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## On The Foreign Front

### European Stock Markets

Good markets remain the rule in London trading in securities, notwithstanding the disturbing effect of war reports from the Far East. Momentary unsettlement developed for a time, early this week, as the Japanese swept forward in Malaya. Tin and rubber company shares naturally were affected adversely, but the market otherwise was well maintained. Entrance of the United States into the war and the excellent progress of the Russian and Libyan campaigns overshadow the Far Eastern incidents.

Gilt-edged securities advanced slightly late last week, and touched new highs for the war period, on the London Stock Exchange. Reinvestment of year-end payments occasioned some of the buying. Anglo-Iranian and Mexican oil issues were particularly in demand. Industrial and home rail securities showed strength Tuesday and again yesterday.

The Continental European markets were dull in recent trading, according to the meager reports available in these war-torn times. French budgetary estimates suggest tremendous costs of government, but tax receipts also are advancing. Demand for securities exceeds the supply in French markets, but strict regulations prevent runaway markets. Events are obscure in the enemy markets of Germany and Italy, and no recent reports are available respecting the Amsterdam Bourse.

### American Strategy

Some of the main strategical principles motivating the Washington leadership in this World War were disclosed, Monday, by Secretary of the Navy Frank Knox, who necessarily spoke with the full authority of the President and presumably also with that of Prime Minister Winston Churchill. Developing a theme set forth by President Roosevelt in his message on the State of the Union, Mr. Knox insisted that Hitler and his German Nazis are the chief enemies and must be defeated first. "That done, the whole Axis fabric will collapse," he added.

The speech obviously was intended to allay the restlessness caused by the Japanese gains in the Far East, and to answer the

popular question as to the whereabouts and the activities of our Pacific Fleet. The principal task of our Navy, said Mr. Knox, is to keep open the sea lanes between the United States and Great Britain, and thus contribute to the defeat of Hitlerite Germany, "our greatest enemy." Favorable and dramatic developments of full-scale American naval action in the Pacific are not to be expected now or in the near future, he said. The speech by the Secretary was delivered before the annual United States Conference of Mayors, in Washington.

Although an early and conclusive show-down with the Japanese Navy is not to be expected, owing to elements of time, distance and the distribution of our forces, it must not be assumed that the Pacific Fleet is idle, Mr. Knox declared. The Fleet will be heard from again and again, when and where strategic considerations dictate, he added.

Germany brought Japan into the war and sought by this means to divert the attention of America and Britain from the Atlantic, said Secretary Knox, who maintained that the "coolheaded leadership" of President Roosevelt kept us from the "danger of action out of the excess of righteous anger." He emphasized again and again that Japan and Italy are secondary problems and that our first aim must be to destroy Hitler. Lack of public disclosure of what he described as the successful operations of the Navy was attributed by Mr. Knox to the need for military secrecy.

### Philippine Defense

Sanguinary fighting continues between our forces under General Douglas MacArthur and the far more numerous Japanese invaders (Continued on Page 220)

## FROM WASHINGTON AHEAD OF THE NEWS

There is unquestionably an oversight made in all of these movements to send ciggies to the soldiers in the field, give hot coffee to the men on guard. Tom Dewey, this writer thinks, should reform his USO with a view to helping the embattled forces of the New Deal-CIO and those of the OPM. Washington has been through an unusually cold spell and these men have been out there fighting in the streets poorly clothed, poorly fed and at no time have I seen a pretty lass walked up to one on either side and offer a hot cup of coffee. The point is that these men are fighting here as intensely as those at the front without any medals being bestowed upon the heroes; without, in fact, any proper appreciation of the blood they are letting.

The appointment of Donald Nelson as the so-called Overall Minister of Production is a tremendous victory for the New

Deal-CIO legions. They have long been playing him and Bill Blatt against Knudsen. And Nelson and Blatt, have in turn, been playing ball with them. Nelson, for example, sided with Leon Henderson months ago in the latter's insistence that automobile production should then and there be cut down. He has, as a matter of fact, been most critical of American industry's war effort. Presumably now that the Leftists have succeeded in placing him over Knudsen (Continued on Page 243)

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## THE FINANCIAL SITUATION

Although action remains (at press time) in the "I will establish" status with many important particulars still undisclosed, it would appear that the President is at long length moving in the right direction as concerns our war production program. Donald Nelson, a business man of established ability, will, according to official announcement, be given responsibility, and apparently corresponding authority, in all matters that have to do with procurement and production. A number of questions of the first order of magnitude remain, as, for example, the extent of Mr. Nelson's control of appointments, which is of the utmost importance, and the degree in which the President himself is prepared to refrain from interference, but the action now promised affords ground for strong hope that this phase of our effort will be much better managed than in the past.

Other official disclosures at the White House concerning the prospective appointment of "umpires" in the persons of such figures as Messrs. Hughes, Willkie, Farley and Smith, to function in some not fully disclosed way with the newly appointed War Labor Board, leads to hope that something of real value may come of the activities of this oversized and strangely constituted body. Again further clarification of plans must await developments, but here again also one is entitled to hope for better things than seemed to be in prospect as late as a day or so ago. All this, as far as it goes, is to be set down on the credit side of the ledger.

We had made our defense New Year's resolutions, or had them made for us by the President. The budget message (Continued on Page 220)

## We Must Indeed!

When supreme and unquestionable authority is vested in one man or a small group of men both in Governmental and economic affairs, and when all others are forced to obey their orders promptly and without question, you get results, particularly under modern industrial developments. Nazi and Japanese successes in the war to date confirm the point. They show none of the stumbling hesitancy which is too often associated with the processes of democracy.

The efficiency argument gains added weight for many from the Russian role in this war. Russia happens to be fighting on our side and she is doing a magnificent job. In land warfare, her gallant army has been more effective against the Nazi juggernaut than any other.

People realize that the Soviet successes are due in part to the fact that the Russian military and economic structure is built on a state-controlled economy. And they ask themselves, reluctantly perhaps, but surely: Is that the only way anything gets done?

It is this doubt that democracy must answer. To free minds, there are things more important in civilized life than efficiency. But when those things are threatened, independent, self-governing people must make themselves function efficiently to meet the danger.

We have been slow to realize the imminence and the extent of our danger. Before Japan attacked us there were literally millions who hoped that Communist Russia's stiff resistance would save us the necessity of fighting at all. And even today there are still many who fatuously believe we need only defend ourselves in the Pacific while Russia destroys nazism.

But democracy cannot be saved by the armies of Russia. Democracy must be saved by the democracies themselves. Let us remember that to be effective, not alone at the peace table but in the reconstruction of the world after the war, democracy must be effective in the war. Leadership does not spring from evasion and petty self-protection but from work and sacrifice and success.

Therefore, those who fear communism most should be the most anxious to see the fighting forces of the democracies on every front in the world. In other words, in order to survive, the democratic world must bear the brunt of winning this war.—Wendell L. Willkie to the United States Conference of Mayors.

One may feel disposed, as do we, to question Mr. Willkie's general doctrines at certain points without failing to feel strongly that his main conclusions here are both sound and urgent.

We commend them heartily to our readers.

## NY Reserve Bank 1941 Earnings Lower

Net earnings of the Federal Reserve Bank of New York, after all additions and deductions, amounted to \$3,302,000 in 1941, which compares with net earnings of \$9,555,000 for 1940, it is shown in the Bank's 27th annual statement, issued on Jan. 9 by Allan Sproul, President. The total earnings of the Bank for 1941 are reported at \$11,415,000, contrasting with \$12,985,000 in 1940, and the net expenses during the latest year were \$7,975,000, against \$7,341,000, leaving current net earnings in 1941 of \$3,440,000, compared with \$5,644,000 in 1940. Total additions to current net earnings in 1941 only amounted to \$395,000, as against \$4,046,000 in 1940, due to much smaller profits on sales of U. S. Government securities.

The total deductions from current net earnings in 1941 were \$533,000, compared with \$135,000 in 1941. This was accounted for by a special reserve on bank premises of \$480,000, which was not provided for in 1940.

From the net earnings for 1941 the Bank paid dividends of \$3,098,000 and transferred \$204,000 to surplus under Section 7 of the Federal Reserve Act. A year ago the Bank paid dividends of \$3,065,000, transferred \$6,529,000 to surplus and transferred \$39,000 from surplus under Section 13-b of the Reserve Act.

During 1941 total assets of the New York Federal Reserve Bank decreased to \$9,148,572,000 on Dec. 31 from \$10,719,915,000 on Dec. 31, 1940. Reserves decreased during the year to \$8,212,096,000 from \$9,809,823,000, while holdings of U. S. Government securities at the end of 1941 amounted to \$592,196,000, comparing with \$645,355,000 on Dec. 31, 1940. Total deposits on Dec. 31, 1941 were \$6,642,557,000, against \$8,814,760,000 at the end of 1940.

The following is the profit and loss account of the Bank for 1941 in comparison with 1940, as contained in the annual statement issued Jan. 9:

| PROFIT AND LOSS ACCOUNT<br>For the calendar years 1941 and 1940<br>(In thousands of dollars) |          |          |
|--|----------|----------|
|  | 1941     | 1940     |
| Earnings   | \$11,415 | \$12,985 |
| Net expenses   | 7,975    | 7,341    |
| Current net earnings   | \$3,440  | \$5,644  |
| Additions to current net earnings:   |          |          |
| Profits on sales of U. S. Gov. Securities  | \$386    | \$3,408  |
| All other  | 9        | 638      |
| Total additions  | \$395    | \$4,046  |
| Deductions from current net earnings:  |          |          |
| Losses and reserves for losses on industrial advances (net)                                  | \$50     | \$103    |
| Special reserve on bank premises   | 480      |          |
| All other  | 3        | 32       |
| Total deductions   | \$533    | \$135    |
| Net earnings   | \$3,302  | \$9,555  |
| Dividends paid   | \$3,098  | \$3,065  |
| Transferred to surplus (Section 7)   | 204      | 6,529    |
| Transferred from surplus (Section 13b)   |          | -39      |
| Surplus (Section 7) beginning of year  | \$56,447 | \$53,326 |
| Addition as above  | 204      | 6,529    |
|  | \$56,651 | \$59,855 |
| Transferred to other capital accounts  |          | -3,408   |
| Surplus (Section 7) end of year  | \$56,651 | \$56,447 |

## Harrison Is Chosen To Advisory Council

The Board of Directors of the Federal Reserve Bank of New York on Jan. 8 selected George J. Harrison, President of the New York Life Insurance Co., New York City, to serve during the year 1942 as the member of the Federal Advisory Council from the Second Reserve District. Mr. Harrison, a former President of the New York Reserve Bank, held the post during the year 1941.

Editorial—

## Federal And State Finance

Violent adjustments can be predicted with absolute certainty in the interrelations of Federal Government finance with the revenue and expenditure policies of the State Governments and their local subdivisions. Some modest attempts to cushion the blows already are being made by a few forward-looking State officials. It is clear that this endeavor ought to be speeded and integrated in reasonable measure with the Federal program, which necessarily takes first place in times of war and national emergency.

The budget messages which recently have been presented indicate starkly the distress which is sure to be visited upon State and local units of government, as well as upon all individuals. There is no help for this since the country is at war. The lesser governmental units will have to trim ship most drastically, to avoid their own shipwreck in the unprecedented storm of \$77,000,000,000 of projected war outlays, \$9,000,000,000 of additional Federal taxation, and a progressive eclipse of everything that is unrelated to the immediate war effort.

Some degree of cooperation between Federal and State finance officers is required to meet this situation, but it must be of a nature to preserve the States and assure their sovereign rights. The prevailing tendency in Washington is to strip the States of some of their most important attributes, notwithstanding the fact that impairment of our American system is quite the reverse of our war aim. In the confusion and strain of the war, there is obvious danger of an imperious assumption of Federal control over the States, as against the cooperative efforts which are advisable.

Several studies currently are in progress with the ultimate aim of coordinating Federal and State taxation programs. But these are leisurely, peace-time studies, which may or may not reach conclusions while the emergency is here. If they do present their conclusions before the war ends, the basis of the findings possibly will be quite at variance with conditions then existing.

What must be avoided at all costs are such proposals as Mayor F. H. LaGuardia, of New York City, was accustomed to make up to a year ago. Mr. LaGuardia stoutly urged such dangerous expedients as Federal collection of income and other levies which overlap in the Federal and State schemes; the participation of the States then to be doled out to them by the Federal Government. There is no broader avenue than this toward centralized and even absolute government in the United States, and away from the concept of divided and delegated powers upon which the dual governmental system of the country was founded.

Stern and even stringent economy will have to be practiced by the States and their local government units, as the first requirement toward avoiding economic collapse. Fortunately, this is recognized by almost all finance officers of the 48 States and their colleagues in the local units. Governor Herbert H. Lehman expressed this conclusion ably in his annual message to the Albany Legislature, and the leadership of the Empire State assuredly will be followed by others. State taxpayers are calling loudly for economies and, it is to be hoped, will give the politicians no rest until the strictest economy is achieved.

Chairman Robert Doughton, of the House Ways and Means Committee, emphasized the need for State and local government economy, at the turn of the year. He called for reductions of \$2,000,000,000 to \$3,000,000,000 annually in the expenditures of such government units, and the elimination of some overlapping levies in the State taxation schemes. This is good advice, which cannot be placed in effect too rapidly.

New factors already are appearing which necessarily will cut sharply into State and local revenues from existing tax laws. One of the Office of Production Management officials expressed the private opinion, some days ago, that the use of automobiles may be cut almost in half by the end of this year, under the ban on tire sales and private purchases of new cars. The effect of such a development will be so drastic upon State revenues as to necessitate sharp downward revisions in expenditures. Forehanded action to meet this and other threats to State and local revenues clearly is preferable to bankruptcy.

A clear recognition is needed of the alternating tendency of the Federal and State financial requirements to assume primacy in times of stress and in times of easy prosperity. In war and depression periods, all experience of recent decades shows, the Federal Government tends to shoulder the State regimes out of the way and relegate them to comparative unimportance. The States assume their proper place in the scheme of things principally during years

Editorial—

## Confusion on the Potomac

"In Washington," writes Mr. Carlisle Barger, in his book, published under the above title only a little while before the Japanese attack upon Pearl Harbor, "men have one idea affecting the lives of millions one day; the next day they have another one. People are conceived to be but pawns on a chessboard, to be moved about at will."

In truth, a comprehensive view of the essential Washington, that is to say, of the central but by no means homogeneous group engaged in manipulating, or attempting to manipulate, the country's destiny, shows that it has become a perfect Paradise for two classes of men and women. These classes are: those among the officeholders and behind the officeholders who find themselves briefly clothed with authority to push unofficial citizens around, and take delight in doing so and the heterogeneous body of hangers-on typical of every capital in the world whose lucrative trade it is to influence, or pretend to influence, the officeholders. War, preparations for war, even rumors of war, invariably, in their respective degrees, bring both classes to the front, and, at the same time, eliminate the checks which, when conditions are more normal, limit their activities and their effectiveness. Mr. Barger's book, is necessarily too short to cover exhaustively the entire field of the actions and interactions of the amazing bureaucracy, with its self-constituted auxiliaries of suttlers and camp-followers, which the New Deal has created and maintains. Nevertheless, it does present a selected series of episodes and portraits, which would all have been amusing were the implications less serious, in their entirety indicating conditions which cannot be otherwise than strongly inimical to efficiency. The work is convincingly supplied with dates and details and sufficiently documented. Upon the whole, the impression produced by its careful perusal is that of administrative headlessness and confusion insistently crying, by its observable incidents and consequences, for that unity and coordination from the top downwards, which can be supplied only by a wise executive who is willing to trust a great deal to subordinates and to implement their competence and confidence by delegations broadly commensurate with their capacity and with the results demanded. In Washington, as it appears, there is now nothing of the kind, nor is there the strong hand continuously applied which would restrain conflicts that, within the executive itself, frequently extend beyond aggravated words to deeds of direct and demoralizing interference.

### Doing The Country Good

Thomas Gardiner Corcoran, otherwise "Tommy," erstwhile friend and protege of Associate-Justice Felix Frankfurter, figures prominently in Mr. Barger's pages because he is one of the latest recruits among the men who are energetically increasing the costs of the war by doing very well as highly paid representatives of men and corporations yearning for fat contracts—and getting them. Not so long ago he was one of the lesser lights of the New Deal, drawing a small salary, and improvising novel expedients of legislation, while busily finding Government jobs for bright youths who might remain grateful and serviceable. Later he succeeded Raymond Moley, when official policies exceeded the speed-limit of that original brain truster's mild radicalism, as head draftsman of Presidential speeches, and soon became the chief engineer of the 1938 Purge that failed to purge. After 1940, many New Dealers thought he could be used to control the ex-Republican, Secretary of the Navy Frank Knox, and tried to promote his designation as Assistant Secretary of that Department, but they were out-generaled and now, in the political discard, he appears entirely contented. Quite well he might be. He retains familiar entree of the Departments, where men in numerous key positions remember that to him they owe their employment. A Congressional Committee, not excessively unfriendly, has recently advertised his potent activities in aid of contract-seeking employers by investigating them, while rumor attributes to him the receipt of fees ranging all the way from a meagre \$5,000 to a liberal \$200,000, and many of them. Obviously, if such fees are paid by contractors, they have to be met out of gains from their contracts.

Not all the representation in contractual matters growing out of expenditures of billions for warfare is by briefless barristers formerly hired in the executive departments. Millard Fillmore Caldwell, Jr., quaintly named for a Southern politician, represented the Third District of Florida in the House of Representatives, from 1933 to Jan-

of peaceful progress. Although the States now are being submerged, this submergence must not be carried to the point of enervation or political impotence.

uary, 1941. Claude Denson Pepper, now, according to Mr. Barger, "the most vociferous of the President's war supporters" and "the most unpopular member of the Senate," was once an associate of the Florida law firm of which Mr. Caldwell is at this time a member. With the aid of Senator Pepper and the Government's procurement officer whom the Senator persuaded, a client of Mr. Caldwell's, not the lowest bidder for paving materials, received an order for an extra quantity equal to half the asphalt required in the construction of the Elgin Training Field. And the procurement officer who accorded the favor was advanced in Government employment. The Committee on Military Affairs of the House of Representatives did not like these apparently related manifestations. Its sub-committee published a report, naming the kindly officer and saying:—

"... He was aware of the fact that Senator Pepper, who had nominated him for a better job, was desirous of having an award made to... The Special Committee most strongly deprecates the fact that any member of Congress would permit, even by inference, an employee of the Government to believe that his promotion to a better position was contingent upon the securing of a Government contract by a particular corporation."

Similar machinations have seemed, to such accredited investigators as Thomas L. Stokes, Jr., of the Scripps-Howard Newspaper Alliance, and Albert J. Engel, Member of Congress from Michigan, to have had much to do with increasing the cost of Camp Blanding, Florida, from the estimated \$8,796,180 to the ultimate actual cost of \$27,740,214. Unfortunately, in such matters the mere taxpayer has no redress. He cannot demand a hearing. He has no standing in any court to complain that the billions obtained from him and upon his credit are largely swelled as the consequence of undue influence and improper complaisance in high office. Even his informal complaints are apt to be submerged under suggestions that his patriotism is lukewarm or he would not speak of "silly dollars" after the mischances of Hawaii and the heroism of Wake Island.

#### Pushing

Persons with congenital appetites for pushing other people around could scarcely enjoy more delightful opportunities than those, among many others, afforded by imaginary or "relative" gasoline shortages, priorities' ratings, tire rationing, and price-control. Equally gratifying to such impulses it must be to proclaim arbitrary standards of secular time, against which the sun at its daily meridian must regularly shout the short and ugly word. This is not to suggest that such extraordinary expedients may not be necessary and desirable, when it has been determined to carry the munitions and implements of warfare to the four quarters of the globe and to deliver war itself within the boundaries of both European and Asiatic nations. The necessities, in such circumstances, may be pressing and, when they are, they must be paramount above every impulse of individualism. Yet it is not unthinkable to desire that the individualist impulses of those who rule might be limited by discretion and by determination to indulge the normal freedoms where freedom could not contravene public interest. Pleasure in pushing others around, when such pushing is unnecessary and gratuitous, is a mild but recognizable type of sadism. One difficulty of its indulgence, in the dealings of any organization with outsiders, is that irrespective of other outlets it is almost certain to become prevalent within the organization itself. When that happens the very acme of friction-making internal demoralization and consequent inefficiency has about been attained.

Almost every page of Mr. Barger's treatise affords some striking illustration. When Leon Henderson, in the first flush of authorization to do whatever he could as the potent chief of an office of Price Administration and Civilian Supply, aspired at once to out-manage the Office of Production Management, and especially William S. Knudsen, one of its two nominally co-equal heads, there was turmoil. When the President finally got around to this particular instance of disorder his improvisation to meet it was to split Mr. Henderson's jurisdiction into two parts and place him at the head of both of them. Our author does not affirm that it was effective. Space is too limited for citations of even the principal among the almost innumerable instances of internal friction of similar character that are described. The inquiring reader is therefore referred to the book itself for whatever further information concerning these interecine conflicts he may desire. He will there find that Mr. Ickes pushes against Mr. Hopkins, who will not push back very visibly, but still lives in the White House and appears always to function as Next Friend. Mr. Eccles pushes Mr. Morgenthau, who does push back sporadically and sometimes yields to an impulse to push Mr. Jesse Jones, who seems not to feel the impact but continues quietly upon his way of expanding and recognized strength. Mr. Murphy, who would not push the sit-down strikers in the automobile works in 1937 and was pushed out of the Governorship of Michigan in consequence, succumbed to the pushing of

Mayor Hague and Robert H. Jackson, the latter more belligerent than as a conscientious objector in 1917-1918, and after both had been pushed upstairs to the Supreme Court and met as Associate Justices some memories of the pushing seemed still to rankle. All the New Dealers push at all the dollar-a-year representatives of demonstrated capacity and achievement in production who had to be called into the councils of governmental direction when the problems of rapid planning and production passed beyond mere academic comprehension. And when they are not too busily engaged in struggles with these intellectual and industrial elders their internal rivalries impel them to push one another. Also, when he could, in his effusively friendly and highly Presidential manner, Mr. Roosevelt pushed Mr. Baruch, whose discreet reactions rarely were manifest—in public. It is all a fine phantasmagoria of mushroom bureaucracy.

#### And Concerning Bureaucracy

Of bureaucracy, either in the abstract or in the concrete, as he has observed it in Washington, nothing more forcible or more in accordance with the facts has ever been written than by Mr. Barger, in the sentences with which this discussion shall close. They are:—

"In Washington in 1941, men were variously classified as New Dealers, Liberals, Conservatives, Left-Wingers, and Communists, instead of Republicans and Democrats of the past. . . . It really made very little difference. The over-all term 'bureaucrat' would have been more informative. . . . Just as doctors, lawyers, actors, scientists, and the like want to advance their professions, there was never a time when a Government bureaucrat . . . did not want to increase his stature by adding to his authority and importance, and to do this he must enforce more government on the people . . . he was for entrenching himself in authority and increasing that authority. This meant, of course, a tightening control by the Government over people, and whether the control meant socialism, fascism, or communism, was largely rhetorical."

## The State Of Trade

Business activity in most quarters showed moderate further gains for the week, with some industries showing sharp rebounds from the relatively light holiday setbacks.

A relatively high level of retail spending throughout the nation was reported by Dun & Bradstreet, who placed the turnover at 6 to 11% above the level of a year ago. The Federal Reserve's summary of department store

sales for the week recorded a betterment of 27% over a year ago.

A recovery in power production following the seasonal slump over the holiday week was reported by the Edison Electric Institute, with the week's gain amounting to 1.6%, which brought the national total to 3,286,705,000 kilowatt hours, compared with the all-time high established in the week ended Dec. 20, 1941, of 3,495,140,000 kilowatt hours. The improvement over the corresponding period last year was equivalent to 15.5%, against a gain in the previous week of 17.3%.

Reflecting substantially higher loadings of miscellaneous freight and coal, railroads loaded a total of 674,374 cars of revenue freight in the week ended Jan. 3, the Association of American Railroads report, representing a gain of 67,848 cars, or 11.2% over the previous week. However, it was estimated that the gain was somewhat less than would normally be expected at the turn of the year.

Steel production in the United States is scheduled this week at 97.8% of capacity, equal to 1,615,800 net tons for the week, the American Iron and Steel Institute reported yesterday. Output last week was on a basis of 96.4% or 1,592,700 tons. A month ago the rate was 97.9%, equal to 1,617,500 tons a week, and a year ago operations were on a 95.9% basis or 1,547,700 net tons.

There was an increase in automobile output for the week, but these figures have less significance as motor production will be more restricted as time goes on. Last week's output is placed at 60,190 cars and trucks by Ward's, against 18,535 a week ago.

According to advices from Detroit, the automobile industry will be in virtually full operation this week for the first time in a month. The return of between 200,000 and 300,000 workmen to their jobs started last week, and the early part of this week every passenger car plant will be in production—starting the last three weeks of grace before extinction.

A week after the big conference in Washington there is beginning to be noticeable impatience in industry circles, advices state. The industry is ready and waiting, it is said, but so far has received no general "marching orders" such as were indicated in the Army-Navy announcement of \$5,000,000,000 in new orders "immediately."

Week-end disclosure of large additional war orders for General Motors and Ford did little to allay the general criticism. Mere multiplying of orders does not solve the problem, it was said. There is still no word as to a master plan for pooling of all facilities to avoid long idleness for men and factories, observers state.

(Shocks of dislocation emanating from the stepped up program of war production are passed on from industry to industry through many channels. They are beginning to reach points far remote from the centers of armament production, a survey conducted by the "Journal of Commerce" showed.)

A matter that came in for no little consideration this week was the broad buying movement in commodities, touched off by the action of the Senate in adopting a price control bill which will place farm products in a favored category not granted to any other products.

The action of the Senate is regarded as one of the black spots on the conduct of the war, demonstrating as it did that the powerful farm block within the Senate is determined that while the rest of the country sacrifices to finance the war their own constituents shall enjoy a livelihood even better than their very profitable years of 1910-14.

It is pointed out that if any serious attempt is to be made to control prices and keep the ultimate consumer from being ground to pulp, certainly the effort must include the two most important factors which go to make up prices—namely, the cost of farm products and the cost of labor. Yet these two factors are continually ignored, largely be-

cause of the voting power mustered by each of the groups concerned.

Rising momentum of the war effort is causing drastic changes in many phases of business. It is reported that wholesale markets, opening for spring ordering, found sellers cautious in accepting forward business. Retail trade encountered rationing as controlled selling of autos came along. Resumption of the sort of buying rush that occurred during August and September is now eliminating the usual lag in trade that occurs after the holiday season, observers state. Buying, furthermore, is reaching such proportions that earlier estimates of first quarter retail trade are being revised sharply upward.

Advance buying by retail consumers apparently was touched off by the order on tire rationing and the realization that rubber products may be hard to buy before the year is over. The advance buying of rubber sports wear, rubber footwear and similar items, however, has spread to woolens and such staple items as sheets and pillowcases. Considerable buying of men's clothing is in progress as well.

It is pointed out that taxes and bond purchases by individuals may take an estimated third of the national income during the fiscal year beginning in July. This great diversion of spendable income to the war effort will, of course, have a far-reaching effect on the course of retail trade. To the Federal taxes and bond purchases, of course, must be added municipal and State taxes which reduce funds available for spending further. National income during the 1943 fiscal year should reach an estimated \$110,000,000,000, informed sources state.

#### Office Buildings Report 87.9% Occupancy Now

Office buildings in leading American cities are better rented now than in several years, according to survey by the Mortgage Bankers Association of America made public Jan. 11 which shows that occupancy in 53 leading cities now averages around 87.9%. This compares with occupancy of 85.14% shown by another national survey as of Oct. 1 and 83.92% on May 1, 1941 reported by the same group. A Mortgage Bankers Association survey made at the end of 1940 reported an average occupancy of 87% for 69 cities. "The data reflects increased business activity but also indicates that there is still a good deal of vacant office space over the country," said Frederick P. Champ, Association President. He likewise said:

It seems certain that during the war the available office building space will not be increased much except possibly in a few cities like Washington. Hence occupancy ought to remain about where it is now or increase—unless, of course, the war, by necessity, closes some smaller businesses.

#### Stevens Resigns As N. Y. Reserve Bank Director

Robert T. Stevens, a Director of the Federal Reserve Bank of New York since 1934, has resigned as a result of his having been called into active service with the Army. The bank's Board of Directors accepted the resignation at a meeting on Jan. 8. Mr. Stevens, who has been President of J. P. Stevens & Co., Inc., since 1929, was last elected as a class B director of the Reserve Bank for a term of three years ending Dec. 31, 1942, by member banks in Group 3, which consists of banks with capital and surplus of \$300,000 and less. A special election will be held shortly to elect a director to fill the unexpired portion of Mr. Stevens' term.

## NYC And I Association Favors Withholding Tax

A withholding tax at a rate of not more than 5% upon a limited amount of income, no increase in social security taxes and further drastic reductions in non-defense expenditures, were recommended last week by the Commerce and Industry Association of New York in a letter to the Senate and House Finance Committees. The letter, signed by Thomas Jefferson Miley, Secretary of the Association, was based on a report by its Committee on Taxation and Public Revenue of which Laurence Arnold Tanzer is Chairman.

Endorsing the efforts of the special committee headed by Senator Byrd of Virginia which is working on the problem of non-defense economy, Mr. Miley said, "We believe that the reduction program recently advocated by the National Economy League, totaling \$1,783,000,000 might well be used as a good start." Terming the individual income rates imposed by the 1941 Revenue Act as "extremely heavy" the Association declared:

It would be grossly unfair discrimination to increase them still further without bringing within the scope of the income tax the very large number of people whose incomes have greatly expanded as a result of the defense production.

The Association held that "the heavy increases in corporation taxes and individual income taxes in the middle and higher brackets effectively remove the likelihood of inflationary spending by those dependent upon invested income or upon earned income in all but the lower brackets."

