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## President Says We Will Protect All Ships In Defensive Waters

Declaring that "upon our naval and air patrol—now operating in large number over a vast expanse of the Atlantic Ocean — falls the duty of maintaining the American policy of freedom of the seas—now," President Roosevelt on Sept. 11 warned that "that means, very simply, very clearly, that our patrolling vessels and planes will protect all merchant ships—not only American ships but ships of any flag — engaged in commerce in our defensive waters. They will protect them from submarines; they will protect them from surface raiders." In his address, broadcast from Washington at 10 P. M. (D.S.T.), and rebroadcast throughout the World, the President further declared:

Let this warning be clear. From now on, if German or Italian vessels of war enter the waters the protection of which is necessary for American defense, they do so at their own peril. The orders which I have given as Commander in Chief of the United States Army and Navy are to carry out that policy—at once. The sole responsibility rests upon Germany. There will be no shooting unless Germany continues to seek it.

The President asserted that "my obligation as President is historic; it is clear; yes, it is inescapable. It is no act of war on our part when we decide to protect the seas that are vital to American defense. The aggression is not ours. Ours is solely defense."

In his address President Roosevelt referred to recent attacks on American ships, and said:

It is clear to all Americans  
(Continued on page 121)

## NJ Bond Club to Hold Annual Fall Field Day

Lee W. Carroll of John B. Carroll & Co., president of the Bond Club of New Jersey, announces that the Fall Field Day will be held this year on Friday, September 26 at the Essex County Country Club. Courtlandt B. Parker of R. W. Pressprich & Co. is Chairman of the Field Day Committee.

## IN THIS SECTION

Federal Reserve Banks report conditions in their districts. Page 116

Business activity shows little or no let-down from its recent high levels. Page 114

Petroleum and its products. . . SPAB refuses high priorities for pipeline steel. . . Senate group hears conflicting testimony on "Surplus" tank cars. . . PCO making tank car survey. . . lower rail rates on gas, oil imminent. . . settlement of Mexican question held likely. . . U. S. tankers arrive safely in Russia. . . crude production dips, after hitting record high. Page 115

Grain storage space 85% occupied on Sept. 1. Page 114

(Continued on page 128)

## Senate Passes Tax Bill Estimated To Yield \$3,583,900,000; Measure Goes To Conference

With the adoption of the new tax on revenue bill by the Senate on Sept. 5, by a vote of 67 to 5, the measure was sent to Conference to adjust the differences between the Senate bill and that passed by the House on Aug. 4. The bill was formally reported to the Senate by the Senate Finance Committee on Sept. 2, as was reported in these columns Sept. 4, page 26, and debate in the Senate was brought under way on Sept. 3 by Senator George, Chairman of the Committee, — the legislation having thus been rushed through the Senate in three days. Of the 67 votes cast on Sept. 5 in favor of the Measure, 51 were those of Democrats while 16 were registered by Republicans. The five voting against the adoption of the bill were Senators Clark of Idaho, and McCarran, (Democrats); Senators Lauger and Nye (Republicans) and Senator La Follette (Progressive). In its action on Sept. 4 the Senate approved, by a vote of 43 to 23, the Senate Committee proposal to cut from \$2,000 to \$1,500 the income tax exemption for married persons, and from \$800 to \$750 the exemption in the case of single persons. Under date of Sept. 4 Associated press accounts from Washington said:

Senate action came after Senator La Follette, Progressive, of Wisconsin, had contended that lowered exemptions would further reduce low standards of living in the bottom tax groups.

Mr. LaFollette said that while he had suggested lower exemptions in the past, he had not urged that they cut below present levels. The exemptions were reduced to the present figures last year. He criticized the pending measure as one which hits hardest the persons the least able to pay and lightest those most able to pay.

The change in exemptions,  
(Continued on page 119)

## As Was Inevitable!

We appear now to be approaching a *real* crisis, and this nation is not prepared for it. It has for a long while been inevitable, or very nearly so. Permanent avoidance of it would have been, and would now be little short of miraculous. That crisis revolves around the question of war or peace. The American people have wanted, and, in our considered judgment, still want peace. As matters are now developing, however, there is daily growing danger that they will have war—by whatever name it may be called—in the not very distant future. Unless there is a sharp change in the course of events, they certainly will have war eventually, and this country is not prepared for war in terms of technical equipment, trained armies, or mental or emotional states. It is a most distressing situation, and one which grows logically, not to inexorably out of the mismanagement of our international affairs.

The unvarnished truth is that an unrelentingly stubborn, utterly war-minded President with an almost unprecedented hold upon the rank and file of the people has steadfastly led the nation day by day nearer the precipice all the while professing aversion to war, and assuring the unthinking masses that no war would result from his incredible recklessness in foreign affairs. He has been able to persuade the majority of the voters that he was right in  
(Continued on page 123)

## FROM WASHINGTON AHEAD OF THE NEWS

The attrition of Dollar-a-Year men at the hands of New Dealers is proceeding at such a pace that some observers are coming to compare it, facetiously, with the English losses in the Battle of Crete or even at Dunkerque. Those whose business it is to keep up with the propoganda of Washington are wondering why Ralph K. Davies ever let himself in for what seems to be headed his way. Mr. Davies is with the Standard Oil Company of New Jersey, drawing, so it is understood in Washington, \$56,000 a year.

Well, it so happens that one of Mr. Roosevelt's concerns is just how to get the country into a war psychology. It has been his concern for a long time. Horrible Harold Ickes, as he is referred to in Washington, took the matter up with the President when, shortly after the last Presidential campaign, he went with him on the Caribbean trip. Mr. Roosevelt agreed that something had to be done. He delegated his crusading vice president, Henry Wallace, to work out a plan. Ickes was also told to work out a plan.

Both men went eagerly about their work but were quite provoked when their handiwork was turned over to Lowell Mellett, one of the President's "anonymous" aides whose job, in the public mind, was to deal with propoganda, but whom, according to a recent magazine article apparently despises propoganda and believes that the truth will prevail if just let alone. This is a philosophy he got from the slogan of the Scripps-Howard newspapers for whom he was an editor for so long. The slogan is to the effect that if you give the people light they will find the way. Mellett apparently really believed this slogan. Anyway, he didn't do anything about the plans submitted by Wallace and Ickes for making the people war conscious.

Ickes finally got impatient and hit upon his gas shortage  
(Continued on page 128)

## TO OUR READERS:

The changes that have been made in the Financial Chronicle are those of form, rather than of content. All material that has been appearing heretofore in the old Chronicle has been carried over, almost completely, into the new publication. Readers will find the same features and editorials, the same corporation and municipal news, the same stock and bond market quotations and essential statistical data.

To this basic editorial content we have added new features and special departments to make the Financial Chronicle more interesting and more helpful. More than a dozen new correspondents and special writers have been added to our staff to make this possible. However, the same conservative editorial policy that has always characterized the Financial Chronicle will be continued.

To help those subscribers who have been binding their copies of the Financial Chronicle, we bound a three months' supply of blank pages. The resulting volume is only slightly larger than our old bound copies of the Chronicle, less than two inches higher and three inches deeper. The new bound volumes will, of course, be a great deal thinner. This will make them easier to handle. The paper used in the new Financial Chronicle was selected for its strength and durability, and because it will not turn yellow or crumble along the edges.

It is unfortunate, particularly at this time, that our publishing schedule has been held up due to the unreasonable demands of labor unions. There is no disagreement about wages, hours or working conditions, but dictatorial labor union officials have made demands that are absolutely unreasonable. We are, however, carrying on under these adverse circumstances and we ask the indulgence of our subscribers for any temporary inconvenience caused by this situation.

Familiar paths are always easy to follow. We feel confident, however, that our readers, after acquainting themselves with the additions and improvements that have been made in the Financial Chronicle, will find it even more interesting and helpful than it has ever been in the past.

## GENERAL CONTENTS

### Editorials

|                                      |     |
|--------------------------------------|-----|
| As Was Inevitable                    | 113 |
| The Government Attacks Itself        | 121 |
| U. S. Latin American Trade Relations | 121 |

### Regular Features

|                                   |     |
|-----------------------------------|-----|
| From Washington Ahead of the News | 113 |
| Legal Oddities                    | 128 |
| On the Foreign Front              | 125 |

### State of Trade

|  |     |
|--|-----|
| Weekly Review                                | 114 |
| Coal and Coke Output                         | 120 |
| Commodity Prices — World Index               | 114 |
| Crude Oil Production—Week 117                |     |
| Electricity Output                           | 120 |
| Engineering Construction Contracts in August | 119 |
| Iron and Steel Operations—Weekly Review      | 118 |
| Non-ferrous Metal Market Review              | 120 |
| Railroad Car Loadings                        | 115 |

### National

|  |          |
|--|----------|
| Tax Bill Passes Senate   | 113      |
| Consumer Credit  | 124, 126 |
| Defense and European War—Morgenthau, Secretary, warns of inflation | 127      |
| Roosevelt, Pres. F. D., warns Axis                                 | 113      |

# The State Of Trade

Business activity shows little or no let-down from its recent high levels. Steel operations continue to expand; electric power output continues substantially higher than last year; Engineering construction awards totaled \$90,014,000, an increase of 18 per cent. over the volume for the corresponding 1940 week. Retail trade news continued to reflect larger pay rolls and the buying of consumers who anticipate difficulties later in obtaining certain supplies. Retail trade felt the stimulus of back to school demand, and volume was 23 to 28 per cent higher than in the same week last year, according to Dun & Bradstreet, Inc.

However, the retail trade boom which reached its peak in August as publicity of the silk shortage set off a general buying wave, is now falling back to more normal levels, according to figures released recently by the Federal Reserve Board of New York. The peak of retail buying was attained during the week ended August 9th, when the increase reached 47 per cent over the same week last year.

Inflation appears to be occupying the spot light more and more. Hence the rush for commodities, which is assuming dangerous proportions. This is reflected clearly in the soaring commodity markets. It is generally realized that no matter what difficulties may be presented through a possible intensification of submarine warfare, this country is going to increase its exports of staples to Great Britain, Russia and China.

A record 1942 food output is set by the Government to meet British and domestic needs. Sharply increased production of various foodstuffs to fill British import requirements and to forestall possible domestic shortages is planned in the 1942 farm program announced recently by Secretary of Agriculture Wickard.

The new program is featured by production goals on all essential agricultural products and by a price guarantee of 85 per cent of parity on the protective foodstuffs. Hitherto, production goals have been set only on the major crops and with a view generally toward restricting output.

An interesting item is the statement of Secretary of the Treasury Morgenthau in a recent address before the Advertising Club of Boston, in which he urged selling of farm surplus in order to curb inflation, which he said was already under way. He stated: "this has been historically a land of milk and honey. There is still plenty of milk and honey, but too much of it is in the warehouses. Let's make it flow. If we were to let it flow to the public, we would not only help in keeping prices stable, but we would be doing something even more important; we would be helping to make our people healthier and happier." He states further: "it is sheer folly from the farmer's point of view to push prices up by creating scarcities in times like these. The farmers suffered cruelly for twelve long years after the collapse of the inflation of 1920 and 1921; they should not be made to suffer again."

The force of defense spending is being felt in the Middle West as more projects are placed in this area. In these sections a new prosperity is evident, but it does not favorably affect the areas away from new construction. However, the relatively moist summer and the prospect for fall crops, with abundant pastures, have given an impetus to farm sections. The producers with all their various Federal payments are receiving parity, so long desired, and in consequence are finding the going easier.

The European war, national defense and the fear of inflation are causing a boom in farm sales. A study of farm realty agencies made by the Northwestern National Insurance Company reveals that farms are selling faster than at any time since the depression.

## Aid To Poland

President Roosevelt announced on Sept. 4 that he had authorized the transfer of various defense articles to the Government of Poland under the Lend-Lease Act and declared that the gallant resistance of the forces of the Government of Poland is "vital to the defense of the United States." This action, the President said, demonstrates our intention to give material support to "the fighting determination of the Polish people to establish once again the independence of which they were so inhumanly deprived."

The White House Statement issued Sept. 4 also said that Polish troops are now training in Canada for action overseas,

under the President's order, machine guns, sub-machine guns, rifles, artillery equipment, trucks and other supplies will be sent to these troops in the near future.

The President stressed the importance of this new aid to the Government of Poland as a continuing expression of "the policy of the United States to extend aid to all who resist aggression."

## Hennessy In Boston

(Special to The Financial Chronicle)  
BOSTON, MASS. — William A. Hennessy has formed W. A. Hennessy & Co. with offices at 24 Federal Street, to engage in a general securities business. Associated with the firm will be Charles J. Thornton.

# Commodity Prices Continue To Rise

The weekly wholesale commodity price index compiled by The National Fertilizer Association, issued September 8, registered its ninth consecutive advance. In the week ended September 6 this index rose to 115.8 per cent of the 1935-1939 average. It was 115.3 in the preceding week, 113.3 a month ago, and 97.4 a year ago.

The farm product price index rose to the highest point recorded since the first week of August, 1937. Cotton was again higher during the week, and grain prices moved upward. A drop in the price of eggs counterbalanced continued advances in livestock quotations, causing the livestock index to remain unchanged. The food price average was only fractionally higher as declines in eggs, and some meats nearly offset advances in other commodities included in the group. Although increasing prices for cotton, cotton goods, wool, and burlap were responsible for another rise in the textile index, this group average is still below the levels reached in August. The only other price changes recorded during the week were in the miscellaneous commodity average. This index rose slightly as a result of higher cattle feed quotations; the price of rubber declined.

During the week 34 price series included in the index advanced and 8 declined; in the preceding week there were also 34 advances and 8 declines; in the second preceding week there were 41 advances and 17 declines.

WEEKLY WHOLESALE COMMODITY PRICE INDEX  
Compiled by The National Fertilizer Association  
1935-1939 = 100\*

| % Each Group Bears to the Total Index | Group                     | Latest Sept. 6, 1941 | Preceding Week Aug. 30, 1941 | Month Ago Aug. 2, 1941 | Year Ago Sept. 7, 1940 |
|---------------------------------------|---------------------------|----------------------|------------------------------|------------------------|------------------------|
| 25.3                                  | Foods                     | 122.6                | 112.5                        | 107.8                  | 92.9                   |
|                                       | Fats and Oils             | 125.5                | 122.0                        | 117.5                  | 97.0                   |
|                                       | Cottonseed Oil            | 150.7                | 143.6                        | 133.4                  | 66.9                   |
| 23.0                                  | Farm Products             | 119.6                | 118.3                        | 114.7                  | 87.4                   |
|                                       | Cotton                    | 162.3                | 156.9                        | 150.0                  | 83.8                   |
|                                       | Grains                    | 108.5                | 105.2                        | 97.9                   | 80.8                   |
|                                       | Livestock                 | 114.2                | 114.2                        | 111.9                  | 87.8                   |
| 17.3                                  | Fuels                     | 110.6                | 110.6                        | 110.4                  | 101.9                  |
| 10.8                                  | Miscellaneous Commodities | 124.6                | 124.4                        | 121.6                  | 109.1                  |
| 8.2                                   | Textiles                  | 133.0                | 136.9                        | 139.3                  | 102.5                  |
| 7.1                                   | Metals                    | 103.8                | 103.8                        | 103.9                  | 101.7                  |
| 6.1                                   | Building Materials        | 119.5                | 119.5                        | 118.5                  | 104.8                  |
| 1.3                                   | Chemicals and Drugs       | 106.3                | 106.3                        | 105.7                  | 103.7                  |
| .3                                    | Fertilizer Materials      | 112.7                | 112.7                        | 112.3                  | 102.0                  |
| .3                                    | Fertilizers               | 107.1                | 107.1                        | 106.4                  | 103.0                  |
| .3                                    | Farm Machinery            | 99.3                 | 99.3                         | 99.3                   | 99.3                   |
| 100.0                                 | All Groups Combined       | 115.8                | 115.3                        | 113.3                  | 97.4                   |

\*Base period changed January 4 from 1926-1928; average to 1935-1939 average as 100. Indexes on 1926-1928 base were: Sept. 6, 1941, 90.2; Aug. 30, 1941, 89.3; Sept. 7, 1940, 75.9.

# World Prices Steady

General Motors Corp. and Cornell University, which prior to the European war had collaborated in the publication of a world commodity price index, have resumed issuance of international price statistics, but on a different basis than before the war. Instead of a composite index of world prices, these organizations now are publishing the information only as individual country indexes.

The index is built upon 40 basic commodities and the list is the same for each country in so far as possible. Each commodity is weighted uniformly for each country, according to its relative importance in world production. The actual price data are collected weekly by General Motors overseas operations from sources described as "the most responsible agencies available in each country, usually a government department." The commodities involved include "a comprehensive list of several groups, including grains, livestock and livestock products, miscellaneous foods (coffee, cocoa, tea, sugar, &c.), textiles, fuels, metals and a list of other miscellaneous materials (rubber, hides, lumber, newsprint, linseed oil, &c.)." Weights assigned in the index to the different commodity groups are as follows: Grains, 20; livestock and livestock products, 19; vegetable fats and other foods, 9; textiles, 12; fuel, 11; metals, 11; miscellaneous, 18.

The indexes, which are based on prices expressed in the currency of each country, were reported Sept. 8 as follows:

|                    | Argentina | Australia | Canada | England | India | Japan | Mexico | New Zealand | Sweden | Switzerland | United States |
|--------------------|-----------|-----------|--------|---------|-------|-------|--------|-------------|--------|-------------|---------------|
| (August, 1939=100) |           |           |        |         |       |       |        |             |        |             |               |
| 1940—              |           |           |        |         |       |       |        |             |        |             |               |
| May                | 120       | 118       | 120    | 143     | 116   | 113   | 112    | 131         | 132    | 112         |               |
| June               | 118       | 118       | 120    | 144     | 116   | 113   | 114    | 131         | 136    | 109         |               |
| July               | 118       | 118       | 120    | 145     | 115   | 112   | 114    | 132         | 140    | 109         |               |
| August             | 118       | 119       | 120    | 145     | 115   | 111   | 120    | 132         | 144    | 109         |               |
| September          | 116       | 120       | 121    | 145     | 116   | 110   | 122    | 135         | 153    | 111         |               |
| October            | 113       | 123       | 122    | 145     | 117   | 110   | 120    | 139         | 158    | 114         |               |
| November           | 113       | 125       | 124    | 146     | 118   | 111   | 118    | 142         | 164    | 118         |               |
| December           | 113       | 126       | 126    | 149     | 120   | 111   | 119    | 144         | 168    | 118         |               |
| 1941—              |           |           |        |         |       |       |        |             |        |             |               |
| January            | 114       | 127       | 126    | 150     | 120   | 111   | 119    | 144         | 172    | 120         |               |
| February           | 114       | 126       | 127    | 150     | 121   | 113   | 119    | 147         | 171    | 120         |               |
| March              | 119       | 122       | 129    | 150     | 123   | 114   | 119    | 154         | 176    | 122         |               |
| April              | 121       | 121       | 131    | 150     | 125   | 115   | 119    | 156         | 180    | 125         |               |
| May                | 126       | 120       | 134    | 152     | 129   | 117   | 120    | 156         | 189    | 129         |               |
| June               | 133       | 121       | 137    | 155     | 131   | 119   | 121    | 155         | 193    | 132         |               |
| July               | 136       | 120       | 142    | 158     | 137   | 123   | 123    | 156         | 194    | 137         |               |
| 1941—              |           |           |        |         |       |       |        |             |        |             |               |
| Weeks end:         |           |           |        |         |       |       |        |             |        |             |               |
| July 5             | 133       | 121       | 139    | 155     | 134   | 123   | 121    | 154         | 194    | 135         |               |
| July 12            | 133       | 121       | 141    | 156     | 136   | 126   | 121    | 156         | 194    | 137         |               |
| July 19            | 133       | 121       | 141    | 156     | 136   | 126   | 122    | 155         | 194    | 136         |               |
| July 26            | 133       | 120       | 143    | 157     | 137   | 126   | 124    | 155         | 194    | 137         |               |
| Aug. 2             | 135       | 120       | 142    | 157     | 138   | 127   | 123    | 156         | 194    | 137         |               |
| Aug. 9             | 136       | 120       | 142    | 158     | 137   | 123   | 123    | 156         | 194    | 137         |               |
| Aug. 16            | 137       | 120       | 142    | 157     | 138   | 127   | 123    | 156         | 194    | 137         |               |
| Aug. 23            | 138       | 121       | 143    | 157     | 139   | 128   | 123    | 156         | 194    | 139         |               |
| Aug. 30            | 138       | 121       | 143    | 157     | 138   | 127   | 123    | 156         | 194    | 140         |               |

\* Preliminary. † Revised

## AIB Registration Period

The registration period for the Fall semester of the New York Chapter of the American Institute of Banking will extend from Sept. 15 through Sept. 19, with classes resuming on Sept. 22. The Chapter, a section of the American Bankers Association, is a professional association, the primary aim of which is to further the

educational development of the bank men and women of New York City and vicinity. The educational courses, covering the needs of those engaged in the banking profession and the related fields of investment and finance, are offered by the Chapter in cooperation with Columbia University, thus assuring academic standards in the conduct of the work.

# Grain Storage Space 85% Occupied Sept 1

Grain in commercial storage at 40 terminal markets reporting to the Department of Agriculture's Marketing Service increased nearly 6% during August, it was announced on Sept. 4. About 85% of the available commercial space was occupied Sept. 1 compared with 80% a month earlier. This does not include private storage in mills and processing plants at these points. Commercial stocks, including all kinds of domestic and foreign grain totaled 376,729,000 bushels Sept. 1, while the total commercial storage space was placed at approximately 450,000,000 bushels. The Department's announcement also stated.

The greatest increase in stocks during August was at the spring wheat markets of Minneapolis and Duluth-Superior. At these points the 97 million bushels in store September 1 occupied nearly 86% of the available commercial storage space. Stocks continued to increase in the principal winter wheat markets. Approximately 96% of the space was filled September 1 in West Central and Southwestern markets and 90% in the East Central group. About 87% of the available space was occupied in the Lower Lake markets, compared with 80% a month earlier. Little change occurred in Atlantic Coast and Gulf markets where 74 and 82 percent, respectively, of the commercial space was occupied August 1 and also September 1.

The transfer of grain storage space at San Francisco to other uses reduced the space available for grain material in Pacific Coast markets. With an increase in stocks during August to about 12 million bushels, slightly over 75% of the space was occupied at the close of the month. This compares with 36% occupancy on August 1.

## National Banks

The following information is from the office of the Comptroller of the Currency, Treasury Department:

Common Capital Stock Increased August 30 — The Lubbock National Bank, Lubbock, Texas. From \$200,000 to \$300,000. Amt. of increase \$100,000.

Change of Location and Title August 30 — Location of "The First National Bank of Piper City," Piper City, County of Ford, Ill., changed to Gibson City; County of Ford, Ill., and title changed to "First National Bank in Gibson City."

Branch Authorized September 5 — The National Sawmill Bank of Boston, Boston, Mass. Location of branch: 577-589 Columbia Road, Dorchester, Boston, Massachusetts.

Certificate No. 1530A.

## Biddle Sworn In

Francis Biddle took the oath of office as Attorney General on Sept. 5 before President Roosevelt and other Government officials. The Senate confirmed the appointment earlier the same day (Sept. 5). Robert H. Jackson, Associate Justice of the Supreme Court, who is Mr. Biddle's predecessor, administered the oath in a brief ceremony in the President's office in the White House. Among those present besides the President were Secretary of State Cordell Hull and Secretary of Commerce Jesse Jones. Mr. Biddle had previously been Solicitor General, having served in this post since January, 1940. The President's nomination of Mr. Biddle on Aug. 25 was reported in these columns Aug. 30, page 1219.

## Revenue Freight Car Loadings During Week Ended Aug. 30, 1941 Mounts to 912,720 Cars

Loading of revenue freight for the week ended Aug. 30 totaled 912,720 cars, the Association of American Railroads announced on Sept. 5. This was an increase of 143,945 cars or 18.7% above the corresponding week in 1940, and an increase of 196,323 cars or 27.4% above the same week in 1939.

Loading of revenue freight for the week of August 30 was an increase of 12,970 cars or 1.4% above the preceding week.

Miscellaneous freight loading totaled 390,305 cars, an increase of 13,391 cars above the preceding week, and an increase of 86,641 cars above the corresponding week in 1940.

Loading of merchandise less than carload lot freight totaled 158,311 cars an increase of 1,209 cars above the preceding week, and an increase of 4,651 cars above the corresponding week in 1940.

Coal loading amounted to 170,338 cars, an increase of 685 cars above the preceding week, and an increase of 31,910 cars above the corresponding week in 1940.

Grain and grain products loading totaled 43,536 cars, a decrease of 89 cars below the preceding week, but an increase of 6,203 cars above the corresponding week in 1940. In the Western Districts alone, grain and grain products loading for the week of August 30 totaled 29,601 cars, a decrease of 1,124 cars below the preceding week, but an increase of 6,115 cars above the corresponding week in 1940.

Live stock loading amounted to 12,462 cars, an increase of 449 cars above the preceding week, but a decrease of 3,706 cars below the corresponding week in 1940. In the Western Districts alone, loading of live stock for the week of August 30 totaled 9,225 cars, an increase of 351 cars above the preceding week, but a decrease of 3,154 cars below the corresponding week in 1940.

Forest products loading totaled 47,750 cars, a decrease of 2,695 cars below the preceding week, but an increase of 9,113 cars above the corresponding week in 1940.

Ore loading amounted to 76,548 cars, a decrease of 471 cars below the preceding week, but an increase of 7,258 cars above the corresponding week in 1940.

Coke loading amounted to 13,470 cars, an increase of 491 cars above the preceding week, and an increase of 1,875 cars above the corresponding week in 1940.

