

# FINANCIAL CHRONICLE

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## Eccles Criticizes Competitive Bidding Up Of Wages & Salaries As Forcing Inflation

The necessity of "restraint on increases in wages, salaries, bonuses and other such payments" was stressed on May 25 by Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, in an address in Washington, before the District of Columbia Bankers. In declaring that the situation not only as to rising prices but increased wages calls for coordinated action on many fronts. Mr. Eccles commenting on the "spiraling of wage rates," said that restraint in the latter cases "means that employers in defense and in non-defense industries must refrain from the competitive bidding up of wages and salaries which results inevitably from the increasing demands of war production for additional workers and from the natural reluctance of non-defense industry to part with its employees." He went on to say:

union leaders. This competitive bidding for workers, resulting in a rapid spiraling of wage rates, has to be stopped.

We have heard overmuch perhaps about union agitation for increased wages, but I venture to say that the competitive situation into which large and small employers have been thrust by the very nature of a war economy is doing more to drive up the general level of wages and income payments than all the combined efforts of

Employers who see only their immediate horizon have little or no incentive for stopping it. They figure that with the Government taking through taxes most of the money they earn, they might as well pay whatever wages will hold their own workers or hire away a competitor's. The increased wages can be charged up to expenses. On cost plus (fixed fee) contracts there isn't any incentive for the contractor to put on the brakes. But the Government loses taxes because some of the money escapes from the high corporate taxes into pockets that the tax collector may fail

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## FROM WASHINGTON AHEAD OF THE NEWS

By CARLISLE BARGERON

In the realization that has recently come to Congress that it was losing its voice in the affairs of men, and in its efforts to do something about the situation, that body seems only to bog down deeper. Unjustly so.

Recently, the Senate Banking and Currency Committee gulpingly swallowed a proposal to authorize Leon Henderson and Jesse Jones to subsidize industries caught in Leon's price ceiling strait-jacket. It was Henderson's baby, but Jones went to the front for it just as he has done for so many New Deal projects in the past.

The Senate turned the proposal down. One underlying reason was the experience Jesse has just had with the New Dealers. Time after time Congress has delegated authority to the Executive Branch because Jesse was to administer it and Congress had confidence in him. But several weeks ago the New Dealers went on a campaign to whittle this authority away from him and take it into their own hands. So when Jesse appeared before the Committee in support of this latest proposal, members wanted to know if he had not learned his lesson.

But the underlying reason which is being most widely attributed to the Senate in killing the proposal is that Leon has ignored members of Congress in his appointment of State Rationing Directors, their assistants and clerical help. Leon is seeking appropriations for a set-up of some 102,000 persons which would make it next to Agriculture in the Government bureaucracies. Because he has by-passed Congress it is reported he is having plenty of trouble in getting his appropriation.

Now, according to Congress' critics, this is the very sort of stuff that has brought the body into disrepute.

I submit that, instead, it has been Congress' complacency in such matters that has permitted the bureaucracy to get the upper hand over it.

Just why it is assumed by the intellectuals that the members of Congress are politicians and the up-town New Dealers are not, but unselfish public servants, is difficult to understand.

Up until the time the New Deal got a definite foothold, the members of Congress, particularly the Senators, controlled the personnel of the Executive Branch. Innumerable times the Senate has turned down a President's ap-

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## THE FINANCIAL SITUATION

Public officials, from the President down, appear of late to have grown uneasy lest a feeling of "over-optimism" develop here in the United States which might in some measure impede the war effort, but in official as well as in unofficial circles a hopefulness of an earlier ending of the war than had been expected appears to be manifest, and it has brought with it a revival of interest in what has been termed "winning the peace." Current discussions of this latter subject, which have been frequent of late in circles in close sympathy with the Roosevelt-Willkie ideas of our part in post-war international affairs, were on Memorial Day brought to a sort of climax by Under-Secretary of State Sumner Welles. It may of course be taken for granted that Mr. Welles spoke with the knowledge and approval of the President. His address is in some quarters spoken of as a further and somewhat more explicit exposition of the so-called Atlantic Charter.

Mr. Welles does not appear very specific to us, but what he said is not, at several points, particularly reassuring. Quite the contrary, in fact. Indeed it seems to us that the thoughtful reader cannot well fail to find some distinctly ominous implications in his words. We quote:

I believe they (the men who do the fighting) will insist that the United Nations undertake the maintenance of an international police power in the years after the war to insure freedom from fear to peace-loving peoples until there is established that permanent system of general security promised by the Atlantic Charter.

Finally, I believe they will demand that the United Nations become the nucleus of a world organization of the future to determine the final terms of a just, an honest and a durable peace to be entered into after the passing of the period of social and economic chaos which will come inevitably upon the termination of the present war, and after the completion of the initial and gigantic task of relief, of reconstruction and of rehabilitation which will confront the United Nations at the time of the armistice.

Can it be that Mr. Welles—and presumably the Administration — envisages "years" of "social and economic chaos" after the fighting has ceased before peace terms are arranged or such countries as Germany, Italy and Japan accorded the status of nations at all? During which time the United Nations will rule the world through a "police force" of their own? And during which time the vic-

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## Hard-Headed Skepticism

*We have every right, and every duty, both of self-interest, of common sense and common humanity, in endeavoring so to arrange affairs that another 20 years will not see another generation forced into the same conflict. I believe, accordingly, that the men to whom responsibility must be entrusted now, must be men who are capable of realizing what is at stake, and of formulating the policies needed to finish this job as well as to begin it.*

*The isolationist who wanted to run away from the war will be the same man who would accept a compromise peace, or would run away from the obligation which we shall have to assume to see that the peace is kept.*

*The man who tried to play it safe on the issue whether we should assist in the fight against Axis conquest would be the first to try to dodge the issue as to whether we should safeguard liberty and the safety we have won, once victory has been achieved by blood and sweat.—A. A. Berle, Jr.*

For our part, we suspect that participation by men endowed with a reasonable degree of hard-headed skepticism, far from hurting, would greatly promote sound post-war reconstruction and pacification.

