b>
<b>REQUIRED RESERVES.....</b>	<b>7,518</b>	<b>7,977</b>	<b>8,050</b>	<b>+532</b>	<b>+73</b>
<b>EXCESS RESERVES.....</b>	<b>6,896</b>	<b>5,060</b>	<b>5,190</b>	<b>-1,706</b>	<b>+130</b>

The rise in reserve balances was due chiefly to declines of \$476,000,000 in Treasury deposits with Federal Reserve banks and \$118,000,000 in Treasury cash holdings, offset in part by an increase of \$343,000,000 in currency in circulation, and an increase of \$101,000,000 in other deposits. Currency in circulation reached a new peak of \$10,183,000,000 on October 1.

Excess reserves of New York central reserve city banks declined from \$1,885,000,000 on August 20 to \$1,710,000,000 on October 1. Excess reserves of Chicago central reserve city banks increased from \$394,000,000 on August 29 to \$587,000,000 on October 3.

Reserve balances of member banks in the Seventh Federal Reserve District rose to an all-time high of \$2,063,000,000 on October 1. They were \$1,893,000,000 on August 20.

### Defense Expenditures

Defense expenditures by the Federal Government have shown substantial increases in recent months. Defense outlays, as reported in daily Treasury statements, amounted to \$1,320,000,000 in September and \$1,124,000,000 in August, compared with \$808,000,000 in June and \$153,000,000 in June 1940.

The defense expenditures which are reported by the Treasury include military expenditures by the Army and Navy, expenditures from special national defense funds appropriated to the President, administrative expenses of Selective Service, outlays for emergency ship construction by the United States Maritime Commission, outlays for defense housing, and expenditures under the lend-lease program. Treasury reports on defense expenditures do not include certain outlays for defense purposes by various civil departments and agencies not shown separately in current reports, and defense expenditures by the Reconstruction Finance

Corporation, the Export-Import Bank, and other agencies outside the regular budget. Nor do Treasury reports include expenditures in this country for military purposes by the British Government.

### EMPLOYMENT AND PAYROLLS SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of August 15, 1941			Per Cent Change from July 15, 1941	
	No. of Reporting Firms	No. of Employees	Wage Payments (In thousands of dollars)	No. of Employees	Wage Payments
<b>DURABLE GOODS:</b>					
Metals and Products <sup>1</sup> .....	1,820	587,860	21,249	+1.4	+ 4.9
Transportation Equipment.....	396	391,430	15,372	-6.8	-10.7
Stone, Clay, and Glass.....	271	26,077	784	+0.7	+ 4.3
Wood Products.....	453	64,566	1,709	+2.2	+ 3.1
Total.....	2,940	1,069,933	39,114	-1.7	- 1.9
<b>NON-DURABLE GOODS:</b>					
Textiles and Products.....	422	78,352	1,725	+0.7	+ 2.4
Food and Products.....	979	136,388	3,748	+2.8	+ 4.8
Chemical Products.....	310	41,625	1,414	-2.2	+ 2.2
Leather Products.....	175	35,229	884	+0.9	+ 3.5
Rubber Products.....	35	24,797	877	-2.1	+ 6.2
Paper and Printing.....	700	91,409	2,960	+0.6	+ 2.0
Total.....	2,621	407,800	11,608	+1.6	+ 3.4
<b>Total Mfg., 10 Groups.....</b>	<b>5,561</b>	<b>1,477,733</b>	<b>50,722</b>	<b>-0.8</b>	<b>- 0.8</b>
Merchandising.....	5,277	151,388	3,640	*	+ 0.6
Public Utilities.....	902	99,910	3,471	+0.7	+ 1.5
Coal Mining.....	46	6,905	227	-5.0	+ 6.5
Construction.....	422	8,607	379	+5.0	+ 8.1
<b>Total Non-Mfg., 4 Groups.....</b>	<b>6,647</b>	<b>266,810</b>	<b>7,717</b>	<b>+0.3</b>	<b>+ 1.5</b>
<b>Total, 14 Groups.....</b>	<b>12,208</b>	<b>1,744,543</b>	<b>58,439</b>	<b>-0.7</b>	<b>- 0.5</b>

<sup>1</sup>Other than transportation equipment.