All districts reported increases compared with the corresponding weeks in 1940 and 1939.

|                     | 1941              | 1940              | 1939              |
|---------------------|-------------------|-------------------|-------------------|
| 4 weeks of January  | 2,740,095         | 2,557,735         | 2,288,730         |
| 4 weeks of February | 2,824,188         | 2,488,879         | 2,282,866         |
| 5 weeks of March    | 3,817,918         | 3,123,916         | 2,976,655         |
| 4 weeks of April    | 2,795,563         | 2,435,212         | 2,225,188         |
| 5 weeks of May      | 4,160,527         | 3,351,840         | 2,926,408         |
| 4 weeks of June     | 3,510,137         | 2,896,953         | 2,563,953         |
| 4 weeks of July     | 3,413,427         | 2,822,450         | 2,532,236         |
| Week of August 2    | 883,065           | 717,927           | 656,553           |
| Week of August 9    | 878,549           | 727,073           | 661,023           |
| Week of August 16   | 890,374           | 743,050           | 669,793           |
| Week of August 23   | 899,750           | 761,108           | 683,906           |
| Week of August 30   | 912,720           | 768,775           | 716,397           |
| <b>Total</b>        | <b>27,724,313</b> | <b>23,454,918</b> | <b>21,183,708</b> |

The following table is a summary of the freight loadings for the separate railroads and systems for the week ended Aug. 30, 1941. During this period 115 roads showed increases when compared with the same week last year.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS)—WEEK ENDED AUG. 30

| Railroads                          | Total Revenue Freight Loaded |                |                | Total Loads Received from Connections |                |
|------------------------------------|------------------------------|----------------|----------------|---------------------------------------|----------------|
|                                    | 1941                         | 1940           | 1939           | 1941                                  | 1940           |
| <b>Eastern District—</b>           |                              |                |                |                                       |                |
| Ann Arbor                          | 597                          | 629            | 644            | 1,425                                 | 1,290          |
| Bangor & Aroostook                 | 988                          | 776            | 833            | 263                                   | 203            |
| Boston & Maine                     | 9,403                        | 7,627          | 7,708          | 13,589                                | 8,672          |
| Chicago, Indianapolis & Louisville | 1,838                        | 1,433          | 1,674          | 2,490                                 | 2,193          |
| Central Indiana                    | 17                           | 19             | 37             | 69                                    | 51             |
| Central Vermont                    | 1,609                        | 1,295          | 1,313          | 2,620                                 | 2,110          |
| Delaware & Hudson                  | 7,348                        | 5,313          | 5,321          | 10,673                                | 7,475          |
| Delaware, Lackawanna & Western     | 10,403                       | 8,050          | 8,946          | 8,571                                 | 7,210          |
| Detroit & Mackinac                 | 373                          | 380            | 398            | 101                                   | 131            |
| Detroit, Toledo & Ironton          | 2,349                        | 1,795          | 1,629          | 1,310                                 | 1,101          |
| Detroit & Toledo Shore Line        | 366                          | 274            | 272            | 3,698                                 | 3,060          |
| Erie                               | 15,933                       | 12,775         | 13,041         | 15,586                                | 13,516         |
| Grand Trunk Western                | 4,973                        | 4,706          | 4,084          | 8,960                                 | 7,461          |
| Lehigh & Hudson River              | 174                          | 140            | 192            | 2,671                                 | 2,115          |
| Lehigh & New England               | 2,094                        | 1,621          | 1,591          | 1,940                                 | 1,332          |
| Lehigh Valley                      | 10,513                       | 8,708          | 8,724          | 10,308                                | 6,308          |
| Maine Central                      | 3,542                        | 2,690          | 2,593          | 2,566                                 | 1,903          |
| Monongahela                        | 6,449                        | 5,161          | 3,345          | 374                                   | 229            |
| Montour                            | 2,460                        | 2,347          | 2,176          | 67                                    | 25             |
| New York Central Lines             | 53,269                       | 43,575         | 40,677         | 50,850                                | 42,340         |
| N. Y., N. H. & Hartford            | 12,266                       | 10,256         | 9,731          | 16,171                                | 11,638         |
| New York, Ontario & Western        | 1,273                        | 1,204          | 965            | 2,405                                 | 1,800          |
| N. Y., Chicago & St. Louis         | 7,233                        | 5,914          | 6,020          | 14,241                                | 10,388         |
| N. Y., Susquehanna & Western       | 412                          | 328            | 390            | 1,623                                 | 1,163          |
| Pittsburgh & Lake Erie             | 8,992                        | 8,080          | 5,695          | 8,408                                 | 7,470          |
| Pere Marquette                     | 6,202                        | 5,929          | 5,348          | 6,552                                 | 5,346          |
| Pittsburgh & Shawmut               | 751                          | 882            | 396            | 45                                    | 77             |
| Pittsburgh, Shawmut & North        | 441                          | 418            | 349            | 266                                   | 246            |
| Pittsburgh & West Virginia         | 1,012                        | 880            | 850            | 2,593                                 | 1,910          |
| Rutland                            | 606                          | 724            | 629            | 1,242                                 | 1,000          |
| Wabash                             | 6,486                        | 5,362          | 5,390          | 10,447                                | 8,740          |
| Wheeling & Lake Erie               | 6,091                        | 4,398          | 4,473          | 4,365                                 | 3,457          |
| <b>Total</b>                       | <b>186,463</b>               | <b>153,689</b> | <b>145,444</b> | <b>206,589</b>                        | <b>162,360</b> |
| <b>Allegheny District—</b>         |                              |                |                |                                       |                |
| Akron, Canton & Youngstown         | 761                          | 541            | 447            | 1,108                                 | 918            |
| Baltimore & Ohio                   | 44,052                       | 34,932         | 31,572         | 22,134                                | 18,230         |
| Bessemer & Lake Erie               | 7,284                        | 6,268          | 4,670          | 2,201                                 | 2,676          |
| Buffalo Creek & Gauley             | 312                          | 343            | 298            | 0                                     | 1              |
| Cambria & Indiana                  | 1,944                        | 1,502          | 1,474          | 24                                    | 39             |
| Central R.R. of New Jersey         | 9,013                        | 6,464          | 5,922          | 16,358                                | 11,477         |
| Cornwall                           | 675                          | 672            | 661            | 80                                    | 52             |
| Cumberland & Pennsylvania          | 196                          | 200            | 214            | 26                                    | 37             |
| Ligonier Valley                    | 117                          | 127            | 84             | 38                                    | 48             |
| Long Island                        | 557                          | 770            | 567            | 3,028                                 | 2,595          |
| Penn-Reading Seashore Lines        | 2,307                        | 1,536          | 1,651          | 2,126                                 | 1,660          |
| Pennsylvania System                | 93,898                       | 71,497         | 62,157         | 59,777                                | 44,375         |
| Reading Co.                        | 17,278                       | 15,000         | 12,889         | 23,469                                | 17,350         |
| Union (Pittsburgh)                 | 19,678                       | 19,513         | 11,750         | 6,759                                 | 6,059          |
| Western Maryland                   | 4,226                        | 3,464          | 3,439          | 9,095                                 | 6,970          |
| <b>Total</b>                       | <b>202,796</b>               | <b>162,829</b> | <b>137,795</b> | <b>146,223</b>                        | <b>112,487</b> |
| <b>Peachontas District—</b>        |                              |                |                |                                       |                |
| Chesapeake & Ohio                  | 29,233                       | 25,846         | 25,562         | 13,445                                | 10,991         |
| Norfolk & Western                  | 24,869                       | 22,142         | 20,671         | 6,138                                 | 5,039          |
| Virginian                          | 4,931                        | 4,265          | 4,513          | 1,838                                 | 1,357          |
| <b>Total</b>                       | <b>59,033</b>                | <b>52,253</b>  | <b>50,746</b>  | <b>21,421</b>                         | <b>17,387</b>  |

## Petroleum And Its Products

The plans of the petroleum industry and the Office of the Petroleum Coordinator for an immediate start on the construction of the \$80,000,000 defense pipeline from Texas to the New York-Philadelphia refining area came to a sudden halt on September 9 when the Supply, Priorities and Allocations Board rejected Petroleum Coordinator Ickes' request for high priorities.

On 480,000 to 700,000 tons of steel plates on the ground that steel supplies are too limited at present to permit the diversion of such amounts for the construction of a pipeline. Use of seamless tubing for the pipeline as a substitute for the steel plates is being discussed, but this question will not be settled until next week probably.

The pipeline, which was to have been built by eleven major oil companies by an industry-financed National Defense Pipelines, Inc., had the backing of the Petroleum Coordinator, of President Roosevelt, of the War and Navy Departments, of the Office of Civilian Supply and the

Office of Production Management. In commenting upon the need for the pipelines in his September 9 appearance before the Senate group investigating the shortage of gas and oil on the East Coast, Deputy Oil Coordinator Davies pointed out that the President and the key defense agencies backing the proposed pipeline did so "because we need them desperately for national defense in order that the most populous area in the United States, with its extreme concentration of industry, would not have to depend for its life blood upon a tenuous 2,000-mile line of ocean tankers, exposed to attack by torpedoes and bombs, which

would require incessant patrol and movement by convoy. Nor would it be dependent, as an alternative, upon easily disrupted railroad movement with jammed yards and ponderous burdens in time of war."

The action of the SPAB in refusing high priorities in order to make the needed steel available immediately for a start on the pipeline means that it cannot now possibly be completed in the spring of 1942, as had been planned, and probably now will not be finished until mid-1943. Since neither Mr. Ickes nor Mr. Davies attended the SPAB meeting, there was no passing upon the question of the pipeline itself, merely the ruling that steel needs for other defense industries were of more importance at the present time in view of the short supplies that the pipeline supplies sought. Even should the SPAB approve any plan to build the giant pipeline with seamless tubes, construction would be held down in order that there would be no interference in the construction of shell casings. Two witnesses before the Senate committee investigating the East Coast shortage—Admiral Land, of the Maritime Commission, and J. J. Pelley, President of the American Association of Railroads—had opposed the pipelines on the ground that their respective industries were in need of steel.

The climax of a series of highly contradictory witnesses before the Senate committee came on September 9 when Senator Maloney, Chairman, sought unsuccessfully to force Deputy Oil Coordinator Davies to admit that there actually was no shortage on the East Coast. Starting with an original shortage of 300,000 barrels a day after the original diversion of tankers to Great Britain, Chairman Maloney deduced all of the possible gains in substitute forms of transportation to the East Coast that he could gather from Mr. Davies and wound up with a "surplus" of 80,000 barrels. The Senator counted full utilization of 20,000 additional tank cars in the East Coast area, a 60,000-barrel daily saving from drivers' economies and other figures which oil men regarded at best as highly conjectural. Despite Mr. Davies' insistence that he could not pare his estimate of the daily shortage for the balance of the year below 174,000 barrels, Senator Maloney said "I think that the oil shortage is over on the basis of the hearings to date," adding "I think it is over to the extent that the facilities (for transportation) are available."

And the transportation question was not one of those settled by the Senate group. During the testimony of Mr. Pelley, Mr. Budd, defense transportation expert, C. F. Dowd, Senator Sheridan Downey, of California and Mr. Davies, the Senate heard widely conflicting claims about the number of surplus tank cars available for movement of crude and refined petroleum products in the shortage-stricken East Coast area. About the only definite thing that developed as a result of the airing of the tank car situation was a reduced oil rate traffic schedule which lowered gasoline, fuel and heating oils by 25 per cent and set crude oil rates on a basis of 13 per cent of first class rates, which meant reductions as high as 50 per cent in some instances. The new rates, filed with the ICC on September 9, probably will go into effect within a week and will be effective until December 31, 1942, unless cancelled.

J. J. Pelley, President of the Association of American Railroads, told the Senate committee on September 3 that there were 20,000 idle railroad tank cars that could move from 6,000,000 to 8,000,000 barrels of crude oil

| Railroads                        | Total Revenue Freight Loaded |                |                | Total Loads Received from Connections |               |
|----------------------------------|------------------------------|----------------|----------------|---------------------------------------|---------------|
|                                  | 1941                         | 1940           | 1939           | 1941                                  | 1940          |
| <b>Southern District—</b>        |                              |                |                |                                       |               |
| Alabama, Tennessee & Northern    | 450                          | 249            | 265            | 289                                   | 265           |
| Atl. & W. P.—W. R.R. of Ala.     | 912                          | 770            | 787            | 1,825                                 | 1,521         |
| Atlanta, Birmingham & Coast      | 778                          | 741            | 603            | 1,017                                 | 709           |
| Atlantic Coast Line              | 10,796                       | 9,561          | 9,366          | 6,567                                 | 5,284         |
| Central of Georgia               | 4,955                        | 3,958          | 3,850          | 3,753                                 | 2,733         |
| Charleston & Western Carolina    | 435                          | 442            | 425            | 1,414                                 | 1,206         |
| Clinchfield                      | 1,824                        | 1,407          | 1,373          | 2,747                                 | 2,121         |
| Columbus & Greenville            | 336                          | 205            | 408            | 381                                   | 317           |
| Durham & Southern                | 203                          | 168            | 153            | 451                                   | 586           |
| Florida East Coast               | 426                          | 480            | 393            | 898                                   | 829           |
| Gainsville-Midland               | 35                           | 25             | 31             | 117                                   | 144           |
| Georgia                          | 1,266                        | 1,036          | 1,007          | 1,773                                 | 1,639         |
| Georgia & Florida                | 345                          | 469            | 291            | 577                                   | 410           |
| Gulf, Mobile & Ohio              | 4,365                        | 3,297          | x1,782         | 3,595                                 | 3,316         |
| Illinois Central System          | 27,371                       | 21,447         | 22,376         | 16,266                                | 11,127        |
| Louisville & Nashville           | 26,142                       | 22,749         | 22,724         | 8,357                                 | 5,623         |
| Macon, Dublin & Savannah         | 214                          | 131            | 114            | 676                                   | 534           |
| Mississippi Central              | 232                          | 129            | 225            | 390                                   | 231           |
| Nashville, Chattanooga & St. L.  | 3,400                        | 3,002          | 2,832          | 3,110                                 | 2,699         |
| Norfolk Southern                 | 1,461                        | 1,084          | 1,236          | 1,637                                 | 1,311         |
| Piedmont Northern                | 470                          | 434            | 397            | 1,375                                 | 1,140         |
| Richmond Fred. & Potomac         | 447                          | 371            | 344            | 5,204                                 | 3,419         |
| Seaboard Air Line                | 9,639                        | 9,039          | 7,759          | 5,907                                 | 4,692         |
| Southern System                  | 25,037                       | 21,664         | 20,448         | 18,743                                | 14,867        |
| Tennessee Central                | 580                          | 431            | 441            | 681                                   | 686           |
| Winston-Salem Southbound         | 148                          | 164            | 158            | 1,158                                 | 1,056         |
| <b>Total</b>                     | <b>122,167</b>               | <b>103,451</b> | <b>101,519</b> | <b>88,968</b>                         | <b>68,461</b> |
| <b>Northwestern District—</b>    |                              |                |                |                                       |               |
| Chicago & North Western          | 23,270                       | 20,922         | 19,206         | 14,297                                | 10,931        |
| Chicago Great Western            | 3,218                        | 2,504          | 2,582          | 3,420                                 | 3,065         |
| Chicago, Milw., St. P. & Pac.    | 25,299                       | 20,902         | 20,994         | 11,569                                | 9,384         |
| Chicago, St. P., Minn. & Omaha   | 4,587                        | 4,237          | 4,498          | 4,706                                 | 3,878         |
| Duluth, Missabe & Iron Range     | 24,658                       | 20,707         | 14,277         | 319                                   | 255           |
| Duluth, South Shore & Atlantic   | 1,737                        | 902            | 1,108          | 499                                   | 570           |
| Elgin, Joliet & Eastern          | 11,038                       | 9,695          | 7,072          | 9,238                                 | 6,377         |
| Ft. Dodge, Des Moines & South    | 679                          | 576            | 412            | 184                                   | 204           |
| Great Northern                   | 26,143                       | 24,506         | 21,776         | 4,469                                 | 3,438         |
| Green Bay & Western              | 680                          | 516            | 634            | 790                                   | 620           |
| Lake Superior & Ishpeming        | 3,287                        | 3,619          | 3,623          | 102                                   | 63            |
| Minneapolis & St. Louis          | 2,262                        | 1,851          | 1,921          | 2,458                                 | 2,041         |
| Minn., St. Paul & S. S. M.       | 8,325                        | 7,918          | 8,289          | 3,506                                 | 3,012         |
| Northern Pacific                 | 13,386                       | 11,244         | 11,101         | 5,150                                 | 3,923         |
| Spokane International            | 214                          | 351            | 307            | 362                                   | 327           |
| Spokane, Portland & Seattle      | 2,672                        | 2,005          | 1,560          | 2,742                                 | 1,889         |
| <b>Total</b>                     | <b>151,655</b>               | <b>132,455</b> | <b>119,340</b> | <b>63,812</b>                         | <b>49,982</b> |
| <b>Central Western District—</b> |                              |                |                |                                       |               |
| Atch. Top. & Santa Fe System     | 22,380                       | 20,018         | 20,116         | 9,106                                 | 5,895         |
| Alton                            | 3,485                        | 3,029          | 2,936          | 2,902                                 | 2,324         |
| Bingham & Garfield               | 669                          | 610            | 382            | 81                                    | 82            |
| Chicago, Burlington & Quincy     | 18,726                       | 15,146         | 15,300         | 11,068                                | 6,670         |
| Chicago & Illinois Midland       | 2,316                        | 2,208          | 1,639          | 986                                   | 739           |
| Chicago, Rock Island & Pacific   | 14,518                       | 12,576         | 12,304         | 11,745                                | 9,315         |
| Chicago & Eastern Illinois       | 3,163                        | 2,672          | 2,669          | 3,301                                 | 2,722         |
| Colorado & Southern              | 838                          | 692            | 800            | 1,470                                 | 1,336         |
| Denver & Rio Grande Western      | 5,023                        | 3,911          | 3,933          | 4,385                                 | 3,156         |
| Denver & Salt Lake               | 816                          | 805            | 742            | 26                                    | 31            |
| Fort Worth & Denver City         | 1,181                        | 975            | 945            | 1,298                                 | 981           |
| Illinois Terminal                | 2,110                        | 1,680          | 1,936          | 2,315                                 | 1,670         |
| Missouri-Illinois                | 1,119                        | 974            | 1,279          | 814                                   | 497           |
| Nevada Northern                  | 2,050                        | 1,943          | 1,652          | 115                                   | 130           |
| North Western Pacific            | 1,267                        | 879            | 753            | 558                                   | 474           |
| Peoria & Pekin Union             | 15                           | 10             | 16             | 0                                     | 0             |
| Southern Pacific (Pacific)       | 3                            |                |                |                                       |               |

## Petroleum And Its Products

(Continued from page 115)

monthly in the East Coast. Mr. Pelley told the Maloney committee that the cars were available "at a moment's notice" and disclosed that the American Petroleum Institute had made a survey of the railroad tank car situation last May and had found there were 20,000 surplus cars available. "Within the past week have seen reports of another study of the tank car situation," he added, "This report was made by a man selected by the tank car owners and lessees, and from the results tabulated to date, it is still evident that there is a surplus of some 20,000 tank cars."

In denying that he had had a request from Deputy Petroleum Coordinator Davies for "any information," Mr. Pelley said that he was surprised to read Mr. Davies' statement that "when one pursues the question of idle equipment with railroad people, one finds a tank car to be one of the most elusive things imaginable." Ralph Budd, defense transportation expert, backed up Mr. Pelley's statement on the following day when he testified that there were sufficient tank cars available to move 200,000 barrels of crude oil to the East Coast daily. Mr. Budd came in for sharp questioning from Senator O'Daniel who brought up the question as to whether or not the whole pipeline situation was a "Trojan horse" to cover the construction of a natural gas pipeline from Texas to the New York-Philadelphia area, which Mr. Budd thought unlikely. Following Mr. Budd came a statement from J. Howard Marshall, counsel for the Office of Petroleum Coordination, which formally notified the committee for the records that the Office of Production Management had the authority to enforce rationing of gasoline to individual consumers in the East, should such action become necessary.

C. F. Dowd, oil traffic expert of the Office of Petroleum Coordination, challenged the statements of both Mr. Pelley and Mr. Budd when he testified on September 5 that he questioned whether there were 20,000 railroad tank cars not in use and available to carry oil to the East. In commenting upon Mr. Pelley's statements, Mr. Dowd said that the 20,000 tank car figure "is merely an estimate and I would not accept it as a figure. We hope to know within a few days. Leon Henderson, head of the OPACS, recommended the construction of a network of new pipelines to assure adequate supplies of oil within the nation in the event of attack, saying "you can't sink a pipeline." Regardless of whether more tank cars, sea-going tankers and barges are built, Mr. Henderson contended, more pipelines will have to be built. He added that in his estimation the committee should not recess until the gasoline situation has been cleared up, adding "I am not going to feel comfortable as long as I feel there is going to be a relaxation of the very modest curtailment which still leaves us 12 per cent ahead of last year's consumption."

Further attacks upon Mr. Pelley's claims came on September 8 when Senator Sheridan Downey, of California, charged that Mr. Pelley's estimates of idle cars are based upon "vague and misleading" statements, adding that these figures were the result of a year-old survey and already are out-of-date. "The truth is that we are using 15,000 to 20,000 more tank cars than we were using a year ago," Senator Downey said. "The big step up in oil use has occurred in the last six months. If these 20,000 cars are not there, and Pelley says

they are there, it is a very serious blow to the morale of our defense program." To substantiate his claims that Pelley's statements were misleading, he produced letters and telegrams from California oil companies saying that they could not get any tank cars to move crude or refined products.

With lower rail rates on movements of crude and refined products established as of September 15, and the appointment of R. P. Russell, car service superintendent of the Pennsylvania Railroad as chief of the Office of Petroleum Coordination's rail transportation section, it is now up to the railroads to prove whether or not the 20,000 idle cars actually exist. The oil companies have promised to use all of the available cars to move crude and refined oil into the East Coast areas, the railroads have cooperated by lowering their prices and the PCO has appointed a veteran railroad man to supervise tank car movements, so only time can give the final answer in this case. It must be remembered, however, that even with the rate reductions, movements by rail cost much more than tanker shipments and the Government is holding down prices of gasoline and other products.

Following a speech at the opening session of the Thirty-Eighth Congress in Mexico City by President Manuel Avilax Camacho in which he declared that settlement of long-standing problems between Mexico and the United States was imminent, reports are current in Washington that an early settlement of the oil dispute may be nearby. One report from the Capital indicated that the two governments had arrived at an understanding, which provided for a down payment of approximately \$9,000,000 and further installments, chiefly in oil. This agreement, it was believed, would be presented to the oil companies for their consideration. Thus far, oil companies have not made known their reaction to the reported agreement. Since the bone of contention since the 1938 seizure of the American oil properties under the expropriation decree of the Cardenas Administration has been insistence by the companies of the return of their properties, which definitely is not provided for in the reported agreement, whether or not they will approve the reported setup is problematical.

Other world developments affecting the American petroleum industry included the safe arrival of the three West Coast tankers carrying aviation gasoline to Soviet Russia from California this week. Some uncertainty as to whether the ships would be allowed to proceed to Russia by Japan, which, at the behest of its Axis partner, Nazi Germany, bitterly protested the shipments of war materials to the Soviet Armies, currently locked with the Nazi war machine, from America. However, the strict notice given by both the United States and American governments that any action taken to hamper the movements of the tankers would be considered "unfriendly" apparently paved the way for safe movement of the tankers through the trouble areas.

After having hit a new all-time high of better than 4,000,000 barrels in the previous week, daily average production of crude oil during the week ended September 6 dropped 189,750 barrels to 3,814,950 barrels. The American Petroleum Institute report pointed out this compared with estimated September market demand of 3,960,000 barrels. Texas, with a slump of 196,350 barrels, and Kansas, off nearly 25,000 barrels, offset higher production totals in other States to establish a net loss in crude output during the initial week of September. Stocks of American and foreign crude oil were up 503,000 barrels

during the final week of August, rising to 249,413,000 barrels, the Bureau of Mines reported, after having dropped 2,103,000 barrels during the August 23 period. American stocks were up 291,000, and imported inventories up 212,000 barrels.

There were no crude oil price changes.

### Gasoline Situation

Contending that the closing of filling stations from 7 p. m. to 7 a. m. "is not in the public interest and is not justified as a means of gasoline conservation," Russell E. Singer, general manager of the American Automobile Association, urged the Senator Maloney committee investigating the East Coast oil situation to recommend the discontinuance of the night-time ban upon motor fuel sales in the Eastern area. Stating that none of the resulting savings in operating costs to the stations as a result of the night shutdowns are being passed along to the consumers, Mr. Singer added that "gasoline consumption figures are concrete evidence that the night closing of stations has not had the effect of reducing consumption."

While admitting that dealers are "happy" under the curfew arrangement, and it is cutting consumption of motor fuel 10 to 12 per cent, Benjamin Jacoby, President of the Associated Gas Retailers of Philadelphia, told the Maloney committee that the price standards set for gasoline by Leon Henderson, price administrator, for some 40 cities in the East "do not allow a living profit" in some instances. Mr. Jacoby had announced a week earlier at the meeting of the representatives of approximately 100,000 service stations in the East at Philadelphia that "we have gathered information which proves there is no shortage and that no shortage is impending" and demanded a "complete investigation" by the Federal Government.

Small independent gasoline dealers who have had difficulty in obtaining supplies in the Eastern area have been asked to supply information to the Office of Petroleum Coordination on any difficulties they have had, and also figures on stocks on hand and sales totals, by Deputy Coordinator Davies. While reminding them that there exists shortages on the East Coast because of the transportation bottleneck created by the transfer of tankers to Great Britain, Mr. Davies informed the smaller operators that it is the policy of the PCO that all marketers of petroleum supplies may receive their proportionate share, without discrimination.

An increase of 1/2 cent a gallon in Gulf Coast gasoline prices won the tacit approval of the Office of Price Administration and Civilian Supply on September 5 as Leon Henderson notified Gulf Coast refiners that the government would offer "no objection" to their charging 6 1/2 cents a gallon for regular gasoline. On July 16, the OPACS requested refiners to hold the price at 6 cents, pending a study of costs in that area, which was completed last week. It was indicated, however, that the 6 1/2 cent price for regular gasoline will apply only to motor fuel produced by small refiners, which is normally sold in the Gulf Coast area. It is not expected to apply to the larger refineries producing gasoline for shipment to the East Coast or to serve as basis for East Coast prices. The original 6-cent ceiling drew bitter protests from the small refiners, and it was at their behest that the price study, which resulted in the lifting of the ceiling, was carried out by government officials.

Despite the fact that estimated demand for motor fuel during the current month is substantially above that for September, 1940,

## Reserve Banks Report On Business

Indications of the trend of business in the various Federal Reserve districts is indicated in the following extracts which we give from the "Monthly Review" of the Federal Reserve Districts of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas and San Francisco.

### First (Boston) District

The Federal Reserve Bank of Boston reports in its "Monthly Review" of Sept. 1 that "in New England during July the level of general business activity increased over that which prevailed in June, after allowances had been made for customary seasonal changes, and was considerably higher than in July last year, but the volume of construction contracts awarded in this district was 35.3% less than in June and was 36.3% lower than in July, 1940." The "Review" goes on to say in part:

The sales volume of 117 department stores and apparel shops in New England during July was 22.8% larger than in July, 1940. . . .

The amount of raw cotton consumed during July by mills in New England was 110,080 bales, exceeding the June total of 102,727 bales by 7.2% and the July, 1940, total of 70,592 bales by 55.9%.

In Massachusetts the number of wage-earners employed in 2,037 representative manufacturing establishments during July was 1.5% higher than the number employed in these same concerns in June and aggregate weekly payrolls increased 2.4%, according to the Massachusetts Department of Labor and Industries.

### Second (New York) District

Judging from preliminary data now at hand, business activity in August appears to have held close to the advanced level reached in July, the Federal Reserve Bank of New York reports in its "Monthly Review" of Sept. 1. In part, the summary added:

The steel mills again operated within a few percentage points of capacity during August. In connection with the shift to production of new models, automobile production was materi-

ally reduced in August. It was reported, however, that many plant's completed the change-over in record time this year, and it is estimated that output was more than double that of Aug. 1940.

According to trade comments, cotton textile mills continued record operations during August. There was an active demand for cotton gray goods, but sales were restricted by the unwillingness of mills to add to their order backlogs. Electric power production rose further in August and the output of bituminous coal appears to have increased somewhat more than usual. Loadings of railway freight during the first three weeks of the month were maintained at about the same rate as in July.