## Urges Action To Cope With Rubber Problem

The seriousness of America's rubber situation and the urgent need for speed in creating large-scale synthetic rubber capacity, at the same time conserving every available pound of rubber, are major points made by John L. Collyer, President of the B. F. Goodrich Co., Akron, Ohio, in his testimony to the special Senate Committee investigating the national defense program. The committee made public Mr. Collyer's statement on May 23; he stated therein:

"We must rush the building of synthetic plants without losing a moment. Synthetic rubber production estimates have been made for the years 1943 and 1944. But these estimates might be upset by shortage of structural materials, transportation delays and shortage of experienced engineering personnel. The Government and industry must organize so that work will proceed with the utmost speed, overcoming all hindrances. It has been indicated that necessary priorities will be given; and this, of course, is fundamental.

"Equally important, however, is for us all to understand clearly that we have two other equally big jobs to do. One is the collection of scrap rubber so that we can fully utilize the facilities that we have for making reclaimed rubber."

In part Mr. Collyer also had the following to say:

"The other big job we have to do is to intensify our program of rubber conservation.

"In estimating future rubber consumption no provision has been made for the removal of present restrictions on tires for civilian use. Eventually products made of rubber must be replaced or vital services will break down. Workers must have transportation to and from distant war production jobs. A way must be found to keep America's automobiles and trucks—key factors in U. S. war or peace economy—on the road. We must keep them rolling, too.

"This is the reason that we must press for further action which will make rubber available for the basic needs of the American people. Only one course is open. We need a much more intensive program of rubber conservation. This can be accomplished by the wholehearted cooperation of the Government, industry, the Army and Navy, and private owners of automotive equipment."

Mr. Collyer traced his company's 16-year synthetic rubber research program and stated that B. F. Goodrich had already filed 60 patent applications covering novel features of its work, with 100 other patents in the course of preparation.

In discussing the use of synthetic rubber in the manufacture of tires, the B. F. Goodrich President said his company had made and successfully tested passenger car tires in which synthetic rubber replaced all of the natural rubber ordinarily used except for approximately one ounce in insulation around the bead wire.

Mr. Collyer referred to the scrap rubber situation as critical, calling "for prompt and effective action." "Dependence," he said, "upon reclaimed rubber is a basic factor in all planning to bridge the gap until synthetic rubber begins to come in, and even thereafter, as well." He likewise said, "it will take an all-out continuing nation-wide 'rubber round-up' to bring in the worn and discarded rubber products that are desperately needed.

"I cannot emphasize too strongly this imperative need to comb every county in this country for the scrap rubber that will help us to meet the rubber crisis."

Editorial—

## The Menace Of Expanded Federal Taxation To Electric Utility Prosperity

By ERNEST R. ABRAMS

The greatest threat to the continued prosperity of electric and gas utilities in the country today is vastly expanded Federal taxation. During 1941, according to National Industrial Conference Board data, manufacturers of durable goods enjoyed a 49% increase in gross sales over the previous year, while makers of non-durable goods showed 1941 sales 29% higher than those of 1940. But the gross revenues of utilities expanded only 9% during the year.

Moreover, even though their Federal tax bills increased sharply during the year, manufacturing enterprises, collectively, were still able to report a 1941 gain of 20% in net income available for dividends. But the electric utilities, as a group, due to substantially increased operating costs, vastly expanded Federal taxes, and a capital turnover eight times slower than enjoyed by general business, had an aggregate 1941 net income 3.3% below that of 1940. And it is now proposed that Federal tax rates applicable to 1942 revenues be expanded to a point where the net income of electric and gas utilities will be some 30% below the 1941 level.

But these are generalities. Perhaps the best method of indicating the adverse effect of existing and proposed Federal taxes on the earnings of operating gas and electric utilities, and upon utility holding company systems, is to sight specific examples. During 1941 Columbia Gas & Electric Corporation and its subsidiary companies accrued Federal taxes aggregating \$15,476,909. This exceeds by more than \$6,783,000, or over 78%, the amount of Federal taxes accrued in the previous year. And due largely to the vast expansion in its Federal tax bill, the Columbia System's 1941 consolidated net earnings were almost a fifth below those reported in 1940.

Moreover, if the Columbia System had been forced to pay Federal taxes on 1941 operations at rates proposed by the House Ways and Means Committee, its 1941 Federal tax bill would have increased over 1940 by more than 141%, instead of the 78% increase actually experienced. And if the rates proposed by the U. S. Treasury Department had been in effect in 1941, its Federal tax bill would have been 161% higher than in the preceding year.

In a sense, of course, Columbia Gas & Electric is not typical of the holding company field. It suffered severely last year and will continue to suffer under existing and proposed rates, because so many of its operating subsidiaries, engaged in extracting a mineral product from the ground, have not found it possible or feasible to secure any major proportion of their capital requirements directly from the public. Their capital needs, in the main, have had to be supplied largely by Columbia Gas & Electric Corp., itself, and Internal Revenue Department rules have a penalizing effect on that type of holding company capital structure.