Data furnished by State agencies of Illinois, Indiana, Michigan, and Wisconsin.

\*Decrease of less than one per cent.

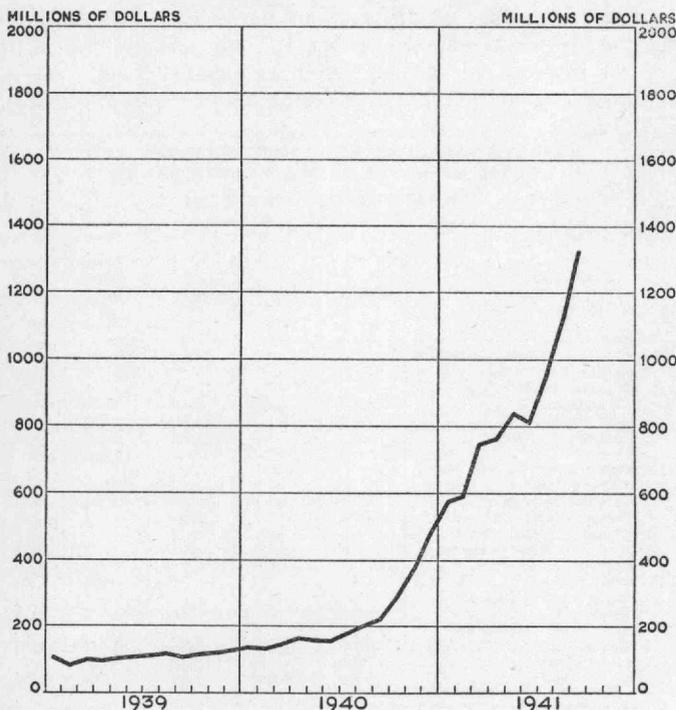
### MONTHLY BUSINESS INDEXES

	Aug. 1941	July 1941	June 1941	Aug. 1940	July 1940	June 1940
Data refer to Seventh District and are not adjusted for seasonal variation unless otherwise indicated. 1935-39 average=100						
<b>Manufacturing Industries:</b>						
Durable Goods:						
Employment.....	153	155	155	108	102	109
Payrolls.....	179	179	188	122	109	120
Non-Durable Goods:						
Employment.....	123	121	114	104	103	99
Payrolls.....	139	134	128	108	108	105
Total:						
Employment.....	143	143	141	107	103	106
Payrolls.....	167	165	170	117	109	115
<b>Pig Iron Production:*</b>						
Illinois and Indiana.....	204	202	202	173	169	162
<b>Automobile Production—(U. S. and Canada):</b>						
Passenger Cars and Trucks.....	44	132	155	23	69	103
<b>Casting Foundries Shipments:</b>						
Steel—In Dollars.....	311	281	272	129	121	109
In Tons.....	199	198	188	109	105	92
Malleable—In Dollars.....	180	202	192	117	101	94
In Tons.....	157	175	169	108	93	86
<b>Stoves and Furnaces:</b>						
Shipments.....	173	148	160	134	103	105
<b>Furniture Manufacturing:</b>						
Orders in Dollars.....	184	257	196	141	145	87
Shipments in Dollars.....	186	168	170	124	97	104
<b>Paper Manufacturing:*</b>						
Tonnage Production.....	135	132	135	111	116	115
<b>Petroleum Refining—(Indiana, Illinois, Kentucky Area):*</b>						
Crude Run to Stills.....	159	163	162	146	146	147
Gasoline Production.....	152	156	155	141	143	141
<b>Bituminous Coal Production:*</b>						
Illinois, Indiana, Iowa, and Michigan.....	116	93	102	94	77	75
<b>Building Contracts Awarded:</b>						
Residential.....	312	307	308	229	222	209
Total.....	318	243	186	159	149	144
<b>Department Store Net Sales:*</b>						
Chicago.....	115	86	117	93	75	112
Detroit.....	128	97	124	86	73	103
Indianapolis.....	140	106	128	99	86	115
Milwaukee.....	128	98	119	96	77	104
Other Cities.....	130	93	119	100	74	104
Seventh District—Unadjusted.....	122	92	119	93	75	108
Adjusted.....	154	131	123	118	107	112

\*Daily average basis.