"By far the largest part of the increase in national income in 1941 is going into the hands of persons in the lower income groups," the letter continued, "it is from these groups that the greatest inflationary pressure is coming. The present income tax rates and laws will have little effect upon them." The Association believes that "it would be both sound and equitable to include in the next Federal tax bill a levy upon individual incomes to be withheld at the source." The Association proposes that such a tax would be in the nature of a gross income tax levied at a rate of not more than 5% upon a limited amount of income, adding that: "If a person's income is such that he has to file a return and pay a tax under the present rates, he should be allowed to deduct the amount already paid for the withholding tax from the amount which his return showed was due on his total income." The letter continued:

In view of the fact that if such a tax were adopted next year, it would be superimposed upon payments of the tax on income earned during 1941, so that, in effect, the income tax for two years would have to be paid in one, fair warning should be given so that taxpayers could adjust their affairs. This warning might well take the form of putting the withholding tax in effect six months after its enactment.

The Association disapproved the suggestion that the proposed withholding tax should include an addition to the social security tax. "No necessity appears for increasing the rate of social security taxes at this time," the letter concluded, "to increase in this manner the amounts available for Government expenditures under the guise of adding to a mythical 'reserve' for social security would be unsound and deceptive; and to confuse social security with taxation would be mischievous."

## THE FINANCIAL SITUATION

(Continued from First Page)

of the President served notice that performance in this case will cost us, in terms of money, larger sums than any man can readily visualize or easily grasp. Magnitudes in both messages were so much greater than any human experience has ever before encountered that the average man was left with a feeling of pride in their very audacity, a vague uneasiness as to the precise meaning of it all as it will affect him, and a slight vertigo induced by the tense drama. It was good "showmanship."

We had, however, still to get down to work to win the war. Evidence aplenty that much remained to be done had come plainly to the surface. The controversy in the motor industry precipitated by the action of certain labor unions in again insisting upon the so-called Reuther plan of sovietizing the plants for the purpose of converting them to defense production was eloquent testimony of a situation still existing five or six weeks after Pearl Harbor. Whether the matter at issue has yet been successfully settled or merely "continued," as the lawyers express it, remains to be seen. The rebellion in the Senate in connection with price control legislation scarcely suggests that the farmers and their soi-disant friends in Congress have given up all ideas of "business as usual."

Such exhibitions as these raise disagreeable doubts as to whether when we get down to deeds, in comparison with which words are of little importance, we may safely assume that we have reached or that we shall maintain that national unity which has been so lavishly promised by so many. In conjunction with a good deal else that has been taking place of late they raised, for thoughtful observers, the disturbing question whether we should ever attain and retain anything closely approaching a unified "all-out" effort in the absence of better leadership than Washington had produced. We still must convince the farmer that he is not sui generis in this land of ours regardless of all the pampering he has been getting. Presumptuous labor leaders still must learn that our defense effort will fail unless the management of industry is left in the hands of those who know how to manage it. If the President either can not or will not perform these essential functions of leadership, and if Congress persists in proceeding with one eye on the war and one on election day, then we had best prepare ourselves for a number of sore disappointments in the months to come.

### On The Way?

These are some of the shortcomings of leadership which still remain to be corrected. They are so plain that it is difficult to believe that the rank and file of the American people can not and do not recognize them, so plain that it would appear to be the best of "politics" to correct them with a ruthless hand. Others about equally vital, which are far more difficult to detect or to understand, we may now hope are on the way to correction. They have been swirling about the heads of the innumerable and hopelessly involved agencies in Washington. The public was aware that something was "rotten in the State of Denmark" here, but found it difficult if not impossible to cut its way through the mass of charges and counter-charges of culpability that filled the air. There was but little doubt in well informed minds that lack of organization, want of concentration of authority and responsibility, and failure by the President to delegate where delegation was plain common sense were at bottom at least one major cause of distress.

### For Example

It is this infirmity of management at the top which we must now hope is shortly to be corrected. Mr. Nelson, who is to assume full responsibility under the President for these matters, must carry a terrifying load, which he, or any other man, can carry successfully only with the best of support from the White House. An illustration or two will make clear the nature of the difficulties he must face. It is, of course, known to even the school child that, so far as materials are concerned, metals, their conservation and proper application, have from the first lain close to the heart of our defense problems. In an article entitled "Metals in 1941" written by the Managing Editor of "The Iron Age" and appearing in the January 1 issue of that authoritative publication we find the following:

Granted, of course, that OPM is staffed with many sincere men, in some instances with brilliant men, and also granted that the metals industry in 1941 was involved in such a train of unforeseen and unsupported circumstances that no human wisdom could accurately calculate the end. Nonetheless, the basic policy has been to insist on square pegs in round holes; of having a man who knows nothing about a particular metal rule that metal; of sending a plumber to fix a watch. This policy apparently stems right back to President Roosevelt. The

result of all this has been primarily one of jackassing in more capacity—of substituting capacity for experience in an industry—of solving the day-to-day problems of a particular metal by half measures or letting them degenerate in chaos. Even today, with the country at war, there has been little or no elevation of men with knowledge of a particular metal to a position of authority in that metal, the result being that certain industrial excesses and selfish practices continue, certain half measures falter along, and large quantities of metal lie idle while machines of war wait. \* \* \*

Take, for instance, copper and zinc, two metals which very early went under full priority control. First, fearing a shortage of zinc, industry was urged to switch from brasses to bronzes and silicon bronzes, then in six months there has been a complete reversal, and the urge is now to switch back to brasses to save copper. With no centralized control of zinc consumption, one agency of the Government would demand that galvanizers reduce consumption, or that steel be painted rather than galvanized. At the same time another agency would be recklessly ordering prime galvanized sheets for grain bins, roofing or a multitude of other uses where either wood or uncoated steel would have been satisfactory. \* \* \* At present it is believed there will be enough zinc for essential needs. Now the Government fears a copper shortage sufficient to interfere with the 600,000 tons of cartridge brass planned for 1942. \* \* \* An early OPM order tied up all use of secondary copper while at the same time various war industries still insist on brasses and bronzes so low in lead that scrap copper must be involved in the rank waste of going back through the refinery. Secondary firms are today glutted with copper and can't sell it. Even just a little intelligent effort could force all of the secondary metal into certain applications that have been and are today absorbing large tonnages of virgin copper, thereby releasing the latter for war work that is currently marking time. \* \* \*

Right today there is no one in authority in Washington who knows the intricacies of the aluminum industry. At the moment there is a peak stock of aircraft aluminum on hand, and perhaps this has lulled many into a false sense of security. But, by mid-1942 some large aircraft assembly units will be swinging into production, as for instance Ford's bomber plant, and the demands for aluminum will multiply over night. Actually the country may witness the tragic sight of some assembly lines on the slow-down for want of aluminum. \* \* \*

In the secondary field the government has created another of those quaint anomalies that has so many tragic overtones. Secondary melters can only sell their metal for armament uses, which on the whole, blindly refuse to use anything but virgin metal.

And much more of the same order. All this, of course, covers but one small corner of the vast field. Many more materials than are mentioned here are involved, and often the story is similar. Moreover, developments in the Far East during the past few weeks have in a number of instances further confused and worsened the situation. In the field of production, as distinguished from materials procurement and allocation, many problems of a corresponding sort and difficulty are to be encountered. Clearly, Mr. Nelson must have a free hand and a large corps of able specialists to assist him, if he is to succeed.

We must all do our part—and all of us have a part—in seeing to it that he is in a position to get both.

## Foreign Front

(Continued from First Page)

in the small corner of Luzon Island formed by Bataan peninsula and the fortress islands in Manila Bay, of which Corregidor is the most important. The battle seems to be regarded by our Washington strategists as a delaying action, since there is little likelihood of reinforcing MacArthur adequately. In the circumstances, the small American units are giving a superb account of themselves.

Since Manila was abandoned and our forces withdrawn for a last-ditch fight on Bataan peninsula, the Japanese apparently have made little progress. Disposing his troops on ground made familiar by war games, General MacArthur has repelled several severe assaults. Intensive preparations by the enemy were followed, Sunday, by the first of these heavy attacks, and fresh drives by the Japanese developed subsequently. Only brief official reports of these actions were is-

sued in Washington, usually to the effect that enemy concentrations were shattered and dispersed by our superior artillery. In the absence of official disclosures as to available manpower, it is to be hoped that the Japanese can be withstood indefinitely, but there is no disposition in Washington to encourage a belief to that effect.

According to Tokio accounts, the enemy is making modest but important progress in Luzon attacks. The secondary naval base at Olongapo was claimed by Japan on Tuesday, and no denial of these assertions was issued in Washington. Control of the air over the Luzon front seems to remain in Japanese hands. The anti-aircraft batteries of Corregidor have taken a heavy toll, however, and bombing attacks on that island have been modified. Mindanao Island appears to be entirely in Japanese hands, with the port of Davao being used as a base for operations.

southward against the Netherlands East Indies. Heavy aerial attacks on the Japanese there are reported by American and Netherlands fliers, with a number of Japanese warships and transports hit and damaged.

American submarines now are in the front line of the Pacific struggle, with the Navy Department reporting sizeable sinkings of Japanese cargo ships and transports. Tokio admitted the sinking of a small ship within 100 miles of that Japanese capital, last Friday, but no information is available as to the nationality of the successful submarine. Japanese aerial attacks occasioned the destruction, last Friday, of the American merchant ship Ruth Alexander, 8,135 tons, in East Indian waters. Fire of undisclosed origin destroyed on Monday, in Alaskan waters, the Army transport Clevedon, 7,314 tons. Modest and ineffectual shelling by an enemy warship of the small American island of Tutuila, in the Samoan group, was reported on Monday.

#### China Sea

Throughout the vast and vital China Sea area, which they are obviously determined to control, the Japanese made decided progress in recent fighting, and it will plainly take a long and bitter effort to oust them again. In their thrust down the Malayan peninsula the enemy forces moved with astonishing rapidity toward Singapore. They enlarged greatly their invasion effort in the Netherlands East Indies, and suffered serious reverses only in the interior of China, where the battle for Changsha went heavily in favor of the Chinese.

The struggle for control of the China Sea requires a glance at the map for proper appreciation. The Asian mainland on the west and the string of islands toward the east already afford the Japanese relative safety in their drives southward toward the riches of the Indies. If the current moves against Netherlands outposts and especially against Singapore are successful, the enemy will have a virtually enclosed sea in their grasp. Viewed in modern terms of combined air, naval and land power, such control will be hard to contest, no matter what happens to the European members of the Axis.

The battle of Malaya and the island base of Singapore moved toward a climax, this week, with the Japanese making important gains, but the eventual issue still in doubt. The unfortunate fact must be recognized that the Japanese were underestimated, militarily, and have made remarkable use of their superior numbers. In a series of infiltrations, which may have been aided by some natives, the Japanese steadily marched down the peninsula toward Singapore. Since they started their attack on Dec. 7, they have covered more than half of the 500 miles from the Thailand border toward the great British base.

Brief and inadequate though they are, the official accounts provide a graphic picture of the furious struggle that is moving down the roads and jungle paths of Malaya. Frontal assaults with tanks and other equipment are not the only reliance of the Japanese. Again and again, it appears, the British Empire units gave ground when they found their rear menaced by enemy forces that landed from junks and sampans southward of the main lines, or wormed their way through jungle trails.

Kuala Lumpur, capital of the Federated Malay States and an important rubber and tin center, fell to the advancing Japanese last Sunday. No attempt was made by Singapore or London to minimize the significance of that

event, which placed the Japanese within 200 miles of the great base on the Straits of Malacca. Port Swettenham, southwest of Kuala Lumpur, was abandoned by British forces Tuesday, which gives the enemy still another important base for operations. Heavy aerial raids on Singapore were reported day after day, but the growth of British, American, Dutch and Chinese aerial strength in the Far East was attested by steadily greater attacks on Japanese bases and beachheads, both in Thailand and Malaya.

With the Japanese Navy in control of the China Sea and the Japanese air force able to attack ships in the Straits of Malacca, the question now arises whether it still is possible to land sizeable ground fighting units at or near Singapore. The defense of the base possibly depends on this problem. Aerial reinforcements are said to be on their way to Malaya, which is highly encouraging, for control of the air may well decide the fate of European possessions in the Far East, in the end.

Japanese attacks on the great chain of East Indian islands were expanded sharply, this week, and some highly important points fell into the hands of the enemy. The oil port on the Dutch island of Tarakan, off the east coast of Borneo, was captured by the Japanese on Monday, after an intense aerial and naval attack. The small Dutch garrison fought valiantly and destroyed the wells and installations on the island, before retreating to Borneo. If the Japanese have modern equipment, however, they will be able to gain important oil sources soon, at Tarakan and in British possessions on Borneo which previously were taken.

Indicative of the tremendous scope of Japanese ambitions were further attacks, early this week, on the Netherlands island of Celebes. The northern arm of that oddly shaped island, known as the Minnahassa region, was the scene of the attack, and the important town of Menado was claimed by the enemy, Tuesday. This means that the Japanese are moving swiftly against the base of the rough triangle which encloses the China Sea.

That Singapore will be defended to the bitter end, if necessary, is quite obvious, and it appears that arrangements by the United Nations are being made for defense of the main islands of the Netherlands East Indies. Headquarters of the United Nations have been established on Java, the most populous of the East Indian islands. Australian, Dutch and American air squadrons are operating from secret bases on one or more islands, and are assisting other units in Malaya. They are attacking the Japanese sea communications everywhere.

Only in China, however, have the Japanese suffered a serious reverse, since they began on Dec. 7 their effort to expel Occidentals from the Orient. At Changsha, in Hunan Province, the Chinese forces of Generalissimo Chiang Kai-shek thrashed the Japanese in what is, perhaps, the greatest battle of the long war between China and Japan. Thousands of Japanese were reported killed or captured daily by the Chinese, and the hold of the Japanese on some of the South China ports has been weakened, in consequence. Some Chinese troops now are said to be moving toward Burma and Indo-China, for fresh action against the Japanese.

#### Winter in Russia

Sizeable territorial advances are being made by Russian forces on the vast front from the Crimea to the Arctic Ocean, where the German, Finnish, Hungarian, Rumanian and Italian units are struggling desperately against bitter cold and mobile Red Army

cavalry. The Nazi withdrawal, announced on Dec. 8, obviously has been rendered costly by the Russians, and the lines that would be suitable for stabilization of the front, from the German viewpoint, have been pierced in a dozen places. The Russian victory gains importance day by day, as the vast struggle continues without genuine stabilization of the fighting front.

Whether this battle can be counted upon to knock the Germans out of the war is, however, another matter. The Russian accounts are colorful and impressive. But the Nazi rear-guard action remains effective and in accordance with Reichswehr traditions. Already the realization is spreading among the United Nations that the German campaign against Russia probably will be resumed in the Spring.

The principal Russian advance is in the semi-circle around Moscow, where the Nazi units made their greatest gains and most expensive efforts, last Autumn. Operating from interior lines, the Russians obviously have pushed the Nazis much farther back than the German High Command intended. Orel, Bryansk and even Smolensk are said to be among the Russian objectives. These cities, it must be remembered, are the outer ring of Moscow defenses, and even if they are regained the Germans still will be deep in Russian territory.

Russian forces apparently are much more skilled and far better prepared for winter fighting than the Germans, and are using their ski and cavalry units to excellent effect. The German reliance upon mechanized units is largely nullified, in the present weather. The siege of Leningrad is now said by Moscow to have been partly lifted, and at the southern extremity the Crimean advance is assuming great importance. Fighting for the Crimea is likely to be protracted, however, since milder weather on that front makes greater use of German equipment possible. Russian authorities claim command of the air over almost the entire fighting line, but it is evident that aerial activity is modest for the time being.

Finland, on the northern end of the line, appears to have decided to remain in the fight. There were indications from Stockholm, over the last week-end, that Finnish authorities might be willing to consider a truce. No formal action developed, however, toward a cessation of Russo-Finnish hostilities. Numerous divisions of Siberian troops now are said to be active on the European front, which indicates that the Russian position is not to be regarded as brilliant. The need for depleting the Siberian defense forces in the effort against the Nazis possibly is contributing heavily to the tragic occurrences in the Pacific war, for it may be the simple explanation for Moscow's unwillingness to join in the fight against the Japanese member of the Axis.

#### African Battles

Intensified military activity in Northern Africa and the Mediterranean region suggested, this week, an early enlargement of operations in that highly important theatre of warfare. The British desert units continued to chase the Germans and Italians toward Tripolitania, but severe sandstorms made progress difficult. On the border of Egypt and Libya, the British Empire units took Solum, Tuesday, and tightened the steel ring around the remaining Axis forces in the Halfaya area. Length of communications now begins to tell against the advance forces of the British.

German and Italian plans clearly are being rushed for a major move against British naval dominance of the Mediterranean, probably as a matter of bolstering Italian morale. The Middle

Sea is of little use to the British, as a lifeline to the Far or Middle East, at present. Nevertheless, the Axis seems determined to attempt a conquest of the Mediterranean. Sizeable bombing raids against Malta were inaugurated and maintained, and fleets of transports and barges were being assembled this week in Sicilian ports.

The "neutrals" at either end of the Mediterranean again were subjected to intense diplomatic pressure, both by the Axis and the United Nations. Turkey showed little indication, however, of a voluntary change from the precarious neutrality observed by that country since the start of the war. Vichy France doubtless was subjected to much pressure from both sides, respecting the West African bases of the French. The results in this sphere also are in doubt.

#### Inside Germany

Little activity was noted this week in the direct struggle between Germany and the United Nations, and this possibly contributed toward a veritable flood of rumors that the Nazis were encountering internal difficulties in Germany. Reports from Berne, Stockholm and London all suggested that Hitler was at odds with his military and naval advisers. Some accounts even stated that machine guns were being set up at traffic centers in Berlin. The Nazis took unusual pains to deny the reports of dissension and difficulties. They blasted the Swiss and the Swedes for circulating what they called "false" rumors. In all probability the accounts are too good to be true, and certainly should not be credited to a degree that would diminish our arms production or vitiate our military effort.

When weather conditions permitted, the British Air Force bombed nearby French ports and the more distant German industrial centers unmercifully. The effectiveness of such attacks has been attested by a number of observers. German aerial bombing of British points was modest. The Reich expanded its submarine operations, however, for the British cruiser Galatea, 5,220 tons, was admitted sunk, and at least one merchant ship went down just off Nova Scotia.

Both Washington and London were said this week to be engaged in a further attempt to persuade the Irish Free State to permit the use of west coast bases in Ireland for naval operations. Prime Minister Eamon De Valera stated publicly, however, that Ireland would defend herself "from attacks from any quarter." Some criticism of the Malay campaign developed in the London House of Commons, and even the United States was subjected to some adverse comment. One Laborite was reported as fearing that the British Isles will become the American outpost in European warfare.

#### Inter-American Conference

Far more important than any previous conference of the 21 American Republics is the one that begins today, in Rio de Janeiro, for upon the outcome of this gathering depends the attitude of South America toward the World War. The test of United States participation in the great conflict has produced nine sympathetic war declarations by the Latin Republics of Central America and the Caribbean. None of the great South American States, however, has followed suit, and some of the more important countries have taken a rather determined stand for neutrality.

The multitudinous and delicate inter-relations of North and South America plainly are involved in the question of action by the States of the sister continent to the south. Decisions facing the South

American leaders are not easy ones, for the excellent political relations of the Good Neighbor policy pull them toward joint measures with the United States, whereas certain racial and economic ties may influence them toward continued neutrality. The economic trend of the moment is toward the closest possible inter-American cooperation, since the United States now is the best and almost the only market for the Latin-Americans.

Whether it is to the interest of the South Americans to participate actively in the world conflict is a question on which only the countries concerned can supply a conclusive answer. Washington plainly is intent on persuading the countries of that continent to take an active stand. There is, however, a good deal of Axis influence apparent in South America, both directly and through Spanish connections. The outcome of the Rio de Janeiro debates will afford an interesting reflection on such matters, and on the individual problems of the South American States.

Under-Secretary of State Sumner Welles heads the United States delegation of some 25 experts at the Rio de Janeiro meeting. The Washington representatives arrived in the Brazilian capital on Monday, and promptly plunged into the usual round of preliminary talks and explorations. American banking, shipping and trade authorities are included in our delegation, which indicates a readiness to meet any and all problems.

Almost all of the South American countries already have made clear their "solidarity" with the United States, in the current world crisis. Exceptional privileges are available to our armed forces everywhere, from the Rio Grande to Patagonia, and the Axis Powers are denied such privileges. The South American countries, in short, seem still to prefer that unneutral non-belligerence which the United States pursued until this country was projected into the war. Diplomatic relations in many instances already have been severed between the Axis and the South American States.

Argentina, as the unquestioned leader of South America, appears to be more intent than other countries upon continuance of technical neutrality. As delegate from some of the other countries gathered in Buenos Aires for the journey to Rio, Foreign Minister Enrique de Ruiz-Guinazu declared that "this America of ours must be preserved for peace, work and the hopes of men." The Chilean Foreign Minister, Juan B. Rossetti, made it clear that his country would favor a complete break with the Axis at the Rio gathering. Brazilian Foreign Minister Oswaldo Aranha emphasized "solidarity" in a statement at Rio de Janeiro, last Saturday, but suggested that this is not incompatible with non-belligerence. These divergent views of the ABC Nations of South America are indicative of attitudes which prevail throughout that continent.

There will, of course, be powerful arguments available to Mr. Welles and his associates, as they begin their formal discussions at Rio de Janeiro, today. Aiding them will be not only those South American countries which favor all-out action alongside the United States, but also the nine Central American and Caribbean Republics which already have signed the United Nations Declaration. Mexico also will be of great importance, for an agreement was reached Monday, whereunder the United States and Mexico will act jointly in defense of North America, such as Canada and the United States are so acting.

Cottonseed Receipts, Lower Than Last Year

On Jan. 13 the Bureau of the Census issued the following statement showing cottonseed received, crushed, and on hand, and cottonseed products manufactured, shipped out, on hand, and exported for the 5 months ended with December, 1941 and 1940:

COTTONSEED RECEIVED, CRUSHED, AND ON HAND (TONS). Table with columns for State, Received at mills, Crushed, and On hand at mills for 1941 and 1940.

COTTONSEED PRODUCTS MANUFACTURED, SHIPPED OUT, AND ON HAND. Table with columns for Item, Season, On hand, Produced Aug. 1 to Dec. 31, and Shipped out Aug. 1 to Dec. 31.

\*Includes 13,192,000 and 88,735,000 pounds held by refining and manufacturing establishments and 7,859,000 and 23,480,000 pounds in transit to refiners and consumers Aug. 1, 1941, and Dec. 31, 1941, respectively.

†Includes 7,268,000 and 3,856,000 pounds held by refiners, brokers, agents, and warehousemen at places other than refineries and manufacturing establishments and 3,903,000 and 3,901,000 pounds in transit to manufacturers of shortening, oleomargarine, soap, etc., Aug. 1, 1941, and Dec. 31, 1941, respectively.

Exports and Imports of Cottonseed Products

In the interest of national defense, the Department of Commerce has decided to discontinue until further notice the publication of statistics concerning imports and exports.

Oct. Statistics For Electric Lt. Pr. Industry

Electrical research statistics for the month of October, 1941 and 1940, covering 100% of the electrical light and power industry, as released on Jan. 13 by the Edison Electric Institute, follow:

SOURCE AND DISPOSAL OF ENERGY. Table with columns for Source, Month of October 1941 and 1940, and % Change.

CLASSIFICATION OF SALES. Table with columns for Customer Type, As of Oct. 31 1941 and 1940, and % Change.

Kilowatt-Hour Sale. Table with columns for Customer Type, Month of October 1941 and 1940, and % Change.

RESIDENTIAL OR DOMESTIC SERVICE (Revised Series). Table with columns for Average customer data, 12 Months Ended Oct. 31 1941 and 1940, and % Change.

Petroleum And Its Products

There is no need for gasoline rationing at the present time, since the rubber shortage with its inevitable curbing of automobile driving will act as a natural curb upon consumption of motor fuel, Petroleum Coordinator Ickes said in Washington this week at his regular press conference. While there is no shortage of gasoline at the present time, war-time demands upon the nation's petroleum transportation system may bring about shortages in some sections of the country in the future, according to present belief.

This decision was reached by Mr. Ickes in the face of arguments advanced by civilian supply officials who felt that a curtailment of gasoline would aid in the conservation of rubber and also of automobiles, production of both of which has been virtually ended as far as the general public is concerned for the duration of the war. While there has been no appreciable slackening in demand for gasoline by civilian drivers since the new tire rationing regulations went into effect recently, if the trend toward lessened use of automobiles by the general public continues at the same pace as shown by New York City and other major population centers throughout the country continues, this factor must eventually become a major one in the market picture.

Higher prices for Grade C bunker fuel oil on the Eastern Seaboard and at the Gulf Coast, proposed by several oil companies, have been rejected by the Office of Price Administration, it was announced in Washington on Jan. 10. Under the planned price schedule, prices would have advanced 15 cents a barrel to \$1.50 at New York City with corresponding advances at other East Coast ports and on the Gulf Coast. In denying the applications for the advance, the OPA considered current charter rates, costs of operating company-owned tankers, fuel oil supply position, defense operations in which fuel oil is required and the general economic position of refiners and marketers. The OPA announcement set the following maximum prices for Grade C bunker fuel oil and No. 6 fuel oil, f.o.b. refineries and terminals (ex lighterage):

Table listing prices for various locations including Albany, N. Y., New York, N. Y., Philadelphia, Pa., Baltimore, Md., Norfolk, Va., Portland, Me., Boston, Mass., Providence, R. I., Charleston, S. C., Savannah, Ga., Jacksonville, Fla., Tampa, Fla., New Orleans, La., and Gulf Coast.

The rejection of the advance, while not unexpected, was a disappointment to East Coast oilmen since the current price of \$1.35 does not include increased operating costs of the companies which have arisen since it was posted last April, according to the general belief. Since Gulf Coast prices of 85 cents added to the transportation cost of approximately 55 cents a barrel bring the delivered cost at New York to \$1.40, higher prices had been hoped for by the trade. The sharp expansion in demand for this type of fuel oil for the Navy and defense industries has brought Atlantic Coast stocks almost to the point of "tightness" as far as the relation of supplies to demand is concerned.

Leon Henderson, Director of the Office of Price Administration, last Saturday asked that purchasers of crude oil from wells in East Texas and other fields "discontinue offering bonuses and otherwise bidding above posted prices." The OPA announcement pointed out that "in normal times, the offering of bonuses or other forms of premium to attract business away from competing buyers usually forecasts a general increase in prices for crude. Under war conditions, this type of buying can only serve to contribute to inflationary spirals." It was asked that crude oil buyers pay no more than posted prices as of Nov. 7, 1941.

Creation of a materials division in the Office of the Petroleum Coordinator to assist the oil industry in obtaining essential materials was announced by Petroleum Coordinator Ickes in Washington this week. William F. Huff, oil well supply expert of Glendale, Calif., will head the new materials division. "The increasing importance and volume of work concerned with preference ratings and allocations of oil industry materials make it desirable to establish a specialized functional unit to aid this office in fulfilling its responsibility for assisting the petroleum industry to obtain essential materials," it was pointed out in the announcement. "In performing this service for the industry, the materials division will also, in effect, serve the Office of Production Management as an industrial branch specializing in the field of petroleum."

Representatives of independent petroleum refiners joined with spokesmen for independent iron ore and farm groups in opposing the proposed 10% increase in railroad and water carrier rates at a hearing of the Interstate Commerce Commission in St. Louis on Jan. 8. M. H. Champion, counsel for Anderson-Prichard Oil Co. of Oklahoma City, said that his company was opposing any increase in any petroleum rate. "The freight revenue from petroleum has continually declined from 1936 through 1940, yet on the revenue of all carload freight there has been a slight increase," he pointed out. "It will be noted that in 1936 the petroleum traffic represented 8.24% of the railroads' total freight revenue, whereas in 1940 this was reduced to only 6.76% of the total, which in our opinion was due to the continual high rates on petroleum products because the production and consumption of petroleum products has increased each year."

With Texas showing a jump of approximately 220,000 barrels daily, the nation's daily average flow of crude oil for the week ended Jan. 10 was up 222,760 barrels to 4,252,460 barrels, according to the "Oil & Gas Journal" on Jan. 13. The 219,630-barrel gain in Texas lifted output there to 1,714,100 barrels. California and Louisiana also showed a gain with Kansas, Oklahoma and Illinois reporting lower production totals. Inventories of domestic and foreign crude oil held in the United States on Jan. 3 were up 450,000 barrels at 244,440,000 barrels, the Bureau of Mines reported. Domestic crude stocks were up 284,000 barrels, with holdings of foreign crude rising 166,000 barrels.

There were no crude oil price changes posted during the week. Prices of Typical Crude per Barrel At Wells (All gravities where A. P. I. degrees are not shown) are listed in a table.

Further progress in the drive of the Office of Petroleum Coordinator to triple current output of aviation grade high octane gasoline came this week in orders issued by Petroleum Coordinator Ickes to Governors and petroleum regulatory agencies of the major oil-producing States to increase production from oil fields which yield the high grade crude oil needed for aviation gasoline. The new order stipulated that the higher quotas for the high grade crude oil be so arranged as to keep the total State quotas within the limits prescribed each month by the Coordinator's office, which may mean curtailment of production of low-grade crude in some States.

The new order is the latest step in the far-reaching program initiated by Petroleum Coordinator Ickes early in 1941 when the need of increased supplies of aviation gasoline for our own and our Allies' military needs became apparent. The program to date has included the launching of a giant expansion and new construction program for refineries, issuing of orders restricting the use of aviation gasoline components to essential purposes, expediting of priority applications for aviation gasoline plants, obtaining of agreement by patent owners to slash royalties on aviation gasoline processes and mobilizing of the industry's leadership in the Petroleum Industry Council for National Defense.