Unfortunately, however, the effect of existing and proposed Federal taxes on the earnings of operating electric and gas utilities lends little hope that these types of operation can enjoy a healthy life under a tax-hungry Treasury and a Congress which unwittingly ignores their special problems. In an endeavor to set up a "yardstick" for the measurement of normal operating conditions, to establish some basis for the determination of earnings resulting from non-war and non-defense activities, Congress accepted the four-year 1936-1939 period as the base period, and provided in earlier tax legislation that the average amount earned during the base period should be the measure of normal non-war earnings of private enterprises. It now appears to be considering the abandonment of its own "yardstick."

To indicate the adverse effect of existing Federal tax rates, and those proposed for enactment, on the earnings of an operating electric and gas utility, consider the case of The Cincinnati Gas & Electric Company. Supplying gas and electricity to a population of 725,000, largely in Ohio, its household electric rates practically are the lowest in the country. Yet, despite an enviable operating record, and due almost wholly to increased Federal taxation during the year, its 1941 net income was more than 23% below the average net income for the 1936-1939 base period. Moreover, if the rates recently proposed by the House Ways and Means Committee had been applicable last year, Cincinnati Gas & Electric's 1941 net income would have been 53% below the average for the base period. And had the rates proposed by the Treasury Department been in effect, the company's 1941 net income would have been 68% below the base period average.

The effects of existing and proposed Federal tax rates on the net income of Cincinnati Gas & Electric Company, in

large measure, are typical of results experienced and to be experienced by all the major operating electric and gas utilities in Ohio. According to a study based on data submitted by nine utilities, which, collectively, serve 85% of the population of the State, the aggregate net income of the nine systems during 1941 was 15.7% below the average of combined net income for the 1936-1939 base period. By individual companies the percentages of decline ranged from a low of 7.2% to a high of 26.7%, with none of the nine companies reporting net income in excess of the base period average.

And when the tax rates proposed by the Treasury Department were applied to 1941 operations, the aggregate net income of the nine utilities was 50.5% below the 1936-1939 average, with the lowest decline 40.0%, the highest 66.4%, and with no utility showing an increase in net income over the base period average.

The reduction through Federal taxation of the aggregate net income of nine important Ohio utilities to less than 85% of their combined average net income in the four years 1936-1939 obviously cannot be attributed to the draining away of war-stimulated excess profits. The maximum rate of return which the Ohio Public Service Commission permits electric and gas utilities to earn on their proved investment in facilities devoted to public service is 6½% for gas utilities, and a somewhat lower rate for electric utilities. And since public and political pressure during depression years of a decade ago were directed at reduced rates for household gas and electric service, it is improbable that any one of the nine Ohio utilities, on whose operating results these calculations were based, even approached its maximum allowable rate of return during the 1936-1939 base period. As a result Federal taxation of electric and gas utilities at present or proposed rates cannot be justified on the grounds that wartime "excess profits" are being seized.

Moreover, with taxes at the levels proposed either by the House Ways and Means Committee or the Treasury Department, electric and gas utilities will lose all opportunity to protect the owners of their equity capital. Rate increases to correct for taxes are out of the question. Not only are they in opposition to the Government's price-ceiling policies, but with Federal tax gatherers preparing to take close to 90 cents of each dollar of added earnings, these rate boosts would, of necessity, have to be nine or ten times greater than the relief they were designed to afford.

If our electric and gas utilities are to be kept in a sound condition for the duration, if they are to continue payments to investors for the hire of capital, our legislators and tax authorities must recognize that they are deserving of special treatment in future revenue laws. They must understand that publicly regulated enterprises cannot be subjected to the same exactions that apply to non-regulated undertakings. They must appreciate that governmental regulatory bodies long ago removed all possibility of war profits or excess profits from the electric and gas utility fields.

## The State Of Trade

Reports from most sections continue to show a high level of activity, especially where the heavy industries are concerned. Employment in the domestic steel industry reached an all-time high in April, with 654,000 workers on the pay rolls, the American Iron & Steel Institute reveals. This was 1,000 more workers than were employed in March, and compared with employment of 621,000 in April last year.

April pay rolls also established a new monthly peak at \$118,568,000 compared with \$116,998,000 in March and \$108,557,000 in April of last year.

Electric power production continues to hold at high levels, the latest report showing production 11.2% above the year ago total of 3,040,029,000 kilowatt hours. Production of electricity increased 0.7% in the week ended May 23, to 3,379,985,000 kilowatt hours from 3,356,921,000 in the preceding week, the Edison Electric Institute announced in its latest report.

Latest reports from the Association of American Railroads show carloadings of revenue freight at 837,748 cars. This was a decrease of 1,304 cars, or 0.2 of 1% compared with the preceding week; a decrease of 28,279 cars, or 3.3%, compared with a year ago, and an increase of 150,268 cars, or 21.9% compared with 1940.

Steel ingot production in the United States is scheduled this week at 99.3% of capacity, off three-tenths of a point from last week's 99.6%, which equaled the all-time high established in March this year. At 99.3% the industry,

it is estimated, will produce 1,686,700 net tons of ingots this week against 1,691,800 tons last week.

Official as well as unofficial business indices disclose that business activity has held steady at generally high levels from January through May. It is believed that the second half of the year will witness a markedly accelerated rate of industrial activity.

This stable level of business is considered highly satisfactory in view of the fears expressed late last year that conversion to war work would cause a temporary slump. With conversion drawing to a close in a number of key industries, and new war plants going into production constantly, business indices will now rise rapidly. It is expected, for example, that the Federal Reserve Board index will rise some 25 points over the remainder of the year to reach the 200 level.