### DEFENSE EXPENDITURES

TREASURY DAILY STATEMENT BASIS



**STEEL AND MALLEABLE CASTINGS  
SEVENTH FEDERAL RESERVE DISTRICT**

	Per Cent Change in August 1941 from	
	July 1941	August 1940
<b>Steel Castings:</b>		
Orders booked (tons).....	-15	+57
Orders booked (dollars).....	-11	+133
Shipments (tons).....	*	+82
Shipments (dollars).....	+11	+141
Production (tons).....	*	+75
<b>Malleable Castings:</b>		
Orders booked (tons).....	-28	+32
Orders booked (dollars).....	-28	+41
Shipments (tons).....	-9	+48
Shipments (dollars).....	-10	+57
Production (tons).....	-6	+28

\*Increase of less than one per cent.

**DEPARTMENT AND APPAREL STORE TRADE  
SEVENTH FEDERAL RESERVE DISTRICT**

Locality	Net Sales			Stock On Hand (End of Month)	
	Per Cent Change in August 1941 from		Per Cent Change first Eight Mos. of 1941 from Same Period of 1940	Per Cent Change in August 1941 from	
	July 1941	August 1940		July 1941	August 1940
Chicago.....	+34	+19	+10	+ 9	+25
Peoria.....	+53	+31	+14	+ 5	+16
Fort Wayne.....	+43	+43	+28	- 1	+ 9
Indianapolis.....	+32	+36	+20	+11	+32
Des Moines.....	+35	+19	+11	.....	.....
Sioux City.....	+54	+16	+11	.....	.....
Detroit.....	+24	+42	+25	+20	+16
Flint.....	+ 9	+30	.....	.....	.....
Grand Rapids.....	+34	+31	+16	.....	.....
Lansing.....	+22	+44	+30	.....	.....
Milwaukee.....	+28	+31	+20	+17	+38
Other Cities.....	+24	+34	+23	+11	+22
<b>Total.....</b>	<b>+29</b>	<b>+29</b>	<b>+17</b>	<b>+13</b>	<b>+25</b>
<b>Apparel Stores.....</b>	<b>+91</b>	<b>+36</b>	<b>+16</b>	<b>+26</b>	<b>+22</b>

**SALES OF INDEPENDENT RETAIL STORES  
SEVENTH FEDERAL RESERVE DISTRICT**

	Per Cent Change in August 1941 from August 1940				
	Illinois	Indiana	Iowa	Michigan	Wisconsin
Total All Groups*.....	+20	+26	+18	+32	+22
Apparel Group.....	+32	+33	+22	+38	+21
Drug Stores.....	+11	+17	+16	+18	+13
Eating and Drinking Places.....	+13	+19	+13	+25	+ 9
Food Group.....	+ 9	+12	+ 9	+12	+10
Furniture-Household-Radio Group.....	+38	+41	+24	+35	+38
Hardware Stores.....	+24	+32	+15	+29	+30
Jewelry Stores.....	+32	+67	+35	+46	+30
Lumber and Building Materials.....	+24	+13	+21	+38	+42
Motor Vehicle Dealers.....	+10	+20	+27	+30	+16

\*Includes classifications other than those listed.  
Data furnished by Bureau of the Census, United States Department of Commerce.

**WHOLESALE TRADE  
SEVENTH FEDERAL RESERVE DISTRICT**

Commodity	Per Cent Change in August 1941 from August 1940			
	Net Sales	Stocks	Accounts Outstanding	Collections
Drugs and Sundries.....	+20	+13	+21	+23
Electrical Goods.....	+68	+43	+53	+80
Groceries.....	+18	+22	+15	+15
Hardware.....	+41	+28	+28	+37
Jewelry.....	+43	+14	+17	+86
Meats and Meat Products.....	+36	+48	+71	+43
Paper and Its Products.....	+19	- 3	+23	+20
Tobacco and Its Products.....	+ 7	+ 7	+ 8	+ 7
Miscellaneous.....	+34	+ 3	+25	+28
<b>Total.....</b>	<b>+31</b>	<b>+21</b>	<b>+26</b>	<b>+30</b>

Data furnished by Bureau of the Census, United States Department of Commerce.