In keeping with the program to expand available supplies of aviation grade gasoline, the Texas Railroad Commission this week, acting upon the recommendation of Mr. Ickes, earmarked by proration order all aviation grade petroleum from 62 Texas fields exclusively for military use. Most of the fields are along the Gulf of Mexico and in Southwest Texas, and the order cited Federal requirements that all oil and refining capacity possible be set aside for aviation gasoline production. Similar action in other fields in major oil producing States where the crude is sufficiently high grade to furnish good material for aviation gasoline is expected in the immediate future.

One possible complication is the fact that the American petroleum industry will soon be called upon to produce a considerable amount of synthetic rubber, to replace the supplies lost through the victories of the Japanese Army and Navy in the Far East where most of the American supplies normally are obtained. The same crude properties which are essential to the output of synthetic rubber are essential to the production of 100-octain aviation gasoline, which indicates a possible check upon the scheduled expansion of production facilities and supplies of the latter.

Table listing gasoline prices for various locations including New York, Socony-Vac, Tide Water Oil, Texas, J. Shell Eastern, Other Cities, Chicago, Gulf Coast, Oklahoma, and y Super.

Table listing gasoline prices for various locations including Kerosene, 41-43 Water White, F. O. B. Refinery, New York (Bayonne), Philadelphia, North Texas, New Orleans, Tulsa, Fuel Oil, F. O. B. Refinery or Terminal, N. Y. (Harbor) unker, C., Diesel, Savannah, Bunker C., Philadelphia, Bunker C., Gulf Coast, Halifax, Gas. Oil, F. O. B. Refinery or Terminal, N. Y. (Bayonne) 7 plus, Chicago, 28.30 D., and Tulsa.

Bank Of Manhattan Net Operating Earnings

J. Stewart Baker, Chairman of the Board of the Bank of Manhattan Co., New York, reported on Jan. 2 that the net operating earnings for the year ending December 31, 1941, not including net profits realized on the sale of securities, amounted to \$2,753,220, equal to \$1.37 per share on the 2,000,000 shares of Capital Stock authorized and outstanding.

Net operating earnings and net profits realized on the sale of securities in excess of dividends declared and additions to Undivided Profits have been used, together with recoveries, to set up reserves, including additions to the reserve for United States Government securities, and to write down certain assets.

The stockholders of the bank held their annual meeting on Dec. 2, at which time Mr. Baker reported the indicated earnings for 1941; this report was discussed in these columns of Dec. 11, page 1472.

The bank's statement of condition as of Dec. 31, 1941, showed total deposits of \$759,583,582 and total assets of \$815,221,987 compared respectively with \$746,701,027 and \$801,373,064 as of Sept. 30, 1941. Cash on hand and due from banks amounted to \$284,106,493 against \$275,459,116, holdings of United States Government securities to \$186,323,368 against \$182,843,583. Loans and discounts increased to \$276,672,427 from \$267,686,303. Capital and surplus were unchanged at \$20,000,000 each.

Lamborn's Sugar Calendar Distributed

The tenth annual edition of Lamborn's Sugar Calendar, containing statistical data and other vital information pertaining to the sugar industry of the United States and the world, is being distributed by Lamborn & Co. Inc., New York, sugar brokers.

This unique calendar, it is said, provides for each day of 1942 the prices for raw and refined sugar effective the same date in 1941 together with the monthly averages.

It gives other useful and interesting material such as the harvesting periods of the sugar crop in the various countries of the world, important sugar dates for 1941 and the probable dates when important trade estimates for 1942 are to be issued by governmental and private statistical agencies.

Cleveland Reserve Bank Staff Changes

At a regular meeting of the Board of Directors of the Federal Reserve Bank of Cleveland held on Jan. 8, the following changes in the official staff of this bank were made:

C. W. Arnold, formerly Assistant Vice-President, was appointed Vice-President.

E. A. Carter, formerly Assistant Cashier, was appointed Assistant Vice-President.

J. W. Kossin, formerly Assistant Cashier at the main office, was appointed Cashier at the Pittsburgh branch.

C. E. Harrell, formerly of Cincinnati branch, was appointed Assistant Cashier at the main office.

These appointments are effective Jan. 9.

Electric Output For Week Ended Jan. 10, 1942, Shows 15.9% Gain Over Same Week In 1941

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended Jan. 10, 1942, was 3,480,344,000 kwh., which compares with 3,002,454,000 kwh. in the corresponding period in 1941, a gain of 15.9%. The output for the week ended Jan. 3, 1942, was estimated to be 3,288,685,000 kwh., an increase of 15.6% over the corresponding week in 1941.

PERCENTAGE INCREASE OVER PREVIOUS YEAR

Table showing percentage increase over previous year for major geographic divisions and total United States. Includes columns for Jan. 10, '42, Jan. 3, '42, and Dec. 27, '41.

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Table showing data for recent weeks from 1941 to 1937, including weekly totals and percentage changes.

Table showing data for recent months from 1941 to 1937, including monthly totals and percentage changes.

Table showing data for recent months from 1941 to 1937, including monthly totals and percentage changes.

Bonds Are Firm

Gains in bond prices have been largely confined to the railroad section of the list this week but other corporate and Treasury bonds have maintained last week's gains. The new Treasury issue, the 2s 1949-51, which is to refund over a billion dollars of guaranteed and other Government obligations, was quoted at a premium of 20/32 on Tuesday.

High-grade railroad securities have not exhibited any particular trend during the week under review but the tone has been a firm one. Norfolk & Western 4s, 1996, at 127 1/2 were off 3/4 while Cincinnati Union Terminal 3 1/2s, 1971, remained unchanged at 108 5/8.

Medium-grade rails have been better and wide gains have been registered among speculative issues in active trading. New York Central 4 1/2s, 2013, advanced five points to 53 3/4 and Illinois Central 4s 1953, were 3 1/4 points higher at 42 3/4. Defaulted rails have been actively higher, Baltimore & Ohio 4 1/2s, 1960, touching a new high of 38 1/4 with a net gain of 3 1/4.

Speculative interest has developed in two groups of utility bonds, namely, foreign and tractions. Prominent among the former have been American & Foreign Power 5s, 2030, International Telephone & Telegraph 5s, 1955, Canada Northern Power 5s, 1953, Gatineau Power 3 3/4s, 1969, and Shawinigan Water & Power 4 1/2s 1967. Among the tractions Hudson & Manhattan 5s, 1957, Third Avenue Railway 4s, 1960, and St. Louis Public Service 5s, 1959, were active. Gains in both groups have been substantial. Additional financing has been indicated in the registration of \$32,500,000 Pennsylvania Electric mortgage bonds.

Among the highest grades of industrial bonds gains for the week have been recorded by Socony-Vacuum 3s, 1964, up 3/4 at 105 1/2 and Inland Steel 3s, 1961, up 1/4 at 105. Most of this group was unchanged but Liggett & Myers 5s, 1951, lost 3/4 point at 122. Advances have been quite general in the more speculative sections. Firestone 3s, 1961, gaining 1 1/4 at 93 3/4. Remington-Rand 3 1/2s, 1956 rising one point to 101, and United Drug 5s, 1953, taking on 1/4 point at 96. Union Oil Co. of California offered \$15,000,000 of 3% debentures, due 1967, on Tuesday at 99 1/2.

The general improvement in the foreign list has continued and prices have been better on balance. Australian loans advanced further but met profit taking toward the close while Canadian bonds gained fractionally. Argentine bonds became irregular after a display of early strength but Chilean issues closed slightly better. Cuba 4 1/2s gained over four points. Norwegian and Danish bonds have been bid up several points and Finland 6s moved up seven points. Polish bonds added to their recent gains while Belgian issues closed slightly unsettled.

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

MOODY'S BOND PRICES (Based on Average Yields) - Table showing bond prices for U.S. Govt. Bonds, Corporate Bonds, and Corporate by Ratings (Aaa, Aa, A, Baa, R.R., P.U., Indus).

Table showing stock exchange closed for Dec. 31, 1941, with columns for U.S. Govt. Bonds, Corporate Bonds, and Corporate by Ratings.

Table showing stock exchange closed for Dec. 31, 1941, with columns for U.S. Govt. Bonds, Corporate Bonds, and Corporate by Ratings.

Table showing stock exchange closed for Dec. 31, 1941, with columns for U.S. Govt. Bonds, Corporate Bonds, and Corporate by Ratings.

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These prices are computed from average yields on the basis of one "typical" bond (3% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages. The latter being the true picture of the bond market.

## Items About Banks, Trust Companies

At the regular meeting of the Board of Directors of The National City Bank of New York held on Jan. 6, John F. Cannon, Jr. was appointed Assistant Vice President. In his new capacity, Mr. Cannon will be associated with that group of officers administering the bank's affairs in South America. For many years Mr. Cannon has been a member of the bank's administrative staff supervising branch operations throughout the world and since his return from abroad, he has been assigned to the Comptrollers' Department. Mr. Cannon was formerly an Assistant Cashier.

Edward S. Gilmour, Trust Officer in the Central Hanover Bank & Trust Co., New York City, died on Jan. 5 in the Leonia (N. J.) station of the Erie and Central Railroad. He was 60 years old and lived in Leonia.

The New York Trust Company, of New York, announces the retirement with pension of the two men who have been associated with it for the longest period, Walter E. Drummond, Chief Paying Teller, who has been with the bank since July 30, 1893, and Montrose Stuart, Assistant Secretary, who has been with the bank since Nov. 28, 1898. In addition to their long service with The New York Trust Co., both show other interesting parallels in their careers. Born the same year, both attended Cooper Union and were subsequently employed, although at different times, by the Continental Trust Co., merged with the present New York Trust Co. in 1904 under Charles S. Fairchild, Chairman of the Board, who had been Secretary of the Treasury in Cleveland's Cabinet. An announcement by the trust company continued:

Besides terminating his service of 48 years with The New York Trust Co., Mr. Drummond has just celebrated his 66th birthday. Born in 1875, he attended the University of Chicago as well as Cooper Union. Starting his business career in 1890, he was employed as a clerk by the Continental Trust Co. (The New York Trust Co.) on July 30, 1893 as its ninth employee, later serving periods as bookkeeper, auditor, general bookkeeper, paying teller, loan clerk, investment ledger clerk and treasurer.

Mr. Stuart was born in 1875 in New York City where he received his Bachelor of Science degree from Cooper Union. Prior to his employment as a clerk by the Continental Trust Co. (the New York Trust Co.) in November, 1898, he had been in the employ of the Butterick Co., E. C. Rich Co., Ltd. and the Penny Provident Fund.

Eric J. Gluckstadt has resigned as a Vice-President of The New York Trust Co., and has opened an office at 20 Exchange Place, it was announced by the trust company on Jan. 2.

Following action of the Board of Trustees of The New York Trust Company on Jan. 6, John E. Bierwirth, President, announced that the Company is extending additional payments to all active members of its staff, other than officers, receiving salaries of \$500 per month, or less, through the first quarter of 1942. The announcement says:

Such payments in January, February and March of this year, like those in October, November and December of 1941, will be equal to 6% of the first \$150 and 4% of the next \$100 of the basic pay for each of those months.

The Colonial Trust Company of New York reported as of Dec. 31 total deposits of \$19,382,823 and

total assets of \$21,038,350, compared, respectively, with \$17,177,675 and \$18,839,915 on June 30. Cash on hand and due from banks amounted to \$8,482,154 against \$7,231,521; holdings of United States Government and municipal securities to \$2,381,844 against \$1,310,684, and loans and discounts to \$9,647,719, against \$9,838,591. Capital was unchanged at \$1,000,000. Surplus and undivided profits were \$436,854, against \$478,829 at the end of June.

Trust Company of North America, New York, announces the resignation of George H. Rhinehart, as President. Mr. Rhinehart will continue his association with the institution as a Director. Jacob Schapiro, Chairman, will assume the office of President.

At the annual meeting of stockholders of the Brooklyn Trust Co. of Brooklyn, N. Y., held on Jan. 12, at the main office of the Company, 177 Montague Street, the following trustees were re-elected: Edwin P. Maynard, George V. McLaughlin, Lewis M. Gibb, William J. Tracy, George A. Anderson, Herbert E. Smith, and Joseph Michaels, Jr.

The New York Chapter of the American Institute of Banking calls attention to certain courses in banking and finance available only in the Spring Semester. Registration for the Spring term will take place at the Chapter's office in the Woolworth Building, 233 Broadway, during the week of Jan. 19. Classes begin Jan. 26.

Raymond F. Cutler, special representative of the Federal Reserve Bank of New York in its Bank Relations Department, died on Dec. 31 at his home in Ridgewood, N. J. Mr. Cutler, who was 53 years old, had been connected with the Reserve Bank for 25 years and served as special representative for the last 15 years. He was a native of Warren, Mass., and a graduate of Dartmouth College.

The Board of Trustees of The Bowery Savings Bank of New York announced on Jan. 2 the appointment of Fred H. Allen as Deputy Mortgage Officer and John M. Ohlenbusch, Jr., as Assistant Treasurer.

The statement of condition of Clinton Trust Co., New York City, as of Dec. 31, 1941, shows that total assets increased to \$11,269,628 from \$11,004,830 as of Sept. 30, 1941, and \$10,461,951 on Dec. 31, 1940. Deposits of the bank were \$10,121,722 on Dec. 31, 1941, compared with \$9,875,183 on Sept. 30 and \$9,320,894 a year ago. Surplus and undivided profits totaled \$385,000 against \$379,953 at Sept. 30 and \$343,135 on Dec. 31, 1940. Regarding the institution's year-end condition it is also noted:

Capital stock of the bank remained unchanged at \$600,000, while capital notes were \$75,000, compared with the same amount on Sept. 30 and with \$100,000 a year ago. Loans and discounts totaled \$2,911,583 on Dec. 31, 1941, against \$2,943,370 on Sept. 30 and \$2,579,660 at Dec. 31, 1940. Other asset items compare as follows with the figures for three months ago and a year ago: cash on hand and due from banks, \$3,462,227, against \$3,500,356 and \$3,347,666; investments in bonds, \$4,392,909, against \$4,081,969 and \$4,092,808.

A testimonial luncheon was given William C. Taber at the East River Savings Bank, New York City in honor of his 40th anniversary as a Trustee, Jan. 13. Mr. Taber is a member of the Executive Committee of the bank, and has served on and been Chairman

of the Examining Committee almost the entire time of his association with the bank. Mr. Taber is President of the Urner-Barry Publishing Co. of New York City.

Joseph P. Chamberlain has been elected a Trustee of the Emigrant Industrial Savings Bank, New York City, Walter H. Bennett, Chairman of the Board, announced on Jan. 9. Mr. Chamberlain, Professor of Law at Columbia University, is a Director of the Equitable Life Assurance Society of the United States, a Director and Vice President of Survey Associates, Inc., and a Trustee of the Russell Sage Foundation.

The Sterling National Bank & Trust Co., in its statement of condition as of Dec. 31, 1941, reports a surplus of \$2,250,000, an increase of \$250,000 from the last published statement. Year-end deposits of \$40,810,045 are the largest in the history of the bank, and compare with \$36,301,462 on Dec. 31, 1940. Total assets were \$46,041,338 on Dec. 31, 1941, compared with \$40,975,026 a year ago; loans and discounts amounted to \$22,938,535, against \$17,780,402; and cash and due from banks was \$15,544,818, compared with \$18,293,923 at Dec. 31, 1940. Capital, surplus and undivided profits at the close of 1941 totaled \$4,016,459, against \$3,717,038 at the end of 1940; reserves were \$610,714 compared with \$586,628; U. S. Government securities were \$5,016,526 against \$3,112,658, and State, municipal and corporate securities amounted to \$1,827,597, compared with \$1,278,253 at Dec. 31, 1940.

The Grace National Bank, New York City, shows in its statement of condition as of Dec. 31, 1941, deposits of \$50,693,014, as compared with \$48,289,626 on Sept. 30 and \$43,858,880 a year ago. Undivided profits amounted to \$851,461 as compared with \$841,448 in September and \$714,819 a year ago. Cash in vault and with banks totaled \$21,331,233, as compared with \$20,936,858 in September and \$22,270,355 a year ago. U. S. Government securities at the end of the year were \$15,584,728, as compared with \$10,747,371 in September and \$7,191,404 a year ago. Loans and discounts were \$12,271,832, as compared with \$15,102,833 in September and \$12,102,128 a year ago.

The Commercial National Bank & Trust Co. of New York reported as of Dec. 31, 1941, total deposits of \$160,709,500 and total assets of \$181,100,140 compared, respectively, with \$148,033,218 and \$167,129,674 on Dec. 31, 1940. The bank held cash on hand and due from banks of \$65,981,080 compared with \$70,144,090; investments in United States Government securities of \$70,457,549 compared with \$53,931,784; and loans and discounts of \$36,281,004 compared with \$34,058,811. The bank's capital account was unchanged at \$7,000,000 and its surplus and undivided profit account increased to \$9,094,264 from \$8,746,907 after the payment of the regular 8% dividend of \$560,000.

The Williamsburgh Savings Bank, Brooklyn, N. Y., announced on Jan. 7 the election of Ansel P. Verity as a trustee. Mr. Verity is a Vice-President of the Bank of the Manhattan Company, New York City. He is also Vice-President of the Kings County Bankers Association and a director of the Brooklyn Chamber of Commerce.

Kings County Trust Co., Brooklyn, N. Y., reports as of Dec. 31 total resources of \$71,461,587, compared with \$63,753,832 on Sept. 24. Total deposits were \$63,103,843, against \$55,333,233. Undivided profits amounted to \$245,378, against \$269,599. Cash was \$31,626,418, against \$23,454,-

088, and Government securities were \$16,306,165, against \$16,689,420. Loans and discounts totaled \$2,595,275, against \$2,408,780.

The Lafayette National Bank, Brooklyn, N. Y., reported as of Dec. 31, 1941, total deposits of \$13,412,437 and total assets of \$14,734,548 compared, respectively, with \$12,783,854 and \$14,295,149 on Sept. 30, 1941. Cash on hand and due from banks amounted to \$4,527,896, against \$4,821,993; holdings of Government securities to \$4,523,793, against \$3,771,887; and loans and discounts to \$4,523,793, against \$4,241,477. In the latest statement, capital stock is shown at \$750,000; surplus at \$250,000, undivided profits, \$188,334, and reserves \$62,321.

Bernard W. Trafford, former President and Chairman of the Board of Directors of the First National Bank of Boston, died on Jan. 2 at his home in Milton, Mass., at the age of 71. He had retired from banking in July, 1941, after 29 years in the banking field. Prior to his entry therein, Mr. Trafford held executive posts with the American Telephone & Telegraph Co., at one time being senior operating Vice-President for the company in the Middle West. A native of Dartmouth, Mass., he was graduated from Harvard College in 1893 following which he began his business career with the telephone company, becoming a member of the engineering staff.

Mr. Trafford served as Vice-President of the First National Bank from 1912 to 1923 and as President from March, 1923, to December, 1929. He was Vice Chairman of the Board from 1929 to 1935 and Chairman from 1935 until his retirement.

Mr. Trafford also was President of the Sterling Ring Traveler Co., Director of the New England Telephone & Telegraph Co. and of the Westport Manufacturing Co. and a member of the corporation of the Suffolk Savings Bank.

Edward M. Crampton, Vice President of the Hartford National Bank and Trust Co., Hartford, Conn., died on Dec. 21 at his home in West Hartford. He was 52 years old. The following regarding his career is from the Hartford "Courant" of Dec. 22.

Mr. Crampton had been connected with the banking business since the age of 16. In 1905, after a year's work in a local hardware store, Mr. Crampton took a job as office boy at the old Aetna National Bank here. He subsequently became assistant cashier and cashier of the bank when its name was changed to the Hartford Aetna National Bank. When the banking firm merged with the United States Security Trust Company about 12 years ago and became the Hartford National Bank & Trust Co., Mr. Crampton was appointed Vice-President of the bank, the position he held at the time of his death.

Frederick G. Burkardt, Treasurer of the Half Dime Savings Bank, Orange, N. J., will retire on April 1 from that office, the bank announced on Jan. 7. Mr. Burkardt will continue to serve on the Board of Managers, to which he was elected in March, 1938. He became associated with the bank in 1900 as a clerk, later becoming a teller and in 1921 was elected Assistant Treasurer. Upon the retirement of his brother, John A. Burkardt, in 1934, he became Treasurer.

Ross Mathews, President of the Fifth Ward Savings Bank of Jersey City, N. J., died on Jan. 1. He was 54 years old. A native of Jersey City, Mr. Mathews was also President of the Frank J. Mathews Co., a Jersey City realty firm founded by his father. He was elected to the Board of Managers of the Fifth Ward Savings

Bank in 1923 and became President in 1929. Mr. Mathews was a Director of the Commercial Trust Co. of New Jersey, Jersey City.

The City Bank and Trust Co., Reading, Pa., has become a member of the Federal Reserve System, effective Dec. 27.

In its annual statement for the year 1941, First Federal Savings & Loan Association of Philadelphia reports total assets amounting to \$2,558,423 at the year end, an increase of \$862,897, or 51%, for the 12 month period.

Samuel A. Green, Secretary-Manager, reports that the association on Dec. 31, 1941, had saving and investment share accounts amounting to \$1,933,554, compared with \$1,263,985 the year previous, while reserves and undivided profits were increased from \$55,109 to \$80,401 at the close of 1941.

First Federal Savings and Loan Association of South Philadelphia reports progress during 1941, closing the year with resources totaling \$5,051,801 according to David Shapiro, Assistant Secretary. Home loans, totaling \$1,198,785 were arranged for 358 families during one of the most active periods in the association's history. Commenting on the Dec. 31, 1941 statement of condition, Mr. Shapiro pointed out that \$79,100 were transferred to reserves, bringing total reserves and undivided profits to \$248,414.

The Maries County Bank of Vienna, Mo., became a member of the Federal Reserve System on Dec. 29. The institution, organized in 1900, has a capital of \$25,000, surplus of \$15,000, and total resources of \$342,700. The addition of this bank to the System brings the total membership of the Federal Reserve Bank of St. Louis to 437. The new member was organized in 1900. It has a capital of \$25,000, surplus of \$15,000, and total resources of \$342,700. Its officers are: Leslie Terry, President; D. T. James, Vice President; L. O. Nichols, Cashier, and Travis E. John, Assistant Cashier.

The year-end statement of the Wells Fargo Bank & Union Trust Co., of San Francisco, released on the call of the State Superintendent of Banks, showed further substantial gains in deposits and resources during 1941. Deposits on Dec. 31, 1941, at \$338,913,864 were \$15,073,980 above the mid-year (June 30) figure, and \$22,205,413 higher than a year earlier. Total resources amounted to \$366,055,850, an increase of \$16,753,795 above June 30, 1941, and \$23,138,611 over the 1940 year-end figure. Loans and discounts on Dec. 31, 1941, aggregated \$49,626,823, a gain of \$10,417,534 since the end of June, and of \$10,496,676 during the past year. The bank's holdings of United States Government securities totaled \$185,958,503, as compared with \$179,512,589 a year earlier. Its cash, at \$83,410,889 was \$6,292,062 above the Dec. 31, 1940, figure. Undivided profits on Dec. 31, 1941, amounted to \$3,012,595, an increase of \$137,129 as compared with the figure on the same date a year ago. This brought total capital, surplus and undivided profits to \$18,012,595.

Cable advices received from London by the New York representative of Barclays Bank Ltd. of London report that the bank has declared dividends for the year 1941 of 10% on the "A" shares and 14% on the "B" and "C" shares, which are at the same rate distributed for many years. Net profits of Barclays Bank Ltd. for the year 1941 are reported as £1,353,302, which with the amount brought forward from 1940, namely, £546,704 makes a total of £1,900,006. Special appropriations from profits have been made as follows: £200,000 to Contingency Account and £150,000 to Premises Reserve Account for "deferred repairs and reinstatement."



## Sees War Program a Threefold Endeavor With Leadership Essential In Each Field

The war program is a threefold job calling for the exercise of military strategy, governmental action and industrial production, with leadership in each field essential, it was declared on Dec. 30 in a luncheon address before the American Statistical Association by Donaldson Brown, Vice-Chairman of General Motors Corp., New York City. In supporting this contention Mr. Brown declared:

Upon the military strategists

we must depend for the determination of the kinds and quantities of the armament required and the necessary timing of its production. Neither industrial managers nor political leaders are competent to make such decisions.

Upon the political leaders we must depend for the necessary legislative and administrative action which will make effective the plans of military strategy through the best use of the nation's human and physical resources. This does not mean that the country's industries should be run by the Government. It does mean that there must be enlightened political statesmanship directed toward an acceptance of governmental policy that will encourage and stimulate the maximum application of the skills, techniques and know-how on the part of management and men engaged in industry.

Upon industrial managers we must depend for direction of the actual production of the war materials required. There must be the greatest possible utilization of existing plants and facilities, and the engagement of these, together with necessary new plants and facilities, in the way that will extend the maximum advantages of experienced management and the applied skills of factory workers.

With industry's primary responsibility lying in the vital field of war material production, it is most encouraging that industry has already been able to bring its productive forces so greatly to bear on this task. Within the period to date, operating under the broad guidance of those responsible for the magnitude and nature of the armament program, our industrial techniques have created a flow of war materials now proving of inestimable value to ourselves and to our allies, and at the same time there has been set in motion a production momentum which will gain acceleration with every passing month.

In speaking on the subject, "Readjustments Required Within Industry Because of the Defense Program," Mr. Brown asserted that industry's task for 1942, which he termed "prodigious," will require "the temporary abandonment of some of the customary yardsticks of industrial accomplishment. The normal purpose of industry in serving the needs and wants of individual consumers is suspended for the duration. Emphasis now must be wholly upon producing the necessities of war." Mr. Brown spoke in support of:

Curtailment of civilian production wherever necessary to expedite the war effort; the maximum utilization of experienced management and available labor through effective distribution of the production load; an extension of the established practice of subcontracting, with responsibility for the finished product resting with the principal contractor; a safeguarding of the incentive of reasonable rewards for efficient performance as to quantity, quality and cost; a realistic policy of control over prices which recognizes the collateral necessity for controlling costs; and a constructive governmental fiscal policy embracing revenue raising and inflation control. At the same time that he ex-

pressed a hope for labor leadership that will come to show "an understanding of the determined purpose of the American public and the American worker himself," Mr. Brown urged upon industrial management "the obligation to pursue a fair and enlightened attitude in its relationship with employees, and to make its position in this regard known publicly so that acceptance will be commanded by the very force of the popular approval it brings forth." He added:

We are in the midst of a great emergency. The successful prosecution of the war calls for focusing upon the one single objective of victory all the resources—material, personal and spiritual—that the nation possesses. To an extent never before approached, modern conflict demands production—production in prodigious quantities of a vast variety of materials to back up the courage and fortitude of our armed forces.

The readjustments required within industry, during the period of the emergency, are those that are necessary in serving the vital purposes immediately concerned, without prejudice to the longer ends those purposes involve today and for the future. These readjustments can be made, and the future of America can be assured, if full advantage is taken of the efficiencies inherent in our industrial system, and if the Government will exercise its control and direction over the whole defense effort in such a way that these efficiencies are not impaired. The job of production that is before us is industry's job. The managers of industry are committed to the doing of this job with every resource at their command.

### Bureau Takes New Name

The Brazilian Information Bureau of the Government of Brazil, 551 Fifth Ave., New York City, has changed its name to the Brazilian Government Trade Bureau, effective Jan. 1. The new designation, made by authorization of Brazil's Ministry of Labor, is said to be more adequate to the trade promotion activities of this department of the Federal Government of Brazil.

The Bureau's announcement also says:

It comes as another step in the reorganization and development of this Bureau to better serve all private enterprises interested in the promotion of trade and travel between the United States and Brazil.

### ABA Outlines Air Raid Precautions For Banks

Detailed suggestions for air raid protection are given to the banks of the country by the American Bankers Association in the January issue of its "Protective Bulletin," mailed to members of the Association on Jan. 5, in an article entitled, "Blitzes and Blackouts" by James E. Baum, manager of the Insurance and Protective Department.

The article summarizes the precautionary measures taken by a large eastern bank as a result of the experiences of its London office. These measures are divided into three classifications: protection of personnel, protection of securities, currency and records, and protection of building.

## Earnings of Manufacturing Workers Rise In November for the 16th Consecutive Month

Average hourly earnings in 25 manufacturing industries increased from 85.3 cents in October to 86.0 cents in November, the 16th consecutive monthly advance, according to an announcement made Jan. 9 by the Division of Industrial Economics of The Conference Board. This was the smallest monthly increase since last August, but average hourly earnings in November were the highest on record and were almost 16% higher than in October, 1940, before the beginning of the recent wave of wage-rate increases. The Board further reported in part:

Average hours per week per employee decreased from 41.7 in October to 41.5 in November, so that average weekly earnings increased only a little, from \$35.65 in October to \$35.74 in November. This increase in weekly earnings was less than the increase in the cost of living. Weekly earnings were nevertheless the highest on record. They were \$6.01 higher than in November, 1940, although the employees in these 25 industries worked, on the average, only 1.9 hours more than they did in November, 1940.

The largest increase in hourly earnings was in the automobile industry, where they amounted to \$1.184 in November, as compared with \$1.157 in October and 98.9 cents in November, 1940. Hourly earnings in the rubber industry increased 1.5 cents to 96.9 cents from 95.4 cents in October and 88.0 cents in November, 1940. In the machine and machine tool industry they increased 1.5 cents to 90.9 cents from 89.4 cents in October and 78.2 cents in November, 1940. In the woolen industry they increased 1.3 cents to 74.5 cents from 73.2 cents in October and 62.9 cents in November, 1940. Average hourly earnings decreased in five industries, but the largest decrease amounted to only 0.3 cents.

The largest increase in average weekly earnings was in the rubber industry, where they amounted to \$37.26, as compared with \$35.72 in October and \$32.17 in November, 1940. The employees in the rubber industry not only earned more per hour, but worked an average of 38.5 hours, as compared with 37.5 hours in October and 36.6 hours in November, 1940. In the silk and rayon industry hourly earnings rose from 58.3 cents in October to 59.5 cents in November, and hours per week per employee rose from 36.7 to 38.4 so that weekly earnings reached a new high record of \$22.82, as compared with \$21.40 in October and \$18.24 in November, 1940. The employees of the northern cotton mills earned \$24.81 in November, as compared with \$23.75 in October; an increase caused almost entirely by longer working time, which increased from 38.8 to 40.4 hours per week.