Output for war is at high levels and well in excess of expectations, informed sources state. May output was at an annual rate of \$47,000,000,000, whereas just a year ago the rate was slightly under \$10,000,000,000. Mr. Nelson predicts that each remaining month

of 1942 will see further progress, with the annual rate exceeding \$60,000,000,000 before the Fall season is over.

The rapidity with which American industry converted from peace-time assembly lines to production of armaments was described by Mr. Henderson as "one of the greatest miracles in modern civilized production." The nation's productive system today stands ready, he said, to transfer into manufactured goods any quantity of raw materials within reach.

The general belief, among both Government representatives and business men, is that before the end of the year nothing that is not essential to the civilian economy or to the war effort will be produced. The peak of consumer goods production was last August. Output of such merchandise has been declining steadily since then and is expected to go down another 24% in 1942.

Gasoline rationing and restrictions on instalment purchases were factors in the decline in retail trade last week to below the same 1941 week's figures for the second week, according to Dun & Bradstreet, Inc.'s statistics. Volume dropped 3 to 5% below last year. The South was the only region to show a gain, averaging 3 to 7%.

The Federal Reserve Board reported department store sales dropped below the 1941 figures for the first time this year.

Retailers reported price ceilings had stimulated relatively little curiosity or new business. The response to advertised sales, however, showed that shoppers were both price conscious and quality minded, observers state.

Retail trade has now declined markedly from the frenzied buying of the earlier months of the year, a survey of retail executives indicate. Trade this month, as a matter of fact, will fail to make the usual seasonal gains, with the result that seasonally adjusted trade indices will tumble noticeably, it is said.

National income climbed to a record \$8,784,000,000 in April, the Commerce Department reports. This total of all wages, salaries, dividend payments and other forms of income payment, considered in the light of seasonal factors, would mean an annual national income of \$109,000,000,000, official advices state. Last year's total was \$92,100,000,000.

## April Exchange Sales: Market Value Down 22%

The Securities and Exchange Commission announces that the market value of total sales on all registered exchanges for April 1942, amounted to \$371,963,673, a decrease of 22.2% from the market value of total sales for March, and a decrease of 32.4% from the market value of total sales for April, 1941. Stock sales, excluding right and warrant sales, had a market value of \$272,873,945, a decrease of 20.0% from March. Bond sales were valued at \$99,075,024, a decrease of 27.7% from March. The market value of right and warrant sales totaled \$14,704.

The Commission further explained:

The volume of stock sales, excluding right and warrant sales, was 13,585,307 shares, a decrease of 16.8% from March. Total principal amount of bond sales was \$202,862,000, a decrease of 33.9% from March. The volume of right and warrant sales was 27,643 units.

The two New York exchanges accounted for 92.2% of the market value of total sales, 89.5% of the market value of stock sales, and 99.8% of the market value of bond sales on all registered securities exchanges.

The market value of total sales on all exempted securities exchanges for April 1942 was \$483,370.

## THE FINANCIAL SITUATION

(Continued From First Page)

torious powers will deliberate upon and ultimately decide, perhaps upon the basis of "good behavior," what the terms of "a just, an honest and a durable peace" shall be? How disconcertingly like our own "reconstruction period" following the Civil War all this sounds!

### Reconstruction and Rehabilitation

But of this period, which apparently is to precede peace treaties, of "relief, of reconstruction and of rehabilitation" Mr. Welles says:

The problem which will confront us when the years of the post-war period are reached is not primarily one of production. For the world can readily produce what mankind requires. The problem is rather one of distribution and purchasing power; of providing the mechanism whereby what the world produces may be fairly distributed among the nations of the world, and of providing the means whereby the people of the world may obtain the world's goods and services. Your Government has already taken steps to obtain the support and active cooperation of others of the United Nations in this great task; a task which in every sense of the term is a new frontier—a frontier of limitless expanse—the frontier of human welfare.

When the war ends with the resultant exhaustion which will then beset so many of the nations who are joined with us, only the United States will have the strength and the resources to lead the world out of the slough in which it has struggled so long; to lead the way toward a world order in which there can be freedom from want.

Is it possible that the President is thinking seriously of a post-war New Deal world resting at bottom upon the Washington collection of reform and economic fallacy? And financed by a generous United States Government, which by that time, despite all the wealth and productive power of the country and notwithstanding all the clever market rigging that has been devised in recent years, may well be obliged to scratch for its dollars—or else merely print them? One observer not long ago had the hardihood to suggest that much of Asia after the war would be converted into a giant WPA project! His suggestion appeared at the time to be so fantastic that it was difficult to credit it even to the day-dreamers of whom there are so many in Washington. Somehow it seems less beyond credulity now that Mr. Welles has spoken.

### Imperialism and Investment

The days of the old style imperialism are over, they all repeat in joint refrain. Perhaps they are. Possibly they ought to be. Certainly, there was a good deal that poorly stood the light of day. Yet in the next breath these world reformers insist that want, and the fear of want must vanish from the earth. Surely, those who plan in this way for a world millennium must be aware that there are many places on this earth where private capital would not flow and could not be expected to flow if they were left wholly under the control and direction of local populations, or if the insistence upon liberty "for all people" were carried to the point of Balkanizing these areas. Resources are not developed and the material comforts of life are not made available to vast millions of people without the investment of capital—or without the guidance and direction of those who know how to get the right things done and who naturally want payment for their services.

Perhaps Mr. Welles could not be expected to be specific in his discussion of liberty for all peoples and the like. In the first place, our own allies are masters of large areas of the earth, of hundreds of millions of alien peoples. India has of late been a good deal in the public eye in this connection. So has Burma and Malaya. There are many other problems of a like sort. But quite apart from such delicate subjects, the experience of President Wilson in trying to put his "self-determination" theories into practice, particularly in certain sections of Europe, is of course well known to Mr. Welles—not merely the difficulty of persuading others to follow our lead, but the problem of applying the concept even theoretically.