### Production and Trade in July

Owing to the continued pressure of defense demands, resistance to the usual summer contraction was shown in many lines of business activity in July, and this bank's seasonally adjusted index of production and trade advanced to 111% of estimated long term trend. This figure compares with 110 in June and 91 in July, 1940. Seasonal factors considered, the most marked gains over June occurred in the production of durable goods, both in the producers' and consumers' categories.

Steel mill operations continued to run at a high rate in July, despite growing concern in the industry over actual or potential shortages of steel scrap and pig iron, and other durable goods industries vitally affected by the defense program, such as aircraft, machinery, and shipbuilding, showed still further gains.

Activity in non-durable goods  
(Continued on page 117)

an order was issued on September 2 by Deputy Coordinator Davies announcing that total gasoline deliveries to all customers in the 17 Atlantic Coast states and District of Columbia would be cut by 10 per cent of the July total. The order was pursuant to the recommendation of the East Coast Marketing Committee, which has been approved by the OPM, and will reduce actual consumption to 600,000 barrels, against indicated demand for 667,000 barrels daily. Since commercial, agricultural and emergency demands will be met in full during this month, deliveries for private motorists will be reduced by 15 per cent of the July consumption.

Mr. Davies told the Maloney committee on September 9 that gasoline rationing in the East had proved successful in reducing consumption and would not be lifted "until we are positive that this may be done safely without risk of precipitating a serious gasoline and fuel famine this winter." Gasoline deliveries in the Eastern area during the week preceding the Labor Day holiday period by the 17 major oil companies were off to 113,273,947 gallons, against 126,015,076 gallons for the week ended August 22. This decline was the first time that total deliveries were below the base period of July 18 when the Coordinator's office started checking figures for this area. Deliveries for the August 29 week were 2.8 per cent under the July 18 total.

While East Coast stocks of motor fuel showed the effects of

the Labor Day holiday, inventories for the country as a whole showed a less-than-seasonal decline, according to the midweek report of the American Petroleum Institute. Higher gasoline production for the initial week of September offset lower refinery operations, and this aided to some degree in offsetting the drain upon stocks of gasoline. A decline of about 460,000 barrels in East Coast stocks cut the total to 19,803,000 barrels, including 648,000 barrels of aviation gas, which compares with 21,930,000 barrels a year ago.

Total holdings of finished, unfinished and aviation gasoline during the week ended September 6 dropped 101,000 barrels to 81,571,000 barrels. Gasoline output rose 61,000 barrels to 13,353,000 barrels. Refinery operations were off 1.8 points to 92.9 per cent, with daily average runs of crude oil to stills dropping 75,000 barrels to 3,995,000 barrels. In the final week of August, stocks of motor fuel were off approximately 900,000 barrels although holdings on the East Coast were up 167,000 barrels, in contrast to lower stocks in the rest of the country. Refinery operations were within striking distance of their July 12 record high, at 94.7 per cent of capacity, or daily average runs of crude to stills of 4,070,000 barrels.

Price changes during the period covered were confined to local readjustments, with the exception of the 1/2 cent a gallon rise for Gulf Coast bulk prices allowed by the Office of Price Administration and Civilian Supply.

## Daily Average Crude Oil Production for Week Ended Sept. 6, 1941, Off 189,750 Barrels

The American Petroleum Institute estimates that the daily average crude oil production for week ended Sept. 6, 1941 was 3,814,950 barrels. This was a decline of 189,750 barrels from the output of the preceding week and the current week's figures were below the 3,960,000 barrels calculated by the U. S. Department of the Interior to be the total of restrictions imposed by the various oil-producing States during September. Daily average production for the four weeks ended Sept. 6, 1941, is estimated at 3,937,100 barrels. The daily average output for the week ended Sept. 7, 1940, totaled 3,623,850 barrels. Further details as reported by the Institute follow:

Imports of petroleum for domestic use and receipts in bond at principal United States ports, for the week ended Sept. 6, totaled 1,542,000 barrels, a daily average of 220,286 barrels, compared with a daily average of 207,143 barrels for the week ended Aug. 30 and 223,036 barrels daily for the four weeks ended Sept. 6. These figures include all oil imported, whether bonded or for domestic use, but it is impossible to make the separation in weekly statistics.

There were no receipts of California oil at Atlantic or Gulf Coast ports during the week ended Sept. 6, 1941.

Reports received from refining companies owning 86.4% of the 4,538,000 barrel estimated daily potential refining capacity of the United States, indicate that the industry as a whole ran to stills, on a Bureau of Mines' basis, 3,995,000 barrels of crude oil daily during the week, and that all companies had in storage at refineries, bulk terminals, in transit and in pipe lines as of the end of the week, 81,571,000 barrels of finished and unfinished gasoline. The total amount of gasoline produced by all companies is estimated to have been 13,353,000 barrels during the week.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

| District                        | B. of M. Calculated Requirements (September) | State Allowables | Actual Production       |                           |                            |                         |
|---------------------------------|--|------------------|-------------------------|---------------------------|----------------------------|-------------------------|
|                                 |  |                  | Week Ended Sept. 6 1941 | Change from Previous Week | 4 Weeks Ended Sept. 6 1941 | Week Ended Sept. 7 1940 |
| Oklahoma                        | 489,800                                      | 428,000          | 438,450                 | + 10,800                  | 427,600                    | 421,700                 |
| Kansas                          | 239,800                                      | 248,800          | 229,400                 | - 24,900                  | 247,250                    | 165,750                 |
| Nebraska                        | 5,000  |                  | 17,300                  | + 50                      | 7,150                      | 200                     |
| Panhandle Texas                 |  |                  | 85,300                  | + 5,000                   | 80,200                     | 76,500                  |
| North Texas                     |  |                  | 100,900                 | + 300                     | 100,550                    | 96,200                  |
| West Central Texas              |  |                  | 30,700                  |                           | 30,750                     | 29,650                  |
| West Texas                      |  |                  | 226,250                 | - 48,100                  | 261,300                    | 221,500                 |
| East Central Texas              |  |                  | 80,650                  | + 4,300                   | 83,600                     | 78,650                  |
| East Texas                      |  |                  | 298,550                 | - 71,000                  | 351,000                    | 374,900                 |
| Southwest Texas                 |  |                  | 181,800                 | - 37,400                  | 209,650                    | 211,200                 |
| Coastal Texas                   |  |                  | 248,800                 | - 40,850                  | 279,450                    | 210,600                 |
| <b>Total Texas</b>              | <b>1,378,600</b>                             | <b>1,406,362</b> | <b>1,252,950</b>        | <b>-196,350</b>           | <b>1,397,400</b>           | <b>1,299,200</b>        |
| North Louisiana                 |  |                  | 78,450                  | - 1,450                   | 77,350                     | 64,800                  |
| Coastal Louisiana               |  |                  | 255,400                 | + 1,400                   | 252,150                    | 213,250                 |
| <b>Total Louisiana</b>          | <b>324,000</b>                               | <b>328,646</b>   | <b>333,850</b>          | <b>+ 50</b>               | <b>329,500</b>             | <b>278,050</b>          |
| Arkansas                        |  |                  | 79,000                  | + 76,013                  | 75,100                     | 73,250                  |
| Mississippi                     |  |                  | 33,000                  | + 153,450                 | + 2,850                    | 50,400                  |
| Illinois                        |  |                  | 392,500                 | + 406,000                 | + 14,900                   | 387,050                 |
| Indiana                         |  |                  | 21,400                  | + 121,050                 | + 800                      | 20,250                  |
| Eastern (not incl. Ill. & Ind.) |  |                  | 99,800                  | - 89,900                  | - 5,250                    | 91,600                  |
| Michigan                        |  |                  | 39,500                  | + 49,850                  | + 2,600                    | 45,500                  |
| Wyoming                         |  |                  | 85,000                  | + 7,050                   | + 7,700                    | 81,450                  |
| Montana                         |  |                  | 20,200                  | + 20,400                  | + 50                       | 20,350                  |
| Colorado                        |  |                  | 4,500                   | + 5,050                   | + 1,150                    | 4,150                   |
| New Mexico                      |  |                  | 113,200                 | + 113,750                 | + 50                       | 112,750                 |
| <b>Total East of Calif.</b>     | <b>3,325,300</b>                             | <b>3,173,550</b> | <b>3,173,550</b>        | <b>-200,750</b>           | <b>3,297,000</b>           | <b>3,000,850</b>        |
| California                      |  |                  | 634,700                 | + 610,000                 | + 11,000                   | 640,100                 |
| <b>Total United States</b>      | <b>3,960,000</b>                             | <b>3,814,950</b> | <b>3,814,950</b>        | <b>-189,750</b>           | <b>3,937,100</b>           | <b>3,623,850</b>        |

† These are Bureau of Mines' calculations of the requirements of domestic crude oil based upon certain premises outlined in its detailed forecast for the month of September. As requirements may be supplied either from stocks, or from new production, contemplated withdrawals from crude oil inventories must be deducted from the Bureau's estimated requirements to determine the amount of new crude oil to be produced.

‡ Okla., Kans., Neb., Miss. and Ind. figures are for week ended 7 a. m. September 3rd. This is the net basic 30-day allowable as of September 1st but experience indicates that it will increase as new wells are completed, and if any upward revisions are made. Panhandle shutdown days are September 7, 14, 21 and 28th; with a few exceptions the rest of the state was ordered shut down on September 1, 6, 7, 13, 14, 20, 21, 27, 28 and 30th.

§ Recommendation of Conservation Committee of California Oil Producers. NOTE—The figures indicated above do not include any estimate of any oil which might have been surreptitiously produced.

## CRUDE RUNS TO STILL; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE AND GAS AND FUEL OIL, WEEK ENDED SEPT. 6, 1941

(Figures in Thousands of Barrels of 42 Gallons Each)

| District           | Daily Refining Capacity | P. C. Rate | Crude Runs to Still | Gasoline Production at Refineries | Stocks of Finished Gasoline | Stocks of Unfinished Gasoline | Stocks of Gasoline | Stocks of Fuel Oil | Stocks of Gasoline and Fuel Oil |
|--------------------|-------------------------|------------|---------------------|-----------------------------------|-----------------------------|-------------------------------|--------------------|--------------------|---------------------------------|
|                    |                         |            |                     |                                   |                             |                               |                    |                    |                                 |
| East Coast         | 673                     | 100.0      | 629                 | 93.5                              | 1,664                       | 19,803                        | 15,671             | 9,498              | E. Coast                        |
| Appalachian        | 166                     | 83.8       | 137                 | 98.6                              | 472                         | 3,005                         | 577                | 562                | 648                             |
| Ind. Ill. Ky.      | 752                     | 84.4       | 641                 | 100.9                             | 2,658                       | 14,846                        | 5,199              | 4,419              | Interior                        |
| Okla., Kans. Mo.   | 413                     | 80.7       | 317                 | 95.2                              | 1,230                       | 6,815                         | 2,050              | 2,040              | 1,329                           |
| Inland Texas       | 263                     | 63.2       | 134                 | 80.7                              | 576                         | 2,325                         | 466                | 1,309              | G. C. St.                       |
| Texas Gulf         | 1,097                   | 91.0       | 955                 | 95.6                              | 3,030                       | 11,029                        | 6,299              | 8,164              | 3,186                           |
| Louisiana Gulf     | 156                     | 94.2       | 152                 | 102.7                             | 358                         | 3,067                         | 1,589              | 1,904              |                                 |
| No. La. & Arkansas | 95                      | 49.9       | 48                  | 102.1                             | 138                         | 401                           | 342                | 417                | Calif.                          |
| Rocky Mountain     | 136                     | 50.1       | 51                  | 75.0                              | 233                         | 1,021                         | 132                | 426                | 1,656                           |
| California         | 787                     | 90.9       | 579                 | 81.0                              | 1,659                       | 13,759                        | 12,612             | 64,886             |                                 |
| Reported           | 86.4                    | 3,643      | 92.9                | 12,018                            | 76,071                      | 44,937                        | 93,625             | 6,819              |                                 |
| Est. Unreported    |                         | 352        |                     | 1,335                             | 5,600                       | 1,190                         | 1,500              | 365                |                                 |
| † Est. tot. U. S.  |                         |            |                     |                                   |                             |                               |                    |                    |                                 |
| Sept. 6, 1941      |                         | 4,538      |                     | 3,995                             | 13,353                      | 81,571                        | 46,127             | 95,125             | 7,184                           |
| Aug. 30, 1941      |                         | 4,538      |                     | 4,070                             | 13,292                      | 81,672                        | 45,351             | 95,052             | 7,268                           |
| U. S. B. of M.     |                         |            |                     |                                   |                             |                               |                    |                    |                                 |
| † Sept. 6, 1940    |                         |            | 13,568              |                                   | 11,791                      | 83,402                        | 45,672             | 107,267            | 5,820                           |

† Estimated Bureau of Mines' basis. ‡ August-September 1940 daily average. § This is a week's production based on the U. S. Bureau of Mines August-September 1940 daily average. ¶ Finished 73,701,000 bbl.; unfinished 7,870,000 bbl. \* At refineries, bulk terminals, in transit and in pipelines. † Included in finished and unfinished gasoline total.

## Reserve Banks Report On Business

(Continued from page 116)

industries was little changed from June, seasonal factors considered, but was substantially higher than in July, 1940. The rate of mill consumption of cotton was slightly higher in July than in June, although in most years a pronounced decline occurs.

During the crop year ended July 31, 1941 mill consumption of cotton exceeded that in the previous peak year (ended July 31, 1937) by more than 20%. Wool consumption, on the other hand, appears to have been somewhat lower than in June, although more than half again as large as in July, 1940. As reflected in the figures for railway freight car loadings, seasonally adjusted, the rate of flow of goods through primary distribution channels was about unchanged from June to July.

Retail trade made a favorable showing in July, considering the usual midsummer slackness. Sales of department stores and mail order houses were off considerably less than seasonally, while about the expected decline occurred in the case of variety chain store sales. Retail sales of automobiles, although lower than in June, reached the largest volume for any July since 1929.

(Adjusted for seasonal variations and estimated long term trend; series reported in dollars are also adjusted for price changes.)

| Index of Production and Trade  | 1940 |     |      |      | 1941 |     |      |      |
|--|------|-----|------|------|------|-----|------|------|
|  | July | May | June | July | July | May | June | July |
| Production of:   |      |     |      |      |      |     |      |      |
| Producers' durable goods   | 90†  | 121 | 124‡ | 129‡ |      |     |      |      |
| Producers' nondurable goods  | 97†  | 119 | 121‡ | 122‡ |      |     |      |      |
| Consumers' durable goods   | 68   | 95  | 104‡ | 108‡ |      |     |      |      |
| Consumers' nondurable goods  | 96†  | 105 | 106‡ | 108‡ |      |     |      |      |
| Primary distribution   | 93†  | 107 | 104‡ | 106‡ |      |     |      |      |
| Distribution to consumer   | 93†  | 107 | 104‡ | 106‡ |      |     |      |      |
| Industrial Production  |      |     |      |      |      |     |      |      |
| Steel  | 114  | 127 | 131  | 133  |      |     |      |      |
| Automobiles  | 78   | 121 | 131  | 150  |      |     |      |      |
| Bituminous coal  | 98†  | 122 | 125  | 117‡ |      |     |      |      |
| Crude petroleum  | 86   | 86  | 87   | 85‡  |      |     |      |      |
| Electric power   | 99   | 111 | 113‡ | 115‡ |      |     |      |      |
| Cotton consumption   | 113  | 148 | 152  | 167  |      |     |      |      |
| Wool consumption†  | 103  | 198 | 196  | 182‡ |      |     |      |      |
| Shoes  | 103† | 126 | 133‡ | 132‡ |      |     |      |      |
| Meat packing   | 97   | 112 | 105  | 106  |      |     |      |      |
| Tobacco products   | 89   | 100 | 99   | 96   |      |     |      |      |
| Manufacturing Employment   |      |     |      |      |      |     |      |      |
| Employment   | 95†  | 112 | 116  | 120‡ |      |     |      |      |
| Man-hours of employment  | 89   | 115 | 119  | 121‡ |      |     |      |      |
| Construction   |      |     |      |      |      |     |      |      |
| Residential building contracts   | 55   | 59  | 67   | 73   |      |     |      |      |
| Nonresidential building and engineering contracts                        | 71   | 94  | 88   | 93   |      |     |      |      |
| Primary Distribution   |      |     |      |      |      |     |      |      |
| Ry. freight car loading, mdse. and misc.                                 | 84   | 102 | 103  | 103  |      |     |      |      |
| Ry. freight car loading, other   | 95   | 117 | 117  | 116  |      |     |      |      |
| Exports  | 108  | 117 | 103  | ---  |      |     |      |      |
| Imports  | 81   | 96  | 94   | ---  |      |     |      |      |
| Distribution to Consumer   |      |     |      |      |      |     |      |      |
| Department store sales (U.S.)  | 91   | 102 | 99   | 108  |      |     |      |      |
| Grocery chain store sales  | 96   | 99  | 99   | 98‡  |      |     |      |      |
| Variety chain store sales  | 95   | 110 | 109  | 108  |      |     |      |      |
| Mail order house sales   | 94   | 112 | 108‡ | 111‡ |      |     |      |      |
| New passenger car sales†   | 88   | 131 | 118  | 100  |      |     |      |      |
| Velocity of Deposits*  |      |     |      |      |      |     |      |      |
| Velocity of demand deposits, outside New York City (1919-25 aver. = 100) | 53   | 58  | 60   | 57   |      |     |      |      |
| Velocity of demand deposits, New York City (1919-25 average = 100)       | 24   | 25  | 27   | 26   |      |     |      |      |
| Cost of Living and Wages*  |      |     |      |      |      |     |      |      |
| Cost of living (1935-39 average = 100)                                   | 104  | 107 | 108  | 109‡ |      |     |      |      |
| Wage rates (1926 average = 100)  | 114  | 120 | 122  | 123‡ |      |     |      |      |

### Third (Philadelphia) District

It is reported by the Federal Reserve Bank of Philadelphia, in its "Business Review" of Sept. 1, that "trade and industrial activity in the Third Federal Reserve District continue well sustained, although there is ordinarily some lull during this season." The Bank also had the following to say:

The movement of freight is the heaviest for this season in over a decade. Buying by both retailers and consumers is exceptionally active. Prices continue firm and in many lines are rising further.

Manufacturing activity in this District in July was maintained at the high levels prevailing the month before, although there is ordinarily a decline in this period. Improvement was particularly marked in the heavy goods industries, owing to defense requirements and continued strong consumer buying. Further gains, after considering the usual seasonal change, were reported in a wide variety of non-durable goods industries.

Production of coal was reduced less than usual in the month. The output of crude oil and electric power was expanded.

### Fourth (Cleveland) District

The Federal Reserve Bank of Cleveland indicates in its Aug. 30th "Monthly Business Review" that an "increasing number of dislocations in industrial operating schedules has been noted in the Fourth District during recent weeks as additional output of basic industries is devoted to purposes closely related to defense." Regarding business, the Bank said:

An extraordinarily large amount of building and engineering work was contracted for in this district the last week in July. For the entire month, dollar volume was at a 14 year peak. Much of this construction was publicly-financed.

Industrial employment in many of the principal manufacturing centers of the district was increased somewhat further during July, in several instances to new high levels. Hours were reduced in a few cases, with the result that aggregate payrolls in some localities were smaller in July than in June.

Retail trade has continued to expand contra-seasonally. July dollar sales at reporting Fourth District department stores, on a seasonally adjusted basis, were at an all-time high level, exceeding the late 1929 peak by a substantial margin.

43% above July 1940 business. In industry, no outstanding development occurred in July in the Fifth district. Textile mills continued capacity operations, and consumed 46% more cotton than in the corresponding month last year, and rayon yarn mills for the fourth consecutive month shipped more yarn than they could make and were compelled to draw further on already small reserve stocks. Bituminous coal mined in July exceeded July 1940 production by 21%, and, contrary to seasonal trend, also exceeded June output. Shipyards, airplane plants, and all other industries engaged on defense work continued at capacity levels last month.

### Sixth (Atlanta) District

The following regarding business conditions in the Sixth Reserve District was reported in the Aug. 31 "Monthly Review" of the Federal Reserve Bank of Atlanta:

Sixth District department store sales declined in July but by only about half the usual amount, and on a seasonally adjusted basis were at a new high level in the 22-year series. Wholesale distribution increased in July much more than it usually does, building permits increased substantially, and another new high record was reached in textile activity in the District. Construction contracts awarded in July declined somewhat in comparison with the totals for April, May and June, and production of coal and pig iron were also down from June. With the exception of construction contract awards, however, all of these series were well above the levels of the corresponding period last year.

### Seventh (Chicago) District

In the Aug. 29 issue of "Business Conditions" the Federal Reserve Bank of Chicago states that "although stresses and strains are beginning to appear in the industrial structure because of unequal development as production and trade continue to surge upward, controls are being put into effect in an attempt to avoid serious maladjustments." The Bank further reports:

Volume of construction awards, which ordinarily remains level during July, reached a peak second only to that in March of this year, due principally to an expansion of industrial plants financed to a large extent by public funds. Despite seasonal influences, employment in the Seventh District during July was maintained at the high level prevailing in June, although wage payments were off slightly. Increased industrial activity is finding expression in retail trade which is moving upward in both physical volume and dollar amount. In fact, Seventh District retail trade during July showed less tendency to respond to seasonal factors than it has at any time since 1922.

### Eighth (St. Louis) District

The Federal Reserve Bank of St. Louis reports that in many lines of industry and trade in the Eighth District new high levels were recorded during July and the first part of August. From the Bank's Aug. 30th "Business Conditions" the following is also learned:

During July the rate of industrial production remained virtually unchanged instead of receding as is usual for this period. As expected, industries supplying materials for national defense showed the greatest gains. Chemicals, machinery, aircraft, leather goods, ordnance, and explosives continued to advance. Production was considerably behind orders in many lines. Building activity in this area in July was at a very high level. (Continued on page 118)

### Reserve Banks Report On Business

(Continued from page 117)

#### Ninth (Minneapolis) District

The Aug. 28th "Monthly Review" of the Federal Reserve Bank of Minneapolis reports the following:

Business volume in July resumed its upward trend and was about equal to the high level of 1929. Farm prices and farmers' cash income continued to advance. City bank deposits and July sales at city department stores reached all time highs. Rural bank debits and construction contracts in the district were the largest on record for the month.

#### Tenth (Kansas City) District

The following regarding business conditions in the Tenth Federal Reserve District is taken from the Aug. 30th "Monthly Review" of the Federal Reserve Bank of Kansas City:

Trade activity continues to accelerate, wholesale sales in July being 33% and retail sales 22% above last year. Wholesale and retail inventories are about 15% larger than a year ago.

July moisture in the District was somewhat below normal but for the first 7 months of 1941 it was 12% above normal. The wheat crop was about 15% above average. Even with a restricted acreage, the District has about a normal corn crop and one as large as last year. Other crop conditions are excellent.

Coal and flour production and lead shipments are very large. Pay rolls are about a quarter higher than a year ago and have gained much faster than employment. Construction of all kinds continues very active.

#### Eleventh (Dallas) District

According to the Dallas Federal Reserve Bank, business and industrial activity in the Eleventh District, which had made pronounced gains during the first year of the National defense program, was well sustained in July. In its Sept. 1 "Monthly Business Review" the Bank in comments also said:

Employment and payrolls continued to expand and department store trade was at the highest level of record for that particular month. Retailers in general made heavy purchases at wholesale establishments in order to meet current and anticipated consumer demands. Construction activity, as measured by the value of contracts awarded, increased moderately from June to July, and the demand for lumber at pine mills in this district showed an increase during the latter month much greater than is usual at that season. Crude petroleum output was reduced somewhat in July because of lower production allowances, but increased during the first half of August; the rate of refinery operations established a new peak in July.

#### Twelfth (San Francisco) District

"Under the unremitting pressure of the defense effort, economic activity in the Twelfth Federal Reserve District advanced further in July and early in August to better the record levels attained earlier in the year." It was noted in the San Francisco Federal Reserve Bank's "Monthly Review" of Aug. 27, which further said:

Important industries in the area were free of work stoppages occasioned by disputes between labor and management, and industrial operations continued to expand. Accompanying the expansion of industrial operations, factory employment and payrolls in the three Pacific Coast states increased further. Employment and payrolls in California, on a seasonally adjusted basis, gained

(Continued on page 127)

### Steel Shortage May Cause Postponement Of Many Semi-Defense Projects—Output Higher

The "Iron Age" in its issue of Sept. 11 reported that because large amounts of steel cannot be spared without slowing down vital phases of the defense program, some of the big semi-defense projects which have been talked about face restriction, postponement or abandonment.

Likelihood of the nation's railroads obtaining the balance of their 1941 rails as well as 1942 requirements at anywhere near the time needed grows fainter each day. Rail mills are overtaxed with orders for munitions steel and structural shapes, and mill operators are bound to fill highest defense orders first. The plan to build 25 new ore vessels on the Great Lakes may be cut down because of the steel involved.

The speeding up of the priority system and the creation of the new OPM division of contract distribution are two moves of the past week being lauded by steel consumers, particularly small metal working plants.

A misleading and ominous quiet pervaded most iron and steel scrap markets last week but with consumption continuing full blast and no adequate solution toward procuring more open market scrap, the situation seemed about two weeks away from another climax.

The flow of incoming business to steel mills in the past week contracted somewhat, with nearly all producers noting a decline in the volume of new specifications. In the light of the great defense backlogs, this tapering has little significance.

With a lack of scrap and pig iron continuing to bar still higher steel output, operations rose a point this week to 97 1/2%. This compared with 96 1/2% last week and 97 in the pre-holiday week.

Sharply increased rolling of semi-finished steel for export lifted production of iron and steel products in July 24% over the June total, according to the American Iron and Steel Institute. Production for export in July totaled 430,493 tons, compared with 327,357 tons in June, the gain being due chiefly to a jump in output for export of ingots, blooms, billets, slabs, etc. to 169,575 tons. The institute's figures show that, as yet, conversion of sheet mills to plate production has not had any notable effect upon the rate of sheet production.

On last Tuesday pig iron producers received their long awaited September pig iron schedules which had been examined and revised by the OPM in accordance with the iron priority order. The entire September production of pig iron has been allocated and practically all the material is slated for shipment to consumers carrying a defense rating. In a small number of cases essential civilian requirements have been partly taken care of. As expected, the entire pool of 2%, the amount which each producer is to lay aside during September, has also been allocated, most of it going to non-integrated steel companies short of pig iron and to foundries with heavy defense business. Considerable revision is said to have been done on some of these pig iron schedules, the OPM eliminating some shipments and adding others.

Already some controversy has appeared within the industry over the fact that some pig iron producers have been instructed to deliver pig iron to points distant from the point of production, necessitating substantial freight rate absorption.

Coke pig iron production in August reached a new high, totaling 4,791,432 net tons, compared with 4,770,778 tons in July, according to reports to the "Iron Age." Output on a daily basis increased slightly from 153,896 tons a day in July to 154,562 tons in August. On Sept. 1 there were 213 furnaces in blast.