Weekly earnings decreased in seven of the 25 industries. The largest decrease was in the iron and steel industry, where weekly earnings declined from \$39.32 in October to \$37.29 in November, owing to a decrease in working hours from 40.0 to 37.7. The other six decreases were comparatively small and were caused mainly by fewer hours.

Nine of the 25 industries averaged less than 40 hours per week per employee in November, the same as in October. It was the same industries which averaged less than 40 hours, except the iron and steel industry, where the hours declined from 40.0 to 37.7, and the northern cotton mills, where they increased from 38.8 to 40.4.

Although the men employed in all 25 industries worked on the average two-tenths of an

hour less in November than in October, the women worked three-tenths of an hour longer, so that the weekly earnings of the women rose 45 cents, whereas those of the men were only six cents higher. The weekly earnings of the women amounted to \$21.82, a new high record, as compared with \$21.37 in October and \$18.10 in November, 1940. The weekly earnings of the men averaged \$38.45, as compared with \$38.39 in October and \$31.94 in November, 1940. The skilled and semi-skilled men in 24 of these industries earned \$40.73, as compared with \$40.70 in October and \$33.80 in November, 1940, while the unskilled men earned \$30.13, as compared with \$30.05 in October and \$24.83 in November, 1940.

### Federal Reserve Banks Earned Less In 1941

The Board of Governors of the Federal Reserve System announced on Jan. 6 that preliminary figures received from the Federal Reserve Banks indicate that during the year 1941 their current earnings amounted to \$41,380,000, which was \$2,157,000 less than in 1940. Current expenses amounted to \$32,963,000, or \$3,798,000 more than in 1940. Resulting current net earnings for 1941 were \$8,417,000, as compared with \$14,372,000 for 1940. The Board's announcement added:

After taking into consideration additions to current net earnings, consisting principally of profits on sales of United States Government securities, and deductions from current net earnings for charge-offs on bank premises and reserves for losses on industrial advances and commitments, net earnings totaled \$9,137,000 for the year 1941. For the year 1940 net earnings amounted to \$25,860,000. Net earnings for 1941 were distributed as follows: Dividends to member banks, \$8,430,000; payments to the United States Treasury under provisions of Section 13b of the Federal Reserve Act relating to industrial advances, \$141,000; net additions to surplus accounts, \$566,000.

On Dec. 31, \$133,000 was transferred from surplus to reserves for contingencies.

### Cordoba Bond Payment

The Bondholders Committee for City of Cordoba (Argentine Republic) on Dec. 29 informed holders of the city's 7% external sinking fund gold bonds of 1927, due Aug. 1, 1957, that it has directed the depository to distribute \$22,767 to the holders of certificates of deposit on account of accrued interest on the unpaid principal. This sum is equivalent to \$9.52 per \$1,000 deposited bond. This distribution is after the deduction of Committee expenses of \$8,065. The total net amount distributed by the Committee during the current calendar year is \$56.80 per \$1,000 deposited bond, which is smaller than in the previous year due to the fact that, according to word received by the Committee from its Argentine counsel, the City of Cordoba lately has diverted some of the revenues that are pledged as security for the loan and are under attachment by order of the Court. Appropriate legal steps, it is said, are now being taken to correct this condition.

### Philippine Assets Frozen

In view of the situation created by the temporary enemy occupation of important parts of the Philippine Islands, the Treasury Department on Jan. 5 issued a public circular calling attention to the fact that Philippine assets have been automatically frozen under the Dec. 26, 1941 amendment to the freezing orders. The Department says:

The new public circular prescribed that for the purposes of the freezing orders the Philippine Islands should be regarded as if they were a separate blocked country and that Jan. 1, 1942 would be regarded as the effective date of the freezing regulations as applied to the Philippines. This was done to facilitate the administration of freezing control over Philippine assets and also to provide the public with specific standards to guide their compliance with the freezing regulations relating to the Philippines. For all practical purposes this had the same effect as though freezing control had been specifically extended to the Philippine Islands on Jan. 1, 1942.

The public circular also announced that census reports on Form TFR-300 were required to be filed with respect to Philippine assets. Details regarding this requirement will be announced later. Certain general licenses relating to the Philippine Islands were revoked and others were amended. New general licenses were issued dealing with problems arising out of freezing Philippine assets. These general licenses followed the general pattern of documents issued in the past in connection with extending freezing control to a new country.

In view of General License issued Jan. 5, 1942, the freezing restrictions will not affect Philippine citizens within the United States or within the generally licensed trade area.

### Residential Construction Decline In 1942 Seen

Private residential building in the United States next year will show a decline of at least 40% according to a survey of members of the Mortgage Bankers Association of America announced on Dec. 27 by Frederick P. Champ, President. A poll, completed just before the outbreak of the war, asked members to estimate the decline in their cities "provided no further governmental restrictions are placed on private residential construction." The advice from the Association also stated:

Of 61 principal cities reporting, replies from 55 indicate declines ranging from 15% as high as 90%. Members in only six cities anticipate a volume equal to that of 1941 or higher, and all of these were in areas where heavy victory activities are concentrated. The decline expected in the 55 cities averaged 40%.

Mr. Champ also had the following to say:

This estimated decline is now probably subject to revision as a result of the attack on the United States which has been unparalleled in all history for treachery and dishonor. The war naturally means that every ounce of building materials needed for armament production will now go toward winning the war. Thus the decline may be higher than could have been foreseen two weeks ago. Private residential building is one of the bulwarks of our peacetime economy but nothing is so important today as victory.

# Text Of The President's Budget Message To Congress

Following we present the full text of the Budget Message delivered to Congress on Jan. 7 by President Roosevelt. The General Budget Summary, a tabulation, which we have taken from the Summary Budget Statements, and which also appears on this page, shows comparatively the estimated receipts and expenditures for the fiscal years 1943 and 1942 and the actual figures for the fiscal years 1943 and 1942 and the actual figures for the fiscal years 1943 and 1942 and the actual receipts in 1941.

In our issue of Jan. 8 (first page) we published a summary of President Roosevelt's Budget Message.

To the Congress of the United States:

I am submitting herewith the Budget of the United States for the fiscal year ending June 30, 1943. It is the budget of a nation at war in a world at war.

In practical terms the Budget meets the challenge of the Axis powers. We must provide the funds to man and equip our fighting forces. We must provide the funds for the organization of our resources. We must provide the funds to continue our role as the Arsenal of Democracy.

Powerful enemies must be outfought and outproduced. Victory depends on the courage, skill, and devotion of the men in the American, British, Russian, Chinese, and Dutch forces, and of the others who join hands with us in the fight for freedom. But victory also depends upon efforts behind the lines—in the mines, in the shops, on the farms.

We cannot outfight our enemies unless, at the same time, we outproduce our enemies. It is not enough to turn out just a few more planes, a few more tanks, a few more guns, a few more ships, than can be turned out by our enemies. We must outproduce them overwhelmingly, so that there can be no question of our ability to provide a crushing superiority of equipment in any theater of the World War.

And we shall succeed. A system of free enterprise is more effective than a "order" of concentration camps. The struggle for liberty first made us a Nation. The vitality, strength, and adaptability of a social order built on freedom and individual responsibility will again triumph.

### The War Program

Our present war program was preceded by a defense effort which began as we emerged from the long depression. During the past 18 months we laid the foundation for a huge armament program. At the same time industry provided ample consumers' goods for a rapidly growing number of workers. Hundreds of thousands of new homes were constructed; the production of consumers' durable goods broke all records. The industrial plant and equipment of the country were overhauled and expanded.

Adjustment to a war program can now be made with greater speed and less hardship. The country is better stocked with durable goods. Our factories are better equipped to carry the new production load. The larger national income facilitates financing the war effort.

There are still unused resources for agricultural and industrial production. These must be drawn into the national effort. Shortages, however, have developed in skilled labor, raw materials, machines, and shipping. Under the expanding war program, more and more productive capacity must be shifted from peacetime to wartime work.

Last year fiscal policy was used to shift the economy into high gear. Today it is an instrument for transforming our peace economy into a war economy. This transformation must be

completed with minimum friction and maximum speed. The fiscal measures which I outline in this message are essential elements in the Nation's war program.

### War Appropriations

This is a war budget. The details of a war program are, of course in constant flux. Its magnitude and composition depend on events at the battlefronts of the world, on naval engagements at sea, and on new developments in mechanized warfare. Moreover, war plans are military secrets.

Under these circumstances I cannot hereafter present details of future war appropriations. However, total appropriations and expenditures will be published so that the public may know the fiscal situation and the progress of the Nation's effort.

The defense program, including appropriations, contract authorizations, recommendations, and commitments of Government corporations, was 29 billion dollars on Jan. 3, 1941. During the last 12 months 43 billion dollars have been added to the program. Of this total of 75 billion dollars there remains 24 billion dollars for future obligation.

In this Budget I make an initial request for a war appropriation of 13.6 billion dollars for the fiscal year 1943. Large supplemental requests will be made as we move toward the maximum use of productive capacity. Nothing short of a maximum will suffice. I cannot predict ultimate costs because I cannot predict the changing fortunes of war. I can only say that we are determined to pay whatever price we must to preserve our way of life.

### War Expenditures

Total war expenditures are now running at a rate of 2 billion dollars a month and may surpass 5 billion dollars a month during the fiscal year 1943. As against probable budgetary war expenditures of 24 billion dollars for the current fiscal year, our present objective calls for war expenditures of nearly 53 billion dollars for the fiscal year 1943. And in addition, net outlays of Government corporations for war purposes are estimated at about 2 and 3 billion dollars for the current and the next fiscal year, respectively.

These huge expenditures for ships, planes, and other war equipment will require prompt conversion of a large portion of our industrial establishment to war production. These estimates reflect our determination to devote at least one-half of our national production to the war effort.

The agencies responsible for the administration of this vast program must make certain that every dollar is speedily converted into a maximum of war effort. We are determined to hold waste to a minimum.

### The Civil Functions of Government

In a true sense, there are no longer nondefense expenditures. It is a part of our war effort to maintain civilian services which are essential to the basic needs of human life. In the same way it is necessary in wartime to con-

serve our natural resources and keep in repair our national plant. We cannot afford waste or destruction, for we must continue to think of the good of future generations of Americans. For example, we must maintain fire protection in our forests; and we must maintain control over destructive floods. In the preparation of the present Budget, expenditures not directly related to the war have been reduced to a minimum or reoriented to the war program.

We all know that the war will bring hardships and require adjustment. Assisting those who suffer in the process of transformation and taxing those who benefit from the war are integral parts of our national program.

It is estimated that expenditures for the major Federal assistance programs—farm aid, work relief, youth aid—can be reduced by 600 million dollars from the previous to the current fiscal year, and again by 860 million dollars from the current to the next fiscal year. These programs will require 1.4 billion dollars during the fiscal year 1943, about one-half of the expenditures for these purposes during the fiscal year 1941.

Improved economic conditions during the current year have made possible the execution of economic and social programs with smaller funds than were originally estimated. By using methods of administrative budget control, 415 million dollars of appropriations for civil purposes have been placed in reserves.

Excluding debt charges and grants under the Social Security law, total expenditures for other than direct war purposes have been reduced by slightly more than 1 billion dollars in the next fiscal year.

Agricultural aid.—I purpose to include contract authorizations in the Budget to assure the farmer a parity return on his 1942 crop, largely payable in the fiscal year 1944. I do not suggest a definite appropriation at this time because developments of farm income and farm prices are too uncertain. Agricultural incomes and prices have increased and we hope to limit the price rise of the products actually bought by the farmer. But if price developments should turn against the farmer an appropriation will be needed to carry out the parity objective of the Agricultural Adjustment Act.

The remaining expenditures for the agricultural program are being brought into accord with the war effort. Food is an essential war material. I propose to continue the soil conservation and use program on a moderately reduced scale. Acreage control by cooperative efforts of farmer and Government was inaugurated in a period of overproduction in almost all lines of farming. Then its major objective was the curtailment of production to halt a catastrophic decline in farm prices. At present, although there is still excess production in some types of farming, serious shortages prevail in other types. The present program is designed to facilitate a balanced increase in production and to aid in controlling prices.

Work projects.—The average number of WPA workers was two million in the fiscal year 1940, the year before the defense program started; the average has been cut to one million this year. With increasing employment a further considerable reduction will be possible. I believe it will be necessary to

make some provision for work relief during the next year. I estimate tentatively that 465 million dollars will be needed for WPA, but I shall submit a specific request later in the year. Workers of certain types and in certain regions of the country probably will not all be absorbed by war industries. It is better to provide useful work for the unemployed on public projects than to lose their productive power through idleness. Wherever feasible they will be employed on war projects.

Material shortages are creating the problem of "priority unemployment." I hope the workers affected will be reemployed by expanding war industries before their unemployment compensation ceases. Some of the workers affected will not, however, be eligible for such compensation and may be in need of assistance.

Rather than rely on relief a determined effort should be made to speed up reemployment in defense plants. I have, therefore, instructed the Office of Production Management to join the procurement agencies in an effort to place contracts with those industries forced to cut

their peacetime production. The ingenuity of American management has already adapted some industries to war production. Standardization and substitution are doing their part in maintaining production. Ever-increasing use of subcontracts, pooling of industrial resources, and wider distribution of contracts are of paramount importance for making the fullest use of our resources. The newly nationalized Employment Service will greatly help unemployed workers in obtaining employment.

Aids to youth.—Under war conditions there is need and opportunity for youth to serve in many ways. It is therefore possible to make a considerable reduction in the programs of the Civilian Conservation Corps and the National Youth Administration. The youth, too, will be aided by the United States Employment Service in finding employment opportunities.

Although I am estimating 100 million dollars for these two agencies, excluding 50 million dollars for defense training, it is probable that the total amount will not be needed. I am postponing until next spring pres-

## GENERAL BUDGET SUMMARY

Comparative Statement of Receipts and Expenditures—Cash Basis

| GENERAL AND SPECIAL ACCOUNTS  |                         | Estimated, Fiscal Year 1943 | Estimated, Fiscal Year 1942 | Actual, Fiscal Year 1941 |
|---|-------------------------|-----------------------------|-----------------------------|--------------------------|
| <b>I. Receipts (Schedule No. 1):</b>  |                         |                             |                             |                          |
| Classification  |                         |                             |                             |                          |
| 1. Internal revenue   | \$17,261,367,000        | \$12,198,665,000            | \$7,361,674,982             |                          |
| 2. Railroad Unemployment Insurance Act  | 9,500,000               | 8,500,000                   | 6,814,717                   |                          |
| 3. Customs  | 297,000,000             | 368,000,000                 | 391,870,013                 |                          |
| 4. Return of surplus funds from Government corporations                         |                         |                             |                             | 319,207,200              |
| 5. Other  | 284,223,000             | 240,915,000                 | 188,945,672                 |                          |
| Gross receipts  | \$17,852,090,000        | \$12,816,080,000            | \$8,268,512,585             |                          |
| Deduct net appropriation for Federal old-age and survivors insurance trust fund |                         |                             |                             |                          |
|   | 1,354,890,000           | 872,087,000                 | 661,300,733                 |                          |
| <b>Net receipts</b>   | <b>\$16,497,200,000</b> | <b>\$11,943,993,000</b>     | <b>\$7,607,211,852</b>      |                          |
| <b>II. Expenditures (Schedule No. 2):</b>                                       |                         |                             |                             |                          |
| Classification  |                         |                             |                             |                          |
| 1. Legislative, judicial & exec.  | 43,487,800              | 41,329,300                  | 38,497,649                  |                          |
| 2. Civil depts. and agencies  | 797,445,700             | 844,470,700                 | 782,456,994                 |                          |
| Post Off. Dept., deficiency   |                         | 14,000,000                  | 30,130,553                  |                          |
| 3. Gen'l. Pub. Works Program  | 578,231,000             | 712,523,500                 | 573,056,675                 |                          |
| 4. National defense   | 52,786,186,000          | 23,996,525,400              | 6,301,053,165               |                          |
| 5. Vets. pensions and benefits  | 590,037,000             | 578,116,000                 | 559,255,646                 |                          |
| 6. Aids to agriculture:   |                         |                             |                             |                          |
| Gross expenditures  | 854,050,000             | 1,117,082,000               | 1,094,203,136               |                          |
| Return of surplus funds from Govt. corps.                                       |                         |                             | *315,000,000                |                          |
| 7. Aids to youth  | 100,000,000             | 235,095,000                 | 347,204,163                 |                          |
| 8. Social security  | 537,825,000             | 462,045,000                 | 444,446,546                 |                          |
| 9. Work relief:   |                         |                             |                             |                          |
| Gross expenditures  | 480,075,000             | 942,430,000                 | 1,451,910,183               |                          |
| Return of surplus funds from Govt. corps.                                       |                         |                             | *14,000,000                 |                          |
| 10. Refunds   | 87,005,000              | 89,002,000                  | 89,667,299                  |                          |
| 11. Interest on the public debt   | 1,750,000,000           | 1,250,000,000               | 1,110,692,811               |                          |
| 12. Retirement funds  | 298,599,800             | 267,177,262                 | 217,065,000                 |                          |
| 13. Supplemental items regular  | 25,000,000              | 25,000,000                  |                             |                          |
| Total expenditures, excluding debt retirement                                   | \$58,927,992,300        | \$30,575,796,162            | \$12,710,629,803            |                          |
| <b>III. Budget deficit under present tax legislation</b>                        |                         |                             |                             |                          |
|   | <b>\$2,440,792,300</b>  | <b>\$18,631,803,162</b>     | <b>\$5,103,417,071</b>      |                          |
| <b>IV. Receipts from proposed tax legis.</b>                                    |                         |                             |                             |                          |
|   | <b>\$7,000,000,000</b>  |                             |                             |                          |
| <b>V. Budget deficit under proposed tax legislation</b>                         |                         |                             |                             |                          |
|   | <b>\$5,440,792,300</b>  | <b>\$18,631,803,162</b>     | <b>\$5,103,417,071</b>      |                          |
| <b>VI. Debt retirement</b>  |                         |                             |                             |                          |
|   | <b>100,000,000</b>      | <b>100,000,000</b>          | <b>\$4,799,507</b>          |                          |
| <b>VII. Gross deficit</b>   |                         |                             |                             |                          |
|   | <b>\$5,540,792,300</b>  | <b>\$18,731,803,162</b>     | <b>\$5,167,678,471</b>      |                          |

### Effect of Operations on the Public Debt

|  | Estimated, Fiscal Year 1943 | Estimated, Fiscal Year 1942 | Actual, Fiscal Year 1941 |
|--|-----------------------------|-----------------------------|--------------------------|
| Public debt at beginning of year (Schedule No. 4)  | \$70,612,246,697            | \$48,961,443,535            | \$42,067,531,037         |
| Increase in public debt during year:   |                             |                             |                          |
| To meet Budget deficit above   | 35,440,792,300              | 18,631,803,162              | 5,103,417,071            |
| To purchase obligations of governmental corporations   | 4,368,000,000               | 3,019,000,000               |                          |
| Increase in working balance, general and special accounts (Schedule No. 3)   |                             |                             | 890,494,526              |
| <b>Net increase in public debt during year</b>   | <b>\$39,808,792,300</b>     | <b>\$21,650,803,162</b>     | <b>\$5,993,911,497</b>   |
| Public debt at end of year   | 110,421,038,997             | 70,612,246,697              | 48,961,443,535           |
| *Credits, deduct. †From new issues only. ‡The net excess in social security trust funds is estimated to be \$2,000,000,000 in 1943 under proposed new legislation. |                             |                             |                          |

### TOTAL RECEIPTS BY SOURCES OF REVENUE

|                                      | [In millions of dollars] |                 |                |
|--------------------------------------|--------------------------|-----------------|----------------|
|                                      | Estimated, 1943          | Estimated, 1942 | Actual, 1941   |
| General and special accounts         |                          |                 |                |
| Income taxes                         | 11,318.0                 | 7,147.0         | 3,469.5        |
| Miscellaneous internal-revenue taxes | 4,208.5                  | 3,863.0         | 2,964.0        |
| Employment taxes                     | 1,738.9                  | 1,188.7         | 925.2          |
| Railroad Unemployment Insurance Act  | 9.5                      | 8.5             | 6.3            |
| Customs                              | 297.0                    | 368.0           | 391.9          |
| Miscellaneous revenues and receipts  | 284.2                    | 240.9           | 508.2          |
| <b>Total</b>                         | <b>17,852.1</b>          | <b>12,816.1</b> | <b>8,268.5</b> |

entation to the Congress of specific recommendations as to youth aid.

**Public works program.**—The public works program is being fully adjusted to the war effort. The general program of 578 million dollars includes those projects necessary for increasing production of hydroelectric power, for flood control, and for river and harbor work related to military needs. Federal aid for highways will be expended only for construction essential for strategic purposes. Other highway projects will be deferred until the post-war period. For all other Federal construction I am restricting expenditures to those active projects which cannot be discontinued without endangering the structural work now in progress.

**Civil departments and agencies.**—The work of the civil departments and agencies is undergoing thorough reorientation. Established agencies will be used to the greatest possible extent for defense services. Many agencies have already made such readjustment. All civil activities of the Government are being focused on the war program.

**Federal grants and debt service.**—A few categories of civil expenditures show an increase. Under existing legislation Federal grants to match the appropriations for public assistance made by the individual States will increase by 73 million dollars. I favor an amendment to the Social Security Act which would modify matching grants to accord with the needs of the various States. Such legislation would probably not affect expenditures substantially during the next fiscal year.

Because of heavy Federal borrowing, interest charges are expected to increase by 139 million dollars in the current fiscal year, and by another 500 million dollars in the fiscal year 1943. Debt service is, of course, affected by war spending.

**Coordination of Fiscal Policies**

The fiscal policy of the Federal Government, especially with respect to public works, is being reinforced by that of State and local governments. Executive committees of the Council of State Governments and the Governors' Conference have issued excellent suggestions

for harmonizing various aspects of State and local fiscal policy with national objectives. These governments are readjusting many of their services so as to expedite the war program. Many are making flexible plans for the post-war readjustment and some are accumulating financial reserves for that purpose. The larger the scale of our war effort, the more important it becomes to provide a reservoir of post-war work by business and by Federal, State, and local governments.

**Financing the War**

Determination, skill, and material are three great necessities for victory. Methods of financing may impair or strengthen these essentials. Sound fiscal policies are those which will help win the war. A fair distribution of the war burden is necessary for national unity. A balanced financial program will stimulate the productivity of the Nation and assure maximum output of war equipment.

With total war expenditures, including net outlays of Government corporations, estimated at 26 billion dollars for the current fiscal year and almost 56 billion dollars for the fiscal year 1943, war finance is a task of tremendous magnitude requiring a concerted program of action.

**Receipts Under Present Legislation**

Total receipts from existing tax legislation will triple under the defense and war programs. They are expected to increase from 6 billion dollars in the fiscal year 1940 to 18 billion dollars in the fiscal year 1943. This increase is due partly to the expansion of economic activities and partly to tax legislation enacted during the last 2 years. As we approach full use of our resources, further increases in revenue next year must come predominantly from new tax measures rather than from a greater tempo of economic activity. Taxes on incomes, estates, and corporate profits are showing the greatest increase. Yields from employment taxes are increasing half as fast; and the yields from excise taxes are increasing more slowly; customs are falling off. On the whole, our tax system has become more progressive since the defense effort started.

billion dollars for the fiscal year 1943. Borrowing from trust funds will reduce the amounts which must be raised by taxation and borrowing from the public by about 2 billion dollars in the fiscal year 1942 and 2.8 billion dollars in the fiscal year 1943.

|   | 1943<br>(estimated) | 1942<br>(estimated) | 1941<br>(actual) | 1940<br>(actual) |
|---|---------------------|---------------------|------------------|------------------|
| <b>B. Financing Combined Net Cash Requirements:</b> |                     |                     |                  |                  |
| By borrowing from the public (net):                 |                     |                     |                  |                  |
| Government issues                                   | 34,913.1            | 19,528.1            | 4,602.3          | 1,380.4          |
| Government corporation issues                       | 1,297.8             | 710.1               | 972.8            | 318.7            |
| Subtotal  | 33,615.3            | 18,818.0            | 5,575.1          | 1,699.1          |
| Under proposed legislation:                         |                     |                     |                  |                  |
| Taxes   | 7,000.0             |                     |                  |                  |
| Increase in social security trust funds             | 2,000.0             |                     |                  |                  |
| Total   | 42,615.3            | 18,818.0            | 5,575.1          | 1,699.1          |
| Adjustment for changes in cash balances during year | 2.6                 | 15.5                | 708.2            | 952.3            |
| Total financing                                     | 42,617.9            | 18,833.5            | 4,866.9          | 2,651.9          |

<sup>a</sup>Deduct. <sup>b</sup>Includes return of surplus funds to the Budget. <sup>c</sup>Almost all of this excess is invested in Government bonds. <sup>d</sup>Includes interest accrued on U. S. savings bonds. <sup>e</sup>This increase to be invested in Government bonds.

In estimating expenditures and receipts, only a moderate rise in prices has been assumed. Since expenditures are affected by rising prices more rapidly than are revenues, a greater price increase would further increase the deficit.

**The Need for Additional Taxes**

In view of the tremendous deficits, I reemphasize my request of last year that war expenditures be financed as far as possible by taxation. When so many Americans are contributing all their energies and even their lives to the Nation's great task, I am confident that all Americans will be proud to contribute their utmost in taxes. Until this job is done, until this war is won, we will not talk of burdens.

I believe that 7 billion dollars in additional taxes should be collected during the fiscal year 1943. Under new legislation proposed later in this Message, social security trust funds will increase by 2 billion dollars. Thus new means of financing would provide a total of 9 billion dollars in the fiscal year 1943.

Specific proposals to accomplish this end will be transmitted in the near future. In this Message I shall limit my recommendations on war finance to the broad outline of a program.

Tax programs too often follow the line of least resistance. The present task definitely requires enactment of a well-balanced program which takes account of revenue requirements, equity, and economic necessities.

There are those who suggest that the policy of progressive taxation should be abandoned for the duration of the war because these taxes do not curtail consumers' demand. The emergency does require measures of a restrictive nature which impose sacrifices on all of us. But such sacrifices are themselves the most compelling argument for making progressive taxes more effective. The anti-inflationary aspect of taxation should supplement, not supplant, its revenue and equity aspects.

**Progressive Taxes**

Progressive taxes are the backbone of the Federal tax system. In recent years much progress has been made in perfecting income, estate, gift, and profit taxation but numerous loopholes still exist. Because some taxpayers use them to avoid taxes, other taxpayers must pay more. The higher the tax rates the more urgent it becomes to close the loopholes. Exemptions in estate and gift taxation should be lowered. The privileged treatment given certain types of business in corporate income taxation should be reexamined.

It seems right and just that no further tax-exempt bonds should be issued. We no longer issue United States tax-exempt bonds and it is my personal belief that the income from State, municipal, and authority bonds is taxable under the income-tax amendment to the Constitution. As a matter of equity I recommend legislation to tax all fu-

ture issues of this character.

Excessive profits undermine unity and should be recaptured. The fact that a corporation had large profits before the defense program started is no reason to exempt them now. Unreasonable profits are not necessary to obtain maximum production and economical management. Under war conditions the country cannot tolerate undue profits.

Our tax laws contain various technical inequities and discriminations. With taxes at wartime levels, it is more urgent than ever to eliminate these defects in our tax system.

**Anti-Inflationary Taxes**

I stated last year in the Budget Message that extraordinary tax measures may be needed to "aid in avoiding inflationary price rises which may occur when full capacity is approached." The time for such measures has come. A well-balanced tax program must include measures which combat inflation. Such measures should absorb some of the additional purchasing power of consumers and some of the additional funds which accrue to business from increased consumer spending.

A number of tax measures have been suggested for that purpose, such as income taxes collected at the source, payroll taxes, and excise taxes. I urge the Congress to give all these proposals careful consideration. Any tax is better than an uncontrolled price rise.

Taxes of an anti-inflationary character at excessive rates spell hardship in individual cases and may have undesirable economic repercussions. These can be mitigated by timely adoption of a variety of measures, each involving a moderate rate of taxation.

Any such tax should be considered an emergency measure. It may help combat inflation! its repeal in a post-war period may help restore an increased flow of consumers' purchasing power.

**Excise taxes.**—All through the years of the depression I opposed general excise and sales taxes and I am as convinced as ever that they have no permanent place in the Federal tax system. In the face of the present financial and economic situation, however, we may later be compelled to reconsider the temporary necessity of such measures.

Selective excise taxes are frequently useful for curtailing the demand for consumers' goods, especially luxuries and semi-luxuries. They should be utilized when manufacture of the products competes with the war effort.

**Pay-roll taxes and the social security program.**—I oppose the use of pay-roll taxes as a measure of war finance unless the worker is given his full money's worth in increased social security. From the inception of the social security program in 1935 it has been planned to increase the number of persons covered and to provide protection against hazards not initially included. By expanding the program now, we advance the

organic development of our social security system and at the same time contribute to the anti-inflationary program.

I recommend an increase in the coverage of old-age and survivors' insurance, addition of permanent and temporary disability payments and hospitalization payments beyond the present benefit programs, and liberalization and expansion of unemployment compensation in a uniform national system. I suggest that collection of additional contributions be started as soon as possible, to be followed 1 year later by the operation of the new benefit plans.

Additional employer and employee contributions will cover increased disbursements over a long period of time. Increased contributions would result in reserves of several billion dollars for post-war contingencies. The present accumulation of these contributions would absorb excess purchasing power. Investment of the additional reserves in bonds of the United States Government would assist in financing the war.

The existing administrative machinery for collecting payroll taxes can function immediately. For this reason Congressional consideration might be given to immediate enactment of this proposal, while other necessary measures are being perfected.