### Should Raise Doubts

Not a great deal of calm reflection would be needed, we believe, to convince any realistic student of the visionary quality of such plans for remaking or reforming the world—and of the hazard to us of undertaking any such task as seems to be implied in most of what is being said about "winning the peace." Certainly Mr. Welles' contribution should be sufficient to stimulate thought and to raise many doubts in many minds. Yet it must be said that the constant stream of propaganda now issuing from Washington and from other sources, particularly, perhaps, Mr. Wilkie, is apparently creating an emotional "attitude" among the American people which cannot fail to be disturbing to the matriculate. It is so easy to talk about the folly of winning the war and "losing the peace." It is so simple, and so appealing to the thousands who are obliged to suffer the hardships, not to say the terrors, of this war, to insist that adequate steps be taken to prevent another such

## A Safe Haven For Investment Funds

Individual Investors, trustees and other\* fiduciaries interested in becoming acquainted with the Federally insured investment opportunities offered by savings and loan associations should write for current explanatory literature to the associations mentioned below. An article bearing the caption, "Why save or invest in a savings and loan association," by Horace Russell, appeared in the May 28th issue of the "Chronicle" on page 2024.

- **First Federal Savings & Loan Association of Clovis**  
116 East 4th Street, Clovis, New Mexico
- **Quaker City Federal Savings and Loan Association**  
1427 Walnut Street, Philadelphia, Pa.
- **First Federal Savings and Loan Ass'n of Lake County**  
Leesburg, Florida
- **Atlanta Federal Savings & Loan Association**  
22 Marietta Street, Atlanta, Georgia—Ask for booklet, "A Safer and Better Plan"
- **Fulton County Federal Savings & Loan Assn.**  
Ground Floor Trust Co. of Georgia Building, Atlanta, Ga.
- **Guaranty Savings and Loan Association**  
2004 Second Avenue, North, Birmingham, Alabama
- **Prospect Federal Savings and Loan Ass'n of Chicago**  
1707 West 47th Street, Chicago, Illinois
- **Radnice Savings and Loan Association**  
3919 West 26th Street, Chicago, Illinois
- **First Federal Savings and Loan Ass'n of Wewoka, Oklahoma**
- **Peoples Federal Savings and Loan Ass'n**  
1700 West 21st Street, Chicago
- **Northern Federal Savings and Loan Association**  
4th and Cedar, St. Paul
- **American Savings & Loan Assn.**  
Dept. G, 4525 Hohman Avenue, Hammond, Ind.
- **First Federal Savings and Loan Association of Philadelphia**  
1332 Point Breeze Avenue, Philadelphia, Pa.

\*Guardians, insurance companies, State, school and municipal sinking funds, firemen's, police and other pension funds, etc.

## U. S. Must Join Post War World Group To Insure Just And Durable Peace: Welles

Under Secretary of State Sumner Welles on May 30 declared that the United States, after the victory is won, must join with the other United Nations to become the "nucleus of a world organization of the future to determine the final terms of a just, an honest and a durable peace to be entered into after the passing of the period of social and economic chaos which will come inevitably upon the termination of the present war, and after the completion of the initial and gigantic task of relief, of reconstruction and of rehabilitation which will confront the United Nations at the time of the armistice."

Speaking at Memorial Day exercises at Arlington National Cemetery, Mr. Welles said that "this is in very truth a peoples war," and that "it is a war which cannot be regarded as won until the fundamental rights of the peoples of the earth are secured." "In no other manner," he added, "can a true peace be achieved." He also expressed the belief that an international police power will have to be maintained in the years after the war until the permanent system of general security, promised by the Atlantic Charter, is established and that the United Nations must undertake during the armistice period the disarmament of all nations, as set forth in the Atlantic Charter, which "may threaten aggression outside their frontiers."

Another condition set forth by Mr. Welles was that justice be done to those "individuals, groups or peoples" truly accountable for the war but that "no element in any nation will be forced to atone vicariously for crimes for which it is not responsible."

Asserting that the primary problem of the post-war period will not be production, Mr. Welles declared that it will be one "of distribution and purchasing power, of providing the mechanism whereby what the world produces may be fairly distributed among the nations of the world, and of providing the means whereby the peoples of the world may obtain

the world's goods and services." He added that the United States alone will have the strength and the resources "to lead the way toward a world order in which there can be freedom from want," and to this end will respect the "right of all peoples to determine for themselves the type of internal economic organization which is best suited to their circumstances."

Saying the Inter-American system built up between the peoples of the United States and the Western Hemisphere "constitutes the only example in the world today of a regional federation of free and independent peoples," Mr. Welles expressed belief that it will never be relinquished, declaring that "it should constitute a cornerstone in the world structure of the future."

In conclusion, Under Secretary Welles declared:

If this war is in fact a war for the liberation of peoples, it must assure the sovereign equality of peoples throughout the world, as well as in the world of the Americas. Our victory must bring in its train the liberation of all peoples. Discrimination between peoples because of their race, creed or color must be abolished. The age of imperialism is ended. The right of a people to their freedom must be recognized, as the civilized world long since recognized the right of an individual to his personal freedom. The principles of the Atlantic Charter must be guaranteed to the world as a whole—in all oceans and in all continents.

conflict in the years to come. It is so obvious that whatever can be done to reach such a goal should be done that few pause to give a commonsense appraisal to proposals designed to accomplish that most desirable end.