Fabricated structural steel awards of 19,850 tons are slightly lower than a week ago. The largest lettings are 11,600 tons at Marion, Okla., for an air depot for the War Department, 2,500 tons for eight cranes for the Navy Department at various locations and 1,200 tons for an assembly building for the Lockheed Aircraft Corp. at Burbank, Cal. New structural steel projects declined to 20,100 tons from 20,700 tons last week. New jobs reported include 12,000 tons for Boeing Aircraft buildings at Renton, Wash. Reinforcing steel awards of 53,345 tons are swelled by 36,000 tons for Navy defense construction on Pacific Islands. New reinforcing projects call for only 2,150 tons.

#### THE "IRON AGE" COMPOSITE PRICES

| Finished Steel   |      | High  |         | Low   |         |
|--|------|-------|---------|-------|---------|
| Sept. 9, 1941, 2.30467c. a Lb.   | 1939 | 22.61 | Sept 19 | 20.61 | Sept 12 |
| One week ago   | 1938 | 22.25 | Jan 21  | 19.61 | July 6  |
| One month ago  | 1937 | 22.25 | Mar 9   | 20.28 | Feb 16  |
| One year ago   | 1936 | 19.74 | Nov 24  | 18.73 | Aug 17  |
| A weighted index based on steel bars, beams, tank plates, wire, rails, black pipe, hot and cold-rolled sheets and strip. These products represent 79% of the United States output. | 1935 | 19.04 | Nov 5   | 17.84 | Jan 14  |
|  | 1934 | 17.90 | May 1   | 16.90 | Jan 27  |
|  | 1933 | 16.90 | Dec 5   | 15.56 | Jan 5   |
|  | 1932 | 14.81 | Jan 5   | 13.56 | Dec 6   |
|  | 1931 | 15.90 | Jan 6   | 14.79 | Dec 15  |
|  | 1930 | 13.21 | Jan 7   | 15.90 | Dec 16  |
|  | 1929 | 18.71 | May 14  | 18.21 | Dec 17  |

#### Steel Scrap

| Sept. 9, 1941, \$19.17 a Gross Ton |      | High    |        | Low     |        |
|------------------------------------|------|---------|--------|---------|--------|
| One week ago                       | 1941 | \$22.00 | Jan 7  | \$19.17 | Apr 10 |
| One month ago                      | 1940 | 21.83   | Dec 30 | 18.04   | Apr 16 |
| One year ago                       | 1939 | 22.50   | Oct 3  | 14.08   | May 16 |
|                                    | 1938 | 15.00   | Nov 22 | 11.00   | Jun 7  |
|                                    | 1937 | 21.92   | Mar 30 | 12.92   | Nov 10 |
|                                    | 1936 | 17.75   | Dec 21 | 12.67   | Jun 9  |
|                                    | 1935 | 14.42   | Dec 10 | 10.53   | Apr 30 |
|                                    | 1934 | 13.00   | Mar 13 | 9.50    | Sep 25 |
|                                    | 1933 | 12.25   | Aug 8  | 6.75    | Jan 3  |
|                                    | 1932 | 8.50    | Jan 12 | 6.43    | Nov 5  |
|                                    | 1931 | 11.33   | Jan 6  | 8.50    | Dec 29 |
|                                    | 1930 | 10.00   | Feb 13 | 11.25   | Dec 5  |
|                                    | 1929 | 17.58   | Jan 29 | 14.03   | Dec 3  |

Based on No. 1 heavy melting steel scrap quotations to consumers at Pittsburgh, Philadelphia, and Chicago.

The American Iron and Steel Institute on Sept. 8 announced that telegraphic reports which it had received indicated that operating rate of steel companies having 91% of the steel capacity of the industry will be 96.9% of capacity for the week beginning Sept. 8, compared with a revised figure of 90.3% one week ago, 95.6% one

month ago (likewise revised) and 91.0% one year ago (unrevised). This represents an increase of 0.6 points, or 0.6%, from the preceding week. Weekly indicated rates of steel operations since Sept. 2, 1940, follow:

|         |       |        |       |        |        |        |       |
|---------|-------|--------|-------|--------|--------|--------|-------|
| 1940—   | Dec 2 | 96.9%  | Mar 3 | 97.5%  | Jun 9  | 98.6%  |       |
| Sept 2  | 82.5% | Dec 9  | 96.0% | Mar 10 | 98.8%  | Jun 16 | 99.0% |
| Sept 9  | 91.9% | Dec 16 | 96.8% | Mar 17 | 99.4%  | Jun 23 | 99.9% |
| Sept 16 | 92.9% | Dec 23 | 80.8% | Mar 24 | 99.8%  | Jun 30 | 99.8% |
| Sept 23 | 92.5% | Dec 30 | 95.9% | Mar 31 | 99.2%  | Jul 7  | 99.9% |
| Sept 30 | 92.6% | 1911—  | Apr 7 | 99.3%  | Jul 14 | 99.2%  |       |
| Oct 7   | 94.2% | Jan 6  | 97.2% | Apr 14 | 98.3%  | Jul 21 | 99.0% |
| Oct 14  | 94.4% | Jan 13 | 98.5% | Apr 21 | 96.9%  | Jul 28 | 97.6% |
| Oct 21  | 94.9% | Jan 20 | 96.9% | Apr 28 | 94.3%  | Aug 4  | 98.3% |
| Oct 28  | 95.7% | Jan 27 | 97.1% | May 5  | 95.8%  | Aug 11 | 99.6% |
| Nov 4   | 96.0% | Feb 3  | 96.9% | May 12 | 99.2%  | Aug 18 | 98.2% |
| Nov 11  | 96.1% | Feb 10 | 97.1% | May 19 | 99.9%  | Aug 25 | 99.6% |
| Nov 18  | 96.6% | Feb 17 | 94.6% | May 26 | 98.6%  | Sep 2  | 99.3% |
| Nov 25  | 96.6% | Feb 24 | 96.3% | Jun 2  | 99.2%  | Sep 9  | 99.9% |

The revisions in the rates published for previous weeks reflect the recently announced increased capacity of the industry, rated as of June 30, 1941.

"Steel" of Cleveland, in its summary of the iron and steel markets on September 8, stated:

While the priority situation is clearing it is believed at least a fortnight will be required to eliminate rather widespread uncertainties. Lack of full understanding by many consumers in making out prescribed forms is adding to work of steelmakers and retarding booking of new orders.

One effect of information obtained under the priority order is to reduce shipments to consumers with large inventories, some being refused tonnage in September inasmuch as their reports indicate sufficient on hand for the entire month. Strict inventory control is expected to prevent uneven distribution.

Unbalanced deliveries have caused accumulations by Army and Navy, and other consumers, while material was lacking for other defense purposes. At the same time steelmakers claim that most of their customers have only normal supply or less. Some tonnage on mill books represents duplicate buying and wherever this is revealed it will be canceled, thus reducing mill backlogs.

Consumers in many instances are aiding to unscramble the situation by filing PD-73 forms against old orders, instead of taking the full time allowed under M-21 orders, in which the deadline was Oct. 15. Many sellers say a majority, up to 100 per cent in some cases, have responded.

Warehouse priority rating of A-9 has been applied, under a new OPM order, M-21-B, which is expected to relieve the situation considerably and afford opportunity for supplies to obtain material to rebuild their broken assortments, on a quota basis. This order is expected to expedite filing of forms by consumers, which will afford suppliers information on which to base their orders to mills, incurring uses to which the steel is to be put.

August pig iron production, 4,784,639 net tons, set a new all-time record, exceeding the previous high mark in July by 18,223 tons, a gain of 0.4 per cent. The daily production rate in August was 154,343 tons, an increase of 594 tons over the July rate, setting another record. One additional stack was in production, making the total 213.

Following announcement by Office of Price Administration that ceiling prices on scrap would be enforced strictly, considerable activity resulted in preparing and shipping available scrap from yards, presumably at higher prices. This was followed by almost complete cessation of movement as the industry sought to determine its position. Most dealers and consumers continue to believe higher prices are the only factor which will increase flow of scrap and point to the fact that a larger tonnage appeared when ceiling prices were disregarded in August. The situation is becoming alarming to steelmakers, who approach the winter season with reserves far below normal, supply restricted and consumption at a record rate.

Automotive production last week was 32,940 units, compared with 39,965 the preceding week. In the corresponding period last year production was 39,665 units. This is the first time in a number of weeks that output was below the comparable week last year. Incidence of Labor day probably accounts for the dip.

Due to some Labor day idleness and necessity for repairs steel production last week declined 1 point to 93 1/2%. A higher rate is expected this week. Cleveland increased production 2 points to 95%, Wheeling 1 point to 94 and Cincinnati 1 point to 89. Chicago lost 1/2 point to 100%; Eastern Pennsylvania 1/2 point to 95; Buffalo 2 1/2 points to 90 1/2; Detroit 6 points to 86; Pittsburgh 2 points to 98 and Youngstown 2 points to 96. Unchanged were Birmingham at 95, St. Louis 98 and New England 90.

Iron and steel imports in June, 3717 gross tons, were twice the volume of May, but not equal to those of June, 1940. Imports for six months are also below first half last year, 10,708 tons this year, against 38,788 tons a year ago. Scrap imports in June were also above those of May, 6473 tons, compared with 3758 tons, material coming principally from Cuba and Canada.

Under ceiling prices composites are frozen and remain at the level of the past several weeks: Finished steel, \$36.60; steel and iron, \$38.15; steelmaking scrap, \$19.16.

Steel ingot production for the week ended Sept. 8, is placed at 96 1/2% of capacity, unchanged from the previous week, according to the "Wall Street Journal" of Sept. 11. Two weeks ago the industry was at 97%. The "Journal" further reported:

U. S. Steel is estimated at 96% against 97% in the week before and 95 1/2% two weeks ago. Leading independents are credited with 97%, compared with 96% in the preceding week and 97 1/2% two weeks ago.

The following table gives a comparison of the percentage of production with the nearest corresponding week of previous years, together with the approximate changes, in points, from the week immediately preceding:

|      | Industry       | U. S. Steel    | Independents   |
|------|----------------|----------------|----------------|
| 1941 | 96 1/2         | 96             | 97 + 1         |
| 1940 | 84 - 7 1/2     | 79 - 1 1/2     | 88 - 2 1/2     |
| 1939 | 60 - 3 1/2     | 47 1/2 - 10    | 71 + 5         |
| 1938 | 45 + 4         | 38 + 3         | 51 + 5         |
| 1937 | 79 1/2 + 6 1/2 | 78 1/2 + 8 1/2 | 80 + 5         |
| 1936 | 71 + 2         | 68 + 1 1/2     | 73 1/2 + 2 1/2 |
| 1935 | 52 + 2         | 42 + 1         | 60 + 2 1/2     |
| 1934 | 21 + 1         | 19 1/2 + 1 1/2 | 22 - 1 1/2     |
| 1933 | 40 - 2         | 38 - 2         | 41 - 2 1/2     |
| 1932 | 15             | 14             | 15 1/2         |
| 1931 | 30 + 1 1/2     | 33 + 2         | 28 + 2         |
| 1930 | 58 + 2         | 65 + 2         | 52 + 1         |
| 1929 | 84 1/2 + 1 1/2 | 88 - 3         | 81 - 1 1/2     |
| 1928 | 80 + 2         | 79 + 2         | 81 + 2 1/2     |
| 1927 | 62 - 3         | 64 - 3         | 60 - 3         |

## Bond Prices Are Mixed

A consistent absence of fluctuation has characterized the bond averages in the upper rating groups this week but lower grades revealed some tendency to decline. Treasury issues have been virtually at a standstill.

Some weakness has prevailed among high-grade rail bonds with trading in this group of light volume. Oregon Short Line 5s, 1946, declined 1/4 to 113 3/4. Medium-grade rails as a group have displayed little change but weakness developed at the close. Speculative rail issues have been actively traded at the beginning of the week with lower prices the general tendency. In some instances the junior issues of various "problem" roads sank to new lows. New York Central 4 1/2s, 2013, dropped to a new low of 53 3/4, off 1 1/2 points; Northern Pacific 4 1/2s, 2047, registered a new low of 49, to close at 49 1/4, a loss of 1/8. Defaulted rail issues, in sympathy with lower stock prices, registered wide losses. While there has been comparatively little equipment trust financing during the week, announcement was made of a new \$14,737,000 St. Paul Union depot issue to retire the company's 5s, 1972.

Utility bonds have drifted rather aimlessly although recently all classes tended to ease fractionally. Activity has been restricted although sizable interest has been shown in the International Tel. & Tel. deb. 4 1/2s, 1952, and 5s, 1955, and the Interstate Power 6s, 1952. Mixed changes have been the rule in the industrial section of

the list, with perhaps the up side favored. Steel company obligations have been generally steady to fractionally higher with the exception of the Youngstown bonds which showed small fractional losses. Oils have been generally steady and coal bonds showed moderate strength as was the case with shipping company obligations, the International Mercantile Marine 6s, 1941, having gained 1 1/2 points at 91 1/2. A strong spot developed in sugars, with the Francisco 6s, 1956, gaining 4 points at 65 1/2. Among retail selling company obligations the Childs Company 5s, 1943, continued weak but the United Drug 5s, 1953, strengthened. In the liquor section the Hiram Walker 4 1/4s, 1945, declined on notice of redemption. The McKesson & Robbins 3 1/2s, 1956, commenced trading at 103 1/2.

The foreign bond market continues in a more cheerful mood. There have been some spectacular advances in Norwegian short term loans, the 6s, 1944, soaring 23 points to 84 with minor gains among the longer-term issues. Haiti 6s rising 10 points have been another strong spot and Panama 3 1/2s reached new high ground. Colombian issues continued to attract speculative buying and other Latin American loans remained steady at recently improved levels. Australian bonds advanced fractionally and Canadian loans have been steady. A late rally in Japanese bonds advanced the 6 1/2s four points.

Moody's computed bond prices and bond yield averages are given in the following tables:

| 1941 Daily Averages | U. S. Govt. Bonds | Aege. Corporate Rate * | Corporate by Ratings * |        |        |       | Corporate by Groups * |        |        |
|---------------------|-------------------|------------------------|------------------------|--------|--------|-------|-----------------------|--------|--------|
|                     |                   |                        | Aaa                    | Aa     | A      | Baa   | R. R.                 | P. U.  | Indus. |
| Sept. 9             | 119.11            | 107.80                 | 118.20                 | 114.85 | 108.88 | 91.91 | 97.16                 | 112.00 | 115.43 |
| 8                   | 119.13            | 107.80                 | 118.20                 | 114.85 | 108.70 | 92.06 | 97.16                 | 112.00 | 115.24 |
| 6                   | 119.18            | 107.80                 | 118.20                 | 114.85 | 108.70 | 92.06 | 97.16                 | 112.00 | 115.24 |
| 5                   | 119.13            | 107.80                 | 118.20                 | 114.85 | 108.88 | 95.06 | 97.31                 | 112.00 | 115.24 |
| 4                   | 119.16            | 107.80                 | 118.20                 | 114.85 | 108.88 | 92.06 | 97.16                 | 112.00 | 115.43 |
| 3                   | 119.13            | 107.80                 | 118.20                 | 114.66 | 108.88 | 92.06 | 97.16                 | 112.00 | 115.43 |
| 2                   | 119.13            | 107.80                 | 118.20                 | 114.66 | 108.88 | 92.06 | 97.16                 | 112.00 | 115.43 |
| 1                   |                   |                        |                        |        |        |       |                       |        |        |
| Aug. 29             | 119.14            | 107.80                 | 118.40                 | 114.85 | 108.88 | 91.77 | 97.16                 | 111.81 | 115.43 |
| 22                  | 118.78            | 107.62                 | 118.00                 | 114.66 | 108.70 | 91.77 | 97.16                 | 112.00 | 115.04 |
| 15                  | 118.30            | 107.80                 | 118.00                 | 115.04 | 108.70 | 91.91 | 97.31                 | 112.00 | 115.04 |
| 8                   | 119.20            | 107.98                 | 118.20                 | 115.24 | 108.70 | 92.20 | 97.47                 | 112.00 | 115.24 |
| 1                   | 119.56            | 107.80                 | 118.20                 | 115.24 | 108.52 | 92.06 | 97.47                 | 112.00 | 115.24 |
| July 25             | 119.55            | 107.80                 | 118.00                 | 115.24 | 108.52 | 92.06 | 97.47                 | 112.00 | 115.04 |
| 18                  | 119.47            | 107.62                 | 118.20                 | 115.04 | 108.34 | 91.91 | 97.46                 | 112.00 | 115.04 |
| 11                  | 119.46            | 107.62                 | 118.20                 | 115.04 | 108.16 | 91.91 | 97.16                 | 111.81 | 115.04 |
| 4                   | 119.55            | 107.44                 | 118.00                 | 114.66 | 107.98 | 91.77 | 97.00                 | 111.62 | 114.85 |
| June 27             | 119.45            | 107.44                 | 118.00                 | 114.66 | 107.80 | 91.77 | 97.16                 | 111.44 | 114.66 |
| 20                  | 119.02            | 107.09                 | 117.80                 | 114.46 | 107.62 | 91.48 | 97.00                 | 111.44 | 114.27 |
| 13                  | 118.97            | 106.92                 | 117.60                 | 114.08 | 107.44 | 91.48 | 97.00                 | 111.25 | 113.89 |
| 6                   | 118.81            | 106.74                 | 117.20                 | 113.70 | 107.27 | 91.19 | 96.69                 | 110.88 | 113.31 |
| May 29              | 118.71            | 106.39                 | 116.61                 | 113.31 | 107.09 | 91.05 | 96.69                 | 110.70 | 112.75 |
| 23                  | 118.35            | 106.39                 | 116.80                 | 113.50 | 106.92 | 91.19 | 96.69                 | 110.70 | 112.93 |
| 16                  | 118.52            | 106.39                 | 116.61                 | 113.31 | 106.92 | 91.34 | 96.85                 | 110.52 | 112.75 |
| 9                   | 118.45            | 106.56                 | 116.80                 | 113.12 | 106.92 | 91.62 | 97.00                 | 110.52 | 112.93 |
| 2                   | 118.66            | 106.39                 | 117.00                 | 112.93 | 106.74 | 91.34 | 96.85                 | 110.52 | 112.75 |
| Apr. 25             | 118.62            | 106.21                 | 116.61                 | 112.75 | 106.56 | 91.19 | 96.69                 | 110.34 | 112.19 |
| 18                  | 118.28            | 105.86                 | 116.41                 | 112.56 | 106.39 | 90.91 | 96.54                 | 110.15 | 112.00 |
| 10                  | 117.36            | 105.69                 | 116.41                 | 112.19 | 106.21 | 90.77 | 96.54                 | 109.79 | 111.81 |
| 4                   | 117.55            | 106.04                 | 116.80                 | 112.37 | 106.21 | 91.48 | 97.00                 | 109.97 | 112.19 |
| Mar. 28             | 117.80            | 105.86                 | 116.41                 | 112.19 | 106.04 | 91.05 | 96.54                 | 109.79 | 111.81 |
| 21                  | 117.85            | 106.21                 | 117.00                 | 112.93 | 105.66 | 90.77 | 96.94                 | 110.15 | 112.75 |
| 14                  | 117.77            | 106.21                 | 117.40                 | 113.31 | 105.66 | 90.48 | 96.54                 | 109.97 | 113.31 |
| 7                   | 116.90            | 106.04                 | 117.40                 | 113.31 | 106.39 | 90.20 | 96.23                 | 109.97 | 113.12 |
| Feb. 29             | 116.93            | 105.86                 | 117.20                 | 112.93 | 106.21 | 89.78 | 95.92                 | 109.79 | 112.75 |
| 21                  | 116.06            | 105.52                 | 117.00                 | 112.75 | 106.04 | 89.52 | 95.62                 | 109.60 | 112.75 |
| 14                  | 116.24            | 105.66                 | 117.60                 | 113.12 | 106.21 | 89.54 | 95.82                 | 109.60 | 113.12 |
| 7                   | 116.52            | 106.21                 | 117.80                 | 113.31 | 106.39 | 90.20 | 95.54                 | 109.79 | 113.31 |
| Jan. 31             | 117.14            | 106.39                 | 118.00                 | 113.70 | 106.39 | 90.48 | 96.85                 | 109.79 | 113.70 |
| 24                  | 117.64            | 106.56                 | 117.60                 | 113.89 | 106.56 | 90.77 | 97.16                 | 109.97 | 113.56 |
| 17                  | 118.06            | 106.56                 | 118.20                 | 113.89 | 106.56 | 90.48 | 96.69                 | 110.15 | 113.89 |
| 10                  | 118.03            | 106.56                 | 118.20                 | 114.27 | 106.56 | 90.34 | 96.69                 | 110.15 | 114.08 |
| 3                   | 118.65            | 106.39                 | 118.40                 | 114.43 | 105.39 | 89.78 | 95.92                 | 110.15 | 114.43 |
| High 1941           | 119.62            | 107.98                 | 118.60                 | 115.24 | 108.88 | 92.35 | 97.62                 | 112.00 | 115.43 |
| Low 1941            | 118.39            | 105.52                 | 117.22                 | 112.00 | 106.04 | 89.33 | 95.62                 | 109.42 | 111.6  |
| High 1940           | 119.63            | 106.74                 | 119.00                 | 115.04 | 106.74 | 89.92 | 96.07                 | 110.88 | 114.85 |
| Low 1940            | 113.02            | 99.04                  | 112.19                 | 109.60 | 99.52  | 79.37 | 86.38                 | 105.52 | 106.56 |
| 1 Yr. Ago           |                   |                        |                        |        |        |       |                       |        |        |
| Sept. 9, 1940       | 116.09            | 103.80                 | 116.61                 | 112.93 | 103.64 | 86.11 | 92.20                 | 109.60 | 111.25 |
| 2 Yrs. Ago          |                   |                        |                        |        |        |       |                       |        |        |
| Sept. 9, 1939       | 111.03            | 97.31                  | 109.24                 | 104.83 | 96.07  | 82.40 | 88.13                 | 101.47 | 103.64 |

| 1941 Daily Averages | Aege. Corporate Rate * | Corporate by Ratings * |      |      |      | Corporate by Groups * |       |        |
|---------------------|------------------------|------------------------|------|------|------|-----------------------|-------|--------|
|                     |                        | Aaa                    | Aa   | A    | Baa  | R. R.                 | P. U. | Indus. |
| Sept. 9             | 3.29                   | 2.74                   | 2.91 | 3.23 | 4.28 | 3.93                  | 3.06  | 2.88   |
| 8                   | 3.29                   | 2.74                   | 2.91 | 3.24 | 4.27 | 3.93                  | 3.06  | 2.89   |
| 6                   | 3.29                   | 2.74                   | 2.91 | 3.24 | 4.27 | 3.93                  | 3.06  | 2.89   |
| 5                   | 3.28                   | 2.74                   | 2.91 | 3.23 | 4.27 | 3.93                  | 3.06  | 2.89   |
| 4                   | 3.29                   | 2.74                   | 2.91 | 3.23 | 4.27 | 3.93                  | 3.06  | 2.88   |
| 3                   | 3.29                   | 2.74                   | 2.92 | 3.23 | 4.27 | 3.93                  | 3.06  | 2.88   |
| 2                   | 3.29                   | 2.74                   | 2.92 | 3.23 | 4.27 | 3.93                  | 3.06  | 2.88   |
| 1                   |                        |                        |      |      |      |                       |       |        |
| Aug. 29             | 3.29                   | 2.73                   | 2.91 | 3.23 | 4.29 | 3.93                  | 3.06  | 2.88   |
| 22                  | 3.30                   | 2.75                   | 2.92 | 3.24 | 4.29 | 3.93                  | 3.06  | 2.90   |
| 15                  | 3.29                   | 2.75                   | 2.90 | 3.24 | 4.28 | 3.92                  | 3.06  | 2.90   |
| 8                   | 3.28                   | 2.74                   | 2.89 | 3.24 | 4.26 | 3.91                  | 3.06  | 2.89   |
| 1                   | 3.29                   | 2.74                   | 2.89 | 3.25 | 4.27 | 3.91                  | 3.06  | 2.89   |
| July 25             | 3.29                   | 2.75                   | 2.89 | 3.25 | 4.27 | 3.91                  | 3.06  | 2.90   |
| 18                  | 3.29                   | 2.74                   | 2.89 | 3.26 | 4.28 | 3.93                  | 3.06  | 2.90   |
| 11                  | 3.30                   | 2.74                   | 2.90 | 3.27 | 4.28 | 3.93                  | 3.07  | 2.90   |
| 4                   | 3.31                   | 2.75                   | 2.92 | 3.28 | 4.29 | 3.94                  | 3.08  | 2.91   |
| June 27             | 3.31                   | 2.75                   | 2.92 | 3.29 | 4.29 | 3.93                  | 3.09  | 2.92   |
| 20                  | 3.33                   | 2.76                   | 2.93 | 3.30 | 4.31 | 3.94                  | 3.09  | 2.94   |
| 13                  | 3.34                   | 2.77                   | 2.95 | 3.31 | 4.31 | 3.94                  | 3.10  | 2.96   |
| 6                   | 3.35                   | 2.78                   | 2.97 | 3.32 | 4.33 | 3.96                  | 3.12  | 2.99   |
| May 29              | 3.35                   | 2.78                   | 2.98 | 3.33 | 4.34 | 3.96                  | 3.13  | 3.02   |
| 23                  | 3.37                   | 2.81                   | 2.98 | 3.34 | 4.33 | 3.96                  | 3.13  | 3.01   |
| 16                  | 3.37                   | 2.82                   | 2.99 | 3.34 | 4.32 | 3.95                  | 3.14  | 3.02   |
| 9                   | 3.36                   | 2.81                   | 3.00 | 3.34 | 4.32 | 3.95                  | 3.14  | 3.01   |
| 2                   | 3.37                   | 2.80                   | 3.01 | 3.35 | 4.32 | 3.95                  | 3.14  | 3.02   |
| Apr. 25             | 3.38                   | 2.82                   | 3.02 | 3.36 | 4.33 | 3.96                  | 3.15  | 3.05   |
| 18                  | 3.40                   | 2.83                   | 3.03 | 3.37 | 4.35 | 3.97                  | 3.16  | 3.06   |
| 10                  | 3.41                   | 2.83                   | 3.05 | 3.38 | 4.36 | 3.97                  | 3.18  | 3.07   |
| 4                   | 3.39                   | 2.81                   | 3.04 | 3.38 | 4.31 | 3.94                  | 3.17  | 3.05   |
| Mar. 28             | 3.40                   | 2.83                   | 3.05 | 3.39 | 4.34 | 3.97                  | 3.18  | 3.07   |
| 21                  | 3.38                   | 2.80                   | 3.01 | 3.36 | 4.36 | 3.97                  | 3.16  | 3.02   |
| 14                  | 3.38                   | 2.78                   | 2.99 | 3.36 | 4.38 | 3.97                  | 3.17  | 2.99   |
| 7                   | 3.39                   | 2.78                   | 2.99 | 3.37 | 4.40 | 3.99                  | 3.17  | 3.00   |
| Feb. 28             | 3.40                   | 2.79                   | 3.01 | 3.38 | 4.43 | 4.01                  | 3.18  | 3.02   |
| 21                  | 3.42                   | 2.80                   | 3.02 | 3.39 | 4.45 | 4.03                  | 3.19  | 3.02   |
| 14                  | 3.40                   | 2.77                   | 3.00 | 3.38 | 4.44 | 4.01                  | 3.19  | 3.00   |
| 7                   | 3.38                   | 2.76                   | 2.99 | 3.37 | 4.40 | 3.97                  | 3.18  | 2.99   |
| Jan. 31             | 3.37                   | 2.75                   | 2.97 | 3.37 | 4.37 | 3.95                  | 3.18  | 2.97   |
| 24                  | 3.36                   | 2.77                   | 2.98 | 3.36 | 4.36 | 3.95                  | 3.17  | 2.96   |
| 17                  | 3.36                   | 2.74                   | 2.96 | 3.36 | 4.36 | 3.96                  | 3.16  | 2.95   |
| 10                  | 3.36                   | 2.74                   | 2.94 | 3.36 | 4.36 | 3.96                  | 3.16  | 2.95   |
| 3                   | 3.37                   | 2.73                   | 2.93 | 3.37 | 4.43 | 4.01                  | 3.16  | 2.95   |
| High 1941           | 3.42                   | 2.84                   | 3.06 | 3.39 | 4.47 | 4.03                  | 3.20  | 3.08   |
| Low 1941            | 3.28                   | 2.72                   | 2.89 | 3.23 | 4.25 | 3.90                  | 3.06  | 2.88   |
| High 1940           | 3.81                   | 3.06                   | 3.19 | 3.78 | 5.24 | 4.68                  | 3.42  | 3.36   |
| Low 1940            | 3.35                   | 2.70                   | 2.90 | 3.35 | 4.42 | 4.00                  | 3.12  | 2.91   |
| 1 Yr. Ago           |                        |                        |      |      |      |                       |       |        |
| Sept. 9, 1940       | 3.52                   | 2.82                   | 3.01 | 3.53 | 4.70 | 4.26                  | 3.19  | 3.10   |
| 2 Yrs. Ago          |                        |                        |      |      |      |                       |       |        |
| Sept. 9, 1939       | 3.92                   | 3.21                   | 3.46 | 4.00 | 4.99 | 4.55                  | 3.66  | 3.53   |

\*These prices are computed from average yields on the basis of one "typical" bond (3

### Non-Ferrous Metals — Government Purchases Australian and Peruvian Lead — Zinc Higher

"Metal and Mineral Markets" in the issue of Sept. 11 stated that thousands of pieces of mail and thousands of applications for preference ratings which had become "bottle-necked" during the last several weeks were cleaned up over the last week-end, according to Donald M. Nelson, Director of Priorities. This was accepted in the non-ferrous metals industry as the top news event of the week. Australian and Peruvian lead was purchased by Metals Reserve, Washington reports indicated. The zinc statistics for August showed a gain in stocks and the highest rate of production on record.