I estimate that the social security trust funds would be increased through the proposed legislation by 2 billion dollars during the fiscal year 1943.

**Flexibility in the Tax System**

Our fiscal situation makes imperative the greatest possible flexibility in our tax system. The Congress should consider the desirability of tax legislation which makes possible quick adjustment in the timing of tax rates and collections during an emergency period.

**Borrowing and the Menace of Inflation**

The war program requires not only substantially increased taxes but also greatly increased borrowing. After adjusting for additional tax collections and additional accumulation in social security trust funds, borrowing from the public in the current and the next fiscal year would be nearly 19 billion dollars and 34 billion dollars, respectively. The adjustments are indicated in the preceding table.

Much smaller deficits during the fiscal year 1941 were associated with a considerable increase in prices. Part of this increase was a recovery from depression lows. A moderate price rise, accompanied by an adjustment of wage rates, probably facilitated the increase in production and the defense effort. Another part of the price rise, however, was undesirable and must be attributed to the delays in enacting adequate measures of price control.

With expenditures and deficits multiplied, the threat of inflation will apparently be much greater. There is, however, a significant difference between conditions as they were in the fiscal year 1941 and those prevailing under a full war program. Last year, defense expenditures so stimulated private capital outlays that intensified use of private funds and private credit added to the inflationary pressure created by public spending.

Under a full war program, however, most of the increase in expenditures will replace private capital outlays rather than add to them. Allocations and priorities, necessitated by shortages of material, are now in operation; they curtail private outlays for consumers' durable

(Continued on page 228)

DEVELOPMENT OF MAJOR SOURCES OF FEDERAL RECEIPTS COMPARED WITH FISCAL YEAR 1940 (Indexes, 1940=100)

| Source—                            | (actual) 1940 | (actual) 1941 | (estimated) 1942 | (estimated) 1943 |
|------------------------------------|---------------|---------------|------------------|------------------|
| Corporate taxes                    | 100           | 173           | 328              | 519              |
| Individual income and estate taxes | 100           | 136           | 275              | 405              |
| All employment taxes               | 100           | 111           | 143              | 209              |
| Excise taxes                       | 100           | 128           | 167              | 184              |
| Miscellaneous receipts             | 100           | *70           | 90               | 106              |
| Customs duties                     | 100           | 112           | 108              | 85               |
| Gross receipts                     | 100           | 134           | 216              | 300              |

\*Excludes return of surplus funds by Government corporations.

**Deficits Under Present Laws**

The estimate of deficits must be tentative and subject to later revision. The probable net outlay of the Budget and Government corporations, excluding revenues from any new taxes, will be 20.9 billion dollars for the current fiscal year, and 45.4

FINANCING OF FEDERAL OPERATIONS, FISCAL YEARS 1940-1943 (In millions)

| Classification—  | 1943<br>(estimated) | 1942<br>(estimated) | 1941<br>(actual) | 1940<br>(actual) |
|--|---------------------|---------------------|------------------|------------------|
| <b>A. Summary of Federal Operations:</b>                               |                     |                     |                  |                  |
| I. Budget deficit under present tax legislation                        | \$42,440.8          | \$18,631.8          | \$5,103.4        | \$3,611.1        |
| II. Government corporations (net outlays)                              | 2,941.0             | 2,220.0             | *1,148.8         | 200.1            |
| Net outlays of Budget and Govt. corps. (I+II)                          | 45,381.8            | 20,851.8            | 6,252.2          | 3,811.2          |
| III. Trust funds:  |                     |                     |                  |                  |
| Deduct excess of receipts over disbursements under present legislation | 2,763.9             | 2,018.3             | 1,385.3          | 1,159.3          |
| Combined net cash requirements (I+II—III)†                             | 42,617.9            | 18,833.5            | 4,866.9          | 2,651.9          |

## Text Of The President's Budget Message To Congress

(Continued from page 227)

goods, private and public construction, expansion and even replacements in non-defense plant and equipment. These drastic curtailments of non-defense expenditures add, therefore, to the private funds available for noninflationary financing of the Government deficit.

This factor will contribute substantially to financing the tremendous war effort without disruptive price rises and without necessitating a departure from our low-interest-rate policy. The remaining inflationary pressure will be large but manageable. It will be within our power to control it if we adopt a comprehensive program of additional anti-inflationary measures.

### A Comprehensive Anti-Inflationary Program

A great variety of measures is necessary in order to shift labor, materials, and facilities from the production of civilian articles to the production of weapons and other war supplies. Taxes can aid in speeding these shifts by cutting non-essential civilian spending. Our resources are such that even with the projected huge war expenditures we can maintain a standard of living more than adequate to support the health and productivity of our people. But we must forego many conveniences and luxuries.

The system of allocations—rationing on the business level—should be extended and made fully effective, especially with relation to inventory control.

I do not at present propose general consumer ration cards. There are not as yet scarcities in the necessities of life which make such a step imperative. Consumers' rationing has been introduced, however, in specific commodities for which scarcities have developed. We shall profit by this experience if a more general system of rationing ever becomes necessary.

I appeal for the voluntary cooperation of the consumer in our national effort. Restraint in consumption, especially of scarce products, may make necessary fewer compulsory measures. Hoarding should be encouraged in only one field, that of defense savings bonds. Economies in consumption and the purchase of defense savings bonds will facilitate financing war costs and the shift from a peace to a war economy.

An integrated program, including direct price controls, a flexible tax policy, allocations, rationing, and credit controls, together with producers' and consumers' cooperation will enable us to finance the war effort without danger of inflation. This is a difficult task. But it must be done and it can be done.

### The Increase in the Federal Debt

On the basis of tentative Budget estimates, including new taxes, the Federal debt will increase from 43 billion dollars in June 1940, when the defense program began, to 110 billion dollars 3 years later. This increase in Federal indebtedness covers also the future capital demands of Government corporations. About 2 billion dollars of this increase will result from the redemption of notes of Government corporations guaranteed by the Federal Government.

These debt levels require an increase in the annual interest from 1 billion dollars in 1940 to above 2.5 billion dollars at the end of fiscal year 1943. Such an increase in interest requirements will prevent us for some time after the war from lower-

ing taxes to the extent otherwise possible. The import of this fact will depend greatly on economic conditions in the post-war period.

Paying 2.5 billion dollars out of an extremely low national income would impose an excessive burden on taxpayers while the same payment out of a 100-billion-dollar national income, after reduction of armament expenditures, may still permit substantial tax reductions in the post-war period.

If we contract a heavy debt at relatively high prices and must pay service charges in a period of deflated prices, we shall be forced to impose excessive taxes. Our capacity to carry a large debt in a post-war period without undue hardship depends mainly on our ability to maintain a high level of employment and income.

I am confident that by prompt action we shall control the price development now and that we shall prevent the recurrence of a deep depression in the post-war period. There need be no fiscal barriers to our war effort and to victory.

FRANKLIN D. ROOSEVELT.  
Jan. 5, 1942.

## Urges Lehman Support Federal Tax Deduction On State Returns

Governor Lehman was urged on Dec. 30 by the Committee on Taxation of the Chamber of Commerce of the State of New York to recommend in his budget message to the Legislature that Federal income tax payments be made deductible in computing State income tax returns and that taxpayers should be permitted to pay their State income levies in four instalments. An interim report of the committee, of which William J. Schieffelin, Jr. is Chairman, which was made public by the Chamber said that taxpayers were entitled to this relief "as a matter of right and justice," and added:

The heavy burden of Federal taxation which defense and the lend-lease program already has placed on the taxpayers—a burden which will be increased immeasurably now that the nation is engaged in the greatest war in history—makes it imperative that the State should make a maximum effort to lighten State taxation. This, in effect, will be a direct contribution to the war effort, for the less the State takes from its taxpayers the more they will have available to help pay the cost of the war and to invest in defense bonds and to make needed contributions to the Red Cross and other humanitarian and war-relief agencies.

In the life and death struggle the nation now is engaged in, it is the duty of the State Government to save its taxpayers every dollar that is possible without detriment to war-emergency measures and activities and without crippling the normal functions of government which are vitally essential to the health, welfare and protection of its citizens. Just as the war demands extreme sacrifices by all the people, so it must necessitate abandonment by the State of many services which are desirable and even needful in peace times.

Enactment of the proposed amendments to the State Income Tax law will help, in some measure, to ease the burden of those who pay the cost of the Government of New York State.

## United States Industry Quickly Accepts President's War Production Program

Following President Roosevelt's address to Congress on Jan. 6, setting forth the nation's war production goals for 1942 and 1943, American industry accepted the call for more planes, tanks, guns and ships to accomplish final and complete victory over the Axis Powers.

In a joint statement, William S. Knudsen, Director General, and Sidney Hillman, Associate Director General of the Office of Production Management, said:

The President has set our goal.

We have raised our sights to meet it.

We'll give our fighting men the 60,000 planes in 1942.

We'll give them the 45,000 tanks.

They'll get the 20,000 anti-aircraft guns.

And we'll deliver the 8,000,000 tons of ships.

These things we will do together. They will come from the minds, the hearts and the hands of 130,000,000 free men, women and children.

Only a free people can achieve such goals.

We can do it.

We will do it.

Albert W. Hawkes, President of the Chamber of Commerce of the United States, said that "business accepts the call." His statement follows:

The President's speech to Congress today was made after consultation with Mr. Churchill and other Allied representatives. The vast number of business men and industrialists, represented by the Chamber of Commerce of the United States, has pledged to the President and the United States Government the full support of 1,689 great organizations located in every section of the United States involving millions of workers in management.

The President's statement of objective as set forth today only emphasizes the necessity of full speed ahead in production to the limit of ability of every man and woman in the United States able to work.

It is inconceivable that this nation would take the position it has in support of individual freedom and the representative democratic way of life unless it is determined to carry through to final and complete victory in order to protect these things which include our American way of life.

The management of industry and business, cooperating fully with labor and the Government, will do everything to the limit of its ability to aid in accomplishing the objectives set forth by the President.

All Americans must immediately come to a realization of the fact that General Sherman was right when he said "War is hell." War involves the temporary submerging of individual rights, hard work, sacrifice, sorrow and loyal support to those charged with the responsibility of the cause. A divided people cannot be a victorious people, and the prize of freedom justifies all these sacrifices and complete unity in defense of freedom.

Business accepts the call to patriotic duty.

Col. John H. Jouett, President of the Aeronautical Chamber of Commerce of America, said that the President had not demanded the impossible when he asked aircraft makers to outbuild the Axis Powers three-to-one in 1943. He further commented as follows:

I cannot over-emphasize the effort ahead, nor can I exaggerate the result which will be apparent within the coming months. I can say now with every assurance that the American aircraft industry, aided by upward of 50 allied industries in the United States, and this includes the great and powerful automobile industry, will produce 60,000 airplanes, including 45,000 combat aircraft, during

this calendar year; and the 125,000, including 100,000 combat planes, requested by the President for 1943.

In this assertion we have every reason to believe that the American people will stand behind our industry as one man. Air power, American air power, already represented by American aircraft fighting on all fronts throughout the world, will win victory; and that victory will come to us much more quickly than our enemies appear to believe.

Some other comments by industrial leaders follow, according to the Associated Press:

HENRY FORD—Given a continuous flow of materials and no interruption to labor's cooperation, the production phases of the President's program are entirely practicable. Industry can and will produce 60,000 planes, 45,000 tanks and huge quantities of anti-aircraft guns this year. By 1943 we will have gotten into our stride so that stepping-up this program will be simple. With that greater program under way, the war should come to a speedy end, perhaps in 1943.

WALTER D. FULLER, Chairman of the Board, National Association of Manufacturers—Industry will produce, produce and produce to the end that victory will be swift and sure.

WILLIAM P. WITHEROW, President, National Association of Manufacturers—If it's within the realm of possibility, it will be done. This is a battle of factories. American industry will do everything it can.

WILLIAM S. TOWER, President American Iron and Steel Institute—Present steel-making capacity of approximately 88,000,000 tons in this country alone means we can produce 50% more than can be made in Germany, Italy, Japan and all the conquered European countries put together.

NATIONAL COUNCIL OF AMERICAN SHIPBUILDERS—The shipbuilding industry, given a constant flow of materials, equipment and uninterrupted service of labor, can and will meet the huge ship constructive objective. Already there are more ships under construction in the United States than ever before in the history of any maritime nation.

## Chicago Home Loan Bank Dividend Totals \$145,000

Dividends for the last half of 1941 will be paid by the Federal Home Loan Bank of Chicago at the rate of 1½% per annum on stock as of record Dec. 31, bringing the amount earned on the stock now held by the Reconstruction Finance Corporation up past the \$2,000,000 mark for the nine years of the Bank's operations. A. R. Gardner, President of the Bank, announces that checks totaling \$145,000 have been mailed to 454 member savings, building and loan associations in Illinois and Wisconsin and to the RFC. The latter now holds title to the stock originally purchased by the United States Treasury, and receives \$106,300 of the current disbursement. It is also stated that member institutions will have received a total of \$521,389 in the lifetime of the Bank with the payment of this year-end's dividend. These community associations have steadily increased their percentage of the capital stock of the regional bank so that they now own 29%.

## Raw Cane Sugar Quota Hearings On Jan. 16

A public hearing to allot 1942 raw sugar supplies for further processing will be held at Washington, D. C., Jan. 16, in the West Ballroom of the Shoreham Hotel at 10 a. m., the Department of Agriculture announced on Jan. 5; the announcement also said:

The purpose of the hearing is to receive evidence which will help the Secretary of Agriculture make a fair, efficient and equitable distribution of 1942 raw cane sugar quota supplies among refiners of mainland cane sugar and among persons who import or bring in offshore sugar for further processing.

Involved is sugar produced in the mainland cane area of Louisiana and Florida, and sugar brought in or imported from Hawaii, Puerto Rico, the Virgin Islands, Cuba and other foreign countries, according to the Sugar Division of the Agricultural Adjustment Administration.

Officials pointed out that this is the first time such allotments have been undertaken under the Sugar Act of 1937. In prior years, the allotment authority of the Secretary has been applied only to producers.

## Treasury List Reveals \$200,000,000 Foreign Held Strategic Materials

Secretary of the Treasury Morgenthau has placed at the disposal of Vice President Wallace, Chairman of the Supply, Priorities and Allocation Board, an inventory of \$200,000,000 of materials for America's war effort, the cache of the Department's Foreign Funds Control, according to a Treasury announcement issued Jan. 4, which also said:

The itemized inventory, which included all sorts of goods and merchandise, machinery and equipment, will make it possible for SPAB and other Government agencies to direct these materials, much of which is strategic, into the allied war effort.

At the same time the Secretary indicated that the inventory covered only a part of the strategic materials held for foreign account and buried in warehouses, sheds and factories throughout the country. The complete inventory, it is said, probably will represent a much larger figure.

"Ferretting out stocks of strategic materials 'lost' in the United States is an effective way of adding immediately to the nation's stock piles during a period when our supply lines abroad are interrupted by war," the Secretary said. "This is but one of the many war time measures Foreign Funds Control in the Treasury has undertaken."

The Secretary explained that these vital materials uncovered by Foreign Funds Control were "lost" in the United States either through accident or design on the part of their foreign owners. The announcement added:

In some cases the foreign owner could not communicate with the United States because of communication difficulties arising out of war conditions abroad. In other cases the owner was the victim of the Axis invasion and his whereabouts unknown. In still other instances the Axis powers through "dummies" actually had bought up the stocks for their own use before the war or had acquired them later for the express purpose of preventing their use in the Allied war machine. Regardless of the intent of the foreign owner, the result was the same—the supplies were not being used in our war effort.

## Defense Bond Sales In December Reach Record Total, Secretary Morgenthau Reports

Cash receipts at the Treasury from the sale of Defense Savings Bonds in December reached a total of \$528,599,000, Secretary Morgenthau announced on Jan. 4. This record figure for a single month, it is pointed out, compared with receipts of \$233,487,000 in November, and was almost twice as high as the average for the seven months since Defense Savings Bonds first went on sale in May. The December sales boosted the total receipts since May 1 to \$2,537,210,000.

Sales of the series "E" bonds, the successors to the old "baby bonds," accounted for \$341,085,000 of the December receipts. This was more than three times the November figure of \$109,475,000 from the sale of series "E" bonds, and was more than three times the average of the seven months since May 1. As to Secretary Morgenthau's comments, a release from the Treasury Department said:

In a nation-wide broadcast on Jan. 4, Secretary Morgenthau hailed the December figures as "just one sample of what the American people will do, in every field of the war effort, now that they are awake and aroused to their country's danger."

The war effort in December, however, cost about four times as much as the total receipts from Defense Bonds in the month, Mr. Morgenthau said, and in months to come the Government will spend "at a far greater and ever-increasing rate." The President's recent statement on the war production program, said the Secretary, "foreshadowed such huge expenditures in the coming year that even the half billion dollar record you established in the purchase of Defense Bonds in December will seem to be almost insignificant."

"War is never cheap," said Secretary Morgenthau, "but let me remind you that it's a million times cheaper to win than to lose. The French, the Czechs, the people of a dozen conquered and ravaged countries, can tell us what it costs to lose. We have made up our minds to win. We have made up our minds to produce and to fight with such an overwhelming number of planes, of ships, of tanks, of guns and of trained and fully-equipped men, that the Nazis and the Japanese and their kind can never again threaten our freedom."

"The cost of our war effort should frighten no one but our enemies."

Emphasizing the importance of systematic saving from current income, and particularly of the voluntary payroll saving plans now in operation in thousands of factories, the Secretary said:

"I am in dead earnest when I say that millions more must take part in these payroll saving plans, and must invest hundreds of millions of dollars more, if we are to do our job."

| Month—    | Series E    | Series F  | Series G    | Total       |
|-----------|-------------|-----------|-------------|-------------|
| May       | \$100,581   | \$37,817  | \$211,420   | \$349,818   |
| June      | 102,517     | 28,876    | 183,134     | 314,527     |
| July      | 145,274     | 27,359    | 169,498     | 342,132     |
| August    | 117,603     | 20,318    | 127,685     | 265,606     |
| September | 105,241     | 18,099    | 108,987     | 232,327     |
| October   | 122,884     | 22,963    | 124,866     | 270,713     |
| November  | 109,475     | 18,978    | 105,035     | 233,487     |
| December  | 341,085     | 33,272    | 154,242     | 528,599     |
|           | \$1,144,660 | \$207,682 | \$1,184,867 | \$2,537,210 |

Note—Figures have been rounded to nearest thousand and will not necessarily add to totals.

## U. S. Formally Takes Over Finnish Merchant Ships

The U. S. Maritime Commission formally took over on Dec. 27 sixteen Finnish-owned merchant ships laid up in United States ports. The vessels had been under the protective custody of the Coast Guard since they came into United States ports following Great Britain's declaration of war upon Finland and the resultant

Our plans at the Treasury for financing the war are based upon a belief that the American people will want to assume a big share of the cost of the war, of their own free will. The response to payroll saving will tell us whether that belief is right or wrong.

"I have such faith in the American people that I believe they will want to do the job in the voluntary way—but it is up to you to prove it."

The Treasury's goal, he went on, is "to make every pay day Bond Day," and to have "every wage-earner and salary-earner put aside a part of every pay check, every week, for the purchase of Defense Bonds and Stamps."

"And when I say 'a part' I do not mean a mere token contribution of a few nickels every week, or the mere contribution of 1% or 2% of the weekly pay check," said Mr. Morgenthau. "This is not a token war. It is not a 2% war. It is not a war that can be won with spare change."

"Remember, the more bonds we buy, the more planes will fly. Remember, every bond we pledge ourselves to buy will add to the weight of the bombs that will fall on Tokyo and Berlin."

The Secretary said that the Bureau of Engraving and Printing had been placed on a three-shift, 24-hour basis to cope with the bond-buying rush which began to develop shortly after the Japanese attack on Pearl Harbor. While there are still shortages in the supply of bonds in some cities, he said, several weeks' advance supply is now being accumulated "to meet the demand which, I am confident, will never slacken until the war is won."

"At first sight the amount of money we have to raise through borrowing and taxes may seem impossible," said Mr. Morgenthau, "but we in the Treasury have struck the word 'impossible' out of our dictionary. With your help we are going to do the job."

The sales of Defense Savings Stamps also reached new records in December, totaling \$25,650,000, which was four times as large as the sales in November. It is also said that the December sales alone surpassed those for the six months May 1 to Oct. 31.

Following is a month-by-month record of the sales of all three series of Defense Savings Bonds, on a basis of the issue price, in thousands of dollars, since May 1:

| Month—    | Series E    | Series F  | Series G    | Total       |
|-----------|-------------|-----------|-------------|-------------|
| May       | \$100,581   | \$37,817  | \$211,420   | \$349,818   |
| June      | 102,517     | 28,876    | 183,134     | 314,527     |
| July      | 145,274     | 27,359    | 169,498     | 342,132     |
| August    | 117,603     | 20,318    | 127,685     | 265,606     |
| September | 105,241     | 18,099    | 108,987     | 232,327     |
| October   | 122,884     | 22,963    | 124,866     | 270,713     |
| November  | 109,475     | 18,978    | 105,035     | 233,487     |
| December  | 341,085     | 33,272    | 154,242     | 528,599     |
|           | \$1,144,660 | \$207,682 | \$1,184,867 | \$2,537,210 |

Note—Figures have been rounded to nearest thousand and will not necessarily add to totals.

termination of Britain's guarantee of safe conduct for Finnish merchant ships. The Commission acted under the Ship Requisition Act, which passed Congress in June, 1941. Payment of compensation to the owners will be made later.

Prior to this action there had been about 80 laid-up merchant ships, mostly of Danish and Italian registry, requisitioned by the Maritime Commission.

## Free Enterprise and Free Labor Nation's Greatest Assets, Hawkes Tells Chamber

The right to criticize those in authority in a representative democracy exists and should be encouraged as long as that criticism comes from a patriotic mind, is sincere and constructive, Albert W. Hawkes, President of the United States Chamber of Commerce, told members of the New York State Chamber of Commerce at its monthly meeting on Jan. 8. "Free Enterprise—the Foundation of Individual Freedom" was subject of the address delivered by Mr. Hawkes, who said:

Petty fault-finding criticism should be avoided and discontinued, especially in war times. Genuine criticism is the essence of representative democracy in both peace and war times. To the extent it ceases or is subdued or prohibited by those who temporarily are in power—just to that extent representative democracy is failing to function. Criticism which, if published, would give aid and comfort to the enemy, should be made in private or in such a way that its benefit for the people will not be lost and the aid to the enemy will be avoided. Intelligent citizens, cooperating with intelligent people in authority, can avoid the publicity I refer to. The timing, manner and place of criticism are vital factors.

In his address Mr. Hawkes said in part:

Free enterprise and free labor are our greatest national assets—vastly more important than our natural resources and our material wealth. This powerful combination of intelligent, voluntary cooperation can outwork and out-produce the controlled industries and regimented workers of all the Axis countries. This great national asset must be preserved. It must be preserved to the fullest possible degree throughout the war to obtain the best military results; and it must be preserved after the war to rebuild the tragic aftermath of the conflict. Like the force of gravitation and all the other basic factors of life, neither war nor peace alter the fundamental principle of individual freedom with responsibility. There are some things that are changeless, unaffected by the passing of time, or circumstances, and this is one of those eternal verities. The war can be won only with the contribution which American business can make.

American business is indispensable to victory. Individual initiative and enterprise are the very genius of American business by which the Nation has grown to greatness. Under our system free labor and free enterprise have encouraged the development of initiative, resourcefulness, adaptability and ingenuity among the millions of men who provide the brain and the brawn, the skill and the muscle to develop our natural and human resources. Therefore, we can face a hostile foe with the confidence of ultimate victory. In the last analysis this is a war of free men against those who would enslave their fellows.

Nobody should misunderstand the position of business. The Chamber of Commerce of the United States believes, and I personally believe, in the right of labor to organize, to strike and to do all things lawful in the protection of its interests. Some months ago when an anti-strike bill was introduced in Congress, the Chamber of Commerce of the United States opposed it on the ground that labor should not be deprived of the right to strike under any ordinary conditions. We believe that labor and business alike should be free from too much government restraint. Our record in all this is clear and fair. We are now informed that

Government, labor and capital have reached an agreement under which there will be no strikes for any cause. This means no interference with maximum production for national defense. It is my earnest hope that every party involved in this agreement will live up to the spirit of it. When I say the spirit of it I mean maximum production at full speed, with no slowdowns on the part of labor, even though such slowdowns might not come under the category of strikes—and no sharp practice on the part of capital and management to deprive any citizen of his right to work because he belongs or does not belong to any organization.

In summing up, Mr. Hawkes declared that "free enterprise faces the most difficult task of its entire career, viz.:

1. It must produce the things required for a successful war to final victory. It must produce better and faster than slave-enterprise can produce under dictatorship.
2. It must do these things at a fair living profit, while bearing the burden of greatly increased taxes. Each element—capital, management and labor—must avoid taking advantage of the crisis in order to make personal gain and thus impede production.
3. Free enterprise must be alert and vigilant to protect individual freedom—choice of occupation and the right to work. Otherwise, the objective of the war will be lost and free enterprise will not be preserved for the future restoration and upbuilding of our country.
4. Free enterprise must accept its responsibility to plan for the future—the adjustment period when peace returns and millions of men are released from the army, navy, air force and war industries. It must be prepared then to do a job equal in importance and even more difficult than its war job. It will not fail in winning the victory of war production and, therefore, it must not fail in doing its full part in the post-war adjustment job.

In conclusion, Mr. Hawkes said:

The New York State Chamber of Commerce has been the free enterprise watch-dog for generations and I am certain you members of today will not relinquish or abandon your watchfulness and protection of this vital free enterprise system. It needs you more today than at any time since its birth. It is ill and under vicious attack from many sides—YET right now those in authority and the American people as a whole are calling upon it to help save the nation. It is the only thing that can and will make it possible for our boys in uniform to successfully do that job to a full and complete victory. Let us not forget free enterprise is the foundation built through individual initiative, operating under individual freedom.

## Food Output, Buying Power At Peak Levels

A new year begins with producers and consumers of food in unusually good economic position, food production at high record levels, buying power of consumers the greatest ever, and prices and income to farmers the best in a decade or more, the United States Department of Agri-

culture reported on Jan. 5 on the basis of analyses by the Bureau of Agricultural Economics.

The Department's announcement goes on to explain:

The Government figures show that the income of industrial workers has increased considerably more than the increase in food prices during the last two years. Whereas total non-agricultural income is about 39% larger than the 1935-39 average, retail food prices average only 10% higher than at that time. Monthly earnings per employed factory worker are 40% higher than in 1935-39, whereas farmers in recent months have been getting about 30% higher prices for food than in 1935-39.

Food has become a first line of victory, the Department said, citing figures on production, consumption, and supplies. Some foods—wheat and feed grains for cereals and the production of livestock products—already are in national abundance. Other foods—milk and manufactured dairy products, poultry and eggs, meats and vegetables—are in continuously increasing production.

Stocks of agricultural products used wholly or in part for food were reported to be larger than at the beginning of 1941 but much larger supplies are needed during the coming year. Increased production of milk, eggs, meats, vegetables and other foods is sought in the Department's Food-for-Victory campaign.

Total supplies of food in the United States are expected to reach a new high level this year.

Good crops and livestock yields in 1941 and large Ever-Normal Granary supplies have built up large stocks of food-stuffs and feedstuffs. Supplies of high-protein feeds, grain, and hay are larger than a year ago. The supply of feed grains is the biggest in 20 years. The number of livestock on farms is increasing.

Farm production goals for 1942 are being re-examined by Department economists, and farmers' reports of production plans for 1942 are being analyzed. Early returns in the Food-for-Victory campaign indicate that total food production in 1942 will be largest in the Nation's history. Production of some commodities—such as pork and pork products—is expected to exceed production goals announced last Autumn.

It is expected that 1942 farm income will be the largest since 1919—more than \$13,000,000,000. But production costs will be unusually large. The farm payroll alone may exceed \$1,000,000,000 this year, and other costs of farm production are rising.

Much of the increase in farm income in 1942 will be spent on increased costs.

## Lend-Lease For Czechs

President Roosevelt on Jan. 5 ordered the extension of lend-lease aid to the exiled Government of Czechoslovakia finding such assistance "vital to the defense of the United States."

The President ordered this action in the following letter transmitted to Edward R. Stettinius, Jr., Lend-Lease Administrator:

For purposes of implementing the authority conferred upon you as Lend-Lease Administrator by Executive Order No. 8926, dated Oct. 28, 1941, and in order to enable you to arrange for lend-lease aid to the Provisional Government of Czechoslovakia, I hereby find that the defense of the Provisional Government of Czechoslovakia is vital to the defense of the United States.

## Net Operating Income of New York Trust Co. For 1941 \$2,680,840, Bierwirth Reports

Net operating income of the New York Trust Co. for 1941 was reported as \$2,680,840 by President John E. Bierwirth on Jan. 5, as compared with \$2,760,313 in 1940. The figures were made available to the stockholders on the 5th inst. by Mr. Bierwirth in advance of the annual meeting held on Jan. 14, his report having been issued along with the year-end statement of condition of the company, to which reference was made in these columns Jan. 8, page 133. In his report to the stockholders President Bierwirth said:

For many years, including the year 1941, profits realized from security transactions as well as recoveries from previous charge-offs were treated as extraordinary income and credited to a general reserve account rather than to earnings. From this account amounts have been taken to write down specific assets, and in issuing our statement of condition the balance remaining in the reserve has customarily been applied as a reduction of assets. "Reserve for Contingencies" of \$1,000,000 shown in the statement of condition since March 31, 1939, has been merged with the general reserve. This general reserve account aggregated \$4,692,246.43 at the close of 1941. Greater earnings from interest on loans were about offset by lower income from United States Government securities resulting principally from shorter maturities. During the year 1941, net profits of \$1,721,704.36 were realized from the sale of investment securities and added to the general reserve as mentioned above.

United States Government obligations are appraised at amortized cost. All other bonds and stocks are shown at amortized cost or market whichever is lower.