Is it not about time some one came forward with a warning of "over-confidence" about "winning the peace," and insisted that efforts designed to "win the peace" meet the test of reasonableness and practical feasibility?

## Post War Period Of Greatest Economic Growth Envisioned By Dr. Paul Cadman, ABA Economist

Envisioning the possibility after the war of great economic development for the United States, together with an increase in social gains and world influence, Dr. Paul F. Cadman, economist for the American Bankers Association at the dinner session, on May 25, in New York of the annual meeting of the New York State Bankers Association, asserted that he cannot subscribe to the prevailing theory that the war will be followed by one of the worst depressions in history. "On the contrary," he said, "there is a good deal of evidence to substantiate the opinion that we may enjoy the period of our greatest economic development, of our greatest world influence and of our greatest social gains." Expressing the opinion that "there will be enough to do in the reconstruction period to keep all the facilities of the modern world working to capacity for 20 years," Mr. Cadman remarked:

But there remains the important question: How is all this to be paid for? So far as the United States is concerned, our financial instruments will rest upon a gold reserve approximating \$25,000,000,000, the largest by many times of any ever before accumulated. Despite all the speculation to the contrary, gold is still the world-wide measure of value. It constitutes the best and most generally accepted medium of exchange and there is no convincing evidence that its importance has diminished in the slightest degree. Although this gold is now essentially a part of our total monetary supply, it could be used by a wise statesmanship to finance the recovery of our customers throughout the world.

We will have to lend courageously—perhaps heroically—as England did at the close of the Napoleonic Wars when she set about building an economic empire. Happily, in our post-war period, isolationism will have completely expired. The present conflict has proved conclusively that isolationism is and always has been a myth. We shall therefore sit in the international councils where world recovery is programmed and instrumented. We shall invest in the municipal bonds issued to rebuild the City of London and Coventry and other great centers. Strange as it may sound, we will supply the machinery and equipment to build up our competitors throughout the world, with the full knowledge that our own skill and energy and scientific genius will thrive on competition.

In all likelihood, we shall be in the market heavily for imports of rubber, tin, and the more than a hundred significant commodities which are an essential part of our daily life. It is conceivable that the modern world could exhaust itself, consume its wealth, and bankrupt its resources in this conflict, but when peace comes again, men will still need not only the necessities of life, but their energy and genius will find comforts, conveniences, and, ultimately, luxuries.

Mr. Cadman, the subject of whose address was "War Financing and the American Economy," also had the following to say in part:

Financing the war is a stupendous undertaking. It can be done with a margin of safety, provided we bring to the effort the impeccable integrity which will maintain the confidence of every taxpayer and every saver who makes his or her contribution. Sound finance is like sound government. It rests upon the integrity of the promisor. One reason we can bear a \$200,000,000,000 debt is that those who put up a large part of the money have unlimited faith in the contract under which it is borrowed. Another

reason we can support a \$200,000,000,000 debt is that we have the productive capacity to produce enough wealth after the war to service that debt, to meet the interest charges on it, and ultimately, to pay it. But that task envisages an industrial and agricultural output greater than anything heretofore achieved. It means world markets as well as domestic markets. It means a new economic statesmanship fully conscious of the fact that the ghost of isolationism has been laid. It means an independent American people, released from the dead hand of bureaucracy—freed from the multiplicity of executive controls which are a necessary but nonetheless un-American adjunct of war.

From Mr. Cadman's address we also quote:

Unless the United States is invaded by land, we shall emerge from this war with our productive capacities at an all-time high. \* \* \* Perhaps of greater significance is the fact that we shall have the largest supply of skilled labor which any country has ever enjoyed in the entire history of the world.

We are only now on the threshold of developing markets with huge buying power. In the United States our markets for automobiles, mechanical equipment, comforts, and conveniences, will be virtually exhausted. The pent-up demand of a machine-conscious public will be immense. Should we emerge from the war without invasion, we may also serve world markets of tremendous demand. Nations with immense populations will be confronted with the problem of rebuilding cities, transportation, factories, farms, mines, oil fields, and all the productive forces that have come under the devastating influence of actual battle. Literally millions of people will look to the United States for the food supplies which will stand between them and starvation.

## FDR Asks \$600 Million For War Housing Needs

President Roosevelt requested Congress on May 27 to appropriate an additional \$600,000,000 for war housing to meet the minimum needs of an estimated 1,600,000 workers migrating to war production centers in the 1943 fiscal year. In a special message to Congress on that day, the President pointed out that \$1,020,000,000 has already been appropriated for the construction of war housing and he said that this figure is less than 1% of the funds made available for war purposes. He added that allocation of funds for shelter of war workers "is a wise and established national policy" and should continue. Mr. Roosevelt urged early consideration of the request for \$600,000,000 more.

The President's message on housing follows:

To the Congress of the United States:

From time to time I have indicated to the Congress the need for adequate housing facilities for the workers moving in vast numbers into areas of expanding war production.

This war involves a total national effort and industrial mobilization. Industry cannot expand with sufficient rapidity

unless there are enough houses to bring the worker to the job, keep him on the job, and maintain his efficiency and morale. More than ever before in our history, we need houses to help win the war.

Thus far, Congress has shown a full appreciation of this need, and has made \$1,020,000,000 in appropriations available for the construction of war housing. This figure reduces to its true perspective when we realize that it is less than 1% of the funds made available for war purposes. The allocation of war funds for the shelter of the men and women leaving their homes to serve our war industries is a wise and established national policy.