#### Copper

Further discussions took place during the last week in reference to extending the deal for South American copper. The stumbling block is the price. It appears likely that 11c. c.i.f. United States ports or higher will have to be paid, some in the industry believe. Bonded copper sold in New York throughout the last week at 11c., f.a.s.

The domestic market is getting to be a routine affair. About 131,000 tons will be available for September shipment, with consumers asking for at least 140,000 tons. The quotation held to the ceiling of 12c., Valley.

Domestic sales of copper for the last week involved 28,038 tons, making the total for the month so far 32,941 tons.

#### Lead

Call for lead continued active, resulting from a combination of increased consumption and apprehension about probable action before long to control the demand-supply situation. Producers are scheduled to meet with officials in Washington today (Thursday, Sept. 11) to explore the general situation.

To augment supplies, it was reported unofficially that the Metals Reserve Co. has acquired 4,600 tons of Australian lead, now afloat, and closed a deal for 10,000 tons of Peruvian lead. Some Peruvian lead, estimated at around 3,000 tons, figured in the previous transaction involving foreign metal.

#### Zinc

Sales of common zinc for the week ended Sept. 6 amounted to 3,222 tons, with shipments of 4,299 tons. The backlog in common zinc dropped to 65,741 tons. The price situation was unchanged, Prime Western continuing at 7 1/4c., St. Louis. The trade was interested in the report on consumers' stocks for July indicating another gain in the supply on hand.

Beginning with figures for August, and corrected back to January, 1940, the statistics of the American Zinc Institute present an improved picture of operations at zinc smelters in the United States. The statistics now show production of zinc (all grades) by domestic smelters from both imported and domestic concentrate. The expanded statistics reveal that stocks at the end of August totaled 17,403 tons, against 13,848 tons (revised) a month previous. Production during August was 75,524 tons, or at the rate of 906,288 tons a year. Including imports of slab zinc, total supply of the metal during August probably came to 79,000 tons.

#### Tin

Though political tension in the Far East moderated, and some consumers expected futures to ease, the market for Straits tin held to 52c. throughout the week, all positions. A cargo of about 1,200 tons of tin is overdue.

Straits tin for future arrival was as follows:

|          | Sept.  | Oct.   | Nov.   | Dec.   |
|----------|--------|--------|--------|--------|
| Sept. 4  | 52.000 | 52.000 | 52.000 | 52.000 |
| Sept. 5  | 52.000 | 52.000 | 52.000 | 52.000 |
| Sept. 6  | 52.000 | 52.000 | 52.000 | 52.000 |
| Sept. 7  | 52.000 | 52.000 | 52.000 | 52.000 |
| Sept. 8  | 52.000 | 52.000 | 52.000 | 52.000 |
| Sept. 9  | 52.000 | 52.000 | 52.000 | 52.000 |
| Sept. 10 | 52.000 | 52.000 | 52.000 | 52.000 |

**Harvey With Pacific Co.**  
(Special to The Financial Chronicle)  
LOS ANGELES, CAL. — John C. Harvey has become associated with the Pacific Company of California, 623 South Hope Street, members of the Los Angeles Stock Exchange. Mr. Harvey was formerly with M. H. Lewis & Co. and prior thereto was manager of the stock department of Hass, Barnes & Maxwell.

### Weekly Coal And Coke Production Statistics

The U. S. Bureau of Mines, in its report stated that the estimated production of Pennsylvania anthracite for the week ended Aug. 30 amounted to 1,233,000 tons, a decrease of 25,000 tons from the preceding week. In comparison with the output in the corresponding week of 1940, however, there was an increase of 369,000 tons (about 43%).

The latest weekly coal report of the Bituminous Coal Division, U. S. Department of the Interior stated that production of bituminous coal continues to show little change in trend. The total output in the week ended Aug. 30 is estimated at 10,880,000 net tons, indicating a slight gain—130,000 tons, or 1.2%—over the preceding week. Production in the corresponding week last year was 9,072,000 tons.

ESTIMATED UNITED STATES PRODUCTION OF SOFT COAL WITH COMPARABLE DATA ON PRODUCTION OF CRUDE PETROLEUM (In Thousands of Net Tons)

|                              | Week Ended   |              |              | Calendar Year to Date |         |         |
|------------------------------|--------------|--------------|--------------|-----------------------|---------|---------|
|                              | Aug. 30 1941 | Aug. 23 1941 | Aug. 31 1940 | 1941                  | 1940    | 1929    |
| Bituminous coal— <i>a</i>    |              |              |              |                       |         |         |
| Total, incl. mine fuel       | 10,880       | 10,750       | 9,072        | 318,824               | 294,483 | 345,647 |
| Daily average                | 1,813        | 1,792        | 1,512        | 1,564                 | 1,426   | 1,667   |
| Crude petroleum— <i>b</i>    |              |              |              |                       |         |         |
| Coal equiv. of weekly output | 6,415        | 6,368        | 5,609        | 208,138               | 207,774 | 153,269 |

(*a*) Includes for purposes of historical comparison and statistical convenience the production of lignite. (*b*) Total barrels produced during the week converted to equivalent coal assuming 6,000,000 B.t.u. per barrel of oil and 13,100 B.t.u. per pound of coal. Note that most of the supply of petroleum products is not directly competitive with coal. (Minerals Yearbook, 1938, page 702.) (*c*) Sum of 35 weeks ended August 30, 1941, and corresponding 35 weeks of 1940 and 1929.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND BEEHIVE COKE (In Net Tons)

|                            | Week Ended   |              |              | Calendar Year to Date |            |            |
|----------------------------|--------------|--------------|--------------|-----------------------|------------|------------|
|                            | Aug. 30 1941 | Aug. 23 1941 | Aug. 31 1940 | 1941                  | 1940       | 1929       |
| Penn. Anthracite— <i>a</i> |              |              |              |                       |            |            |
| Total, incl. colliery fuel | 1,233,000    | 1,258,000    | 864,000      | 35,878,000            | 33,656,000 | 45,793,000 |
| Comm'l prod'n <i>c</i>     | 1,171,000    | 1,195,000    | 821,000      | 34,090,000            | 31,973,000 | 42,496,000 |
| Beehive Coke— <i>b</i>     |              |              |              |                       |            |            |
| U. S. total                | 132,600      | 156,900      | 72,000       | 3,983,100             | 1,461,100  | 4,591,800  |
| Daily average              | 22,100       | 26,150       | 12,000       | 19,242                | 7,058      | 22,183     |

(*a*) Adjusted to comparable periods in the three years. (*b*) Includes washery and dredge coal, and coal shipped by truck from authorized operations. (*c*) Excludes colliery fuel.

ESTIMATED WEEKLY PRODUCTION OF COAL, BY STATES (In Thousands of Net Tons)

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

| State                            | Week ended   |              |              |              |              | Aug. average 1923 <i>e</i> |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|----------------------------|
|                                  | Aug. 23 1941 | Aug. 16 1941 | Aug. 24 1940 | Aug. 26 1939 | Aug. 24 1929 |                            |
| Alaska                           | 2            | 2            | 2            | 3            | 1            | 397                        |
| Alabama                          | 343          | 344          | 274          | 226          | 321          | 81                         |
| Arkansas and Oklahoma            | 91           | 82           | 82           | 54           | 86           | 173                        |
| Colorado                         | 122          | 118          | 105          | 98           | 138          | 173                        |
| Georgia and North Carolina       | 1            | 1            | 1            | 1            | 1            | 1                          |
| Illinois                         | 1,122        | 1,045        | 866          | 743          | 1,037        | 1,363                      |
| Indiana                          | 465          | 446          | 376          | 247          | 325          | 440                        |
| Iowa                             | 32           | 30           | 48           | 56           | 67           | 100                        |
| Kansas and Missouri              | 149          | 147          | 120          | 100          | 111          | 145                        |
| Kentucky—Eastern                 | 800          | 956          | 824          | 794          | 938          | 765                        |
| Western                          | 208          | 222          | 153          | 135          | 164          | 217                        |
| Maryland                         | 36           | 33           | 27           | 26           | 44           | 44                         |
| Michigan                         | 9            | 11           | 8            | 9            | 17           | 21                         |
| Montana                          | 62           | 56           | 52           | 46           | 66           | 50                         |
| New Mexico                       | 20           | 20           | 16           | 19           | 48           | 49                         |
| North and South Dakota           | 20           | 21           | 23           | 18           | 14           | 20                         |
| Ohio                             | 663          | 648          | 448          | 382          | 486          | 871                        |
| Pennsylvania bituminous          | 2,665        | 2,678        | 2,236        | 1,846        | 2,765        | 3,734                      |
| Tennessee                        | 143          | 147          | 112          | 107          | 101          | 118                        |
| Texas                            | 8            | 9            | 12           | 17           | 24           | 24                         |
| Utah                             | 89           | 85           | 75           | 49           | 78           | 83                         |
| Virginia                         | 405          | 405          | 288          | 278          | 238          | 248                        |
| Washington                       | 31           | 29           | 30           | 29           | 40           | 47                         |
| West Virginia—Southern <i>a</i>  | 2,177        | 2,258        | 1,968        | 1,900        | 2,115        | 1,515                      |
| Northern <i>b</i>                | 848          | 828          | 640          | 542          | 712          | 875                        |
| Wyoming                          | 138          | 119          | 98           | 105          | 114          | 154                        |
| Other Western States <i>c</i>    | 1            | 1            | 1            | 1            | 1            | 1                          |
| Total bituminous coal            | 10,750       | 10,740       | 8,883        | 7,830        | 10,154       | 11,538                     |
| Pennsylvania anthracite <i>d</i> | 1,258        | 1,174        | 977          | 856          | 1,487        | 1,926                      |
| Total, all coal                  | 12,008       | 11,914       | 9,860        | 8,686        | 11,641       | 13,464                     |

*a* Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. *b* Rest of State, including the Panhandle District and Grant, Mineral, and Tucker counties. *c* Includes Arizona, California, Idaho, Nevada, and Oregon. *d* Data for Pennsylvania anthracite from published records of the Bureau of Mines. *e* Average weekly rate for entire month. *f* Alaska, Georgia, North Carolina, and South Dakota included with "other Western States." \* Less than 1,000 tons.

PERCENTAGE INCREASE FROM PREVIOUS YEAR

Major Geographic Regions

| Region              | Week Ended Sept. 6, '41 | Week Ended Aug. 30, '41 | Week Ended Aug. 23, '41 | Week Ended Aug. 16, '41 |
|---------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| New England         | 21.6                    | 22.5                    | 20.1                    | 23.0                    |
| Middle Atlantic     | 16.1                    | 16.0                    | 15.1                    | 13.2                    |
| Central Industrial  | 21.9                    | 19.3                    | 20.2                    | 19.4                    |
| West Central        | 17.5                    | 12.1                    | 16.2                    | 17.5                    |
| Southern States     | 27.4                    | 24.8                    | 24.2                    | 21.8                    |
| Rocky Mountain      | 7.7                     | 8.5                     | 4.5                     | 3.1                     |
| Pacific Coast       | x10.8                   | x10.5                   | x10.3                   | x9.0                    |
| Total United States | 19.4                    | 17.8                    | 17.7                    | 16.6                    |

x Percentage should be higher; data under revision.

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

| Week Ended | 1941      | 1940      | Percent Change from 1940 | 1939      | 1938      | 1937      |
|------------|-----------|-----------|--------------------------|-----------|-----------|-----------|
| May 3      | 2,914,882 | 2,503,899 | +16.4                    | 2,224,723 | 1,992,161 | 2,225,194 |
| May 10     | 2,975,074 | 2,515,515 | +18.3                    | 2,238,826 | 2,019,065 | 2,242,421 |
| May 17     | 2,982,715 | 2,550,071 | +17.0                    | 2,234,592 | 2,023,830 | 2,249,305 |
| May 24     | 3,011,754 | 2,588,821 | +16.3                    | 2,277,749 | 2,030,754 | 2,251,985 |
| May 31     | 2,924,460 | 2,477,689 | +18.0                    | 2,186,394 | 1,936,597 | 2,176,989 |
| June 7     | 3,042,128 | 2,598,812 | +17.1                    | 2,328,756 | 2,056,509 | 2,266,750 |
| June 14    | 3,066,047 | 2,664,853 | +15.1                    | 2,340,571 | 2,051,006 | 2,260,771 |
| June 21    | 3,055,841 | 2,653,788 | +15.2                    | 2,362,436 | 2,082,232 | 2,287,420 |
| June 28    | 3,120,780 | 2,659,825 | +17.3                    | 2,395,857 | 2,074,014 | 2,296,362 |
| July 5     | 2,866,865 | 2,425,229 | +18.2                    | 2,145,033 | 1,937,486 | 2,139,281 |
| July 12    | 3,141,158 | 2,651,626 | +18.5                    | 2,402,893 | 2,154,099 | 2,358,438 |
| July 19    | 3,162,586 | 2,681,071 | +18.0                    | 2,377,902 | 2,152,779 | 2,321,531 |
| July 26    | 3,183,925 | 2,760,935 | +15.3                    | 2,426,631 | 2,159,667 | 2,312,104 |
| Aug. 2     | 3,226,141 | 2,762,240 | +16.8                    | 2,399,805 | 2,193,750 | 2,341,103 |
| Aug. 9     | 3,196,009 | 2,743,284 | +16.5                    | 2,413,600 | 2,198,266 | 2,369,950 |
| Aug. 16    | 3,200,818 | 2,745,697 | +16.6                    | 2,453,556 | 2,204,560 | 2,365,859 |
| Aug. 23    | 3,193,404 | 2,714,193 | +17.7                    | 2,434,101 | 2,202,454 | 2,351,233 |
| Aug. 30    | 3,223,609 | 2,736,294 | +17.8                    | 2,442,091 | 2,216,648 | 2,380,301 |
| Sept. 6    | 3,095,746 | 2,591,957 | +19.4                    | 2,375,852 | 2,109,885 | 2,211,348 |
| Sept. 13   |           | 2,773,177 |                          | 2,532,014 | 2,279,233 | 2,348,370 |
| Sept. 20   |           | 2,769,346 |                          | 2,538,118 | 2,211,059 | 2,321,277 |
| Sept. 27   |           | 2,816,358 |                          | 2,558,538 | 2,207,942 | 2,331,415 |

*a* Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. *b* Rest of State, including the Panhandle District and Grant, Mineral, and Tucker counties. *c* Includes Arizona, California, Idaho, Nevada, and Oregon. *d* Data for Pennsylvania anthracite from published records of the Bureau of Mines. *e* Average weekly rate for entire month. *f* Alaska, Georgia, North Carolina, and South Dakota included with "other Western States." \* Less than 1,000 tons.

DAILY PRICES OF METALS ("E. & M. J." QUOTATIONS)

| Date    | Electrolytic Copper |        | Strait Tin |           | Zinc     |           |
|---------|---------------------|--------|------------|-----------|----------|-----------|
|         | Dom.                | Refy.  | New York   | St. Louis | New York | St. Louis |
| Sept. 4 | 11.775              | 10.950 | 52.000     | 5.85      | 5.70     | 7.25      |
| 5       | 11.775              | 10.950 | 52.000     | 5.85      | 5.70     | 7.25      |
| 6       | 11.775              | 10.950 | 52.000     | 5.85      | 5.70     | 7.25      |
| 8       | 11.775              | 10.950 | 52.000     | 5.85      | 5.70     | 7.25      |
| 9       | 11.775              | 10.950 | 52.000     | 5.85      | 5.70     | 7.25      |
| 10      | 11.775              | 10.950 | 52.000     | 5.85      | 5.70     | 7.25      |
| Average | 11.775              | 10.950 | 52.000     | 5.85      | 5.70     | 7.25      |

Average prices for calendar week ended Sept. 6 are: Domestic copper f.o.b. refinery, 11.775c.; export copper, f.o.b. refinery 10.950c.; Straits tin, 52.000c.; New York lead, 5.850c.; St. Louis lead, 5.700c.; St. Louis zinc, 7.250c.; and silver, 34.750c. The above quotations are "M. & M.'s" appraisal of the major United States markets, based on sales reported by producers and agencies. They are reduced to the basis of cash, New York or St. Louis, as noted. All prices are in cents per pound. Copper, lead and zinc quotations are based on sales for both prompt and future deliveries; tin quotations are for prompt delivery only. In the trade, domestic copper prices are quoted on a delivered basis; that is, delivered at consumers' plants. As delivery charges vary with the destination, the figures shown above are net prices at refineries on the Atlantic seaboard. Delivered prices in New England average 0.225c. per pound above the refinery basis. Export quotations for copper are reduced to net at refineries on the Atlantic seaboard. On foreign business, owing to the European War, most sellers are restricting offerings to f.a.s. transactions, dollar basis. Quotations for the present reflect this change in method of doing business. A total of .05c. is deducted from f.a.s. basis (lighterage, etc.) to arrive at the f.o.b. refinery quotation. Due to the European war the usual table of daily London prices is not available. Prices on standard tin, the only prices given, however, are as follows: Sept. 4, spot, £256, three months, £259 1/4; Sept. 5, spot, £256, three months, £259; Sept. 8, spot, £257, three months, £259 1/4; Sept. 9, spot, £257 1/4, three months, £260 1/4; and Sept. 10, spot, £257, three months, £259 1/4.

### Member Bank Condition Statement

In the following will be found the comments of the Board of Governors of the Federal Reserve System respecting the returns of the entire body of reporting member banks of the Federal Reserve System for the week ended with the close of business Sept. 3.

The condition statement of weekly reporting member banks in 101 leading cities shows the following principal changes for the week ended September 3: Increases of \$39,000,000 in commercial, industrial and agricultural loans, and \$159,000,000 in loans to brokers and dealers in securities, decreases of \$60,000,000 in holdings of United States Treasury bills, \$99,000,000 in reserve balances with Federal Reserve Banks, and \$104,000,000 in demand deposits—adjusted, and an increase of \$140,000,000 in deposits credited to domestic banks.

Commercial, industrial and agricultural loans increased \$18,000,000 in New York City, and \$39,000,000 at all reporting member banks. Loans to brokers and dealers in securities increased \$137,000,000 in New York City and \$159,000,000 at all reporting member banks.

Holdings of Treasury bills declined \$42,000,000 in New York City, \$17,000,000 in the Chicago district, and \$60,000,000 at all reporting member banks. Holdings of "Other securities" declined \$34,000,000.

Demand deposits—adjusted declined \$38,000,000 in the Chicago district, \$35,000,000 in the Cleveland district, and \$104,000,000 at all reporting member banks.

Deposits credited to domestic banks increased in all districts. A summary of the principal assets and liabilities of reporting member banks, together with changes for the week and the year ended Sept. 3, 1941, follows:

| Assets—   | Sept. 3, 1941               | Increase (+) or Decrease (—) | Aug. 27, 1941  | Sept. 4, 1940  |
|---|-----------------------------|------------------------------|----------------|----------------|
|   | Loans and Investments—total | 29,238,000,000               | +131,000,000   | 29,107,000,000 |
| Loans—total                                       | 10,903,000,000              | +206,000,000                 | 10,697,000,000 | +2,337,000,000 |
| Commercial, industrial and agricultural loans     | 6,222,000,000               | +39,000,000                  | 6,183,000,000  | +1,742,000,000 |
| Open market paper                                 | 397,000,000                 | —3,000,000                   | 400,000,000    | +103,000,000   |
| Loans to brokers and dealers in securities        | 607,000,000                 | +159,000,000                 | 448,000,000    | +217,000,000   |
| Other loans for purchasing or carrying securities | 436,000,000                 | —1,000,000                   | 437,000,000    | —27,000,000    |
| Real estate loans                                 | 1,256,000,000               | +2,000,000                   | 1,254,000,000  | +37,000,000    |
| Loans to banks                                    | 45,000,000                  | +2,000,000                   | 43,000,000     | —3,000,000     |
| Other loans                                       | 1,940,000,000               | +8,000,000                   | 1,932,000,000  | +268,000,000   |
| Treasury bills                                    | 1,019,000,000               | —60,000,000                  | 1,079,000,000  | +314,000,000   |
| Treasury notes                                    | 2,283,000,000               | +4,000,000                   | 2,279,000,000  | +184,000,000   |
| U. S. bonds                                       | 7,949,000,000               | +15,000,000                  | 7,934,000,000  | +1,376,000,000 |
| Other securities                                  | 3,316,000,000               | —3,000,000                   | 3,319,000,000  | +732,000,000   |
| Reserve with Federal Reserve Banks                | 10,534,000,000              | —99,000,000                  | 10,633,000,000 | +874,000,000   |
| Cash in vault                                     | 543,000,000                 | +16,000,000                  | 527,000,000    | +52,000,000    |
| Balances with domestic banks                      | 3,502,000,000               | +40,000,000                  | 3,46           |                |

## Government Attacks Itself

The Battle of the Judiciary seems not to have been ended, as most Americans must have supposed that it was, by the emphatic popular and Congressional rejection, in 1937, of the official plan to enlarge the Supreme Court. Even in the midst of clashing arms and extreme demands upon the country's resources and power that call loudly for unity of sentiment, the President revivies memories of the most signally unpopular expedient in his entire radical and changing program and, in effect, serves notice that he will not be contented with less than complete reversal of the verdict then rendered. It is necessary, therefore, that the country should be reminded of the historical essentials of that contest. Four years ago, in July, 1937, after a struggle lasting for more than five months during which he exhausted every expedient of Presidential power in his effort to achieve victory. Mr. Roosevelt sustained inglorious and overwhelming defeat at the hands of the people of the United States. Aroused as they never had been aroused since their Civil War, and substantially unanimous in sentiment as they never had been upon any great issue in the past, they sprang to the defense of one of their time-tried institutions and virtually compelled their Congress, previously most subservient to the Executive, to obey their will. The issue that had this tremendous result was the preservation, in its constitutional integrity of one of the three co-ordinate and mutually independent departments of the Federal government—the Supreme Court of the United States.

Raised suddenly, and completely without warning, by a President at the moment luxuriating in the early afterglow of a seemingly triumphant re-election, those only superficially acquainted with the American character might have expected, as the President unmistakably did expect, an immediate bowing to the executive determination. Such acquiescence did not eventuate. The American people are made of stronger and sterner stuff. They fought for their Judicial Department, which they recognized as the guarantor of their liberties, and they won. To the President, this success of the popular side in a contest which he had sought and supervised was humiliating and provocative.

It all began with towering indignation against the Court, which during the whole of the President's incumbency, up to the retirement of Justice Van Devanter, at the close of the 1936-1937 term, consisted of Chief Justice Charles Evans Hughes, and Associate Justices Willis J. Van Devanter, Louis Dembitz Brandeis, James Clark McReynolds, George Sutherland, Harlan Fiske Stone (now by Mr. Roosevelt's appointment, Chief Justice), Pierce Butler, Benjamin Nathan Cardozo, and Owen J. Roberts.

As the President's kinsman and fellow-alumnus of Groton and Harvard relates the story, the controversy was engendered in the former's lust for unlimited authority. In a narrative written with the aid of Turner Catledge, this observer said:—

"Perhaps the most immediate of the Court's offenses was its denial of satisfaction to the President's taste for power. The President regards great powers as his prerogative, and while he is sometimes careless of the prerogatives of others, he is as jealous of his own as was Louis XIV. Since he considered them infringements on his prerogatives, all the conservative decisions angered him; . . . he was most angered by the decision in the comparatively trivial *Humphries* case. . . . The President saw in the decision the most direct of all possible trespasses on his powers as Chief Executive; he was completely infuriated.—"The 168 Days," pp. 13-14.

But the President's methods, as Walter Lippmann long ago observed, "are not direct." The "vindictiveness" which, according to Alsop, he felt in 1935, was not outwardly revealed until 1937, when, with the aid of "pump-priming" expenditures of Federal funds and the politically directed W.P.A., he had obtained his first re-election. He was repeatedly challenged by opponents, during the 1936 campaign, concerning his attitude towards the Supreme Court, but persistently and consistently he avoided the slightest commitment. His self-restraint was not so prolonged as that of Napoleon the Little, whose determination to turn against Austria, the ally which had enabled him to bring the Crimean war to a face-saving close was concealed from 1856 to 1859, even from members of his Cabinet, but it sufficed. The surprise attack came on February 5, 1937, in the transmission to Congress of a brief message recommending enactment of a bill providing for enlargement of the Court that had been prepared in great secrecy by Homer S. Cummings, the substitute Attorney General who had been forced into the Cabinet at the last minute, under a designation declared to be temporary, by the sudden and unfortunate death of the man who had been selected, Senator Thomas F. Walsh, of Montana. The bill never had a chance. It was actually never considered in the House of Representatives, and in the great Judiciary Committee of the Senate it was steadfastly opposed by Senators King, Van Nuys, Burke,

(Continued on page 122)

## Announces We Will Defend All Ships

(Continued from First Page)

that the time has come when the Americas themselves must now be defended. A continuation of attacks in our own waters, or in waters which could be used for further and greater attacks on us, will inevitably weaken American ability to repel Hitlerism.