As of the year-end, United States Government obligations total \$196,593,510.44 and have an average maturity of 43 months.

Commercial and secured loans increased \$24,639,563.10 during 1941 and brokers' loans increased \$2,796,160.30, resulting in an increase in all loans of \$27,435,723.40. Total loans at the end of 1941 were 25% above loans outstanding on Dec. 31, 1940, and 50% above the total at the end of 1939.

The combination of real estate bonds and mortgages and equities in real estate shows an increase of \$914,596.97 for the year. This amount had previously been included in the figure for loans, discounts and bankers' acceptances in the published statement of condition and represented loans made against mortgage collateral. During 1941, title to the related properties was taken by your company.

Mr. Bierwirth points out to the stockholders that "recently your board of trustees declared a quarterly dividend of 87½ cents per share, payable on Jan. 2, 1942. He adds:

The quarterly dividend for many years has been \$1.25 per share, but your Board has concluded that in the face of present conditions and outlook, it would be wise to retain a larger part of net earnings and effect a reduction in the amount of the dividends. Your Board feels that this policy should be maintained until there is a material change in the above factors.

In his statement Jan. 5, President Bierwirth also says:

During the year, we have been increasingly active in providing funds to assist in the rearmament program. In this respect, we have not only financed the construction of new plants needed to augment the production of war materials, but have provided funds to contractors building army bases and to manufacturers producing various types of equipment and supplies.

Reference is also made in the President's report to the resignation in August last of Artemus L. Gates, as Trustee and President of the company since 1929, following his appointment by President Roosevelt to serve as Assistant Secretary of the Navy for Air.

## Hong Kong Assets In U. S. Are Frozen

President Roosevelt on Dec. 26 issued an Executive Order freezing Hong Kong assets in the United States. This action, the Treasury said, was taken as the result of the fall of Hong Kong into Japanese hands. The Treasury added:

Under the new Executive Order all financial and trade transactions in which Hong Kong interests are involved are brought under the control of the Government and criminal penalties for any violations are imposed.

The new Executive Order also provides for the automatic freezing of the assets of any other territory in case it should be occupied or overrun by the military, naval or other forces of the Axis.

In view of this order the Treasury Department has issued a circular revoking certain general licenses which specifically relate to Hong Kong. The circular also has the effect of blocking the accounts of all banks in Hong Kong and in occupied China, and of preventing the offices in Hong Kong and occupied China of such banks from financing trade and handling remittances between the United States and China.

## Rules Issued By Censor For Foreign Messages

Byron Price, Director of Censorship, issued regulations on Jan. 3 governing messages by cable or radio to and from this country. The regulations, as announced by the Navy Department, were indicated as follows in special advices Jan. 3 from Washington to the New York "Times":

No communication with enemy-occupied territory except on specially license occasions.

No codes or cable addresses permitted on terminal traffic at this time.

Transit traffic in code or foreign languages may be passed if complying with the censorship regulations at the office of destination.

The plain languages permitted are English, French, Spanish and Portuguese, except that unofficial radio telephone calls may be subject to delay if other than the English language is to be used.

## Dollar-a-Year Men Outside Civil Service

President Roosevelt, in an Executive Order issued Dec. 31, exempted dollar-a-year employees of the Government from civil service regulations. Also exempt from the new blanket regulations of the Ramspeck Act, which become effective on Jan. 1, were employees of the Board of Governors of the Federal Reserve System, unskilled laborers and temporary, or part-time government consultants. Under the provisions of the Ramspeck Act more than 180,000 permanent posts in the Federal employment were brought under civil service.

## La Follette Disagrees With Byrd Report

Disagreeing with the recommendations contained in the report of the Joint Committee on reduction of non-essential Federal expenditures, filed by Senator Byrd on Dec. 26, Sen. Robert M. La Follette, Jr., in a minority report characterized "the sweeping recommendations of the majority of the Committee" as "hasty and unwarranted." The majority report embodied recommendations to effect savings of \$1,131,075,000 in Governmental appropriations for the next fiscal year, proposing among other things that the Civilian Conservation Corps and National Youth Administration be abolished. In part, Senator La Follette said:

To me, the conclusion is inescapable that almost the full impact of the recommendations of the majority of the committee would, if enacted, fall almost entirely on the very lowest income groups among our population. This action would be unwise in time of peace; confronted with total war which may be of long duration, I regard it as a grave error in policy.

In effect, the committee is recommending to take away from the many who have not benefited from the war-industry effort the small aids which up to now have been provided. First we locate war contracts in a few States to the exclusion of thousands of small firms and small communities. This drains off the key workers of the excluded areas and leaves them in a weakened condition. We are asked to take from them such government aids that remain. If they had need of Government aids before these new dislocations occurred, they have greater need of them now.

No one can disagree with the general objectives of reducing waste and all non-essential expenditures of government. The crux of the matter is "what is non-essential?" and "where is the waste?" My own view is that the various social programs which the majority of the committee would eliminate are vital to the successful conduct of total war. The entire civil arm of the Government will spend in this fiscal year \$6,600,000,000. Defense and war will cost at least \$21,000,000,000. It is my contention that the majority report of the committee attempts to save at the spot by drastic curtailment of essential aid to the underprivileged while the waste occurs at the bung-hole of war and defense.

## U. S. War Insurance Is Offered To Shipowners

The United States Maritime Commission announced on Jan. 1 that it had set up machinery to provide war-risk insurance and reinsurance on American ships from a \$40,000,000 fund now open to ship owners unable to obtain adequate insurance for their vessels at "reasonable terms and conditions" from commercial underwriters. A War-time Insurance Committee is established in the Commission, empowered to quote hull rates and handle risks submitted by ship owners who wish to take advantage of the Government's offer.

The Commission's action was taken under legislation passed in June, 1940, amending the Merchant Marine Act of 1936 and authorizing the Commission to write war-risk insurance whenever, in the opinion of the Commission, such insurance "cannot be obtained on reasonable terms and conditions." Shortly thereafter the \$40,000,000 revolving fund was set up in the Treasury to provide insurance when necessary.

It is pointed out that under the

law, the Commission was also authorized to provide war-risk insurance and reinsurance on the lives of crews on American vessels and on cargo carried on American vessels. The present announcement, however, deals only with insurance on the ships themselves. It is stated that among the conditions prescribed for Commission insurance is the holding of a ship warrant by the assured. Under the Commission's ship-warrant system a warrant granting priority in the use of shore facilities is given to a vessel that co-operates with the war effort and national defense by carrying cargoes on trade routes at freight and charter rates approved by the Commission.

## Expert Finds Japan Is Foredoomed To Failure Without Far Eastern Oil

Failure of the Japanese attack on the United States is assured if Japan cannot secure access to oil-producing fields during the next 18 months, says Walter Levy, international petroleum economist, in a comprehensive survey of Japanese oil supplies in the current issue of "World Petroleum." Japanese policy is based on a gigantic gamble that with a year and a half's supply of oil, the army and navy can secure the production of Netherlands India, Borneo or Burma and safeguard its transport to Japan for refining.

In an article entitled "Japanese Strategy Based on Inadequate Oil Supply," Mr. Levy estimated Japan's present annual consumption of oil in active war as being in excess of 40,000,000 barrels. While every effort has been made in the past to reduce civilian consumption, build up huge stocks, and increase domestic production of natural and synthetic petroleum, Japanese policy has been based on seizure of the rich oil-fields of Netherlands India in event of war. Since refineries in the South Pacific would be destroyed before they could be seized, a large refining industry was constructed in Japan; one of the world's fastest tanker fleets was created to import the stolen oil; and domestic stocks of oil for about 18 months of war were maintained.

Japan now possesses more than 30 refineries with an annual throughput capacity of 27,600,000 barrels, including some aviation gasoline. Japan's tanker fleet has a capacity well above 500,000 tons capable of transporting 40,000,000 to 50,000,000 barrels of oil annually from Netherlands India to Japan in peacetime, perhaps half this quantity in wartime.

Levy calculates that Japan produced in 1940 at best 4,000,000 barrels of synthetic petroleum, 2,000,000 barrels of Sakhalin crude, 3,000,000 barrels of Manchurian shale oil, 2,600,000 barrels from domestic wells, and 500,000 barrels of motor alcohol, a maximum total of approximately 12,000,000 barrels. With wartime demand at 40,000,000 barrels, the annual deficit to be withdrawn from storage would amount to 28,000,000 barrels. As long ago as 1933 Japan possessed 15,000,000 barrels of storage capacity. Even if that figure has been increased 300% by 1942, Japan will encounter a serious slowing-down of military operations in a year to a year and a half if she does not succeed in seizing, producing and transporting the oil of Netherlands India, Borneo or Burma.

## Mexican Senate Ratifies Oil Pact With U. S.

The Mexican Senate on Dec. 29 ratified the agreement signed at Washington on Nov. 19 providing for the adjustment of the principal problems existing between Mexico and the United States. The pact calls for negotiations to settle the differences over expropriated oil properties, adjustment

of property claims, stabilization of the Mexican peso, silver purchases, extension of highway construction credits and negotiations for a reciprocal trade agreement. The terms of the agreement were given in detail in our issue of Nov. 27, page 1248.

The conversations to determine a value of the expropriated oil properties were scheduled to get under way in Mexico City on Jan. 5. Morris L. Cooke, a consulting engineer in management, who has held various Governmental posts, is representing the United States, while Manuel J. Zevada, an engineer, who is Under-Secretary in the Department of National Economy, represents Mexico.

The staff assisting Mr. Cooke includes: Dr. Harlow S. Person, consulting economist, at present connected with the Rural Electrification Administration; O. C. Merrill, engineer and economist, formerly with the Federal Power Commission; Judson C. Dickerman, engineer economist of the Federal Trade Commission, and Henry M. Oliver, junior economist with the Division of Monetary Research of the Treasury.

## King Haakon, President, Exchange Greetings

The State Department issued in Washington on Dec. 24 the messages exchanged by King Haakon of Norway and President Roosevelt with regard to aid in the "common fight" for decency.

The King's message said in part:

Today America and Norway are not only friends of old, but for the first time in history also comrades in arms. It is my fervent conviction that by the help of God we shall through common fight and sacrifices attain a common victory for freedom, popular government and international decency.

President Roosevelt replied in part as follows:

The people and Government of the United States will be encouraged in their own fight against the evil forces of tyranny and aggression by the gallant spirit in which free Norwegians are striking back at the foe which shamelessly attacked their homeland a year ago.

We are especially grateful for the inestimable aid in our common fight which is being given by the intrepid Norwegian seamen on whose skill and courage greatly depends the steady flow of supplies which in the end, under the guidance of Providence, will restore decency and personal freedom to the world.

## NAM Suggests Hughes For War Labor Board

The National Association of Manufacturers, New York City, on Dec. 30 proposed Charles Evans Hughes, retired Chief Justice of the U. S. Supreme Court, as "an outstanding and admittedly impartial American" for consideration as Chairman of the new War Labor Board. Addressing Secretary of Labor Perkins, by telegraph, Walter D. Fuller and William P. Witherow, President and President-elect of the NAM, respectively, urged that four "public members" of the new board "be selected from retired members of the Federal Supreme, Circuit and District courts," which would permit designation of such a man as the former Chief Justice for the chairmanship.

Four industry representatives, to be selected from panels submitted by the NAM and the U. S. Chamber of Commerce, were proposed to match four labor representatives from major labor groups in the telegram which urged upon the Secretary the selection of a "fair and effective Board."

## Treasury Offers 2% Bonds of 1949-51 To Holders of Four Maturing Issues

Secretary of the Treasury Morgenthau on Jan. 11 announced a plan for refinancing a Treasury issue and three corporate issues which shortly come due for payment. These issues are the Treasury Notes of Series A-1942, maturing March 15, 1942, the 3% Federal Farm Mortgage Corporation bonds of 1942-47, called for redemption on Jan. 15, 1942, the 2 3/4% Federal Farm Mortgage Corporation bonds of 1942-47, called for redemption on March 1, 1942, and the Reconstruction Finance Corporation notes of Series R, maturing Jan. 15, 1942. An issue of 2% Treasury bonds of 1949-51 is being made available to the holders of the four issues enumerated on a par for par basis, with adjustments of accrued interest to Jan. 15, 1942, in the case of the Treasury notes and the 2 3/4% Federal Farm Mortgage Corporation bonds. The bases on which the securities comprising these four issues may be presented and accepted, and the new bonds obtained, are specifically set forth in the official circular. The books were opened for the receipt of subscriptions on Jan. 12.

Secretary Morgenthau's statement further explained:

The Treasury bonds now offered will be dated Jan. 15, 1942, and will bear interest from that date at the rate of 2% per annum, payable on a semi-annual basis on June 15 and Dec. 15 in each year. They will mature June 15, 1951, but may be redeemed, at the option of the United States, on and after June 15, 1949. They will be issued in two forms: bearer bonds with interest coupons attached, and bonds registered both as to principal and interest. Both forms will be issued in the denominations of \$50, \$100, \$500, \$1,000, \$5,000, \$10,000 and \$100,000.

Pursuant to the provisions of the Public Debt Act of 1941, interest upon the bonds now offered shall not have any exemption, as such, under Federal tax Acts now or hereafter enacted. Otherwise the securities will be accorded the same exemptions from taxation as are accorded other issues of Treasury bonds now outstanding.

Subscriptions will be received at the Federal Reserve Banks and Branches, and at the Treasury Department, Washington. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Subscriptions should be accompanied by securities of one or more of the four issues to an aggregate par amount equal to the par amount of the new Treasury bonds subscribed for. Coupons dated Jan. 15, 1942 should be detached from the 3% Federal Farm Mortgage Corporation bonds and the Reconstruction Finance Corporation notes and cashed in regular course. Following acceptance of the Treasury notes and the 2 3/4% Federal Farm Mortgage Corporation bonds, accrued interest to Jan. 15, 1942, about \$10.33 and \$5.90 per \$1,000 respectively, will be paid to the owners of the securities surrendered.

The right is reserved to close the books as to any or all subscriptions at any time without notice. Subject to the reservations set forth in the official circular, all subscriptions will be allotted in full.

The amounts of the four issues now outstanding are approximately as follows: Treasury Notes of Series A-1942, \$426,000,000; 3% Federal Farm Mortgage Corporation bonds of 1942-47, \$236,000,000; 2 3/4% Federal Farm Mortgage Corporation bonds of 1942-47, \$103,000,000; and Reconstruction Finance Corporation notes of Series R, \$310,000,000.

Plans for this refunding operation were discussed in these col-

umns of Jan. 8, page 127.

The text of the Treasury's official circular, setting forth the terms of this offering, follows:

UNITED STATES OF AMERICA  
2% Treasury Bonds of 1949-51  
Dated and bearing interest from Jan. 15, 1942  
Due June 15, 1951  
Redeemable at the option of the United States at par and accrued interest on and after June 15, 1949  
Interest payable June 15 and Dec. 15

1942 Department Circular No. 676

Fiscal Service,  
Bureau of the Public Debt

Treasury Department,  
Office of the Secretary,  
Washington, Jan. 12, 1942

### I. Offering of Bonds and Invitation For Tenders

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par, from the people of the United States for 2% bonds of the United States, designated Treasury Bonds of 1949-51, the amount of the offering to be limited to the amount of securities tendered and accepted as provided in the following subparagraphs:

(a) *Treasury Notes of Series A-1942.*—Treasury Notes of Series A-1942, maturing March 15, 1942, will be accepted in payment for Treasury bonds subscribed for hereunder.

(b) *3% Federal Farm Mortgage Corporation Bonds of 1942-47.*—The Secretary of the Treasury offers to apply the proceeds of payment of 3% Federal Farm Mortgage Corporation bonds of 1942-47, called for redemption on Jan. 15, 1942, tendered for payment in accordance with Sections III and IV of this circular, to payment for Treasury bonds subscribed for hereunder. Tenders of 3% Federal Farm Mortgage Corporation bonds of 1942-47 for that purpose are invited.

(c) *2 3/4% Federal Farm Mortgage Corporation Bonds of 1942-47.*—The Secretary of the Treasury, on behalf of the Federal Farm Mortgage Corporation, offers to purchase on Jan. 15, 1942, at par and accrued interest, 2 3/4% Federal Farm Mortgage Corporation bonds of 1942-47, called for redemption on March 1, 1942, to the extent to which the holders thereof subscribe for Treasury bonds hereunder. Tenders of 2 3/4% Federal Farm Mortgage Corporation bonds of 1942-47 for that purpose are invited.

(d) *Reconstruction Finance Corporation Notes of Series R.*—The Secretary of the Treasury offers to apply the proceeds of payment of Reconstruction Finance Corporation notes of Series R, maturing Jan. 15, 1942, tendered for payment in accordance with Sections III and IV of this circular, to payment for Treasury bonds subscribed for hereunder. Tenders of Series R notes for that purpose are invited.

### II. Description of Bonds

1. The bonds will be dated Jan. 15, 1942, and will bear interest from that date at the rate of 2% per annum, payable on a semi-annual basis on June 15 and Dec. 15 in each year until the principal amount becomes payable. They will mature June 15, 1951, but

may be redeemed at the option of the United States on and after June 15, 1949, in whole or in part, at par and accrued interest, on any interest day or days, on 4 months' notice of redemption given in such manner as the Secretary of the Treasury shall prescribe. In case of partial redemption the bonds to be redeemed will be determined by such method as may be prescribed by the Secretary of the Treasury. From the date of redemption designated in any such notice, interest on the bonds called for redemption shall cease.

2. The income derived from the bonds shall be subject to all Federal taxes, now or hereafter imposed. The bonds shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The bonds will be acceptable to secure deposits of public moneys, but will not bear the circulation privilege and will not be entitled to any privilege of conversion.

4. Bearer bonds with interest coupons attached, and bonds registered as to principal and interest, will be issued in denominations of \$50, \$100, \$500, \$1,000, \$5,000, \$10,000 and \$100,000. Provision will be made for the interchange of bonds of different denominations and of coupon and registered bonds, and for the transfer of registered bonds, under rules and regulations prescribed by the Secretary of the Treasury.

5. The bonds will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States bonds.

### III. Subscription and Allotment

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington, and should be accompanied by securities of one or more of the issues enumerated in Section I hereof, tendered for payment or purchase as the case may be, to an aggregate par amount equal to the par amount of Treasury Bonds of 1949-51 subscribed for hereunder. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of bonds applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

### IV. Payment

1. Payment at par for bonds allotted hereunder must be made on or before Jan. 15, 1942, or on later allotment and may be made only in Treasury Notes of Series A-1942 or through application of the principal proceeds of payment of 3% Federal Farm Mortgage Corporation bonds of 1942-47, 2 3/4% Federal Farm Mortgage Corporation bonds of 1942-47, or Reconstruction Finance Corporation notes of Series R in an aggregate par amount equal to the amount of bonds allotted hereunder. Coupons dated March 15, 1942, must be attached to Treasury Notes of Series A-1942 when surrendered, and accrued interest from Sept. 15, 1941, to Jan. 15, 1942 (\$5.89779 per \$1,000) will be paid following acceptance of the notes. Coupons dated March 1, 1942, must be attached to 2 3/4% Federal Farm Mortgage Corpora-

tion bonds of 1942-47 in coupon form and accrued interest from Sept. 1, 1941, to Jan. 15, 1942 (\$10.33149 per \$1,000) will be paid following acceptance of the bonds. In the case of registered bonds of either issue, checks in payment of final interest will be drawn in accordance with the assignments on the bonds surrendered.

### V. Surrender of Called Bonds

1. *Coupon bonds.*—3% and 2 3/4% Federal Farm Mortgage Corporation bonds of 1942-47 in coupon form tendered hereunder should be presented and surrendered with the subscription to a Federal Reserve Bank or Branch or to the Treasurer of the United States, Washington, D. C. Coupons dated July 15, 1942, and March 1, 1942, respectively, and all coupons bearing subsequent dates, should be attached to such bonds when surrendered, and if any such coupons are missing, the subscription must be accompanied by cash payment equal to the face amount of the missing coupons. The bonds must be delivered at the expense and risk of the holder. Facilities for transportation of bonds by registered mail insured may be arranged between incorporated banks and trust companies and the Federal Reserve Banks, and holders may take advantage of such arrangements when available, utilizing such incorporated banks and trust companies as their agents.

2. *Registered bonds.*—3% and 2 3/4% Federal Farm Mortgage Corporation bonds of 1942-47 in registered form tendered hereunder should be assigned by the registered payees or assignees thereof in one of the forms hereafter set forth, and thereafter should be presented and surrendered with the subscription to a Federal Reserve Bank or Branch or to the Treasury Department, Division of Loans and Currency, Washington, D. C. The bonds must be delivered at the expense and risk of the holder. The proper forms of assignment are

(a) Where 3% bonds are surrendered.—If the new bonds are desired registered in the same name as the bonds surrendered, "Federal Farm Mortgage Corporation for payment, the proceeds to be applied to payment for Treasury Bonds of 1949-51"; if the new bonds are desired registered in another name, "Federal Farm Mortgage Corporation for payment, the proceeds to be applied to payment for Treasury Bonds of 1949-51 in the name of

if the new bonds are desired in coupon form, "Federal Farm Mortgage Corporation for payment, the proceeds to be applied to payment for Treasury Bonds of 1949-51 in coupon form to be delivered to

(b) Where 2 3/4% bonds are desired registered in the same name as the bonds surrendered, "Federal Farm Mortgage Corporation for purchase, the principal proceeds to be applied to payment for Treasury Bonds of 1949-51"; if the new bonds are desired registered in another name, "Federal Farm Mortgage Corporation for purchase, the principal proceeds to be applied to payment for Treasury Bonds of 1949-51 in the name of

if the new bonds are desired in coupon form, "Federal Farm Mortgage Corporation for purchase, the principal proceeds to be applied to payment for Treasury Bonds of 1949-51 in coupon form to be delivered to

### VI. General Provisions

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Fed-

eral Reserve Banks of the respective districts, to issue allotment notices, to receive payment for bonds allotted, to make delivery of bonds on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive bonds.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

HENRY MORGENTHAU, Jr.,  
Secretary of the Treasury.

## November Blue Stamp Food Purchases

Blue food stamps added approximately \$8,800,000 worth of farm products to the diets of about 3,300,000 persons eligible to receive public assistance during November, 1941, the Department of Agriculture announced on Jan. 7 in its monthly report on the Food Stamp Program. The announcement also added:

During November, families taking part in the Food Stamp Program used blue stamps, which increased their expenditures for agricultural commodities approximately 50%, as follows: about 10% for butter, 21% for pork, 23% for vegetables, 17% for cereals, 15% for eggs and 14% for fruits.

Purchases with blue stamps, representing new outlets for farm products, as estimated by the Surplus Marketing Administration, included: about 30,000,000 pounds of Irish potatoes, 29,000,000 pounds of flour, 9,000,000 pounds of fresh apples, 8,300,000 pounds of pork, 3,300,000 dozen eggs and 2,300,000 pounds of butter.

Other blue stamp purchases during the month included over 1,800,000 dozen fresh oranges, more than 1,450,000 pounds of fresh pears, nearly 1,400,000 pounds of dried prunes and over 1,250,000 pounds of raisins.

In addition to purchases of commodities with blue stamps, the Surplus Marketing Administration continued in November to distribute farm products for use in free school lunches and to needy families in areas not served by the Food Stamp Program.

## W. H. Chase Is Named To General Mills Post

Mr. James F. Bell, Chairman of the Board of General Mills, Inc., announced today the appointment of W. Howard Chase as Director of the company's Department of Public Services. Formerly known as the Department of Relations with the Public, the new Public Services Department, according to Mr. Bell's statement, will assume broader responsibilities under the direction of Mr. Chase. One important function of the department will be to see that the widespread facilities and operations of General Mills are utilized, in every way possible, in order that the company may be of maximum service to the public and to the Government.

Mr. Chase comes to General Mills from Washington, D. C., where he was associate editor of the Whaley-Eaton News Service, handling foreign and domestic trends. He served previously, as assistant to the President of the American Retail Federation and also, for three years, as editorial writer on the Des Moines "Register and Tribune." He has served, also, on the staffs of Harvard and Drake Universities in the capacity of lecturer on international relations.

**Secretary Morgenthau  
Lauds 26-Nation Pact**

Secretary of the Treasury Morgenthau, in commenting on Jan. 2 on the joint declaration by 26 nations pledging their full resources for use against the Axis Powers, and barring a separate armistice or peace, declared that "this statement of 26 nations is destined to take its place among the immortal documents that are the milestones of human freedom." Mr. Morgenthau further said:

It means to Americans and to all the people of the world far more than a mere alliance against a common enemy, far more than a mere agreement to fight together without any thought of a separate peace until victory has been achieved. Its greatest significance is in the statement of the principles for which we fight. These are the great ideals of human liberty, the rights of the individual which government exists to protect and not to annul. In the denial of these rights by the forces of aggression lies the only and the fundamental cause of this great struggle. Let us be clear about that.

This is a struggle of human rights against oppression. In the 25 nations whom we join as comrades in arms there is awake, as there is in our own land, the conscience of mankind. The black shadow of oppression which has plunged nation after nation into darkness must not fall upon us, and it must be swept away from the conquered lands where its darkness has fallen. It will be swept away. We can go forward with the firmest determination and a sure faith.

The United States, Great Britain, Russia and China were among the 26 signers of the declaration, the text of which was given in our Jan. 8 issue, page 144.

**"Evening Ledger" Now  
Suspends Publication**

The Philadelphia "Evening Public Ledger" suspended publication on Jan. 5 by order of the Federal District Court which ruled that no definite reorganization plan had been offered. The termination of the life of the 27-year-old newspaper came after rejection of a last-minute plan for employee-operation. Judge J. Cullen Ganey, with Judges Harry E. Kalodner and Guy K. Bard concurring, said that the plan was not feasible and that "nothing further could be done to save the paper. Since Nov. 8 the "Ledger" had been published under the direction of three trustees appointed by the Court in accordance with the Chandler Act pending the submission of a plan of reorganization which would be acceptable to the Court and the paper's creditors. The decision of the judges, said the "Ledger" closed a dramatic day in which the employees, backed by \$30,000 posted by Sherman Hoar Bowles, General Manager of the Springfield (Mass.) "Republican," sought to convince the Court of the feasibility of their plan. The "Ledger" further said:

The Court took its action only after having exhausted every avenue to permit the newspaper to reorganize under the Chandler Act. Three times in the past two months it granted more time for the Court-appointed trustees and the "Ledger" management to submit a refinancing plan.

No proposal which the judges felt could be called a "real plan" (that is, one carrying with it sufficient financial support) was forthcoming. Nor, when the Court ordered the trustees to receive bids for the property, were any solid offers of purchase submitted.

The Court's rejection of the employees' proposal was not

accompanied by a formal order prohibiting publication today. But publication for general circulation will cease because the Court refused to grant an extension of operations beyond last midnight. It had warned all interested parties to that effect on Dec. 29.

In a formal order last night, however, the Court permitted the company to continue operating its Ledger Syndicate for a maximum of 30 days. The syndicate sells features, such as the Dorothy Dix column, and cartoons. It was felt that within 30 days a buyer for the syndicate could be found.

The Court decision not only meant the end of the last survivor of the group of newspapers which the late Cyrus H. K. Curtis built up. It meant the end of the jobs of most of the 828 employees. Some of these employees will remain temporarily in their bookkeeping and accounting jobs to wind up the "Ledger's" affairs. Many of the employees were veteran workers with the "Ledger."

The "Ledger," which was founded in September, 1914, by Mr. Curtis, was sold on Dec. 31, 1940, by the trustees of the estate of Mr. Curtis to a group headed by Robert Cresswell, former Treasurer of the New York "Herald Tribune," who was its publisher. (See the "Chronicle" of Jan. 4, 1941, page 43.) Mr. Cresswell, together with David Drillhart, a Bethlehem publisher, and J. Harris Warthman, a Philadelphia business man, had been managing the affairs of the paper since the Court appointed them as trustees in November.

**Real Wages Up Despite  
Higher Living Costs**

The real weekly wages of the employees in manufacturing industries continued to rise in 1941 despite an increase in the cost of living, according to The Conference Board. The cost of living was 9% higher in November, 1941, than in November, 1940; but average weekly wages rose 20%. The purchasing power of the earnings of these employees (their so-called real wages) was therefore 11% higher in November than in November, 1940. Under date of Jan. 10, the Board further explained:

Except for a few temporary interruptions, the Board's index of the real weekly earnings (i.e., the index of weekly wages adjusted for changes in the index of the cost of living) has been rising since January, 1938. From then until early in 1941 there was little net change in the cost of living, but average weekly earnings increased 34%, so that real weekly earnings also increased at an average rate of about 1% per month. Real wages, curiously enough, continued to increase at an average rate of about 1% per month in 1941, despite the rise in the cost of living and despite the transformation of manufacturing industries from peacetime to wartime producers.

Real wages declined sharply in the second half of 1937, but prior to that there was another long period, extending back to the bottom of the depression in August, 1932, when real wages were rising at an average rate of about 1% per month. Otherwise, the only parallel for the present steady advance in real wages is the situation in the First World War. Real wages rose 23% from July, 1914, to October, 1920. The average rate of increase through this entire span of years was much less than 1%, but it seems probable that during portions of the First World War real earnings increased as much as 1% per month, because much of the increase in the cost of living oc-

curred in 1919 and 1920 after the war was over.

The Conference Board's index of real wages was slightly lower in November than in October, when it was the highest on record. Average weekly wages increased, but the increase was small, and the cost of living index rose 1%. The Board's index of real wages (1923=100) was therefore 144.6, as compared with 145.7 in October, 130.6 in November, 1940, 98.8 in January, 1938, 120.3 in May, 1937, 74.5 in August, 1932, 109.6 in April, 1929, 95.7 in October, 1920, and 77.8 in July, 1914. Real weekly wages in November, 1941, were 32% higher than in April, 1929.