**PERCENTAGE CHANGE FROM JULY 15, 1941 TO AUGUST 15, 1941 IN THE COST OF GOODS PURCHASED BY WAGE EARNERS AND LOWER-SALARIED WORKERS, BY GROUPS OF ITEMS**

City	All Items	Food	Clothing	Rent	Fuel, Electricity, and Ice	House Furnishings	Miscellaneous
Average:							
20 Large Cities.....	+0.8	+1.2 <sup>1</sup>	+1.6	+0.2	+0.9 <sup>2</sup>	+0.8	+0.1
Chicago.....	+0.7	+0.6	+3.0	+0.2	+0.8	+2.8	+0.1
Detroit.....	+0.4	-0.1	+1.0	+0.3	+2.0	+0.7	*

<sup>1</sup>Based on data for 51 cities.  
<sup>2</sup>Based on data for 34 cities.  
\*No change.  
Data furnished by the Bureau of Labor Statistics.

**INDEXES OF THE COST OF GOODS PURCHASED BY WAGE EARNERS AND LOWER-SALARIED WORKERS, BY GROUPS OF ITEMS  
AUGUST 15, 1941  
(Average 1935-39=100)**

City	All Items	Food	Clothing	Rent	Fuel, Electricity, and Ice	House Furnishings	Miscellaneous
Average:							
20 Large Cities.....	106.0	108.0 <sup>1</sup>	105.9	106.3	103.2 <sup>2</sup>	108.1	103.8
Chicago.....	106.6	108.1	103.7	110.7	102.5	108.5	103.4
Detroit.....	107.4	107.1	106.0	112.4	104.2	109.8	105.0

<sup>1</sup>Based on data for 51 cities.  
<sup>2</sup>Based on data for 34 cities.  
Data furnished by the Bureau of Labor Statistics.

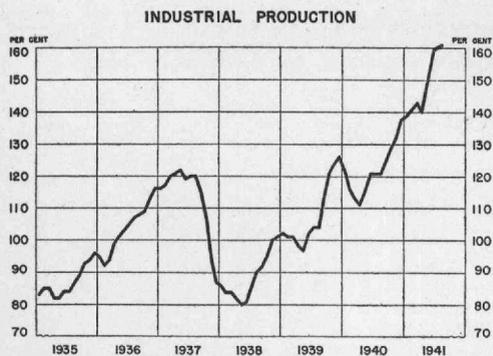
**BANK DEBITS  
Debits to deposit accounts, except interbank accounts**

	(In thousands of dollars)			Per Cent Change in August 1941 from	
	August 1941	July 1941	August 1940	July 1941	August 1940
<b>ILLINOIS</b>					
Aurora.....	15,514	14,731	12,265	+ 5	+26
Bloomington.....	14,328	14,321	12,843	*	+12
Champaign-Urbana.....	16,264	16,229	15,122	*	+ 8
Chicago.....	3,700,595	3,633,293	2,812,224	+ 2	+32
Danville.....	12,570	12,156	9,654	+ 3	+30
Decatur.....	25,191	26,476	18,421	- 5	+37
Elgin.....	9,942	10,000	8,540	- 1	+16
Moline.....	11,154	11,312	8,940	- 1	+25
Peoria.....	80,556	78,879	56,137	+ 2	+43
Rockford.....	38,644	42,643	27,885	- 9	+39
Springfield.....	28,756	29,457	26,261	- 2	+10
<b>INDIANA</b>					
Fort Wayne.....	43,167	44,008	32,220	- 2	+34
Gary.....	22,777	24,310	18,760	- 6	+21
Hammond.....	11,039	12,500	9,271	-12	+19
Indianapolis.....	260,768	298,765	203,151	-13	+28
South Bend.....	50,548	57,681	41,187	-12	+23
Terre Haute.....	29,245	30,609	23,877	- 4	+22
<b>IOWA</b>					
Cedar Rapids.....	34,292	31,396	25,316	+ 9	+35
Clinton.....	7,488	7,615	6,512	- 2	+15
Davenport.....	26,404	27,241	21,116	- 3	+25
Des Moines.....	102,441	105,675	81,896	- 3	+11
Dubuque.....	12,029	12,589	9,568	- 4	+26
Mason City.....	12,654	12,771	9,569	- 1	+32
Muscatine.....	4,360	4,370	3,951	**	+10
Sioux City.....	51,487	52,921	41,863	- 3	+23
Waterloo.....	24,463	23,706	19,600	+ 3	+25
<b>MICHIGAN</b>					
Adrian.....	5,251	5,605	4,109	- 6	+28
Battle Creek.....	19,880	17,907	13,320	+11	+49
Bay City.....	15,124	15,150	11,864	**	+27
Detroit.....	1,339,803	1,480,969	930,883	-10	+44
Flint.....	33,646	35,873	27,967	- 6	+20
Grand Rapids.....	75,642	73,229	59,836	+ 3	+26
Jackson.....	21,323	21,369	15,238	**	+40
Kalamazoo.....	30,494	31,620	25,054	- 4	+22
Lansing.....	29,673	33,834	24,958	-12	+19
Saginaw.....	29,992	31,985	24,674	- 6	+22
<b>WISCONSIN</b>					
Green Bay.....	20,342	20,905	16,999	- 3	+20
Manitowoc.....	9,192	10,003	6,838	- 8	+34
Milwaukee.....	342,700	338,318	255,680	+ 1	+34
Oshkosh.....	11,255	11,712	8,957	- 4	+26
Sheboygan.....	24,265	23,979	16,751	+ 1	+45
<b>SEVENTH DISTRICT</b>					
41 Cities.....	6,655,258	6,793,112	5,009,277	- 2	+33
<b>UNITED STATES</b>					
274 Cities.....	42,847,000	44,808,000	32,844,000	- 4	+30