In the waters which we deem necessary for our defense American naval vessels and American planes will no longer wait until Axis submarines lurking under the water, or Axis raiders on the surface of the sea, strike their deadly blow—first.

In his declaration the President likewise said:

No act of violence, no act of intimidation will keep us from maintaining intact two bulwarks of defense: First, our line of supply of material to the enemies of Hitler, and second, the freedom of our shipping on the high seas.

No matter what it takes, no matter what it costs, we will keep open the line of legitimate commerce in these defensive waters of ours.

We have sought no shooting war with Hitler. We do not seek it now. But neither do we want peace so much that we are willing to pay for it by permitting him to attack our naval and merchant ships while they are on legitimate business.

The President's address was originally scheduled for delivery on Sept. 8, but with the death, on Sept. 7 of his mother, Mrs. Sara Delano Roosevelt, the time of delivery was deferred until Sept. 11. The White House announcement on Sept. 6 regarding the President's address read:

The President will go on the air next Monday at 9 P. M., Eastern standard time, at the White House and deliver a nationwide broadcast on the radio.

The facilities of the three major broadcasting chains, NBC, CBS, and Mutual, have been made available. His address will be translated into some 14 languages and broadcast by short wave so that the speech will attain a world coverage.

The address will be an important one, although the time consumed will be only 15 minutes. I am not able to tell you what the subject will be, but it will be of major importance.

On Sept. 11 the President conferred early in the day at the White House with Democratic and Republican leaders of Congress to give them an advance outline of his speech said advices from Washington to the New York "Times" which indicated that Stephen Early, White House secretary, had stated "would leave no unanswered questions." From the "Times"—advices we also quote.

Mr. Early, at a press conference at 10:30 A. M., told reporters that as the speech would be "complete and all-covering" Mr. Roosevelt had decided to cancel his regular Friday morning press conference.

Asked if the speech would be followed by a message to Congress, Mr. Early said that he did not know, and added:

"It will be written in English, English that will not need translations. Because the speech will be made at 9 P. M. Eastern standard time, it will be complete up to that hour. There is very little likelihood that there will be any developments between its delivery and 10:30 A. M. tomorrow.

"The President has set that hour for a conference with the American mission to Moscow. Hence there will be no press conference tomorrow."

The text of the President's ad-

(Continued on page 122)

## U. S. Latin American Trade Relations

One of the most remarkable current by-products of the defense program is the almost overnight reversal of the balance of trade between the United States and the Latin American countries. As late as the beginning of 1941, the South American countries were hard put to it to find dollar exchange to buy what they needed in this country. But since then their unfavorable balance of trade has been reversed; it is now we who are doing more buying than selling. And as accompaniment of this change in its trade relations with the United States, South America is today experiencing one of the fastest booms on record—almost entirely a product of our defense program.

One of the major functions of the new Supply Priorities Allocation Board will be to tackle the troublesome problem of priorities for South America. For so swiftly has the situation reversed itself, that whereas less than a year ago South American countries were trying hard to shut out American products for the simple reason that they lacked the wherewithal to pay for them, they are now eager to get them, amply able to pay for them—but find that they are not to be had, for reasons of defense program priority.

Briefly, the course of north-south trade in the Western Hemisphere since the war broke out has been as follows.

The war cut off South America's sources in Europe for numerous manufactured necessities and she had to turn to the United States, with the result that South American purchases of United States' goods after a year of war had jumped 50 per cent. But in the meantime the South Americans had lost substantial European markets for meat, grain, and cotton, and they were not able to find a compensating market in this country. Out of this situation arose considerable discussion as to whether South America's natural trade relations were not chiefly with Europe rather than with the United States.

This trade unbalance brought many answers—none satisfactory. The President obtained from Congress in September 1940 authority to lend \$500,000,000 to Latin American countries through the Export-Import Bank—a proposal he had previously made without success in the \$3,860,000,000 spending-lending bill of the summer of 1938. Efforts were increased to spread the reciprocal trade treaties, but with little success. Argentina, facing one of the worst crisis in her history, imposed rigid foreign exchange control and import quotas.

What turned the tide, however, was our need for raw materials for defense. True, we cannot use Brazilian cotton or Argentine wheat, but these are virtually the only regular South American export commodities of which our need has not expanded to South America's capacity. South America's trade fortunes have always gone up and down with the demand for commodities. Though less than ten years ago we put a 4-cent protective duty ("excise tax") on copper to protect our domestic producers, today we cannot get enough copper for our needs by ransacking all the mines of North and South America, and barely enough for our defense program alone. In the first half of 1941 the United States imported 470,000,000 pounds of wool against only 180,000,000 pounds in the same period of the previous year. We are short of lead and taking all that Mexico can turn out, erecting a special refinery to take care of it.

The increase in American purchases from South America has had a three-fold purpose. First, the enormous demands of the defense program and of enlivened civilian consumption have to be met from any and all available sources. Second, we are still dangerously dependent on the East Indies for several staples like tin, rubber and tungsten, which can be produced in South America without the long ocean haul or the danger of war with Japan. And lastly we are buying to keep South America from being tempted to sell them to the Axis powers. As a result, we are now making "total purchases." For example in May we made an agreement to purchase from Brazil all that country could produce of eleven strategic or critical commodities, in exchange for which Brazil agreed to sell them to nobody else. In the case of coffee and sugar, the extraordinary American demand has caused the quotas of imports into this country to be raised—in the case of sugar four times.

The South American countries benefit both from this all-out demand and from higher prices. Some commodities, particularly the metals, have not appreciated, but sugar is up enough to double the Cuban margin of profit, and American takings of Cuban sugar have increased substantially. Coffee is up sharply since the quota system was established

(Continued on page 122)

## Announces We will Defend All Ships

(Continued from page 121)

dress follows, according to the Associated Press:

The Navy Department of the United States has reported to me that on the morning of Sept. 4 the United States destroyer Greer, proceeding in full daylight towards Iceland, had reached a point southeast of Greenland. She was carrying American mail to Iceland. She was flying the American flag. Her identity as an American ship was unmistakable.

She was then and there attacked by a submarine. Germany admits that it was a German submarine. The submarine deliberately fired a torpedo at the Greer, followed later by another torpedo attack. In spite of what Hitler's propaganda bureau has invented, and in spite of what any American obstructionist organization may prefer to believe, I tell you the blunt fact that the German submarine fired first upon this American destroyer without warning, and with deliberate design to sink her.

Our destroyer, at the time, was in waters which the government of the United States had declared to be waters of self-defense — surrounding outposts of American protection in the Atlantic.

In the north, outposts have been established by us in Iceland, Greenland, Labrador and Newfoundland. Through these waters there pass many ships of many flags. They bear food and other supplies to civilians, and they bear material of war, for which the people of the United States are spending billions of dollars, and which, by Congressional action, they have declared to be essential for the defense of their own land.

The United States destroyer, when attacked, was proceeding on a legitimate mission.

If the destroyer was visible to the submarine when the torpedo was fired, then the attack was a deliberate attempt by the Nazis to sink a clearly identified American warship. On the other hand, if the submarine was beneath the surface and, with the aid of its listening devices, fired in the direction of the sound of the American destroyer without even taking the trouble to learn its identity—as the official German communique would indicate—then the attack was even more outrageous. For it indicates a policy of indiscriminate violence against any vessel sailing the seas—belligerent or non-belligerent.

This was piracy—legally and morally. It was not the first nor the last act of piracy which the Nazi government has committed against the American flag in this war. Attack has followed attack.

A few months ago an American-flag merchant ship, the Robin Moor, was sunk by a Nazi submarine in the middle of the South Atlantic, under circumstances violating long-established international law and every principle of humanity. The passengers and the crew were forced into open boats hundreds of miles from land, in direct violation of international agreements signed by the government of Germany. No apology, no allegation of mistake, no offer of reparations has come from the Nazi government.

In July, 1941, an American battleship in North American waters was followed by a submarine which for a long time sought to maneuver itself into a position of attack. The periscope of the submarine was clearly seen. No British or American submarines were within hundreds of miles of this

## U. S.—Latin American Relations

(Continued from page 121)

last November, and it has been estimated that every one-cent increase in the price of coffee means an annual increase of \$5,000,000 in Colombian trade revenues. Wool, mercury, and a number of other South American staples are up sharply. Since the OPA put a ceiling of 3½ cents on duty-paid sugar the South American countries have been fearing other ceilings on their products, and these American price ceilings are not at all popular to the south of us, but there have been enough increases in price already, and enough increase in volume so that the South Americans are doing very well as it is.

Now, however, comes the ironic fact that the South Americans are having difficulty in buying the United States goods they want, with the proceeds of this good fortune. By and large the whole situation may be summed up by saying that the United States has shifted from an economy beset by surpluses to one beset by scarcities; and, by the osmosis of foreign trade, this condition has been carried to South America. Hence just as the problem of surpluses is disappearing from South America, the problem of shortages is appearing. A year ago Argentina was strictly limiting the number of automobiles her citizens could import. Today, with adequate buying power, the Argentinians are looking to our defense authorities to see that they get as large a share as possible of the limited number of cars which will be available for export in the coming twelve months. American exporters to South America who only a year ago had to find their way through labyrinths of quotas and exchange restrictions now find themselves in a sellers' market in which the doors are wide open to what they have to sell, but they cannot fill the demand. There are shipping difficulties, export control difficulties, and priority difficulties; the last two are the most serious and are no longer set up by the South Americans but by the United States authorities. It is estimated, for example, that 95 per cent of United States' exports now have to have a license under the Export Control Act of June, 1940, and the remainder will probably soon be brought under the Act. And then there is the greater and still growing trouble of priorities.

How priorities make trouble can be readily seen from a list of South America's major import needs from this country. They include steel, machinery, chemicals, electrical equipment, engineering equipment, airplanes, locomotives, freight cars, trucks and road-building equipment. Everyone of these is now either under priority or is scarce. Fuel is now one of the major needs, and here the transportation difficulty applies just as it does to the gasoline and burning oil requirements of the United States' Atlantic seaboard.

It is essential for political, economic, and military reasons that South America should not suffer more than is necessary from these shortages. For this reason there was set up early this summer a special Export Clearance Department in the Office of the Administrator of Export Controls. As the problem grew, this was soon replaced by the Economic Defense Board, headed by Vice-President Wallace, to fit these hemisphere needs into our priorities system. And now the functions of this Economic Defense Board have been absorbed into the new Supplies Priorities Allocation Board, which will survey and allocate the respective wants of our armed services, our civilian consumers, and our South American customers for the limited supply of materials and machinery. When, for instance, the South American countries want transport planes to replace those of the German lines, SPAB will have to decide whether these planes are to be provided at the expense of the Army Air Corps or the domestic American air transport industry.

This, in fact, was one of the reasons for the setting up of SPAB. This hemisphere problem duplicates the fast growing domestic problem of priorities, and just as it was obvious that only one coordinating authority could properly make the allocations for this country's economic system so it must also be obvious that only one such authority can now make the allocations for the hemisphere. In the beginning of the present situation, American exporters had to find their own way through the red tape and the export authorities had neither policy nor machinery to meet the new situation. The first try at it, the export clearance division of the Export Control administration, was inadequate; so was the subsequent Economic Defense Board; there was nothing to do but to put the matter in the hands of the Supply Priorities Allocation Board.

And just as the United States' new condition of prosperity and bottlenecks has been transmitted through trade channels to South America, so the new methods of quotas

## Government Attacks Itself

(Continued from page 121)

Connally, McCarren, O'Mahoney, and Hatch, (all Democrats, among whom only Senator Hatch showed the least disposition to comprise) and by Senators Borah, Austin and Steiwer, Republicans. Yet executive belligerency prolonged the struggle and it was bitter and sanguinary, final and acknowledged defeat for the President not coming until anxiety and devotion to a cause that he did not favor had brought about the lamentable death of Senator Joseph Taylor Robinson, of Arkansas, the attractive and able leader of the Democrats of the Senate. There was not a single member of the Supreme Court who did not feel outraged by the attack upon the integrity of the judicial system and some of the oldest and most honored among the Justices, including Justice Brandeis, permitted their disgust and opposition to become publicly known.

The Judiciary Committee's majority report, which sweepingly condemned the entire plan, characterized the measure in indignant and scathing terms. Not much of its deadly denunciation can be given space here, but the following expressions are typical.

"We recommend the rejection of this bill as a needless, futile, and utterly dangerous abandonment of constitutional principle. . . ."

"It is a proposal without precedent or justification."

"It would subjugate the courts to the will of Congress and the President and thereby destroy the independence of the Judiciary, the only certain shield of individual rights."

"It points the way to an evasion of the Constitution and establishes the method whereby the people may be deprived of their right to pass upon amendments of the fundamental law."

"It stands now before the country, acknowledged by its proponents as a plan to force judicial interpretation of the Constitution, a proposal that violates every sacred tradition of American democracy."

"It is a measure which should be so emphatically rejected that its parallel will never again be presented to the free representatives of the free people of America." *Judiciary Committee Reports, Seventy-Fifth Congress.*

After some maneuvering and abortive efforts at face-

(Continued on page 123)

and allocations will have to be transmitted down there also. With limited supplies to be parcelled out, the South American countries will have to cooperate with the SPAB by working out their own schedules of what they want first and how much. SPAB is now working out the principles on which goods and equipment will be allocated to the Latin American countries. One rule of thumb being tried is to take their 1937 imports from this country as a rough guide as to what they are entitled to. Many other factors will complicate the problem, however, including programs for the establishment of military and air bases to the South, but the authorities down there will have to have a say in the matter.

Meantime it is likely that the machinery of the old system will be rapidly dismantled. There is not much point in either side of the Caribbean maintaining protective tariffs or quota limits against the import of goods of which it wants all it can get. The new quotas, it should be remembered, are quite different in purpose from the old; they are intended to parcel out fairly all that can be obtained of a desired commodity so as to make it go as far as possible; the old quotas were designed to keep the commodity out. A trade treaty, for instance, is likely to be signed between the United States and Argentina this year to cut tariffs on both sides, after efforts in this direction have repeatedly failed in recent years.

The trend now is all toward creating an economic unit of the whole Western Hemisphere. This was hoped for and discussed and urged before the defense program, but the difficulties seemed insuperable. Today's situation, on the other hand, makes it essential; the difficulties of trying not to operate as a hemispheric economic unit would be almost insuperable.

A major by-product of the new conditions is that the Latin American countries are cooperating with the American military-economic program with greater and greater willingness. The blacklist set up in July against 1800 firms suspected of Axis leanings was not taken particularly well for the natural reason that it necessarily disrupted a good many going business relations. But the Latin American governments appear glad enough to make exclusive selling agreements with us; they have cooperated widely in the elimination of German air lines in South America; and, if only to relieve the shortage of north and south shipping facilities they have taken over some 80 Axis vessels of 400,000 tons which had been lying idle in their ports.

Probably never in the history of inter-American relations has there been such a swift, complete, and kaleidoscopic change as has occurred in 1941.

## Government Attacks Itself

(Continued from page 122)

saving, the President surrendered abjectly and unconditionally, but not without impenetrable and permanent indignation. "Go ahead and write your own ticket," said Vice-President Garner to Senator Burton K. Wheeler, floor-leader of the victorious opposition, "but for God's sake and the sake of the Party, be reasonable."—"The 168 Days," pp. 277-294.

Tentative moves intended to suspend the contest in the Senate, and transfer it to the other branch of Congress, were indeed made. They were speedily abandoned when Hon. Hatton W. Sumners, the very able and patriotic chairman of the Judiciary Committee in the House of Representatives, demanded the floor and spoke this warning:—

"If they bring that bill into this House when we are trying to preserve the solicitude of the Nation, if they bring that bill into this House for consideration, I do not believe they will have enough time left on it to bother about."—"The 168 Days," pp. 264-5.

What followed is history. Justice Van Devanter's place was filled by Senator Hugo L. Black, although the "emoluments" of the position had been increased during the term in Congress that he was then serving and, consequently, his appointment was prohibited by the Constitution. In the course of time, the Chief Justice and five of the remaining Associate Justices retired or died in office and now the Court, after the confirmation and qualification of former Attorney-General Jackson and Senator Byrne, will include seven appointees of Mr. Roosevelt, among whom two or three are actually competent lawyers.

The President's indignation has not been interrupted nor has it diminished with the lapse of time. It was said of the Bourbons, long the oldest reigning family in Europe, that they "never learned anything and never forget anything." Control of the Supreme Court, through his own appointees; all former associates of his Administration and four of them prominent as incumbents of executive offices by his own designation when they were named, has not appeased his ever-smoldering wrath that such control was not accorded in conformity with his own plan. This is demonstrated by the leading article in the current issue (post-dated, September 13) of Collier's, published over the signature "Franklin Delano Roosevelt," and entitled "The Fight Goes On." Discussion of this amazing though belated counterblast would have been simplified if, in his anxiety to secure the closing word, the President had not personally copyrighted the article and meticulously given notice, accompanying its publication, that "Reproduction in whole or in part is forbidden, without written permission." Nevertheless, we note that most of the argument has already been made public property by dissemination to and through the daily press and it is at least permissible for a still uncensored periodical to note that reverence to the Supreme Court as a "dead hand" mischievously restraining the New Deal's "program" of alleged "progress" is a rather singular and probably unprecedented instance of a vituperative attack upon the head of one co-ordinate branch of Government upon another co-ordinate branch.

The article is a long one and scarcely of sustained interest so that, despite its authorship, it may not be extensively read, yet as often as this ancient grudge against the only Court specifically provided by the Constitution is revived, there must be some reiteration. Referring to the "Hot Oil" case (293 U. S. 388), the President notes that it was the first in which the invalidity of an Act of Congress was declared to result from an improper delegation of power and complains, with singular ignorance of a long line of illuminating decisions beginning with the case of *The Aurora*, decided while John Marshall was the Chief Justice, that the limitations of permissible delegation were not laid down. As to another case, *Ashwander v. Tennessee Valley Administration*, the complaint is that the Justices, although deciding for the Government, failed to go beyond the record and decide questions not at all before them—and yet the President is a lawyer, or at any rate a member of the bar. Bitter complaint is made, also, against the decisions, on which the Government has had continuously to rely, in the "Gold Clause" cases, although these decisions did not deny its intended effect to anything which had been done. It is somewhat surprising, in this connection, to read a passionate Presidential defense of his 1933 degradation of the dollar, which some may have supposed that it was desirable to have forgotten. Many years ago, during an earlier attack upon the integrity of American currency, a Groton school-boy wrote:—

"Free coinage of silver means therefore a depreciated dollar. The greatest loser of all is the working-man, with a depreciated currency prices rise much faster than wages. In fact, the whole contention of the Silverites may be reduced to an attempt to lower

wages."—Rita Halle Kleeman, "Gracious Lady, The Life of Sara Delano Roosevelt," pp. 204-5.

It is great pity that, as President, he forgot or transgressed the faith that he held as a youth. Now, he holds that partial repudiation of public and private debts was an essential of recovery and that breaking its solemnly plighted faith was, in 1933, a controlling factor affecting the "fate" of this Nation. These were divided-court opinions, some of them six to three, but condemnation and criticism is equally violent in three cases that were unanimously decided: the Frazier-Lemke case (295 U. S., 555), the Humphries case (295 U. S. 602), and the National Industrial Recovery case 272 U. S. 52, 135). In these cases Justices Brandeis, Stone, and Cardozo, liberals against none of whom any sane liberal ever uttered a word, were unhesitatingly with the majority of the Court. When Cousin Alsop reads the animadversions upon the N. R. A. decision, it is surmised that his mind will revert to what he wrote in 1937. Referring to the condemnation of the National Industrial Recovery Act, Mr. Alsop and his associate author said:—

"The decision was unanimous, for the grandiose, unworkable and distinctly oppressive law appealed no more to liberals than to McReynolds. . . . The decision was popular . . . the millions who had had some disagreeable experience of rising prices, irritating code regulations, or monopoly newly powerful under N. R. A. heartily approved it. Indeed, the decision was the President's best piece of luck during his first term, for it spared him the uncomfortable necessity of lying in the bed he made."—"The 168 Days," p. 7.

Not once during the 1936 campaign did President Roosevelt dare to tell the voters that, if re-elected, he would attempt to revive N. R. A., in any form or disguise. Neither did he, during 1940, venture to advise the voters that, if accorded a third term of office, he would either seek to resurrect that discredited effort towards regimentation and artificially abetted monopoly or to renew his attack upon the Judicial Department. Yet now, in the Collier's article, he has strongly asserted a position, the only logical consequence of which, could he prevail, would be a new N. R. A., as meddlesome and vicious as the old one, and another effort to make the Supreme Court, if it should be permitted to survive, merely a time-serving instrument of any President temporarily in office. Indeed, the sole consequence of his present vituperative attack upon the Supreme Court, could it result in legislation consistent with its tenor, would be the abolition of that Court, in its function as an interpreter of the Constitution.

## As Was Inevitable

(Continued from First Page)

almost everything that he has undertaken. He has succeeded in having them, or the most of them, leave practically all matters that have to do with our relations with foreign countries to his judgment because, so we believe, he was able to persuade them that he would keep them out of war, but he has utterly failed to arouse what is known as the war spirit among the rank and file. It may be, although it appears very doubtful, that he will presently prove equal to the task of converting the majority of the people to what is evidently his way of thinking about our participation in the shooting, but it is plain as a pikestaff that he has not as yet even approached the point of being able to command that virtually unanimous support without which no prudent head of a government would of his own choice enter any such war as the one now raging in most sections of the world.

### "Incidents"

It may be that a few more "incidents" such as those of recent days will serve to arouse the American people to a "fighting pitch" roughly comparable to that which was evident in 1917, but it is most gravely to be doubted. The United States is now in the position of the burned child; it fears the fire. It had almost complete faith in Woodrow Wilson, in his forthrightness, in his candor, and in his judgment. Subsequent events have unfortunately proved that faith not entirely well placed. Subsequent events, so far as the rank and file are concerned, and Lansing's war memoirs, so far as the more serious students of public affairs are concerned, have long ago established that fact. It has become all too clear in the intervening years that "making the world safe for democracy" had little or nothing to do with the other World War save in the minds of American idealists, and many of them have learned better long ere this. Moreover, the last time we had from the first made a showing at least of demanding the rights of neutrals, the freedom of the seas, and other doctrines familiar and dear to American hearts, and we ourselves took pains, relatively speaking at least, to respect the ordinary laws of neutrality. This time we have not done any of these things—that is,

(Continued on page 124)

## Announces We Will Defend All Ships

(Continued from page 122)

spot at the time, so the nationality of the submarine is clear.

Five days ago a United States Navy ship on patrol picked up three survivors of an American-owned ship operating under the flag of our sister republic of Panama—the S. S. Sessa. On Aug. 17 she had been first torpedoed without warning, and then shelled, near Greenland, while carrying civilian supplies to Iceland. It is feared that the other members of her crew have been drowned. In view of the established presence of German submarines in this vicinity, there can be no reasonable doubt as to the identity of the attacker. Five days ago another United States merchant ship, the Steel Seafarer, was sunk by a German aircraft in the Red Sea 220 miles south of Suez. She was bound for an Egyptian port.

Four of the vessels sunk or attacked flew the American flag and were clearly identifiable. Two of these ships were warships of the American Navy. In the fifth case the vessel sunk clearly carried the flag of Panama.

In the face of all this, we Americans are keeping our feet on the ground. Our type of democratic civilization has outgrown the thought of feeling compelled to fight some other nation by reason of any single piratical attack on one of our ships. We are not becoming hysterical or losing our sense of proportion. Therefore, what I am thinking and saying does not relate to any isolated episode.

Instead, we Americans are taking a long-range point of view in regard to certain fundamentals and to a series of events on land and on sea which must be considered as a whole—as a part of a world pattern.

It would be unworthy of a great nation to exaggerate an isolated incident or to become inflamed by some one act of violence. But it would be inexcusable folly to minimize such incidents in the face of evidence which makes it clear that the incident is not isolated, but part of a general plan.

The important truth is that these acts of international lawlessness are a manifestation of a design which has been made clear to the American people for a long time. It is the Nazi design to abolish the freedom of the seas and to acquire absolute control and domination of the seas for themselves.

For with control of the seas in their own hands, the way can become clear for their next step—domination of the United States and the Western Hemisphere by force. Under Nazi control of the seas, no merchant ship of the United States or of any other American republic would be free to carry on any peaceful commerce, except by the condescending grace of this foreign and tyrannical power. The Atlantic Ocean, which has been, and which should always be, a free and friendly highway for us, would then become a deadly menace to the commerce of the United States, to the coasts of the United States, and to the inland cities of the United States.

The Hitler government, in defiance of the laws of the sea and of the recognized rights of all other nations, has presumed to declare, on paper, that great areas of the seas—even including a vast expanse lying in the Western Hemisphere—are to be closed, and that no ships may enter them for any purpose, except at peril of being sunk. Actually, they are sinking ships at will and without warning in widely separated areas both

(Continued on page 124)

## As Was Inevitable

(Continued from page 123)

until quite recently when it appeared convenient to the President again to raise some of these time honored doctrines, but without mention of the obligations of neutrality.

We have not even made a pretense of demanding that the "democracies" respect our rights as a neutral. Even before the present war started we had gone on record as being willing to forego many such rights, although technically reserving the privilege of demanding them if we chose. Almost from the beginning we have been neutral in name only, if even in that degree. Our responsible public officials, including particularly the President himself, have repeatedly excoriated other nations and other governments with which we were at least technically at peace. We have been guilty of almost endless international intrigue for the purpose of aiding one group of belligerents at the expense of the other, and we have made a regular practice of boasting of the aid we were furnishing or would shortly furnish one group to the detriment of the other. Indeed it may be said that we have in everything but name long ago entered the struggle against Germany and her allies. The American people dislike Hitler, the strutting Mussolini and all they represent most cordially. For this dislike they have the strongest of reasons.

At the same time, however, they have an innate sense of fair play, and in such matters as these at least a certain degree of realism in their make-up. It is not reasonable to expect them, one and all, in existing circumstances to become infuriated over German transgressions at Sea as they did in 1916 and 1917. Those who would stir such emotions with arguments harking back to that earlier era have an essentially weak case, and they must be aware of the fact. The cold truth of the matter is, in any event, that the American people for the most part, rightly or wrongly, have long ago largely abandoned the notion that the traditional doctrines of freedom of the seas under conditions of modern warfare on a scale such as that now obtaining are enforceable or worth fighting for in many such cases as now seem to arising and threatening to arise. If such were not the case the so-called neutrality laws would never have reached the statute books, and they would not today be so difficult to expunge from those books.