**Realtors Meet Jan. 23**

The annual business meeting of the National Association of Real Estate Board, at which will be chartered the general program of the association's work for the year 1942, will be held at the Drake Hotel, Chicago, Jan. 23 and 24. The announcement says:

Adaptation of our real estate assets and of real estate business services to the needs of a nation at war will be first order of business in the deliberations. Primarily, here are means for utilization to the fullest of our existing industrial plants for defense production and for drawing all available existing residential structures into use where they will serve the needs of defense workers.

Preservation of sound real estate conditions in a war economy will be an important concern both for the association and its specialized institutes and divisions whose governing boards will take part in the meeting.

Formal installation of officers of the Association and of its divisions for the year 1942 is scheduled to take place at a closing banquet on Jan. 23. Philip W. Kniskern, Philadelphia, President of the Association, will turn over the gavel to David B. Simpson, Portland, Ore.

**OPA Establishes Price  
Ceiling For Cigarettes**

The price of all cigarettes sold by manufacturers was frozen on Dec. 30 to the levels prevailing on Dec. 26 in an order issued by Federal Price Administrator Leon Henderson. The effect of this action was to rescind a price advance announced by the American Tobacco Co. for its Lucky Strike cigarettes and to prevent other manufacturers from raising their prices pending a full investigation of factors justifying the price advance. The American Tobacco Co. had announced on Dec. 27 that the wholesale price of cigarettes would be increased from \$6.53 to \$7.10 a thousand due to the increased costs of leaf tobacco, materials, supplies and other items, exclusive of increased corporate taxes. The company claimed that its costs, exclusive of axes, have increased in an amount in excess of the price increase, so that the entire amount of the price increase represents higher costs without additional profit. With regard to the action of the Price Administrator on Dec. 30 in imposing a ceiling on cigarette prices, the New York "Journal of Commerce" in advices from its Washington bureau on Dec. 30 said:

Today's action was forecast by the Administrator in an announcement yesterday in which he declared that a formal ceiling was essential under the circumstances in order to prevent a price rise that might spread throughout the cigarette manufacturing industry.

In issuing the schedule today, Mr. Henderson said that full investigation of cigarette

manufacturing costs will be undertaken in the immediate future. He added that this necessarily would involve considerably more time than a study of the American Tobacco case alone would have taken.

The OPA Administrator repeated his earlier statement that primary purpose of the ceiling schedule is to prevent any unwarranted increase in the price of cigarettes to the public, adding that if the co-operation of wholesalers and retailers were not obtained, he would not hesitate to extend the ceiling to cover their sales. In this connection he reported receipt of telegraphic complaints of increased wholesale prices from several sections of the country, in spite of the fact that the Lucky Strike increase, now eliminated, would not have become effective until Jan. 10 and other manufacturers had not raised prices at all.

The rescinding of the increase by the American Tobacco Co. followed its request that a formal requirement to that end be made by the Price Administrator.

**Pres. Roosevelt Limits  
Restrictions On Films**

President Roosevelt has told Lowell Mellett, Coordinator of Government Films, that there should be no restrictions on motion pictures other than those made imperative by the "dictates of safety."

In a recent letter to Mr. Mellett the President, according to advices Jan. 3 from Washington to the New York "Times" said:

The American motion picture is one of our most effective media in informing and entertaining our citizens. The motion picture must remain free in so far as national security will permit.

I want no censorship of the motion picture; I want no restrictions placed thereon which will impair the usefulness of the film other than those very necessary restrictions which the dictates of safety make imperative.

The motion picture, especially as used by the Federal Government, has a very useful contribution to make during the war emergency. In order that the Federal Government's efforts in the field of motion picture production and distribution may serve most effectively and efficiently it is desirable that all activities of the Federal Government be coordinated under the direction of one central office.

**Farm Aid Bill Signed**

President Roosevelt signed on Dec. 26 the legislation extending for five years the operation of the Soil Conservation and Domestic Allotment Act and providing for loans of 85% of parity on cotton, corn, wheat, rice, tobacco and peanuts.

In signing the measure, the President asked Congress to revise the law with respect to the provision making 85% parity loans on peanuts. He explained, in a message to the Senate and House on Dec. 30, that "appropriate consideration was not given to the comparability of the parity price of peanuts with the parity price of other commodities" and that the bill "makes mandatory loan rates on peanuts which are excessive in relation to the loan rates on other commodities." His message said in part:

I am advised by the Secretary of Agriculture that since the 1909-14 period, which, according to existing legislation, must be used as the base period in computing parity prices for peanuts, there have been substantial changes in the production and consumption of peanuts. The result is that the parity

price for peanuts computed in accordance with existing legislation, is not comparable with the parity prices for other commodities and this bill makes mandatory loan rates on peanuts which are excessive in relation to the loan rates on other commodities.

**Chicago Reserve Bank  
Net \$1,024,465 In 1941**

The Federal Reserve Bank of Chicago reports for the calendar year, 1941, net earnings of \$1,024,465, as compared with \$2,607,975 in the previous year. Total earnings for the year just ended were \$5,089,095, against \$4,831,217 in 1940. Operating expenses in 1941 were \$3,581,893, while total net expenses were \$4,227,533, with current net earnings of \$861,561. In 1940 operating expenses amounted to \$2,921,983, total net expenses having been shown as \$3,471,164 and current net earnings having been reported at \$1,360,053. The statement of earnings and expenses for 1941, as issued under date of Jan. 5 by C. S. Young, President of the Bank, follows:

| STATEMENT OF EARNINGS AND EXPENSES FOR YEAR 1941                 |                |
|--|----------------|
| Earnings   | \$5,089,095.00 |
| Operating expenses   | \$3,581,893.38 |
| Assessment for Board of Governors                                | 221,802.47     |
| Cost of Federal Reserve currency                                 | 423,837.91     |
| Total net expenses   | \$4,227,533.76 |
| Current net earnings   | \$861,561.32   |
| Additions to current net earnings:                               |                |
| Profit on sales of U. S. Government securities                   | \$147,895.36   |
| Transferred from reserves  | 14,000.00      |
| Other additions  | 1,008.52       |
| Total additions to current net earnings                          | \$162,903.88   |
| Total current net earnings and additions to current net earnings | \$1,024,465.20 |
| Net earnings   | \$1,024,465.20 |
| Distribution of net earnings:                                    |                |
| Payment to United States Treasury (Section 13-B)                 | \$27,214.83    |
| Dividends paid   | 896,766.37     |
| Transferred to surplus (Section 7)                               | 100,484.00     |
|  | \$1,024,465.20 |

In its statement of condition, Dec. 31, 1941, the bank reported total resources of \$3,962,603,505, while total deposits were shown as \$2,014,151,437, which consisted of \$1,762,132,232 for member bank; reserve account, \$156,905,915 for U. S. Treasurer—general account, and \$95,113,288 representing other deposits.

The bank's figures of earnings and expenses for 1940 were given in our issue of Jan. 18, 1941, page 361.

**Eicher Named Judge**

Edward C. Eicher, Chairman of the Securities and Exchange Commission, was nominated by President Roosevelt on Dec. 30 to be Chief Justice of the United States District Court for the District of Columbia. He was named to succeed Alfred A. Wheat, who has retired. Mr. Eicher, who served as a member of the House of Representatives from Iowa in the 73rd, 74th and 75th Congress, has been a member of the SEC since December, 1938, and has served as Chairman of the Commission since April, 1941, when Jerome N. Frank resigned to take a judgeship on the Federal bench in New York.

Ganson Purcell, who was appointed to the Commission last May, is mentioned as a possible successor to Mr. Eicher as Chairman. He has been associated with the Commission since its formation in 1934, serving as a member of its General Counsel staff from 1934 to 1937, when he became Director of the Trading and Exchange Division.

It is also reported that Robert H. O'Brien, Director of the SEC Utility Division, might be named to fill the vacancy on the Commission caused by the appointment of Mr. Eicher to a judgeship.



**Flue-Cured Tobacco Quota**

An increase of 10% in the national marketing quota and a corresponding increase in all farm acreage allotments for the 1942 crop of flue-cured tobacco was announced on Dec. 30 by the Department of Agriculture. This increase raises the 1942 national marketing quota from 618,000,000 pounds to 679,800,000 pounds and ups the farm acreage allotment from 762,000 acres to 842,500 acres. The 1942 marketing quota and farm acreage allotments were announced originally in October at the 1941 level, says the Department, which adds:

Although supplies of tobacco at the beginning of the marketing year were above normal, information now available indicates that the increased quota and allotments are needed in order to insure a sufficient supply of flue-cured tobacco to meet increased domestic consumption and requirements for export to those countries allied against the Axis powers.

The action was taken under the provisions of the Agricultural Adjustment Act of 1938 authorizing the Secretary to increase quotas if an increase is deemed essential to meet market needs.

For the last half of this year, consumption of cigarettes, the outlet for four-fifths of the flue-cured tobacco used in the United States, has run 18% higher than for the same period last year. This increase sets a new all-time record in cigarette consumption. The average annual increase in cigarette consumption for the past several years has been only about 6%.

If growers plant the same percentage of their acreage allotments in 1942 as they did in 1941, the crop will not be in excess of anticipated requirements regardless of whether the average yield per acre equals the 1940 figure or the short 1941 figure. On the basis of the high 1940 average yield, the 1942 crop would provide 795,000,000 million pounds; or on the basis of the low 1941 yield, the crop next season would be 690,000,000 pounds.

The current 1941 flue-cured crop is estimated at 650,000,000 pounds. The level of domestic consumption and exports for next year is expected to be more than 100,000,000 pounds above production in 1941.

**Nov. Sales On Exchanges**

The Securities and Exchange Commission announced on Dec. 24 that the market value of total sales on all registered securities exchanges for November 1941 amounted to \$597,388,504, a decrease of 3.5% from the market value of total sales for October and a decrease of 39.7% from the market value of total sales for November 1940. Stock sales, excluding rights and warrants, had a market value of \$508,960,005, an increase of 3.4% over October. Bond sales were valued at \$88,348,284, a decrease of 29.4% from the October value. The market value of right and warrant sales for November totaled \$80,215, involving 158,115 units. The Commission further reports:

The volume of stock sales, excluding rights and warrants, was 26,477,408 shares, an increase of 16.2% over October. Total principal amount of bond sales was \$161,048,475, a decrease of 23.0% from October.

The two New York exchanges accounted for 91.9% of the market value of total sales, 90.5% of the market value of stock sales, and 99.7% of the market value of bond sales on all registered securities exchanges.

The market value of total sales on all exempted securities exchanges for November 1941 amounted to \$612,640, an increase of 6.7% over October.

**Ownership Certificate Requirement Relative Federal Bond Interest**

With respect to the Bureau of Internal Revenue's amended income tax regulations, which became effective Jan. 1, 1942, dealing with ownership certificate requirements relative to interest payments of obligations of the United States or any agency or any instrumentality thereof, the Reserve Bank observed on Dec. 24 that the income tax regulations as of Jan. 1 "provide that ownership certificates shall be filed (by citizens and resident individuals and fiduciaries, resident partnerships and non-resident partnerships all of the members of which are citizens or residents, non-resident aliens, a non-resident partnership composed in whole or in part of non-resident aliens, a non-resident foreign corporation, or where the owner is unknown) in the case of interest paid on and after Jan. 1, 1942, on obligations of the United States or any agency or instrumentality thereof, regardless of the date of issuance of such obligations." The Bank goes on to say:

You will observe from the foregoing that ownership certificates will be required for interest payments on all issues, both taxable and non-taxable except in the cases of interest payments when the owner is a domestic or resident corporation, a resident foreign corporation, or a foreign government.

It is requested that the preparation of coupons for presentation to the bank for payment be as follows:

(1) Coupons for which ownership certificates are required should be enclosed in envelopes according to issue and denomination and listed on a schedule as heretofore. Such ownership certificates should not be enclosed in the envelopes with the coupons but should accompany the schedule.

(2) Coupons owned by a domestic or resident corporation, a resident foreign corporation, or a foreign government, do not require ownership certificates. Such coupons should be enclosed in the same envelopes with coupons of like issue and denomination for which ownership certificates are required, and the envelopes should indicate, by endorsement thereon, or should be accompanied by a statement to the effect, that coupons for which no ownership certificates accompany the schedule, are owned by a domestic or resident corporation, a resident foreign corporation, or a foreign government.

**Commodity Exchange Hit By Defense Program**

Reviewing the events of the past year, Edward L. McKendrew, President of Commodity Exchange, Inc., New York, in the annual report issued to members on Jan. 8, pointed out that the national defense program and the all-out war effort of the country has had a paralyzing effect on the Exchange. Mr. McKendrew stated:

All of the commodities traded in our Exchange are importantly involved in the national defense program. They are all included in the Government's list of strategic and critical materials, with the exception of lead, which is subject to OPM general preference orders. They were among the first to be the subject of price ceilings, priorities, allocations and other Governmental regulatory controls.

Mr. McKendrew also pointed out in his report:

The Exchange and its members, in the interest of the national defense, have wholeheartedly complied with the re-

quests made by Governmental authorities to restrict or suspend trading in specific commodities, but unfortunately this compliance has been at heavy cost to the Exchange and its members because it has resulted in a virtual cessation of trading. The Board of Governors is firmly resolved to continue the Exchange in its present strong financial condition.

During the period of enforced inactivity, our Exchange must direct its efforts to maintaining a favorable position to resume trading when the wars have ended. To this end the Board will maintain a skeleton organization, certain key employees and certain essential services.

**Roosevelt Writes 1956 President In Behalf Captain Kelly's Son**

President Roosevelt recently addressed a letter "To the President of the United States in 1956," requesting the appointment to West Point of Colin P. Kelly 3d, 18-months-old son of Capt. Colin P. Kelly, Jr., who lost his life in a successful bombing attack on the Japanese battleship Haruna in the Pacific on Dec. 9. The President said he was asking for this consideration "in the conviction that the service and example" of Captain Kelly will be long remembered. Captain Kelly, who by his deed became the Number One American hero in the present war, has been awarded posthumously the Distinguished Service Cross.

President Roosevelt's letter read as follows:

The White House  
Washington

Dec. 17, 1941

To the President of the United States in 1956:

I am writing this letter as an act of faith in the destiny of our country. I desire to make a request which I make in full confidence that we shall achieve a glorious victory in the war we now are waging to preserve our democratic way of life.

My request is that you consider the merits of a young American youth of goodly heritage—Colin P. Kelly 3d—for appointment as a cadet in the U. S. Military Academy at West Point. I make this appeal in behalf of this youth as a token of the Nation's appreciation of the heroic services of his father who met death in line of duty at the very outset of the struggle which was thrust upon us by the perfidy of a professed friend.

In the conviction that the service and example of Capt. Colin P. Kelly, Jr., will long be remembered, I ask for this consideration in behalf of Colin P. Kelly 3d.

FRANKLIN D. ROOSEVELT

**Average Sugar Prices**

The 1941 average price for raw sugar, duty paid basis at New York, is 3.378 cents per pound as against 2.786 cents per pound for 1940, an increase of a little over 21.2%, according to Lamborn & Co., New York. The 1941 average is the highest since 1937 when the figure was 3.443 cents per pound. It is pointed out that:

The 1941 average price for refined sugar, net cash at New York, including excise tax, is 4.922 cents per pound as contrasted with 4.337 cents in 1940, an increase of 13.5%. The 1941 average is the highest since 1932, when the figure was 4.99 cents per pound.

The 1941 average price for world sugar, converted to a New York basis, is 1.849 cents per pound as contrasted with 1.326 cents per pound in 1940, an increase of 39.4%. The 1941 average is the highest since 1929, when the figure was 1.904 cents per pound.

**NY Savings Bankers To Meet On January 20**

"The Way to Victory" will be the theme of the annual Mid-Winter Conference of the Savings Banks Association of the State of New York to be held on Jan. 20 at the Waldorf Astoria Hotel in New York City. Over 400 savings banks' officers and trustees will attend the meeting, which will consist of an all-day, off-the-record discussion session, focused on specific matters, pertaining to the war effort. The conference will be preceded by a dinner, sponsored by Henry Bruere, President of the State Association, on the evening of Jan. 19 for Committee members, at which the Chairmen of the various Association Committees will report on the subjects which they have under consideration. These will include, among others:

Financing Defense Housing, by Earl B. Schwulst, Vice-President of the Bowery Savings Bank, New York.

The cooperative campaign to induce greater savings volume, by Andrew Mills, Jr., President of the Dry Dock Savings Institution, New York.

Air Raid Precautions, by Paul W. Albright, General Secretary of the State Association.

State Legislation, by Myron S. Short, Vice-President, Buffalo Savings Bank.

Mortgages and Real Estate, by Edward J. Pierce, formerly Deputy Superintendent of Banks, and now Executive Vice-President of the Harlem Savings Bank, New York.

Legal Investments, by Barnard Townsend, President of the Troy Savings Bank.

Employee Relations, by Clarence G. Michalis, Chairman of the Executive Committee, Seaman's Bank for Savings, New York.

Insurance, by Clinton W. Parker, Assistant Secretary of the Dime Savings Bank of Brooklyn.

**Non-Farm Foreclosures Are Down In November**

Non-farm foreclosures dropped in November to a new low figure for the past 15 years on which records are available, Federal Home Loan Bank Board economists reported on Jan. 3. They said that the 4,204 foreclosure cases in November were 5% below the figure of 4,408 cases reported for October and 27.9% below the 5,832 cases in November, 1940. The previous low in foreclosures was established in August of this year, when 4,271 cases were recorded. The highest rate of foreclosures was reached in a brief period in 1933, when 1,000 cases a day were reported. The announcement by the Board also had the following to say:

The Board's foreclosure index, adjusted for seasonal variation, dropped in November to a record low of 31.9, a decline of nearly 70% from the average month of the 1935-1939 period. This seasonal index had reached a low level of 32.8 in September, but rose 4% in October.

The 5% drop in foreclosures during November compares favorably with the 2% increase normally expected in this 30-day period, the Bank Board economists said. Geographically, there was a drop in November foreclosures over figures for October in eight of the 12 Federal Home Loan Bank districts. A decline of 26.1% was recorded in the district served by the Federal Home Loan Bank of Indianapolis—the States of Indiana and Michigan—and a decline of 21.5% in the district served by the Federal Home Loan Bank of Portland, embracing the States of Idaho, Montana, Oregon, Utah, Washington and Wyoming.

**1941 Farm Income Seen Highest Since 1920**

Total farm cash income for 1941 is expected to approximate \$11,600,000,000, the Bureau of Agricultural Economics, U. S. Department of Agriculture, reported on Dec. 30. This estimate, based on cash farm income for the first 11 months of 1941 together with an allowance for probable marketings, prices received by producers, and Government payments in December, compares with \$9,120,000,000 in 1940 and is the highest total for any year since 1920, when farm cash income totaled \$12,608,000,000. Of the indicated total for 1941, the Bureau says, \$11,000,000,000 was received from farm marketings and \$600,000,000 from Government payments.

The Bureau also reported that cash income from farm marketings and Government payments in November totaled \$1,313,000,000, compared with \$1,485,000,000 in October and \$942,000,000 in November last year. Government payments in November totaled \$68,000,000, compared with \$79,000,000 in November, 1940, and \$43,000,000 in October. From the Bureau's announcement we also quote:

For the first 11 months of 1941, cash income and Government payments totaled \$10,488,000,000, compared with \$8,257,000,000 in the same period of 1940. Income from farm marketings totaled \$9,986,000,000, 32% more than the \$7,561,000,000 received from January through November last year. All groups of commodities have recorded sharp increases in income, but the greatest increases have been in returns from cotton and cottonseed, meat animals, poultry and eggs, and grains. Government payments in the first 11 months of 1941 totaled \$502,000,000, compared with \$696,000,000 from January to November last year.

**H. D. White To Handle All Treasury Matters With Foreign Bearing**

Secretary of the Treasury Morgenthau announced on Dec. 20 that Harry D. White, Assistant to the Secretary, has been assigned full responsibility for all matters with which the Treasury has to deal that have a bearing on foreign relations. In its announcement the Treasury Department said:

Mr. White will act as liaison between the Treasury Department and the State Department, will serve in the capacity of adviser to the Secretary on all Treasury foreign affairs matters, and will assume responsibility for the management and operation of the Stabilization Fund without change in existing procedures.

H. Merle Cochran, who has been directing operations of the Stabilization Fund since September, 1939, has been recalled to his post of Foreign Service Officer in the State Department.

**Pinney Exchange Head**

W. W. Pinney was nominated on Jan. 5 to serve a second term as President of the New York Coffee and Sugar Exchange, Inc., and R. L. Lamborn was again named to serve as Treasurer. N. B. Craig was nominated for the post of Vice-President, replacing Geo. Christman, while John C. Gardner was named to take Mr. Craig's place on the Board of Managers. Other members of the Board, namely Harold L. Bache, John A. Higgons, Jr., P. R. Nelson, M. E. Rionda and Frank C. Russell, were nominated to serve a further two-year term in office. The annual election will take place at the Exchange on Jan. 15.



Coal And Coke Production Statistics

The Bituminous Coal Division, U. S. Department of the Interior, in its latest report stated that the total production of soft coal in the week ended Jan. 3 is estimated at 9,800,000 net tons.

The U. S. Bureau of Mines reported that production of Pennsylvania anthracite for the week ended Jan. 3 was estimated at 728,000 tons, a decrease of 112,000 tons from the preceding week.

ESTIMATED UNITED STATES PRODUCTION OF SOFT COAL, IN NET TONS, WITH COMPARABLE DATA ON PRODUCTION OF CRUDE PETROLEUM

Table with 5 columns: Category, Jan. 3, '42, Dec. 27, '41c, Jan. 4, '41, Jan. 5, '39, and a row for Total including mine fuel.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND BEEHIVE COKE (IN NET TONS)

Table with 6 columns: Category, Jan. 3, 1942, Dec. 27, 1941, Jan. 4, 1941, Jan. 3, 1942, Jan. 4, 1941, Jan. 5, 1939.

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

Table with 6 columns: State, Dec. 27, 1941, Dec. 20, 1941, Dec. 28, 1940, Dec. 30, 1939, Dec. 28, 1929, Dec. 28, 1923.

ESTIMATED PRODUCTION OF COAL, BY STATES, IN NOVEMBER, WITH TOTAL OUTPUT FOR FIRST 11 MONTHS OF 1941, 1940, and 1937

Table with 6 columns: State, November, 1941, % of total, Oct., 1941, Nov., 1940, Calendar year to end of November, 1941, 1940, 1937.

Survey Of R. E. Market Finds Prices Advancing

With presence or absence of war industries the dominant present influence on real estate activity in American cities, and with priorities for new home building the greatest present element of uncertainty, real estate selling prices are higher than they were a year ago in 62% of the cities of the country.

Market activity is higher than it was a year ago in 68% of the cities of the country, and in 76% of the cities in defense areas.

The Association lists the following as some of the key facts found: 1. Immediate effect of war declaration, some hesitancy of capital, of course, and heightening of uncertainty as to any normal new construction.

2. We enter this war with shortage (though generally not acute shortage) in single family dwellings already existing in 57% of the cities of the country and in 67% of the cities in defense areas.

3. Actual costs of building a home have increased in the last six months (despite price ceilings on certain lumber, etc.) in 99% of the cities of the country.

4. Rents for single-family dwellings stiffened over the past year in 71% of the reporting cities and in 87% of cities in defense areas.

New York Savings Bank Life Insurance System Completes Third Year

The Savings Bank Life Insurance System in New York State at the end of its third year of operation has issued "over-the-counter" more than \$20,000,000 of life insurance, according to an announcement made on Jan. 7 by Judge Edward A. Richards, President of the Savings Bank Life Insurance Fund.

November Surplus Farm Commodity Purchases

Agricultural commodities bought by the Surplus Marketing Administration during November, under the general program of purchases for Lend-Lease and other needs, reached a value of more than \$73,000,000, the Department of Agriculture reported on Dec. 26.

Animal protein products—dairy, poultry, and pork—ranked high among the agricultural purchases announced in the current report. These are "musts" on the list of commodities needed by Great Britain to keep up her supply of vital foodstuffs.

Heavy purchases have also been made of fruits, vegetables and cereals. Most of the fruits and vegetables have been dried or canned, providing supplies in forms which keep well and conserve shipping space.

Concentrates of various kinds make up one important group of the commodity purchases reported. These include concentrated citrus juices, in some instances cut down to one-tenth the original volume.

While the great majority of the agricultural supplies bought under the general program are intended for transfer to other countries under Lend-Lease provisions, the reported purchases also include supplies to be used for school lunch and other domestic relief distribution programs, to meet Red Cross needs, or to build reserve stockpiles.

Boston Globe Raises Price To Three Cents

The price of the morning edition of the Boston "Globe" has been raised from two to three cents a copy. The newsstand and newsboy price for some time had been three cents outside of Greater Boston, and the paper recently announced that beginning Jan. 5, it would be three cents everywhere.

This leaves but one standard-size morning newspaper in Boston at the old price of two cents—the "Post." The "Herald" went up to three cents on July 1, 1940.

Norwegian Bond Payment

Holdings of Kingdom of Norway 20-year 6% sinking fund external loan gold bonds, due Aug. 15, 1943, are being notified by W. Morgenstjerne, Minister of Norway, that \$700,000 principal amount of this issue has been drawn by lot for redemption at par through operation of the sinking fund on Feb. 15, 1942.

The basic purpose of the savings banks in offering this service is to provide sound life insurance protection in moderate amounts at the lowest possible cost. This automatically stops extensive promotion, and sales expense is kept at a minimum, as policies are available only on direct application to the savings banks.

The 1941 dividend scale will be continued in 1942, with third-year dividends increased about 60 cents over the second-year rate on most policies," Judge Richards declared. He added:

In the Greater New York era, the insurance is now being offered through 48 savings bank offices. In addition, it is available in most of the principal up-State cities, such as Albany, Auburn, Buffalo, Rochester, Rome, Schenectady, Syracuse and Troy, as well as in many of the smaller communities. The Bowers Savings Bank—the largest mutual savings bank in the country—the Dry Dock Savings Institution in Manhattan, and the Williamsburgh and Dime Savings Banks in Brooklyn, representing jointly over one million depositors, joined the system in the past year and have greatly increased the availability of the economical over-the-counter insurance.

Further spread is anticipated in 1942, particularly with the added emphasis on all forms of savings.

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Revised Price Ceilings On Fats And Oils Issued

The Office of Price Administration on Jan. 1 revised the maximum price schedule affecting some 1,800 fats and oils. The revision makes the general level of prices prevailing on Oct. 1 as the basis for the maximum prices instead of Nov. 26, which had been fixed under the temporary schedule issued on Dec. 13.

In advices Jan. 1 from its Washington bureau the New York "Journal of Commerce" said:

Except for butter, "essential" oils, and mineral oils, the revised schedule covers all raw, crude and refined fats and oils and their by-products and derivatives, as well as greases, it was pointed out.

Special provision is made in the schedule for soy bean oil and linseed oil and for other fats and oils the prices of which were below their normal relations to the price of cottonseed oil on Oct. 1.

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Jan. 12 a summary for the week ended Jan. 3, 1941, of complete figures showing the volume of stock transactions for the odd-lot account of all odd-lot dealers and specialists who handle odd lots on the New York Stock Exchange.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE NEW YORK STOCK EXCHANGE

Table with columns: Week Ended Jan. 3, 1942, Total for Week, Odd-lot Sales by Dealers, Round-lot Sales by Dealers, etc.

Preliminary Estimates Of December Coal Output

According to preliminary estimates made by the Bureau of Mines and the Bituminous Coal Division of the United States Department of the Interior, bituminous coal output during the month of December, 1941, amounted to 46,667,000 net tons, compared with 43,770,000 net tons in the preceding month and 41,400,000 net tons in the corresponding month in 1940.

Table with columns: Month, Coal Type, Net Tons, Work. Days, Average per Work. Day, Year to End of December (net tons).

\*Includes for purpose of historical comparison and statistical convenience the production of lignite. †Total production, including colliery fuel, washery and dredge coal, and coal shipped by truck from authorized operations.

Labor Bureau's Wholesale Price Index At Highest Level Since October, 1929

The Bureau of Labor Statistics' comprehensive index of wholesale prices of nearly 900 series rose 0.5% during the week ended Jan. 3 to 94.3% of the 1926 average, the highest level since October 1929, it was announced on Jan. 8.

The upward movement was quite general as the indexes for 8 of the 10 commodity groups averaged higher than a week ago. Chemicals and allied products rose 3.7%; farm products, 1.5%; foods, 0.8%; building materials and housefurnishing goods, 0.2%; and hides and leather products, textile products and miscellaneous commodities, 0.1%.

Action by the Government to establish price ceilings on farm products at 110% of parity stimulated the markets causing quotations to rise sharply during the week. The advance of 1.5% placed the group index at 96.9% of the 1926 average, the highest point in nearly 12 years.

Price ceilings on alcohol as of Jan. 1 geared to molasses prices on a sliding scale basis doubled the prevailing market quotations on some grades. In the meantime curtailment orders were issued by the Director of Priorities on both alcohol and molasses for civilian consumption.

Advancing prices for paint materials, including barytes, butyl and ethyl acetate, lithopone, rosin and zinc oxide were largely responsible for the increase in the building materials group index. Lumber, particularly yellow pine, declined slightly.

The following tables show (1) index numbers for the principal groups of commodities for the past 3 weeks, for Dec. 6, 1941 and Jan. 4, 1941 and a year ago; (2) percentage changes in subgroup indexes from Dec. 27, 1941 to Jan. 3, 1942.

Table with columns: Commodity Groups, Index Numbers (1926=100), Percentage changes to January 3, 1942, from Dec. 27, 1941, TO JAN. 3, 1942 (Increases/Decreases).

Most World Prices Unchanged

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.

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 indexes, which are based on prices expressed in the currency of each country, were reported Jan. 12 as follows:

Table with columns: Country (Argentina, Australia, Canada, England, Java, Mexico, New Zealand, Sweden, Switzerland, United States), 1940-1941 monthly index values.

Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry. The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated.

Table with columns: Period, Orders Received (Tons), Production (Tons), Unfilled Orders Remaining (Tons), Percent of Activity (Current/Cumulative).