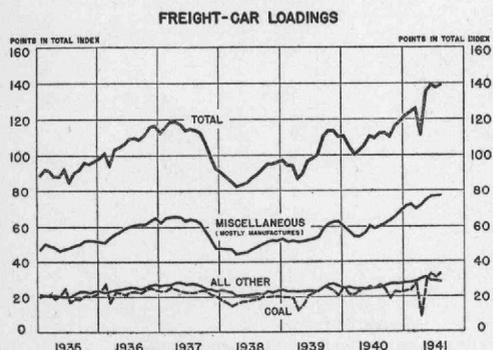
\* Increase of less than one per cent.  
\*\*Decrease of less than one per cent.

# National Summary of Business Conditions

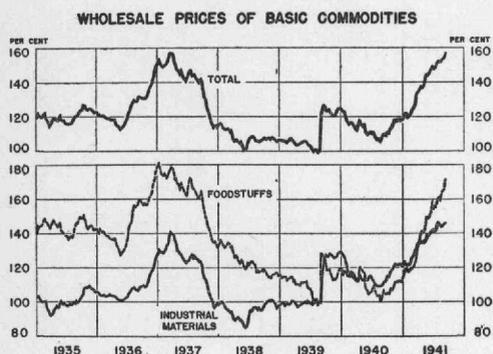
(By the Board of Governors of the Federal Reserve System)



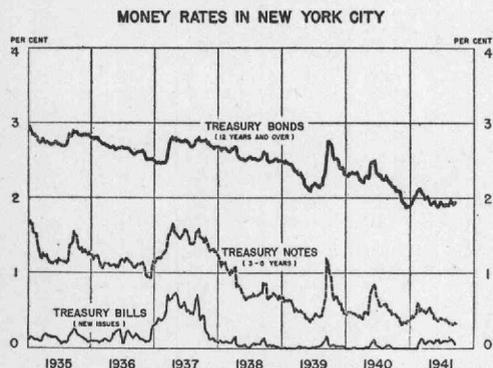
Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-39 average=100. By months, January 1935 to August 1941.



Federal Reserve index of total loadings of revenue freight, adjusted for seasonal variation, 1923-25 average=100. Sub-groups shown are expressed in terms of points in the total index. By months, January 1935 to August 1941.



Bureau of Labor Statistics' indexes based on 12 foodstuffs and 16 industrial materials, August 1939=100. Thursday figures, January 3, 1935 to September 11, 1941.



Weekly averages of daily yields of 3- to 5-year tax-exempt Treasury notes, Treasury bonds callable after 12 years, and average discount on new issues of Treasury bills offered within week. For weeks ending January 5, 1935 to September 13, 1941.