There are many other reasons why the war spirit of 1917 so well remembered by the older generations is so conspicuously lacking at the present moment, and, in our belief, so likely to remain largely lacking barring incidents more dramatic and far more inflaming than any so far occurring. We have repeatedly referred to them in these columns, and there is no need to repeat them here. The question at present before us concerns our course now that we are apparently about to be brought face to face with the inevitable and disagreeable results of our own acts. Short of a formal declaration of war which appears to be out-moded these days, there is little likelihood that the American people, or, for that matter, Congress will have a great deal to say in any formal way about what is to be done, so largely have the Constitution and innumerable recent statutory enactments placed the destiny of the nation in the hands of the Chief Executive. Not even so headstrong an individual as President Roosevelt, however, can escape the pressure of public opinion when well crystallized and even half articulated.

What then does the American people wish done in light of the existing situation? What should it want done? These are questions which should be, and doubtless are, searching the souls of all thoughtful and patriotic citizens throughout the length and breadth of the land. They are queries which none of us can longer afford to ignore or neglect.

While the editorial paragraphs above were waiting for the press, the President delivered to the people of this country (and of other countries) a radio address, which, according to one of his secretaries, was to make the position of this country utterly clear:

It did nothing of the sort, of course, but it has placed both Germany and the people of this country upon notice that shooting is about to begin. The address left our position in the dark at important points for the reason that nowhere did it make known (and nowhere since it has been made known) precisely what waters the Administration considers "defensive waters". Apparently this essential information was purposely withheld—the official explanation is that the boundaries will depend upon Germany's actions in the future. It was nonetheless a notice that shooting was about to begin (indeed some shooting seems to have actually begun) by reason of the fact that in order to avoid it Germany, at the very least, would apparently be obliged to withdraw her Atlantic forces from areas which that country has designated as areas of sea warfare in which she has

## Announces We Will Defend All Ships

(Continued from page 123)

within and far outside of these far-flung pretended zones.

This Nazi attempt to seize control of the oceans is but a counterpart of the Nazi plots now being carried on throughout the Western Hemisphere — all designed toward the same end. For Hitler's advance guards — not only his avowed agents but also his dupes among us—have sought to make ready for him footholds and bridgeheads in the New World, to be used as soon as he has gained control of the oceans.

His intrigues, his plots, his machinations, his sabotage in this New World are all known to the government of the United States. Conspiracy has followed conspiracy.

Last year a plot to seize the government of Uruguay was smashed by the prompt action of that country, which was supported in full by her American neighbors. A like plot was then hatching in Argentina, and that government has carefully and wisely blocked it at every point. More recently an endeavor was made to subvert the government of Bolivia. Within the last few weeks the discovery was made of secret air landing fields in Colombia, within easy range of the Panama Canal. I could multiply instances.

To be ultimately successful in world mastery, Hitler knows that he must get control of the seas. He must first destroy the bridge of ships which we are building across the Atlantic, over which we shall continue to roll the implements of war to help destroy him and all his works in the end. He must wipe out our patrol on sea and in the air. He must silence the British Navy.

It must be explained again and again to people who like to think of the United States Navy as an invincible protection, that this can be true only if the British Navy survives. That is simple arithmetic.

For, if the world outside the Americas falls under Axis domination, the shipbuilding facilities which the Axis powers would then possess in all of Europe, in the British Isles, and in the Far East would be much greater than all the shipbuilding facilities and potentialities of all the Americas—not only greater, but two or three times greater. Even if the United States threw all its resources into such a situation, seeking to double and even redouble the size of our Navy, the Axis powers, in control of the rest of the world,

regularly been operating for a good while past. To be certain of avoiding clashes she might well have to withdraw in very large measure from the "battle of the Atlantic". These things no one expects her to do.

The President has evidently left himself wide leeway in these matters, and it is possible that he does not really intend to be as belligerent as he sounds, that some of his statements are to be taken in a Pickwickian sense, but if so he, by making such utterances, has made a bad situation worse. If one is to interpret what the President now says in light of his former tactics, it is conceivable at least that what he really does will depend in substantial measure upon the public reaction to what he has said. This, of course, leaves the situation in an unsatisfactory state in one sense, but somewhat encouraging in another. It is unsatisfactory in that it contains so many elements of uncertainty; it may be encouraging if the Rubicon is not definitely crossed, leaving an opportunity for the American people to make their wants and wishes definitely and imperiously known.

In arriving at their own conclusions concerning the course we should now pursue, it would be well for the people of this country not to permit themselves to become involved in questions of international law—which has been honored for more in the breach than in the observance on all sides—and center attention upon our own interests in this tangled affair without becoming emotionally unbalanced at this critical time.

would have the manpower and the physical resources to out-build us several times over.

It is time for all Americans of all the Americas to stop being deluded by the romantic notion that the Americas can go on living happily and peacefully in a Nazi-dominated world.

Generation after generation, America has battled for the general policy of the freedom of the seas. That policy is a very simple one—but a basic, fundamental one. It means that no nation has the right to make the broad oceans of the world, at great distances from the actual theater of land war, unsafe for the commerce of others.

That has been our policy, proved time and time again, in all our history.

Our policy has applied from time immemorial—and still applies—not merely to the Atlantic but to the Pacific and to all other oceans as well.

Unrestricted submarine warfare in 1941 constitutes a defiance—an act of aggression—against that historic American policy.

It is now clear that Hitler has begun his campaign to control the seas by ruthless force and by wiping out every vestige of international law and humanity.

His intention has been made clear. The American people can have no further illusions about it.

No tender whisperings of appeasers that Hitler is not interested in the Western Hemisphere, no soporific lullabies that a wide ocean protects us from him—can long have any effect on the hard-headed, farsighted and realistic American people.

Because of these episodes, because of the movements and operations of German warships, and because of the clear, repeated proof that the present government of Germany has no respect for treaties or for international law, that it has no decent attitude toward neutral nations or human life — we Americans are now face to face, not with abstract theories, but with cruel, relentless facts.

This attack on the Greer was no localized military operation in the north Atlantic. This was no mere episode in a struggle between two nations. This was one determined step toward creating a permanent world system based on force, terror and murder.

And I am sure that even now the Nazis are waiting to see whether the United States will by silence give them the green light to go ahead on this path of destruction.

The Nazi danger to our Western World has long ceased to be

a mere possibility. The danger is here now—not only from a military enemy but from an enemy of all law, all liberty, all morality, all religion.

There has now come a time when you and I must see the cold inexorable necessity of saying to these inhuman, unrestrained seekers of world conquest and permanent world domination by the sword—"You seek to throw our children and our children's children into your form of terrorism and slavery. You have now attacked our own

## New Tax Measure Now Goes To Conference

(Continued from page 119)

Other Senate changes included higher surtaxes for corporations elimination of a special 10% tax on corporations not earning sufficient income to pay excess profits levies, elimination of House taxes on radio time sales, billboards and soft drinks and an increase from 5 to 10% in the House tax on local telephone bills.

By making their concessions, leaders won Senate approval one day ahead of their schedule, which had called for final action today. When the final test came after six and a half hours debate yesterday, a chorus of "ayes" resounded through the chamber.

Senator La Follette (Prog-Wis.) who had fought tooth-and-nail against many provisions of the bill then demanded the roll call.

In addition to the 67 who voted for the bill, 14 Senators who were absent were announced as in favor of passage. These included Senators Davis (Republican, Pa.) and Smathers (Democrat, N. J.).

Besides lowering present exemptions, the Senate bill would raise individual and corporation income tax rates all along the line. Individual income levies (including surtaxes) would start at 10% instead of the present 4%.

At the instance of Administration Senate forces Senator Downey (Democrat) of California, was said to have agreed on Sept. 5 to withhold the \$30-a-month pension amendment if the leadership would promise to consider it later as a separate bill.

From its Washington bureau on Sept. 9 the New York "Journal of Commerce" had the following to say in part:

Acceptance by the House of the Byrd rider to the \$3,583,900,000 tax bill to establish a special committee to seek cuts in Government expenditures was seen probable tonight on the eve of initial meetings of the Senate and House conference committee to iron out the differences in the measure.

Members of the House conference group contacted today expressed support for the move to bring economy squarely into the tax picture, with Chairman Doughton (Dem., N. C.) voicing his opinion that "it's a crime to waste any money during this emergency."

The Byrd proposal aims at reducing expenditures of the Government outside of the needs for defense by upward of \$1,000,000,000 below the current fiscal year budget estimates. The committee would be composed of Senate and House appropriations and taxing committees, Secretary of Treasury and Director of the Budget.

The committee is directed to make a complete study of "all expenditures of the Federal Government with a view to recommending elimination or reduction of all such expenditures deemed to be non-essential." The group would report to the President and Congress as quickly as its studies were complete.

safety. You shall go no further."

Normal practices of diplomacy—note writing—are of no possible use in dealing with international outlaws who sink our ships and kill our citizens.

One peaceful nation after another has met disaster because each refused to look the Nazi danger squarely in the eye until it actually had them by the throat.

The United States will not make that fatal mistake.

No act of violence or intimidation will keep us from maintaining intact two bulwarks of defense: first, our line of supply of material to the enemies of Hitler, and second, the freedom of our shipping on the high seas.

No matter what it takes, no matter what it costs, we will keep open the line of legitimate commerce in these defensive waters.

We have sought no shooting war with Hitler. We do not seek it now. But neither do we want peace so much that we are willing to pay for it by permitting him to attack our naval and merchant ships while they are on legitimate business.

I assume that the German leaders are not deeply concerned by what we Americans say or publish about them. We cannot bring about the downfall of Nazism by the use of long-range invective.

But when you see a rattlesnake poised to strike, you do not wait until he has struck before you crush him.

These Nazi submarines and raiders are the rattlesnakes of the Atlantic. They are a menace to the free pathways of the high seas. They are a challenge to our sovereignty. They hammer at our most precious rights when they attack ships of the American flag—symbols of our independence, our freedom, our very life.

It is clear to all Americans that the time has come when the Americas themselves must now be defended. A continuation of attacks in our own waters, or in waters which could be used for further and greater attacks on us, will inevitably weaken American ability to repel Hitlerism.

Do not let us split hairs. Let us not ask ourselves whether the Americans should begin to defend themselves after the fifth attack, or the tenth attack, or the twentieth attack.

The time for active defense is now.

Do not let us split hairs. Let us not say—"We will only defend ourselves if the torpedo succeeds in getting home, or if the crew and the passengers are drowned."

This is the time for prevention of attack.

If submarines or raiders attack in distant waters, they can attack equally well within sight of our own shores. Their very presence in any waters which American deems vital to its defense constitutes an attack.

In the waters which we deem necessary for our defense, American naval vessels and American planes will no longer wait until Axis submarines lurking under the water, or Axis raiders on the surface of the sea, strike their deadly blow—first.

Upon our naval and air patrol—now operating in large number over a vast expanse of the Atlantic Ocean—falls the duty of maintaining the American policy of freedom of the seas—now. That means, very simply and clearly, that our patrolling vessels and planes will protect all merchant ships—not only American ships but ships of any flag—engaged in commerce in our defensive waters. They will protect them from submarines; they will pro-

## Pressed Steel Car Plant Strike Ended

The strike at the McKees Rock, Penna., plant of the Pressed Steel Car Co., was called off Sept. 6 at the request of the National Mediation Board, the strike had closed the plant on Aug. 29. Concerning the reopening, United Press Pittsburgh advices of Sept. 6 said:

More than 100 employees returned to work to unload 250 carloads of steel and lumber, while the rest of the employees are to be back on the job Monday.

The walkout began Aug. 29 when the S. W. O. C. contended that it had obtained a majority of members among the employees since the Independent Car and Foundry Workers, an independent union, was certified early this year by the National Labor Relations Board as the collective bargaining agent.

A previous reference to the strike appeared in our Sept. 4 issue, page 16.

protect them from surface raiders.

This situation is not new. The second President of the United States, John Adams, ordered the United States Navy to clean out European privateers and European ships of war which were infesting the Caribbean and South American waters, destroying American commerce.

The third President of the United States, Thomas Jefferson, ordered the United States Navy to end the attacks being made upon American ships by the corsairs of the nations of North Africa.

My obligation as President is historic; it is clear; it is inescapable.

It is no act of war on our part when we decide to protect the seas which are vital to American defense. The aggression is not ours. Ours is solely defense.

But let this warning be clear. From now on, if German or Italian vessels of war enter the waters, the protection of which is necessary for American defense, they do so at their own peril.

The orders which I have given as commander in chief of the United States Army and Navy are to carry out that policy—at once.

The sole responsibility rests upon Germany. There will be no shooting unless Germany continues to seek it.

That is my obvious duty in this crisis. That is the clear right of this sovereign nation. That is the only step possible, if we would keep tight the wall of defense which we are pledged to maintain around this Western Hemisphere.

I have no illusions about the gravity of this step. I have not taken it hurriedly or lightly. It is the result of months and months of constant thought and anxiety and prayer. In the protection of your nation and mine it cannot be avoided.

The American people have faced other grave crises in their history—with American courage and American resolution. They will do no less today.

They know the actualities of the attacks upon us. They know the necessities of a bold defense against these attacks. They know that the times call for clear heads and fearless hearts.

And with that inner strength that comes to a free people conscious of their duty and of the righteousness of what they do, they will—with divine help and guidance—stand their ground against this latest assault upon their democracy, their sovereignty, and their freedom.

Ed. Note: Labor difficulties have delayed the appearance of this issue. We have taken advantage of this delay to present the President's address.

# On The Foreign Front

## European Stock Markets

Contrasting sharply with the dull and uncertain trend of our own stock markets, European exchanges this week reported a continuance of the decided upswing which now has been in progress for some time. Optimistic views as to war and other developments possibly stimulated the foreign markets, but it also is possible that inflationary tendencies

are making themselves increasingly manifest. Whatever the cause, London noted steady advances in gilt-edged securities and a good tone in almost all others. Home rail stocks were quiet, but a number of industrial specialties showed improvement. Mexican issues were in demand on reports of a general settlement of the troubles occasioned by the nationalization of oil resources there. The modified optimism of Prime Minister Churchill's review of the war was followed, Tuesday, by fresh gains in many issues. The Berlin market was inactive, which is now the normal situation there. But prices tended to advance moderately. The Netherlands market at Amsterdam disclosed a fair inquiry for securities.

## Greer Incident

Emphasizing the steady approach of the United States toward all-out shooting participation in the European war is the incident of the American destroyer Greer, 1,200 tons, which was engaged by a German submarine in waters near Iceland on Sept. 4. The ship was made the target for several torpedoes, but the missiles fortunately missed their mark, and a counter-attack with depth bombs immediately was made upon the attacking submarine. These also, it seems, were unavailing, for the submarine reported the incident to Berlin, and the German authorities supplied a version which differed fundamentally from that of the United States Navy, although it doubtless suited the German populace better. According to Berlin, the American ship was the attacker and the torpedoes were discharged only in self-defense. Needless to say, the German version made no impression on this side of the Atlantic. The entire incident disclosed, however, the greatly increased danger of explosive incidents which followed our maintenance of armed forces in Iceland, along with the British.

Various other occurrences of recent days also have served to throw into high relief the difficulties of the American position of technical neutrality. Canada's Prime Minister, W. L. Mackenzie King, issued an outright call for American participation in the course of a luncheon in London, Sept. 4. Prime Minister Winston Churchill, who attended the luncheon, made clear his approval of the comments. Mr. King urged the United States to stand at the side of Great Britain in the conflict with Nazi Germany, as a reflection of that "deepening interdependence of the free world" which was signalized by Mr. Churchill's assurance of British aid to the United States in any clash with Japan. The Canadian Prime Minister saw in such an American declaration a good deal of "meaning" for the German people, and he also viewed the suggested statement as what he called a "realistic recognition that Britain is the one obstacle in the way of a Nazi attack upon the New World". The actual course of the United States was unchanged, for the time being, although a speech by President Roosevelt tonight may steer the country still more closely to war. The degree to which the United States is becoming committed in Eastern Europe was illustrated

by the arrival of a Russian mission via Alaska, and by the dispatch of a five-man mission to attend the Moscow conference suggested by President Roosevelt and Prime Minister Churchill, a month ago. Even Polish troops training in Canada are to be aided under the lend-lease measure, because Mr. Roosevelt regards Polish action as "vital to the defense of the United States."

The Greer incident overshadowed all else in the field of American policy, and the controversy can be expected to echo indefinitely, since it involves the fundamental question of the freedom of the seas. The Navy Department reported the attack late on the same day on which it occurred. The terse statement said merely that the Greer was on the way to Iceland with mail, when a submarine attacked her by firing torpedoes which missed their mark. The Greer immediately counter-attacked with depth charges, but results were not known, the Navy indicated. President Roosevelt took up the matter in his press conference last Friday, and he made clear that he believed the attack was deliberate. Adding slightly to the information disclosed by the Navy statement, Mr. Roosevelt revealed that the attack was made in broad daylight, with visibility good, and the flag and identity marks of the ship plainly showing. American naval vessels were searching for the attacking submarine and would "eliminate" it, the President declared. He asserted that the incident occurred on what he called the American side of the ocean.

In a German statement of last Saturday, which charged that the Greer began the attack, the precise location of the incident was furnished. It occurred, Berlin said, at a point charted at Lat. 62 degrees 31 minutes N. and Long. 27 degrees 6 minutes W., which would place the attack about 200 miles southwest of Reykjavik, capital of Iceland. A German submarine fired torpedoes, the German statement admitted, but only after alleged attacks with depth bombs by the Greer. The incident began soon after noon, on Sept. 4, and continued nearly until midnight of that day, if the German version is accurate in this sense. The American charge that the attack was initiated by the submarine can only have the purpose, the Berlin statement said, of "giving the attack of an American destroyer on a German submarine, which was undertaken in complete violation of neutrality, a semblance of legality." Berlin added the comment that in the German view the alleged attack by the American destroyer furnishes evidence that Mr. Roosevelt has ordered attacks upon German submarines and "is endeavoring with all the means at his disposal to provoke incidents for the purpose of baiting the American people into the war."

Two merchant ship sinkings followed close on the heels of the Greer incident, and brought about an ever sharper deterioration of relations between the European Axis Powers and the United States. The State Department announced on Monday that an aerial bomb had sunk the American freighter Steel Seafarer,

5,719 tons, in the Red Sea last Friday. The vessel was the second American flag ship to be sunk in the course of the present European war, the first having been the Robin Moor, which went down in the South Atlantic last May. No lives were lost in the bombing and sinking of the Steel Seafarer, and the State Department disclaimed positive knowledge of the nationality of the attacking airplane. The general assumption was, of course, that either a German or an Italian airplane had done the sinking, and ominous repercussions are considered inevitable. The Red Sea was specifically declared an open area into which American ships might enter by President Roosevelt, in April. But the Germans and Italians held to their contention that it was a war area. Of less direct interest to the United States, but also of some importance, was the torpedoing, reported Tuesday by the State Department, of the Panamanian flag ship Sessa, 1,700 tons, some 300 miles southwest of Iceland. This ship went down Aug. 17 with an apparent loss of 24 members of the crew, including one American. The Sessa was one of the Danish vessels taken over in American harbors by the Maritime Commission and utilized in ordinary shipping services. This sinking occurred while the ship was proceeding on a voyage to Iceland with foodstuffs, lumber and a general cargo. Here again it was considered that a German submarine was responsible, and the results are unpredictable.

## Pacific Region

Tension in the Far East was somewhat relieved this week, as American tankers moved without molestation into the Russian port of Vladivostok with large supplies of aviation gasoline, but it is clear that final decisions in Tokio respecting war or peace in the Pacific remain to be taken or disclosed. The first of three tankers carrying gasoline for the Russians was reported at Vladivostok on Sept. 4, and the remaining two ships arrived safely in the next four days. This was a highly important gain in the diplomatic efforts to prevent the Japanese from interfering with American or British supply lines to Russia. Protracted conferences were noted at Tokio between United States Ambassador Joseph C. Grew and officials of the Japanese Foreign Office. The purpose of such discussions remains undisclosed, however, and no information is being made available in Washington regarding the many difficult problems entailed in the effort to halt Japanese aggression. Contrasting with the signs of improvement in relations are indications that Japan is preparing for further outbreaks of war. Premier Prince Fumimaro Konoye warned the Japanese people late last week that Japan "faces the gravest crisis in her history." Ships were dispatched by Tokio to repatriate Japanese nationals from the United Kingdom and the British Dominions, but no comparable action is reported respecting Japanese in the United States. It remains more than possible that the Japanese militarists are bidding their time in the expectation of an attack upon Siberia, if and when the Germans defeat Russia in Europe.

## Russian Resistance

Vast battles are in progress on the 1,650 mile front in Russia, where the Germans are trying to win against time and the Russians are struggling mightily against their well-armed opponents. The outcome of the tremendous struggle remains uncertain, save in the sense that all participants are fast reaching the point of exhaustion. Official statements on both sides were terse and uncommunicative. It appeared, however, that counter-

(Continued on page 126)

## On The Foreign Front

(Continued from page 125)

strokes of vital importance are being made by the Russians in the central area, around Smolensk and Gomel, while the Germans and their allies made at least some progress toward the capture of the key cities of Leningrad in the north, and Odessa in the south. The problem of supply plainly becomes more and more troublesome with the passing weeks of this tremendous effort, and both sides are beset by such difficulties. There were rumors from London yesterday, however, that the Russians are feeling the pinch perhaps more than their adversaries. Sir Stafford Cripps, the British Ambassador to Moscow, is said to have been informed that the Russians expect early supplies from Britain and the United States, and also a more effective effort by British forces in western Europe. But the Russian winter nears, and the weather possibly will prove again, as in the past, the best friend of the Russian forces.

Although much prominence currently is being accorded the battles at both ends of the great line, most military experts are agreed that the center is the vital area in the Russian campaign. Well organized counter-attacks against the Germans were made by the forces of the Russian center, and these developed by Tuesday to the point where the recapture of numerous villages and 150 sq. miles of territory could be claimed officially by the Moscow authorities. The precise line of fighting is in some doubt, since there are dispatches available from Berlin and Berne which suggest that the Reich forces have advanced to Bryansk and Konotop, whereas the Soviet description of the battle would seem to place it near Gomel and Smolensk. Eight German divisions, in any event, are reported routed by the Russians in the center. Military authorities point out that enveloping movements are being attempted by both sides in the center, with important and abrupt changes possible at any time. In all probability another "battle of annihilation" is in progress, and it is significant that the Reich High Command no longer issues frequent statements to the effect that effective Russian resistance has been wiped out. Instead, Berlin admits the stubborn fighting qualities of the Soviet troops. The Nazis were reported as endeavoring to straighten out their lines, preparatory to digging in for the winter. They bombed Moscow heavily on Tuesday night, which indicates that daylight operations still are prevented by the Russian air force.

That the position of Leningrad now is grave cannot be doubted, for the Russians began several weeks ago to prepare for an all-out defense by soldiers and civilians, alike. In the last few days the Germans claimed officially the complete encirclement of Leningrad, by land, the trap having been closed with the Nazi capture of Schlusselberg, Monday. Escape for the Russians over the waters of Lake Ladoga still is possible, but few could make good a retreat by that route. The earlier decision to defend the city to the bitter end thus seems likely to stand. German heavy artillery was reported shelling the great industrial center, and immense air raids also are said to have been made by the Nazis. Finnish troops, meanwhile, continued their advance over the Karelian isthmus, and around the northern shore of Lake Ladoga. A junction of the Germans and Finns is said in some dispatches to have occurred. Odessa, in the far south, remained under siege by Nazi-Rumanian forces, which were said in Moscow to be suffering heavy casualties. The city defenders are being supplied by the

Russian Black Sea fleet, and the stout defense, is expected to continue indefinitely. Berlin spokesmen suggested an early capitulation of the city of Kiev, but that important municipality is in the center and the decision on the field will probably decide the fate of Kiev.

### Iranian Route

Acceptance of Anglo-Russian demands by the Iranians was reported yesterday, and the end of the vest-pocket war in that Middle Eastern country thus is reached, with the supply route for Russia assured. The incident will prove a highly important one for the conduct and duration of the war. That the Russians will hold out is now considered assured, but the promised supplies from Great Britain and the United States are likely to prove vital for the Russian defense. It is through the Iranian route, especially, that supplies are likely to flow into Russia, and the possibility is not to be disregarded that a British Expeditionary Force may be sent into Russia in order to aid in the defense of that country. The Anglo-Russian troops met little military resistance in Iran, but diplomatic resistance to the demands of the two invading countries was pronounced. The incident finally has been settled, however, with an agreement whereunder the Russians are to occupy a northern strip of Iran, and the British a southern strip. Oil wells and transportation facilities are to be held by the British, and the German nationals who furnished the *casus belli* are to be interned, or delivered to the Allies. The Iranian Parliament approved the terms on Tuesday.

### Anglo-German Conflict

Bitter aerial and sea fighting continued between British and German forces, as the great European war moved well into its third year. The attacks were varied by a British disclosure that the Norwegian islands of Spitzbergen had been raided by British, Canadian and Norwegian troops. But the principal incident of recent days probably was a sweeping review of war developments and the prospects for the future, supplied Tuesday by Prime Minister Winston Churchill to the British House of Commons. More optimistic than on most previous occasions, the Prime Minister reported to the first session of the Commons after the return of that body from a brief holiday. It was also the first session since the Atlantic conference of President Roosevelt and Mr. Churchill. In that conference, Mr. Churchill informed the house, highly important decisions were reached regarding aid for Russia, and the policy to be pursued to halt Japanese aggression and prevent the war from spreading to the Pacific. As in the case of his radio address of Aug. 24, the Prime Minister asserted that Britain and the United States had pledged themselves jointly to the destruction of the Nazi tyranny, the phrase being taken from the eight-point declaration.

In his comments on the Battle of the Atlantic, Mr. Churchill was fairly hopeful, but he warned the House against false hopes and vain talk. During July and August the sinkings of British and Allied merchantmen were only slightly more than one-third of the total Axis tonnage sunk in the same period by British and Allied submarines and airplanes, he declared. He considered the Germans to be much hampered on the American side of the Atlantic by fear of trouble with the powerful American naval forces. "This has been a help to us but I wish it might be a greater help," he added. Hitler has the greatest need, Mr. Churchill said, to prevent the precious stream of munitions supplies now crossing the Atlantic from reaching British shores, and the whole Atlantic

possibly will be turned into a war zone if the German tactics should change. The British spokesman referred proudly to the strong British and American forces now occupying Iceland jointly, without indicating when the promised withdrawal of British troops would take place. The Allied front now runs in an immense crescent from Spitzbergen in the Arctic to Tobruk in the Western Desert. He praised the "magnificent resistance" of the Russian armies, which he asserted had cost the Germans more casualties in three months than the Reich suffered in any full year of the first World War. But the Russians must be assisted, the Prime Minister added, and he warned the House that a considerable diversion of supplies may take place, both from Empire and American sources.

The Spitzbergen incident seems to have been more sensational than significant, for no opposition was encountered when a force landed in the islands, far to the north of Norway. Mines were destroyed, and most of the Norwegian miners were carried to England. British officials were quoted as saying that the Nazis had planned to take Spitzbergen and use the coal mines there to augment their dwindling supplies of fuel, but a degree of skepticism is permissible with respect to such alleged plans, in view of Mr. Churchill's statements about huge Axis shipping losses and in the light of the continued British control of the seas. Some members of the landing party apparently were left to hold Spitzbergen, the seizure of which was announced in London on Monday.