Note—Unfilled orders of the prior week plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.







**From Washington**

(Continued from First Page)

sen, it will not be long before they go after him. Certainly they will do this if he does not continue to go along with them.

I have to report at this writing that, as of the first two skirmishes the embattled industrialists, seem to have won. By way of a flank attack by a small force led by Assistant Secretary of War Patterson, Walter Reuther, the leader of the Leftists, has been given an assignment to go around the country with Col. Ginsburg of the U. S. Army and report on any pooling of operations which he thinks industry might be able to effect. Of course, Reuther, the "brilliant" author of a plan to put the automobile industry out of business a year ahead of the time it has been put out of business, is still a member of the advisory committee which is to effect the "conversion" of the industry. Along with Walter, a fellow traveler, on the committee is an avowed communist, George F. Addes. And there is not the slightest doubt that Walter will have soon made his trip with Col. Ginsburg and come back to give more trouble to the automobile industry. But his assignment does at least provide a breathing space, and in the meantime, there is much laughter around Washington about the traveling companion to whom he has been assigned.

Hugh Johnson got in tremendously bad about the Colonel during the Presidential campaign by slurring the pronunciation of his name. The "World-Telegram" which sponsored the General's column, apologized for the General's speech on the radio. The Colonel first attracted attention in the days of Hoover when he was the ghost writer for the Secretary of War, Pat Hurley. Much was being said and written in those days about the witty "Irish" speeches which Pat was making. This writer fell upon the fact that the Colonel who was born in Russia, was responsible for this Irish wit. He wrote about it. Two of Pat's aides waited upon the writer and he, perceiving that Pat was about to make a goat of Ginsburg who had had nothing to do with his getting the story,

sent word to the Secretary of War, that he thought the whole thing very funny, not serious, but that he intended to watch Ginsburg's career and that if anything happened to him, then the story would be pursued in its hilarious vein. The result was that Pat sent Ginsburg off to West Point for a special course.

He is an unusually able fellow. He came into the army during the last World War and has remained in it ever since. Now, he has been ghost writing Patterson's speeches. Patterson undoubtedly sent him with Reuther because he trusts him. It remains to be seen how this trained army officer and the youngish radical get along together. Regardless, Reuther will be back soon to serve on the advisory committee of the automobile industry and then the sparks will fly.

In the meantime, the Leftists of Washington are apparently determined that if the war is won without their having their way it will not be an official victory. Industry of the country is turning out the bullets, the planes and the tanks and the whatnot of the needs for soldiers. The Leftists in the meantime, are turning out words and insist upon continuing to do so.

One can sit around and argue until he is blue in the face, for example, as to whether the automobile industry, for example, should have been struck down a year ago instead of today. The point is that today it is "struck" down. Now, to survive, it is a cinch that it will turn out all the war materials it possibly can to the extent that it gets the contracts.

Regardless of what the situation may have been in the past, it is now different. Business men who have been lending themselves to the attack on Knudsen, in this writer's opinion, have been unwittingly lending themselves to a subversive movement. The New Deal-CIO combination has been all out for a "Ministry of Production" and their whole enterprise is to get rid of Knudsen who has been standing between them and employe-employer control of the

automobile industry. Knudsen, always an obsession of the combination, has become a focal point in this most vicious of attacks.

It is this writer's opinion, based on his long experience as an observer of the Washington scene. Take it for what it is worth. If Knudsen falls the private operation of the automobile industry falls. There is still some question as to just how far he has fallen with Nelson's appointment. He may still be in a position to protect the automobile industry against the employe-employer management plan. It is doubtful if Nelson would be inclined to do so.

In fairness to the President, he has never at any time indicated the slightest dissatisfaction with Knudsen. I have the rather distinct impression that he appreciates how this man has gone along trying to do his job without engaging in controversy. I have the rather distinct impression, too, that the two men have seen eye to eye ever since Knudsen was first called to Washington. It is surprising, though — rather a commentary on Mr. Roosevelt — that he should have permitted this loyal citizen to take the beating he has without calling the dogs off.

A collateral phase of the present propaganda campaign is against Jesse Jones. He is responsible, it is being charged, for our not having more rubber on hand than we have. This writer can say authoritatively that some eight months ago, the British and Dutch producers of rubber in the East Indies, said they could not justify an increased production unless we agreed to take it over a five year period at an increase in price. Jones immediately agreed to do this. Then the Russians came into the war and overbid us for the increased production. Furthermore, the British, needing rubber also, have placed restrictions on the export.

On the question of Jones' not stimulating synthetic production, Mr. Roosevelt, himself, was the bottleneck.

But the war is not confined to the New Dealers and anti-New

Dealers. Wallace and Hopkins are warring with Ickes. The Ickes' group of New Dealers and the Wallace group of New Dealers have always gone their separate ways. Subordinates have transferred from one agency to another around here. No Ickes' man has ever transferred to a Wallace agency and vice versa. The intense feeling between Hopkins and Ickes dates back to the time when they were rival spenders and were placarding the country with signs as to which was the better spender. Now, Hopkins and Wallace have joined together in their mutual ill-feeling against Ickes and have thus far succeeded in keeping him out of any prominent place in the war set-up.

The much courted Russian Ambassador, nowadays, Litvinoff, is a very cynical fellow. He says very frankly that he thinks that 70% of the so-called battle of Libya is political. The thing for the British and Americans to do, he says, is to not to be working out so much broad strategy plans, but to attack the enemy face to face on the Western European front. It is a commentary on the bickerings of international statesmen, that he doesn't hold kindly to the view that the British want to be successful in Libya so they can give aid to the Russians in the Caucasus. He leaves the impression that the Russians would no sooner let the British "assist" them at the rear in this way than they would the Germans. Attack the Germans face to face in Europe, he says. He is a coldly calculating man.

A friend of this writer's, just arriving from Honolulu, who was there through the raid, says the people there are laughing about the fear of the Pacific Coast of an air attack. They point out that on the third Japanese raid of December 7, when we had finally got our planes in the air, that the Japs were easily repulsed.

**SEC Regulation S-X Applied To Unit Trusts**

The Securities and Exchange Commission announced on Jan. 9 the adoption of changes in Regulation S-X making that regulation applicable to the form and content of financial statements filed by unit investment trusts, including unit investment trusts which are issuers of periodic payment plan certificates. The changes are designed for use by companies subject to the Investment Company Act of 1940, but also are applicable to statements of unit investment trusts filed under the Securities Act of 1933 and the Securities Exchange Act of 1934. It is contemplated, however, that further amendments or a general revision of the requirements as to the form and content of financial statements of companies filing under the Investment Company Act of 1940 may result from the study of the financial statements of the companies covered by that Act.

The changes in Regulation S-X consist of—

- (a) amendments to Rule 1-01 to require that Regulation S-X govern the form and content of the financial statements required to be filed as part of forms C-1 and 2-MD; and
- (b) the adoption of Article 6A and the related rules of Article 12, which deal specifically with the form and content of statements of condition, statements of income and other distributable funds, and schedules for unit investment trusts, including unit investment trusts which are issuers of periodic payment plan certificates.

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

| COMMON CAPITAL STOCK INCREASED                             |                             | Amount of Increase |
|--|-----------------------------|--------------------|
| Jan. 2—The National Bank of Wyandotte, Wyandotte, Mich.    | From \$100,000 to \$200,000 | \$100,000          |
| Jan. 8—The Farmers National Bank of Geneseo, Geneseo, N.Y. | From \$63,125 to \$85,000   | 21,875             |

**The Capital Flotations In the United States During the Month of December and for the Twelve Months of the Calendar Year 1941**

December's corporate capital issues market was the quietest of any month this year and the volume of financing carried out during the month, \$111,520,250 was the smallest since June 1940. Since August 1939 there have been two other months when financing operations through the capital market have been on a similarly reduced scale. In addition to last month, when the Japanese brought the war to the United States by bombing Hawaii and other outlying possessions, there was June 1940 when France fell to the Germans and capital flotations totaled \$111,247,808, and September 1939 when the European War commenced with the invasion of Poland and capital financing amounted to \$96,214,150. The association of these events with the capital issues market is not a remote one for each of these occurrences provoked marked weakness in the nation's securities markets. Naturally the hazards of bringing out new issues were greatly enlarged in consequence. In months succeeding the earlier dates mentioned the new issues volume went forward to higher levels than theretofore. The future is enveloped with a greater degree of uncertainty now however, for it is customary for nations at war to institute strict control of the capital markets. What may be done here in this regard remains to be seen.

The volume of financing for new capital purposes in December was less affected than the total and the \$59,465,696 issues sold for this purpose was only 30% below the monthly average for 1941, whereas the total figures were nearly 50% below the year's average. In December 1940, issues sold for all purposes aggregated \$396,778,240 and those for new capital purposes \$32,198,558.

Issues sold privately last month totaled \$59,572,000 and represented more than 53% of the month's total sales. This was a greater amount than in November when \$14,600,000 or a little more than 10% was privately placed. In October private sales accounted for \$68,595,000 or 34% of the total.

Only three corporations brought out issues last month for \$10,000,000 or over; Pennsylvania RR. offered publicly \$18,465,000 equipment trust certificates; in addition, there were two private placements of such size, viz., \$23,200,000 obligations of Public Service Co. of Indiana, Inc. and \$13,000,000 of Loews Inc.

Municipal financing dropped to \$60,287,387 last month from \$73,116,663 in November. However the portion

representing new money rose to \$42,014,869 from the year's low of only \$19,986,860 in November.

Below we present a tabulation of figures since January, 1939, showing the different monthly amounts of corporate financing as revised to date. Further revisions of the 1941 figures will undoubtedly be necessary from time to time, particularly as additional private financing is brought to light in annual reports and other places.

SUMMARY OF CORPORATE FIGURES BY MONTHS, 1941, 1940 AND 1939

|                | *1941         |                |                | *1940         |                |                | *1939        |               |               |
|----------------|---------------|----------------|----------------|---------------|----------------|----------------|--------------|---------------|---------------|
|                | New Capital   | Refunding      | Total          | New Capital   | Refunding      | Total          | New Capital  | Refunding     | Total         |
| January        | \$ 52,928,677 | \$ 271,387,665 | \$ 324,316,342 | \$ 35,469,718 | \$ 137,994,832 | \$ 173,464,550 | \$ 5,926,032 | \$ 10,386,300 | \$ 16,312,332 |
| February       | 46,549,770    | 227,012,100    | 273,561,870    | 46,004,059    | 211,341,681    | 257,345,740    | 23,833,072   | 136,115,000   | 159,948,072   |
| March          | 86,634,370    | 115,287,655    | 201,922,025    | 31,527,491    | 103,799,050    | 135,326,541    | 58,179,191   | 8,688,660     | 106,867,851   |
| First quarter  | 186,112,817   | 613,687,420    | 799,800,237    | 113,001,268   | 453,135,463    | 566,136,731    | 87,938,295   | 195,189,960   | 283,128,255   |
| April          | 39,469,665    | 107,180,735    | 146,650,400    | 59,175,210    | 192,497,442    | 251,672,652    | 78,200,042   | 181,769,350   | 259,969,392   |
| May            | 63,874,177    | 197,102,123    | 260,976,300    | 89,787,130    | 84,280,300     | 174,067,430    | 21,740,443   | 161,502,000   | 183,242,443   |
| June           | 90,466,785    | 113,390,374    | 203,857,159    | 9,771,328     | 101,476,480    | 111,247,808    | 31,241,064   | 251,793,424   | 283,039,488   |
| Second quarter | 193,810,627   | 417,673,232    | 611,483,859    | 158,733,668   | 378,254,222    | 536,987,890    | 131,181,549  | 6,506,974     | 726,251,323   |
| Six months     | 379,923,444   | 1,031,360,652  | 1,411,284,096  | 271,734,936   | 831,389,685    | 1,103,124,621  | 219,119,844  | 750,259,731   | 1,009,379,578 |
| July           | 43,569,170    | 86,468,380     | 130,037,550    | 49,833,450    | 242,447,950    | 292,281,400    | 49,703,366   | 180,669,950   | 230,373,325   |
| August         | 327,402,743   | 74,427,157     | 401,829,900    | 67,938,134    | 112,893,538    | 180,831,672    | 25,894,844   | 50,834,833    | 112,475,208   |
| September      | 34,264,713    | 161,391,300    | 195,656,013    | 68,006,465    | 65,594,785     | 133,601,250    | 16,019,150   | 80,195,000    | 96,214,150    |
| Third quarter  | 405,236,626   | 322,286,837    | 727,523,463    | 185,778,049   | 420,936,273    | 606,714,322    | 91,617,360   | 578,327,600   | 669,944,960   |
| Nine months    | 785,160,070   | 1,353,647,489  | 2,138,807,559  | 457,512,985   | 1,252,325,958  | 1,709,838,943  | 310,737,204  | 1,368,587,334 | 1,679,324,538 |
| October        | 103,261,200   | 97,050,220     | 200,311,420    | 47,728,100    | 345,346,770    | 393,074,870    | 20,297,396   | 157,474,063   | 177,771,459   |
| November       | 89,427,250    | 42,384,100     | 131,811,350    | 168,943,139   | 93,942,646     | 262,885,785    | 21,640,375   | 50,834,833    | 112,475,208   |
| December       | 59,465,696    | 52,054,554     | 111,520,250    | 62,198,538    | 334,679,682    | 396,878,240    | 30,778,957   | 195,817,158   | 226,595,215   |
| Fourth quarter | 252,154,146   | 191,488,874    | 443,643,020    | 278,869,797   | 773,869,098    | 1,052,738,895  | 72,715,828   | 444,126,054   | 516,841,882   |
| Twelve months  | 1,037,314,216 | 1,545,138,363  | 2,582,452,579  | 736,382,782   | 2,026,195,056  | 2,762,577,838  | 383,453,032  | 1,812,713,388 | 2,196,166,420 |

\*Revised.  
\*NOTE—The February, 1941, and the cumulative 1941 figures in the above table have been adjusted to reflect the addition of the following short-term note issue, which was placed privately with an insurance company last February but heretofore has escaped our notice. Commercial Credit Co. two-year 1-10% notes due Feb. 21, 1943, aggregating \$15,000,000; total proceeds for working capital.



Cairo Water Co., 1st mtge. bonds, 3 3/4% series B, 1971, \$400,000 (May).
California Packing Co., 2 3/4% debts., 1942-1956 (\$7,500,000 (May)).
California Public Service Co., 1st mtge. 4 1/4% bonds, \$140,000 (Jan.).
California Water & Telephone Co., 3.60% 1st mtge. bonds, 1971, \$5,850,000 (Oct.).
Capital City Water Co., 1st mtge. 3 3/4% bonds, \$600,000 (March).

National Cylinder Gas Co., 10-year 2 3/4% s. f. debts., 1951, \$1,500,000 (Sept.).
National Gypsum Co., 3% s. f. debts., 1955, \$1,000,000 (Dec.).
National Union Radio Corp., 3% debts., 1944, \$125,000 (Nov.).
Neiman-Marcus Co., Dallas, Texas, 1st mtge. 4% bonds, due monthly to 1957, \$900,000 (Jan.).

Western New York Water Co., 3 3/4% s. f. notes, 1956, \$1,400,000 (Oct.).
Western Pacific RR., 1 1/4% equip. trust certificates, 1942-1951, \$2,650,000 (July).

PRIVATE CORPORATE FINANCING

Table with 3 columns: Year, First 6 Months, Last 6 Months, Total Year. Rows include 1941-1942, 1940, 1939, 1938, 1937.

Farm Loan and Government Agency Financing in 1941

Financing by this group reached a total volume of \$1,969,030,000 in 1941, an amount exceeded in only one other year, 1939, when issues totaling \$2,461,560,325 were brought out.

It is contemplated that all guaranteed issues will eventually be converted into Treasury issues leaving only one kind of Federal obligations in the market.

Foreign Issues Placed in the United States

Following we present our usual annual summary of foreign security issues placed in the United States by both corporations and governmental bodies.

In the past decade or so foreign issues have been of only modest size but in the period 1924 to 1930 inclusive a really important volume of financing was undertaken here by foreign municipal and corporate entities.

Following is a summary of the yearly figures since 1919:

GRAND SUMMARY OF FOREIGN ISSUES PLACED IN UNITED STATES (INCLUDING CANADA, ITS PROVINCES AND MUNICIPALITIES)

Table with 4 columns: Calendar Years, New Capital, Refunding, Total. Rows include 1941, 1940, 1939, 1938, 1937, 1936, 1935, 1934, 1933, 1932, 1931, 1930, 1929, 1928, 1927, 1926, 1925, 1924, 1923, 1922, 1921, 1920, 1919.

Issues Not Representing New Financing

It happens from time to time that owners of large blocks of securities which have been outstanding for some time, desiring to liquidate all or part of their holdings, prefer to do so by making a public offering of the securities involved.

Since the start of the European War, these offerings have been extraordinarily large in some months, chiefly due, no doubt, to the activities of the British Government in liquidating the American securities which it sequestered from its nationals.

Corporation to make loans to foreign governments collateralized by American securities. Under this authority large loans have been made to Great Britain by the corporation and this has evidently been responsible for a marked reduction in the volume of secondary offerings in the latter half of 1941 as compared with the first half. Nevertheless, the total for the second six months of the year, \$139,866,169, was more than the entire year 1940. In all of 1941, the secondary distributions which have come to our notice, had an aggregate value of \$389,569,510, compared with \$126,330,104 in 1940 and \$66,876,758 in 1939.

Of course, these transactions are no different, in effect, from the sales of such securities on one of the exchanges or in the over-the-counter market, and the companies whose securities are involved receive no part of the proceeds of the sales. Such offerings as these have no place in our compilations of new issues, but we have tabulated them separately for whatever interest they may have on their own account, and present the results in the table below:

ISSUES NOT REPRESENTING NEW FINANCING

Table with columns for years 1941, 1940, 1939, 1938, 1937 and rows for months from January to December, plus a total for 6 months and a total for the calendar year.

Treasury Financing in December and the Calendar Year 1941

Public financing of the United States Treasury in December, the first month of war, reached the huge aggregate of \$3,282,547,589, the greatest of any month last year except October when the total amounted to \$3,451,125,399. The portion of last month's financing representing new indebtedness, \$2,780,391,589, however, topped all other months of 1941 including October. The chief financing operation of the month and perhaps the largest cash offering since the last war was the sale to the public early in the month of \$1,602,317,150 2% and 2 1/2% Treasury bonds. The issue was well received and was oversubscribed several times. Other fund raising means employed by the Treasury included weekly bill offerings in excess of maturities and the continuing sales of Defense Savings Bonds and Tax Series Notes and, to a small extent, Depository Bonds. Defense bonds enjoyed the greatest sales volume, \$536,285,664, of any month since they were first offered last May. Up until last month, the first month's sales of \$374,777,142, remained the largest and November's sales of \$238,468,536 were only barely higher than the smallest. Demand for savings bonds in December was stimulated by the Japanese attack on our outlying possessions and by purchases of bonds for Christmas gifts.

The bill offering in the first week of December, as in the final two weeks of the previous month, was for about \$100,000,000 above the week's maturities. The amount of new money raised through this medium was reduced to about \$50,000,000 per week in the succeeding weeks of the month. In order to have substantial maturities in the period in March, when tax collections will be heavy, the Treasury shortened the bills dated Dec. 24 to 82 day obligations and those dated Dec. 31 to 76 days. It is planned that about \$300,000,000 bills will mature in the week of March 16.

Yields on the bills sold last month continued to rise although not so markedly as in November when the last issue's yield of 0.267% compared with October's last of 0.067%. December's last and highest was 0.310% and it is necessary to go back to October 1937 to find a higher yield.

The year 1941 saw a rise in the gross debt of the United States from \$45,024,631,488 to \$57,938,123,097, thereby dwarfing the rises in all the depression years of the thirties and, in fact, having no precedent other than the first World War period when the debt rose from \$2,712,549,477 June 30, 1917 to \$25,234,496,273 June 30, 1919. Of course in a period like the present, when the nation is engaged in a major war, debt increases must remain as secondary considerations to the successful prosecution of the conflict. And with this in mind we must accept the obvious prospect of greater and greater future advances in the public indebtedness until we have achieved a final victory.

The figures noted are only the direct indebtedness and do not reflect the Federal agency debt which amounted to \$5,901,357,155 at the end of 1940 and \$6,316,593,955 at the close of 1941. It was announced in October, 1941, that this debt would be converted into Federal obligations in order to simplify the war finance program. The first step in this direction was taken in the same month with the offering of Treasury notes for maturing RFC and CCC notes and later it was announced that further conversions would be arranged in January, 1942. The October exchange was accountable for \$502,983,000 of the year's increase in direct Federal indebtedness.

Last February the limitation on Federal indebtedness was raised from \$49,000,000,000 to \$65,000,000,000 and before the year-end Secretary of the Treasury Morgenthau pointed out that a further increase would be necessary in the near future. This is only too obvious since merely converting the total guaranteed debt into direct debt would raise the Federal debt close to the present limitation. Under the same law, last February all Fed-

eral direct and agency obligations issued after March 1, 1941, were made subject to all Federal taxes.

In May, 1941, the new defense savings bonds were placed on sale and these brought in about \$2,609,317,607 during the year. Tax anticipation notes placed on sale in August resulted in total sales of \$2,479,375,900. Depository bonds, another new type of security but one not expected to be sold in great quantities, were sold in an aggregate of \$63,746,000 up to the end of 1941. The balance of the year's financing was in the customary Treasury bonds, notes and bills.

In the tabulations which follow we outline the Treasury's financing activities in the current year.

UNITED STATES TREASURY FINANCING DURING 1941

Main Treasury financing table with columns: Date Offered, Dated, Due, Amount Applied for, Amount Accepted, Price, Yield. Includes sub-totals for First 6 months, July, August, September, October, November, and December, and a total for 12 months.

\* Average rate on a bank discount basis. a Comprised of three separate series, of which series F have 10-year maturity, are sold on a discount basis at 75, and yield 2.90%; series F have a 12-year maturity, are sold on a discount basis at 74, and yield 2.53%; and series G have a 12-year maturity, are sold at 100, and bear 2 1/2% interest. b Comprised of two separate issues, designated Treasury notes of tax series A-1943 and tax series B-1943; series A earn about 1.92% a year and series B, about 0.48%. c Public cash offering. d Allotted to Government investment accounts. e Public exchange offering.

USE OF FUNDS

Table with columns: Dated, Type of Security, Total Amount Accepted, Refunding, New Indebtedness. Includes sub-totals for First 6 months, July, August, September, October, and a total for 12 months.

Table with columns: Dated, Type of Security, Total Amount Accepted, Refunding, New Indebtedness. Includes sub-totals for November, December, and a total for 12 months.

e Public cash offering. d Allotted to Government investment accounts. e Public exchange offering.

\* INTRA-GOVERNMENT FINANCING

Table with columns: 1941, Issued, Retired, Net Issued. Includes sub-totals for First six months, July, August, September, October, and a total for 12 months.

\* Comprised sales of special series certificates and notes; certificates sold to Adjoined Service Certificates Fund and Unemployed Trust Fund, and notes to Federal Old Age and Survivors Insurance Trust Account, Civil Service Retirement Fund, Foreign Service Retirement Fund, Canal Zone Retirement Fund, Alaska Railroad Retirement Fund, Postal Savings System, Government Life Insurance Fund, National Service Life Insurance Fund, Federal Deposit Insurance Corporation, and Federal Savings & Loan Insurance Corporation. c Excess of retirements.

In the comprehensive tables on the succeeding pages we compare the December and the 12 months' figures with those for the corresponding periods in the four years preceding, thus affording a five-year comparison. Following the full-page tables, we give complete details of the capital flotations during December, including every issue of any kind brought out in that month.

Details of New Capital Flotations During December, 1941

Table listing various capital flotations with columns: Amount, Description, Purpose, and other details. Includes entries for Chicago & North Western Ry., Pennsylvania RR., Southern Pacific Co., Wheeling & Lake Erie Ry., Albuquerque Gas & Electric Co., Central Maine Power Co., Middle Western Telephone Co., Mobile Gas Service Corp., North Shore Gas Co., North Shore Gas Co., and The Panther Valley Water Co.

SUMMARY OF CORPORATE, FOREIGN GOVERNMENT, FARM LOAN AND MUNICIPAL FINANCING FOR THE MONTH OF DECEMBER FOR FIVE YEARS

Table with columns for Year (1937-1941), New Capital, Refunding, Total, and Grand Total. Rows include Corporate, Domestic, Long-term bonds and notes, Short-term bonds and notes, Preferred stocks, Canadian, and other categories.

CHARACTER AND GROUPING OF NEW CORPORATE ISSUES IN THE UNITED STATES FOR THE MONTH OF DECEMBER FOR FIVE YEARS

Table with columns for Year (1937-1941), New Capital, Refunding, Total, and Grand Total. Rows are categorized by industry: Long-Term Bonds and Notes, Short-Term Bonds and Notes, Stocks, Railroads, Public utilities, etc.

SUMMARY OF CORPORATE, FOREIGN GOVERNMENT, FARM LOAN AND MUNICIPAL FINANCING FOR THE 12 MONTHS ENDED DEC. 31 FOR FIVE YEARS

Table with columns for Year (1937-1941), New Capital, Refunding, Total, and Grand Total. Rows include Corporate, Domestic, Long-term bonds and notes, Short-term bonds and notes, Preferred stocks, Canadian, and other categories.

\* These figures do not include funds obtained by States and municipalities from any agency of the Federal Government.

notes were issued for construction purposes. Price, par. Sold privately through Drexel & Co.
\*13,200,000 Public Service Co. of Indiana, Inc., 1st mtge. 3 3/4% bonds, series C, due Nov. 1, 1971. Purpose, refunding. Price, 105 and interest. Sold privately to eight insurance companies.
\*10,000,000 Public Service Co. of Indiana, Inc., unsecured notes (average interest rate 2.356%), due serially to Dec. 1, 1950. Purpose, refunding. Sold privately to Indiana National Bank, Merchants National, and American National banks of Indianapolis, Chase National Bank of New York, Continental Illinois National Bank & Trust Co., and Harris Trust & Savings Bank, Chicago, Travelers Insurance Co. and North-Western Mutual Life Insurance Co.
50,000 South Carolina Gas Co. 1st mtge 5% serial bonds due 1943-1971. Purpose, expansion, &c. Offered by Ray T. Haas, Chicago.

OTHER INDUSTRIAL
\$4,000,000 Food Machinery Corp. 3% sinking fund debentures, due 1956. Purpose, pay bank loans of \$2,100,000 (incurred for redemption of 4 1/2% preferred stock), working capital (\$1,900,000). Price, 100 and interest. Offered by Kidder, Peabody & Co., and Mitchum, Tully & Co.
2,500,000 General Shoe Corp. 15-year 3 1/4% sinking fund debentures, due 1956. Purpose, general corporate purpose. Price, 99 and interest. Offered by Smith, Barney & Co.; Equitable Securities Corp., and Alfred D. Sharp (Nashville).
\*850,000 Hilton-Davis Chemical Co. 12-year 4% notes. Purpose, refunding (\$367,500), pay current borrowing and working capital. Sold privately to Equitable Life Assurance Society of the United States through Distributors Group, Inc.
\*13,000,000 Loew's, Inc. 3% 15-year debentures. Purpose, refunding. Sold privately to Massachusetts Mutual Life Insurance Co., John Hancock Mutual Life Insurance Co., Sun Life Assurance Co., Penn Mutual Life Insurance Co., New England Mutual Life Insurance Co., State Mutual Life Assurance Co., Union Central Life Insurance Co., Continental Casualty Co., and Continental Assurance Co.

\*1,000,000 National Gypsum Co. 3% sinking fund debentures; due Dec. 1, 1955. Purpose, working capital. Sold privately through W. E. Kutton & Co.
\$21,350,000 RUBBER
\*\$5,000,000 (B. F.) Goodrich Co. 3% first mortgage bonds, due 1956. Purpose, general corporate purposes. Sold privately to an insurance company through Goldman, Sachs & Co., and Dillon, Read & Co.
REAL ESTATE
\*\$3,200,000 Central Investment Corp., Los Angeles, first mortgage (4 1/4-4 1/2%) bonds, due serially 1942-1956. Purpose, refunding. Placed privately with Connecticut Mutual Life Insurance Co.
300,000 The Felician Sisters O. S. F. of Detroit first ref. mtge. sinking fund (3-3 1/4%) bonds, series A, due July 1, 1954. Purpose refunding. Price, 101 and interest. Offered by C. Ziegler & Co.

CHARACTER AND GROUPING OF NEW CORPORATE ISSUES IN THE UNITED STATES FOR THE 13 MONTHS ENDED DEC. 31 FOR FIVE YEARS

Table with columns for years 1941, 1940, 1939, 1938, 1937 and Total. Rows include categories like Long-Term Bonds and Notes, Short-Term Bonds and Notes, Stocks, Public Utilities, and Miscellaneous. Each row contains data for New Capital, Refunding, and Total for each year.

\$100,000 First Methodist Episcopal Church of Wilmette, Ill. first refunding mortgage, 4% serial bonds, due 1942-1951. Purpose, refunding. Price, 101 and interest. Offered by B. C. Ziegler & Co.

MISCELLANEOUS
\$500,000 Beacon Associates, Inc. 6 1/2% participating sinking fund debentures, series A, due July 1, 1971. Purpose, advances to wholly-owned subsidiaries to make loans, liquidate bank loans, &c. Price, \$110 and interest. Offered by F. L. Luman & Co., Inc.

PUBLIC UTILITIES
\$600,000 Mobile Gas Service Corp. 6.000 shares of 6% cumulative preferred stock (par \$100). Purpose, refunding (\$351,400) construction fund; pay interest on income bonds, &c. Price, \$92.50 per share. Offered by the First Boston Corp., the Robinson-Humphrey Co., Granbery, Marache & Lord, Starkweather & Co., Lamar, Kingston & Labouisse, Ward, Sterne, Agee & Leach and Shropshire & Co.

\$3,835,000

\$21,080,297

\* Indicates issues placed privately.