Industrial activity increased further in August and the first half of September, and commodity prices continued to advance. Distribution of commodities to consumers expanded considerably.

**Production**—In August industrial output increased somewhat more than seasonally, and the Board's adjusted index advanced from 160 to 161 per cent of the 1935-39 average. There were further sharp advances in activity in the machinery, aircraft, shipbuilding, and railroad equipment industries. Lumber production also increased, while furniture production, which had been unusually large in July, showed less than the customary seasonal rise in August. Output of steel and nonferrous metals continued at near-capacity rates.

In the automobile industry, output of finished cars declined sharply as plants were closed during the changeover to new model production, and output in factories producing bodies and parts also was reduced considerably. In the first half of September, automobile assemblies increased as production of new models was begun, but from now on, owing to Government restriction on passenger car production, output will be considerably below that during the previous model year.

In most nondurable goods industries, production during August continued around the high levels reached earlier this year. At cotton mills activity declined slightly from the record level reached in July, while at woolen mills there was some increase. Rayon output continued at peak levels. In the silk industry operations were curtailed sharply, as the Government requisitioned all supplies of raw silk, and deliveries of silk to mills declined from 28,000 bales in July to 2,000 in August. Rubber consumption also decreased, owing to a Government curtailment program. Shoe production, which had been unusually large, increased less than seasonally in August, and output of manufactured food products and chemicals showed seasonal increases from the high levels prevailing in June and July.

At mines, coal production in August, as in other recent months, was unusually large for the season, and output of crude petroleum rose to a record level of 4,000,000 barrels daily in the latter part of the month. Iron ore shipments down the Lakes amounted to 11,500,000 tons, the largest monthly total on record.

Value of construction contract awards showed a further sharp increase in August and was about four-fifths larger than a year ago, according to F. W. Dodge Corporation reports. The rise from July was substantial for all general types of construction but was most pronounced for publicly-financed projects. Awards for residential building continued to increase.

**Distribution**—Sales of general merchandise rose sharply in August and were at an extremely high level for this time of year. The Board's seasonally adjusted index of department store sales advanced to 133 per cent of the 1923-25 advance, as compared with 115 in July and an average of 103 in the first half of this year. In the early part of September, department store sales declined from the peak reached in the latter part of August.

Railroad freight-car loadings in August were maintained in the large volume reached in June and July. Coal shipments increased following some reduction in July, while loadings of grain, which had been large since last spring, declined.

**Commodity Prices**—Wholesale prices of most groups of commodities continued to advance from the middle of August to the middle of September. Prices of grains, other foodstuffs, and cotton showed large increases, and there were advances also in prices of a number of industrial commodities not covered by Federal price ceilings. Fragmentary data available indicate that retail prices of foods and other commodities rose further during this period.

**Agriculture**—The outlook for agricultural production in 1941 showed little change during August. Crop prospects were reduced slightly by drought, but aggregate crop production is expected to be two per cent larger than last year and the largest for any year except 1937. Total marketings of livestock and livestock products will probably be the largest on record. Preliminary estimates of the Department of Agriculture indicate that cash farm income, including Government payments, will be about \$10,700,000,000, compared with \$9,120,000,000 in 1940.

**Bank Credit**—Commercial loans at reporting member banks in 101 cities continued to rise substantially during the four weeks ending September 10. Bank holdings of United States Government securities showed little net change, while holdings of other securities increased somewhat at New York City banks. As a result of the expansion in loans and investments, bank deposits continued to increase.

**United States Government Security Market**—Prices of Treasury bonds increased in the latter part of August, but subsequently declined somewhat in the first part of September. On September 15, the partially tax-exempt 2¾ per cent 1960-65 bonds were yielding 2.06 per cent, compared with the record low yield of 2.02 per cent. Yields on Treasury notes showed little change in the period.

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H. J. CHALFONT. . . . . <i>Managing Director</i>	H. L. DIEHL. . . . . <i>Assistant Cashier</i>
W. T. CAMERON. . . . . <i>Assistant Cashier</i>	A. J. WIEGANDT. . . . . <i>Assistant Cashier</i>