That policy should continue. War production is now increasing in geometric ratio. Plant capacities are expanding faster and faster. Consistent reports from all over the country indicate a rising need for housing, running far ahead of the supply and threatening seriously to reduce the effective use of these plants unless remedied at once.

It is clear that the increase in employment in war industries during the fiscal year 1943, will amount to several million workers. To reduce the amount of new housing required by this expansion, all reasonable resources are being earnestly pursued. These include conversion of local plants to war purposes, transfers of local workers to war jobs, and drawing upon new sources of local labor supply. While in some cases adequate housing should be provided to keep families together, particularly where there are small children or where the breadwinner cannot afford to maintain two separate living units, there are other cases where workers may find it feasible not to move their families to the locality of their war jobs. It is estimated that the volume of war workers migrating to centers of war activity will be kept down to about 1,600,000 during the fiscal year 1943.

These 1,600,000 war workers need housing. Existing structures are being counted upon to absorb a large portion of them, despite present over-crowding in many industrial areas. Private enterprise is being relied upon to serve a large proportion of the remaining need, and toward this end Federal legislation has recently been enacted. But beyond these methods, there remains the irreducible requirement for a volume of new public construction, largely temporary in nature and designed to serve the lower income brackets of war workers.

The main vehicle for such public housing construction has been the act of Oct. 14, 1940, as amended, known as the Lanham Act. The funds under this act, and under other acts to provide war housing, are practically all committed. They are being relied upon to meet needs arising before the end of the current fiscal year, and also to meet a part of the need for the fiscal year 1943.

To meet the minimum needs of the 1,600,000 war workers migrating to war centers during the fiscal year 1943, I am suggesting to the Congress the enactment of legislation providing an increase of \$600,000,000 in the authorization contained in the Lanham Act, as amended. A large portion of these funds will be returned to the government in the form of rents during the national emergency and through sales thereafter.

There is of necessity a period of several months between the authorization of funds for housing and the completion of living quarters. In view of the urgency of the need, which is a matter of common knowledge,

## Urges Voluntary Buying Of War Bonds To Avoid Compulsory Payroll Savings

Robert W. Sparks, National Field Director of the Treasury's War Savings Staff, predicted on May 26 that, if the war bond quotas for May, June and July are reached, it would sound the "death note" for compulsory payroll savings. Speaking on May 26 before the annual meeting held in New York, of the New York State Bankers' Association, Mr. Sparks said that "although we have several days to go before reaching the end of the month, current sales indicate that the first quota to be used in the War Savings Plan (\$600,000,000 for the month of May) will be achieved, possibly with a small excess." He added that "if we also meet our \$800,000,000 June quota and the \$1,000,000,000 per month quota from July on, we will be showing a national rate of participation on a voluntary basis which would be far in excess of any amounts indicated by the advocates of a compulsory savings system." Mr. Sparks further said:

The nation is organized to make a success of the voluntary plan. The organization is there and the market is there. There are 50,539,934 income earners in the United States. Over 34,000,000 of them are regular wage earners, eligible to participate in the Treasury Department's Payroll Savings Plan; 7,000,000 are farmers and agricultural workers; 3,500,000 are in the professional group and the 6,000,000 others are self-employed. This is the market for War Bonds—and what a market!

The Payroll Savings Plan has attained a high degree of development, approximately 20,000,000 of the 34,000,000 regular workers are already exposed to the plan; more than 50% of those who have been exposed are participating. Before we are done, we must have every one of those 34,000,000 enrolled.

The average rate of participation per individual is a little better than 5% of salary at the present time. An intensive campaign has been launched by War Savings Staffs all over the country to bring this up to 10% for all regular wage earners.

The national quota beginning with July will be at an average of \$12,000,000,000 a year. The monthly quotas are being broken down by States and counties, and we are now attempting to set up a reporting system so that States and counties will be able to match their sales against their quotas. To accomplish this we will have to lean even more heavily upon the banks of the nation and their highly efficient organizations such as this, New York State Bankers' Association.

The 10% quota is also being extended to all individuals who are not regular wage earners but who do have income. National income is now in excess of \$120,000,000,000 a year. If we succeed in this 10% income goal, we will automatically succeed in our quota of \$1,000,000,000 a month.

Mr. Sparks also said in the space of one short year, the War Savings Staff has built up a selling organization of more than 150,000 organized, trained, and registered salesmen stretched over the 48 States, Alaska and Hawaii. This tremendous organization is directed by a paid force of about 800. It has sold almost \$6,000,000,000 of its product in the first year of business. In this great example of American business ingenuity has been proved the value of the voluntary democratic system at work.

He likewise noted that the cooperation of the New York State banks has been conspicuous from

I suggest that this proposed legislation receive the early consideration of the Congress.  
FRANKLIN D. ROOSEVELT.  
The White House, May 27, 1942.

the beginning of the program, adding:

Mr. Donovan, President of your Association, sits on the Executive Committee of the New York War Savings Staff of which Bayard Pope, another banker, is Chairman. Henry Bruere, Guy Emerson, Andrew Mills, Allan Sproul, Robert Rouse, Lewis Pierson, Raymond Ball, John Madden, Douglas Drummond, and many other prominent New York State bankers are high on the honor roll of the War Savings Program for their many fine and altruistic contributions of thought, time, and effort on its behalf today.

## RFC War Funds Voted; Drop Price Subsidies

Congressional action on the legislation increasing the borrowing authority of the Reconstruction Finance Corporation by an additional \$5,000,000,000 was completed on May 27 when the Senate passed the measure and sent it to the White House. The House had approved the bill on May 14.