In the aerial battle which now is coming to be known as the Battle of Germany, the British fliers far outnumbered the Germans, who seem to be rather deeply engaged on the Russian front. Great squadrons of bombers soared over the Channel and bombed Berlin night after night in bright moonlight. Russian airplanes joined in this task at times. But the British attack far outweighed the Russian endeavor, and it also was extended to a much larger area. German ports and industrial cities by the score were hammered, and daylight raids were made upon the invasion coast opposite England. British airplane losses ran to 10 and 12 a day, at their admitted maximum. The Germans attempted some resistance, especially when attacks were made on Oslo and other Norwegian ports held by the Nazis. Some American-made bombing airplanes were lost in these battles, and at least three members of the American Eagle squadron were reported missing. The heaviest raids on the Reich developed last Sunday, which was the anniversary of the all-out German aerial assault upon England. In the war at sea the Germans apparently were less successful than in many previous months, but some sinkings of British and Allied vessels were reported almost every day. British officials viewed the Battle of the Atlantic, however, as "not going too badly." London was able to announce, Tuesday, the sinking in Far Northern waters of the German cadet ship *Bremse*, 1,400 tons, and several other ships supplying German troops on the Russian Arctic front. An interesting incident was the capture of a German submarine in the Atlantic, after an aerial attack on the vessel. The submersible was towed to a British port, according to a London announcement of Monday.

### Mediterranean Warfare

Intensive preparations plainly are being made both by the British and the Axis Powers for a renewal of the struggle in the Mediterranean, now that cooler weather impends. Attacks on supply lines make this clear. German and Italian aircraft are

## Says Instalment Credit Stimulates Consumer Demand

Pointing out that "instalment credit has been facilitating a large part of the recent growth in demand for consumers' durable goods," the Board of Governors of the Federal Reserve System, in the September "Bulletin" just issued, notes that "the present volume of consumer instalment debt, amounting to about \$6,000,000,000, is at an

all-time peak, and is nearly double the recent low in 1938." The Board goes on to say that "during the past year the amount of credit outstanding on automobiles increased over 40%, and other forms of instalment credit also have increased substantially." This is brought out by the Board in discussing its recent consumer credit regulation (known as Regulation W), reference to which was made in the Chronicle of Aug. 30, page 1203. In its September "Bulletin" the Board observes:

reported in raids on the Suez and the shipping using that passage, with the sinking of the American ship *Steel Seafarer* one obvious indication. British submarines are operating in the central Mediterranean and causing havoc among Italian vessels speeding on the two main routes between Italy and Libya. An Italian cruiser of 10,000 tons was reported torpedoed, on Sept. 5, and a large liner believed to be carrying troops to Africa also was hit, London announced. On the following day London officially reported the sinking of the Italian transport *Esperia*, 11,398 tons, and Rome conceded the sinking this week. A smaller freighter also was sent to the bottom, London said. Aerial raids on Italian ports in Libya were continued, and some bombs were dropped on mainland cities of Italy. These actions foreshadow that resumption of the conflict which all experts regarded as inevitable, when the hot summer ended. Both sides, obviously, are preparing well for the clash, which therefore may prove to be far more sanguinary than the campaigns of last winter.

### Latin-America

Steadily closer integration of political and economic relations between the United States and the various countries of Latin-America now is a matter of daily record, and in almost all senses this is an occasion for gratification. The improvement of political relations can only be regarded as a distinct benefit in these troublous times. Economically, the United States appears to be giving far more than it is receiving under the current arrangements, which is an aspect that may or may not be rectified in the future. Infiltration of Nazis in Latin-America, and the German propaganda in general, now are being combatted everywhere. Argentina this week has been swayed from its former conception of strict neutrality by an investigation of anti-Argentine activities, which disclosed a campaign for the "Nazification" of the entire Western Hemisphere. A charge to this effect was made at the conclusion of the inquiry by the Argentine Deputy, *Damonte Taborda*, who conducted the inquiry. Celebrating the anniversary of Brazil's independence, achieved 119 years ago, President *Getulio Vargas* declared on Monday that any aggression from any source will find the Americas united in defense. In Mexico and Cuba specific statements of a like nature have been made in recent days, and other Latin-American States are following the same course. Pan-American solidarity assuredly is being achieved, in the political sense.

If economic solidarity is lagging somewhat behind the political unification of the American Republics, the fault cannot be laid to a lack of generosity at Washington, although judgment may be awry. Loans and credits have been extended in profusion to the countries south of the Rio Grande, and fresh advances appear to be in prospect. Washington dispatches last week indicated that Mexico may obtain a sizeable loan in the United States, as part of an extensive agreement for "cooperation." Until all details are available the

country has experienced the most rapid increase in the volume of bank credit during its history. Loans of commercial banks have expanded by nearly \$3 billion and their holdings of United States Government obligations by about \$3.6 billion, as shown by the chart. As a result of this expansion and of the further increase in monetary gold stock, the country's abundant supply of bank deposits and currency in circulation has increased further. The volume of money payments, as reflected in the figures of debits to checking accounts in banks, has risen sharply since the inauguration of the defense program last summer, and the turnover of bank deposits, which represents the rate at which deposits are being used, has also increased. Although the expansion of bank credit, the growth of currency in circulation, and the building up of Treasury deposits at the Reserve Banks have caused some reduction in the volume of bank reserves in excess of legal requirements, excess reserves are still very large, amounting to about \$5 billion for all member banks. These reserves are available to banks as a basis for a further very large expansion in their loans and investments and correspondingly in the volume of deposits.

Likewise the Board states that "one of outstanding banking developments since the start of the defense program has been the rapid growth of bank loans." "By far," it says, "the largest increase has occurred in the broad category of commercial and industrial

(Continued on page 127)

suspicion will linger that Mexico is unregenerate and possibly is coming into the fold for a consideration. A final cash settlement of the well-justified claims of the American oil companies whose properties were confiscated by Mexico is reported to be part of the deal. But the rumored settlement is far from adequate, and the oil companies are hardly likely to accept a pittance for their large investments in Mexico. British oil companies also are involved, and it is significant that London views the entire matter skeptically. Just what disposition Mexico intends to make of her huge defaulted dollar debts is not clear. It may be observed, indeed, that the debt record of Latin-American countries, with few exceptions, is far from encouraging. Argentina is one of the exceptions, of course, and another came to light last Saturday, when Haiti cancelled arrangements for partial payment of coupons and indicated that full payment is to be made, owing to economic improvement of that country.

## Says Instalment Credit Stimulates Demand

(Continued from page 126)

trial loans which have been expanding sharply for both defense and non-defense purposes." The Board notes that the reasons for regulating consumer credit and for assigning this task to the Board of Governors of the Federal Reserve System were set forth in the Executive Order (given in our issue of Aug. 16, page 921) and the Foreword to the Board's regulation, embodying the 7 reasons set forth by the President in his Executive order as to the necessity of curbing instalment credit,—one of the reasons reciting that "the extension of such credit in excessive volume tends to generate inflationary developments of increasing consequence as the limits of productive capacity are approached in more and more fields and to hinder the accumulation of savings available for financing the defense program." The Board further stated that the regulation was "issued in the light of the foregoing considerations and as a step supplementing more fundamental governmental measures designed to combat inflationary developments." Incidentally it may be noted here that Secretary of the Treasury Morgenthau in an address at Boston on Sept. 9 declared that inflation "is no longer a threat" but that "we are facing it now and we must deal with it at once." Chairman Eccles of the Reserve Board of Governors likewise, (in a statement Aug. 24, published on Page 1216 of our Aug. 30 issue) warned that "if there are no restraints upon the public's spending of increasing income for articles that cannot be produced in sufficient quantity to meet the increasing demand, the inevitable result is that the price of these articles will be rapidly bid up. The consequence is what is commonly termed inflation." The Board includes Chairman Eccles' statement in its reference to Regulation W in its September number, and as to the scope and nature of the Regulation says—

The regulation covers primarily extensions of instalment credit for the purpose of purchase of certain designated types of consumers' durable goods. The list of articles covered is given in a supplement to the regulation and is subject to change from time to time. Used articles, as well as new ones, are covered in all cases except household furniture. In order to cover more broadly the field of consumers' instalment credit and to prevent evasion of the main purposes of the order and regulation, maturity restrictions are imposed on cash loans repayable in instalments, whether or not secured by listed articles, provided the loan does not exceed \$1,000. The regulation does not apply to open book accounts, nor to any loan payable in full on a fixed date. Instalment contracts and loan agreements made prior to the effective date of the regulation are not covered by regulation, except in certain cases where they are renewed, revised, or consolidated after the effective dates of applicable provisions.

Some types of instalment loans are exempted from the regulation, including loans of over \$1,000 not secured by a listed article recently or about to be purchased, first mortgage loans on real estate, some building repair loans, loans made for educational purposes, loans for medical and similar expenses where needed to prevent undue hardship, loans to dealers, and certain other special types.

While the regulation in gen-

eral is effective as of September 1, 1941, the effective dates of certain provisions have been postponed—some to October 1, some to November 1, and others to January 1. These postponed provisions apply to records to be kept; renewals, revisions, additions, and consolidations of outstanding credit; and in the last case to minimum monthly payments.

For all types of loans covered by the regulation a maximum maturity of 18 months is prescribed and, with some exceptions, loans must be repayable in approximately equal instalments at regular intervals, not exceeding one month. Minimum down payments are required in the case of instalment sales and of loans secured by listed goods. The down-payment requirements amount to 33% for automobiles, which may include the trade-in value of a used car, to 20% for refrigerators and other household appliances, to 15% for major items of housing equipment such as stoves and plumbing, and to 10% for household furniture.

For all listed goods, except automobiles, the down payment required is figured as a percentage of the full purchase price minus the value of the trade-in, if any. For this reason, the instalment buyer of such articles, regardless of the trade-in allowance, must always make a down payment in cash. No down payment is required on real estate modernization loans of less than \$1,000 for services and materials other than listed articles, but such loans must be repaid in 18 months.

Persons and agencies subject to this regulation include all who are engaged in the business of making extensions of instalment credit, or discounting or purchasing instalment paper, including instalment sellers of the listed articles, whether dealers, stores, mail order houses, or others; sales finance companies; banks, including Morris Plan and other industrial banks; and personal finance or "small loan" companies and credit unions. Persons engaged in the business of extending the types of credit regulated are required to register not later than the end of the year with the Federal Reserve Bank of their district and must be licensed in order to engage in the business of extending such credits. To all persons engaged in that business, however, a general license is granted by the regulation itself until December 31, 1941.

Thus the institutional coverage of this regulation will be broad, including not only member banks of the Federal Reserve System, which are already under the supervision of the Board in various respects, but also many other types of business establishments. A large part of consumer credit is extended directly by the dealers in the various durable consumers' goods. A somewhat smaller proportion is extended to consumers directly by cash lending agencies, including commercial banks, industrial banks, personal finance companies, credit unions, and a few others. The paper created by vendors of durable consumers' goods is commonly discounted with or sold to finance companies or banks. Some dealers, however, particularly department or furniture stores, finance their instalment sales by borrowing from banks on regular lines of credit or from the open market and hold the instalment paper they create. Sales finance companies also go to banks or to the open market for funds.

## Morgenthau Says Country Is Facing Inflation Sees Tax Bill, Defense Bonds As Correctives

Measures to combat inflation, which he said is no longer a "distant threat" were discussed by Secretary of the Treasury Morgenthau, in addressing the Advertising Club of Boston on Sept. 9. Declaring that we are facing inflation now, "and we must deal with it at once," Mr. Morgenthau said "we have now, as we had in 1916, a moderate rise in the cost of living, a great rise in wholesale prices and a still greater rise in the prices of basic commodities like wheat, hogs, cotton and lumber." It is he said "the rise in the prices of basic commodities that constitutes our red light, our warning signal, today, for such a rise is always the advance guard of an increase in the cost of living." He went on to say—

If we fail to use the controls at our disposal now, if we fail to do the specific things which are in our power to check inflation now, if we allow prices to go on rising as they did from 1916 to 1920, we may find that food, fuel, shelter and clothing which now cost a dollar will once more cost almost twice as much before the process has ended.

We can, as I have said before, defeat this threat of inflation, just as we can defeat and destroy the forces of evil that have been let loose upon this earth. But we need to understand the issues and we need to see clearly the consequences of inaction or delay. I should like, therefore, to point out first, what we have done, and then, what we need to do, in order to stop prices from rising further. In the first place, Congress is on the point of passing a huge tax bill designed to raise almost \$4,000,000,000 in additional revenue, thus withdrawing a great amount of purchasing power that competes with the defense effort.

Secondly, the Treasury in its borrowing program is trying to obtain as large a portion of its funds as possible from current consumers' income. Through a new form of note—the tax anticipation note—it is seeking to increase the effectiveness of the income tax as a check on current purchasing power, and I am happy to report to you that more than a \$1,000,000,000 worth of these notes were sold in the month of August.

The Treasury has also begun a program of selling Defense Savings Bonds and Stamps to people of moderate and low incomes. The people have responded to a tune of a billion and a quarter dollars in four months, without coercion of any kind, and in making that response possible the advertising profession has been of truly invaluable help.

The President has recently issued an order authorizing the Board of Governors of the Federal Reserve System to control consumers instalment credit.

The Congress is considering, and I hope will pass without undue delay, a bill to limit price rises and to supplement the efforts of the Office of Price Administration to limit those rises by voluntary cooperation.

All these are useful steps to a necessary end, but they are not enough.

We shall have to tax ourselves much more heavily next year than this year, great and far-reaching as the present tax bill will be.

We shall have to invest much more widely and systematically in Defense Savings Bonds and Stamps. In particular, the rising payrolls of the past year have been a clear call to the wage earners of America to set aside a portion of their earnings each week for their own good and their country's good.

## Reserve Banks Report On Business

(Continued from page 118)

5% and 9% respectively in July and were 49% and 78% higher than a year earlier. New private residential building continued as active in July as in the preceding three months and for the second successive month overrode the influence of seasonal factors which have customarily made for substantial declines at this time of year. Expansion in consumer incomes, owing particularly to increased factory employment and to large gains in farm cash receipts, was reflected in further gains in retail trade in July. Value of department store sales in that month in the Twelfth District was 10% higher than in January, allowing for seasonal influences, and 15% above that of July 1940.

vent unreasonable price rises. The Government now holds or controls 7,000,000 bales of cotton in reserves, and cotton prices have risen from 9½ cents a pound on August 1, 1939 to over 17 cents a pound at the present time. In spite of this rise of not far from 100% in two years, Congress recently sent to the President a bill to freeze government stocks of cotton and wheat for the duration of the war, and thus to prevent the government from disposing of any of the surplus wheat and cotton it had acquired. The President promptly vetoed the bill because this measure would have aggravated the danger of inflation and might have frustrated our efforts to fight it.

We ought not to withhold cotton surpluses, or any surpluses, from the market in times like these. The housewife ought not to be made to pay a tribute to profiteers and speculators when she buys a cotton sheet for her home or a shirt for her husband or a suit for her child. Millions of people still go without the milk, butter and eggs which, according to the testimony of food experts, and the dictates of plain common sense, are necessary to good health and good morale. Yet the reserve stocks of butter, cheese, beef and pork now held in this country are far higher than they were a year ago and far higher than the average of the past five years. \* \* \*

It is sheer folly from the farmer's point of view to push prices up by creating scarcities in times like these. The farmers suffered cruelly for 12 long years after the collapse of the inflation of 1920 and 1921; they should not be made to suffer again.

It is sheer folly in the same way for labor leaders to seek new increases in wages every few months—new increases which in turn produce higher manufacturing costs, higher prices, and a higher cost of living.

It is short-sighted for a landlord to charge all that the traffic will bear in defense centres where housing space is at a premium.

It is poor business, in the long run, for any businessman to seek exorbitant profits in this period of defense spending.

It is bad banking, in the long run, for any banker to exploit the present demand for funds by seeking to charge unreasonable interest rates.

We may have to extend general controls over bank credit and create controls over selected capital expenditures.

In his further remarks Secretary Morgenthau expressed the hope "that we may extend the social security program so as to increase the flow of funds to the Treasury from current income during the emergency and increase the outflow of funds when needed in the post defense period. In addition," he said "I have already suggested the creation of what I have called a "separation wage"—that is, an entirely new form of contribution out of which a worker may draw a regular wage for a stated period in case he loses his job. These measures would be good and desirable in themselves, but they are especially necessary at this time, for they should help us to decrease certain forms of purchasing now and increase them in the future when they may be needed."

Mr. Morgenthau also stated that "we must, as I have said many times, reduce nonessential Federal expenditures. We must also appeal for economy in State and local government expenditure and a curtailment of their borrowing for non-defense purposes." Pointing out that all of the measures he had suggested "for combating inflation would attack the problem by reducing the demand for goods now and by helping to build up a backlog of purchasing power for the post-war world." Secretary Morgenthau added in part:

But we should also attack the problem from the opposite direction. We must make every effort to increase the supply of goods available to the consumer wherever this can be done without encroaching upon the defense program. Above all, we must make full use of those supplies that are available, not only in defense production but in the provision of civilian goods which do not compete with defense output. If we reduce undesirable purchasing now and keep prices down now, we shall be helping to provide for the day when these vast defense expenditures will end and when our defense workers will take up the work of peace again.

The most effective way to prevent a damaging rise in prices, is quite simply, to release surpluses from storage.

I wonder if the housewife knows, when she pays 15% more than she did a year ago for a bag of flour, that our supply of wheat is the largest on record, and that 498 million bushels of several years' crops are available in our neighbor democracy of Canada. It is true that only three months ago a rigid quota was applied to the importation of wheat from Canada with the ultimate objective of keeping up the price of wheat in this country. But it is also true that only the other day the quota on sugar from Cuba was enlarged so substantially as to absorb most of the reserve stocks in that country. It seems to me desirable and necessary that we now follow the example set in the case of Cuban sugar and permit the entry of Canadian wheat in larger volume.

Here in this country we have large reserve stocks of farm products of many kinds which should be released for consumption as fast as necessary to pre-

## LEGAL ODDITIES

### INGENIOUS AND ATTRACTIVE

"There's your new charter entitling you to contract for, buy and sell securities and bonds of every nature and description, and to borrow and loan money thereon." If I'd asked for any wider powers the state would call you a bank, and then you'd be subject to state supervision and control," the Ohio lawyer explained. "I suppose that's right, too," the Ohio promoter agreed.

Then this new corporation began business by borrowing high grade bonds on which the corporation agreed to pay interest at specified rates (in addition to the bond interest itself), and to return bonds of the same class and amount at the end of the loan period.

"Therefore, you receive not only the interest your securities are earning, but also the additional interest we pay you for the use of your securities, which is the same as a bank paying interest for the use of your cash," was the advertising lure, and many Ohio citizens were deceived thereby.

"That's as good as double interest on our bonds," the bondholding citizens assured themselves.

Then, having acquired a backlog of borrowed bonds, the corporation borrowed money from banks and individual lenders, putting up the borrowed bonds as collateral, lent this money to borrowers who put up more bonds as collateral, the corporation used these bonds to raise more money to lend to more borrowers—and so ad infinitum.

At this stage the State of Ohio intervened, applied for an injunction to prevent any further dealings on the ground that the corporation was carrying on a banking business without complying with the state banking law, and the Supreme Court of Ohio effectually protected the childlike citizenry from any further loss.

"The scheme devised and attempted is ingenious and attractive, but at least to the extent of soliciting and receiving such deposits of bonds the corporation was engaged in the banking business, and was acting without authority," the Ohio court said.

### From Washington

(Continued from First Page)

campaign. Whether there was a gas shortage or not, Ickes' fundamental purpose was that the people should be made war conscious through the spirit of sacrifice. It was rather an amazing commentary on the disunity in which the country finds itself, that newspaper editors, particularly Washington editors, did not take Ickes' seriously. After all, he is a member of the cabinet and in a National Emergency, had been appointed by the President to be fuel administrator. The Washington editors hooted at Ickes. One editor, indeed, sent photographers out to Ickes' place in the country, about 20 miles from Washington, to take pictures of the 700 gallon oil tank on his place. It is doubtful that the tank was filled with oil, but the fact that an editor would do this to a cabinet official and fuel administrator in times of national emergency showed the lack of confidence in Ickes.

Then, when questioning voices began to be raised all over the

## IN THIS SECTION

(Continued from First Page)

- Engineering construction contracts in August sharply reduced from July peak but substantially above year earlier. Page 119
- AIB Registration Period. Page 114
- Number of semi-defense projects may be postponed due to steel shortage. Page 118
- Preference rating applications cleaned up in past week. Government buying Australian and Peruvian lead. Page 120
- Daily average crude oil production off 189,750 barrels in week ended Sept. 6. Page 117
- Electric production for week ended Sept. 7 totaled 3,095,746,000 kwh. according to Edison Electric Institute. Page 120
- Soft coal production shows little change in week ended Aug. 30. Anthracite output 25,000 tons below preceding week. Page 120
- Bond Prices Changes Are Mixed. Page 119
- Member bank Condition statement. Page 120
- Francis Biddle sworn in as Attorney General. Page 114
- In noting expansion of installment credit Reserve Board calls attention to tendency toward inflation, which regulatory measure seeks to prevent. Page 126
- Senate passes tax bill estimated to yield \$3,583,900,000. Page 113
- Secretary Morgenthau declares country is facing inflation—Regards tax bill and defense bond sales as means of curbing price rises—May extend controls over bank credit and release surpluses from storage suggests "separation wage." Page 127
- President Roosevelt warns Germany and Italy to keep submarines out of waters vital to American defense—orders naval and air patrol to protect merchant ships—No shooting he says unless Germany continues to seek it. Page 113
- President Roosevelt authorizes lease-lend aid to Polish troops training in Canada. Page 114
- Revenue freight car loadings totaled 912,720 cars in week ended Aug. 30—Highest figure reached since Nov. 2, 1930. Page 115
- Commodity Price Average Registers Further Gains in Week Ended Sept. 6 National Fertilizer Assn. reports. Page 114
- General Motors Index World Prices. Page 114
- Samuel Shaw Honored by Chemical Bank and Trust Company. Page 128

place about whether there was really a shortage of gas, Ickes picked out a Dollar-a-Year man, Mr. Davies, to take charge of the crusade. And he, himself, went off on a vacation.

Now, a Senate committee is looking into the whole mess and somebody is going to be hurt. What the committee is developing so far is that there has really been no gas shortage but that a lot of selfish interests are responsible for the agitation. This writer doesn't know what the committee's final findings will be. So far, it has painted a picture of there being a desire on the part of the big oil companies, of long standing, to erect a pipe line to serve the Eastern seaboard, and that they took up the gas shortage bugaboo to put over their project. When one goes into all the ramifications of the controversy this explanation would seem to be over-simplification, to say the very least. But the point is that, that is the picture which the Senate committee is developing. It is developing a picture that in the first instance, there is really no oil shortage. Then, who is responsible for the scare? Well, the railroad people say they have had plenty of tank cars with which to move the oil. Maybe this is true, maybe it isn't. The "big" oil companies, according to the picture, did not want to avail themselves of the railroad facilities for selfish reasons. In the meantime, motorists on the Eastern seaboard have been put to a lot of inconvenience. Furthermore, there are stories wafting

about Washington, the greatest propaganda factory in the country, that the "big" oil companies were glad to have the closings of filling stations because they could cut down on expenses.

Into this picture stepped Mr. Davies. When the explosion comes, as an explosion seems to be coming, Ickes, instead of taking the rap as he should under the circumstances, for having originated the oil shortage campaign in the first instance, will be able to point to a \$56,000 a year Standard Oil executive, as having been the administrator of the whole thing. Instead of being embarrassed, he will be able to cite this as another instance of the untrustworthiness of "big" business, the "oil moguls." Business will take another rap in public opinion.

It will be another set-up for Ickes. The picture which it seems is going to be developed in the final analysis, will not be that of Ickes creating the oil scare to make the people war conscious, as competent Washington observers know to be the truth, but of the oil companies originating it to pursue their selfish interests—and what better evidence of this than the fact that the campaign was turned over to an official of one of the big companies?

It is truly amazing how, with the New Dealers manifestly out to make a case against business, so many rep-

## Samuel Shaw Honored For 50 Years Of Service By Chemical Bank & Trust Co. Of New York

Samuel Shaw, Vice-President & Secretary of the Chemical Bank & Trust Company, has completed his fiftieth year of service with that institution. In honor of the occasion, he was presented with a gold pin, studded with diamonds, by Mr. Percy H. Johnston, Chairman, in the presence of Mr. Frank K. Houston, President, and a large number of the staff. Mr. Shaw was invested with the pin by Mr. John F. Flaacke, dean of New York bankers and Honorary President of the Quarter-Century Club of the Chemical Bank. The Quarter-Century Club, of which Mr. Shaw is President, is composed



From left to right: Mr. Frank K. Houston, President, Chemical Bank & Trust Company; Mr. Percy H. Johnston, Chairman, Chemical Bank & Trust Company; Mr. Samuel Shaw, Secretary & Vice-President, Chemical Bank & Trust Company; Mr. John F. Flaacke, Asst. Secretary, Chemical Bank & Trust Company.

of approximately 115 directors, officers and employees who have been in the bank's employ for twenty-five years or more.

Mr. Shaw was born in Newark, New Jersey, on February 4, 1877 and entered the employ of the Ninth National Bank on September 13, 1891. Through a series of mergers, that institution became the Citizens National Bank, of which Mr. Shaw was appointed Assistant Cashier on November 17, 1919. After the merger of the Citizens National Bank and the Chemical National Bank in 1920, he was appointed Cashier January 12, 1921, and Vice-President & Cashier January 12, 1928. When the Chemical National Bank became a State institution on June 30, 1929, he was made Vice-President & Secretary. Mr. Shaw is Secretary of the New York Clearing House Association and a member of the Special Sub-Committee. He is also a member of the Baltusrol Golf Club.

representatives of business permit themselves to become a party to it.

Hollywood has moved in on Washington in high glee for the investigation by a Senate subcommittee of the charge by isolationists that the movies have been propagandizing for this country's entrance into the war. In typical Hollywood fashion, it is intended to burlesque the investigation and make fools out of the Senators. The Hollywood Reporter, a paper with less than 10,000 circulation, has employed several high priced writers for this purpose, and the industry has engaged Wendell Willkie.

This writer from long years of Washington experience, has never known anybody to take a Senate committee for a ride. It has too many advantages. However, the Senate has lost many of its good investigators. It remains to be seen what sort of a job, Senator Worth Clark of Idaho, who is chairman of this particular committee, is able to do. He is a man with plenty of ability, unproven in the Senatorial investi-

gating field, but if he is but half good in this instance, the chances are that he will be able to use Hollywood's own set-up against it. For one thing, he can ask how the Hollywood Reporter can support the coverage it is getting.

It promises to be a good show, with Hollywood coming out on the wrong propaganda end—if Worth Clark turns out to have the ability particularly needed in this instance. At any rate, it looks as though the movie industry has waded in with its chin out.

### Correction

In The Financial Chronicle of September 4th it was reported that Meredith Kilgore has been transferred from the Tulsa office of Francis, Bro. & Co. to the firm's main office in St. Louis, Mo. We are informed that Mr. Kilgore has been selected to fill the vacancy as Oklahoma representative of the Tulsa office of Francis, Bro. & Co., Kennedy Building, caused by the resignation of Robert B. Ewin.