Senate adoption came after the Senate rejected on May 27 the amendments, which its Banking and Currency Committee had inserted, empowering the RFC and the Commodity Credit Corp. to make subsidy payments so that price ceilings may be maintained. The subsidy section authorized use of part of the RFC increases to buy and sell commodities, even at a loss, in order to support the price control program. In addition, the amendments would have authorized an increase of \$500,000,000 in the CCC borrowing power to finance subsidies for agricultural imports.

Before the rejection of the amendments a motion to recommit the whole bill to the Senate Banking Committee had been made by Senator O'Mahoney in the Senate on May 27, but during debate on his motion, Mr. O'Mahoney yielded to the suggestion that the amendments be stricken from the bill, and the measure be passed as adopted by the House; the Senate acted accordingly.

During the Senate consideration of the bill on May 27 Senator Brown said:

The present status of the Reconstruction Finance Corporation is about as follows: It has a borrowing power of \$9,130,000,000. It has borrowed and has obligations outstanding at the present time in the amount of \$3,270,000,000. Therefore, it has on hand a loaning capacity of approximately \$6,000,000,000, or, to be exact, \$5,860,000,000. It has outstanding commitments of \$11,000,000,000, which are largely in connection with the war program.

So Mr. Jones [Jesse Jones] feels that an additional \$5,000,000,000 should be authorized in order to cover the RFC's necessary commitments. It is believed that such a sum will fairly well cover the needs which will occur if the pending bill becomes law—needs which, of course, will require the expenditure of only a very small portion of the \$5,000,000,000. Of course, the fund is a revolving fund.

House passage of the bill was noted in these columns May 21, page 1952.

## Banks Must Assume Greater Responsibilities, Make Greater Sacrifices Says NY Bank Supt.

William R. White, New York State Superintendent of Banks, addressing the 49th annual convention of the New York State Bankers Association in New York City on May 25, stated "whether the war continues for two or five years, it is certain that the banks will be required to assume even broader responsibilities and make greater sacrifices than they have to date." He added:

"The times therefore require that we do everything possible to maintain a strong position. This can be done in many ways, despite the fact that some sources of revenue are temporarily cut off. We can, for example, review dividend policies and be sure that earnings are not being distributed which are needed to eliminate doubtful assets or build up the surplus account."

"We can also," said Superintendent White, "give more serious attention to the problems of personnel." He went on to say:

"Young men who possess initiative and intelligence should be encouraged to study banking in its broader aspects to assume greater responsibility and above all to recognize the obligation of banking in a society where protection of the individual has become a major objective."

Referring to the issuance on April 6 last of Regulation V by the Board of Governors of the Federal Reserve System, the purpose of which he noted, "is to enable the Federal Government to share with banks the risk of loans advanced for war production." Mr. White continued:

"While under the regulation it is possible for the Government to be responsible for the entire principal of the loan, it is evident from the policy which is taking shape that the banks will be expected to assume some portion of the principal risk. In cases where this is true, the banks will continue to have the obligation of appraising those factors which determine the ability of the borrower to fulfill his contract. In general, there should be no wide difference of opinion between the Government officials who let the contracts and the bankers who furnish the financing. Both parties are interested primarily in one consideration—the capacity of the manufacturer to build war equipment in accordance with specifications. Where the banker has confidence in the technical and business skill of the manufacturer, he will be willing to assume a fair portion of the risk, but in other cases where this confidence is lacking, he will want the Government to underwrite all or substantially all of the exposure."

"The success of the program will depend upon the willingness of bankers to recognize the elements of safety as well as of risk which are present, and of Government agencies to realize that the banker, no matter how eager he may be to assist the war effort, is not free to place in jeopardy the funds in his control."

As to Regulation W, designed for the exercise of control over consumer credit, Superintendent White said in part:

"Mild in its original form, Regulation W by successive amendments has now become a potent force in contracting the total volume of consumer debt. It has been estimated that from Sept. 1, 1941 to April 1 of this year instalment credit was reduced by nearly a billion and a quarter dollars, or one-fifth of the total outstanding. While the regulation was in effect during this period, it was by no means responsible for the total contraction. Federal Reserve authorities estimate that as much as two-thirds of the decline was caused by the liquidation of automobile paper resulting from the restrictions on the production and sale of motor vehicles. Restricted production of certain household appliances has also been an important factor."

"Bankers who have been en-

deavoring to build up a profitable volume of instalment loans will be required to postpone the realization of their objective until after the war is over. However, in its larger aspects the program is deserving of the commendation and support of banking groups, for its purpose is to check inflation, to build up a backlog of purchasing power which will be needed when the war is over, and to divert current savings and critical materials to the war effort. In fact all types of lending institutions should strive to observe the spirit of Regulation W as well as the form. In advertising loan facilities, for example, the character and tone of the appeal should be formulated in the light of the objectives which Regulation W is intended to accomplish."

Mr. White also observed that "inherent in the program is the desire on the part of the Federal Government to encourage individuals to liquidate the debt which they already have." He added:

"Banks will be reluctant to experience a shrinkage in their prime loans, but perhaps any disadvantage of this nature can be offset by benefits realized from the collection or reduction of doubtful items. The balance of this year should furnish an opportunity time for the elimination of sub-standard assets."

Urging the encouragement of all workers to join in some systematic plan for buying war bonds, Mr. White said that if this could be accomplished while instalment debt was in the process of liquidation, it should be possible to divert a constant and ever increasing flow of savings into war bonds. He further said:

"By aiding in the effort to direct savings to war purposes, bankers not only perform a patriotic service, but help to keep expanding bank deposits under control, for whatever part of the Federal deficit is not met by savings or out of current income will have to be absorbed by the commercial banks."

## Shipyards Praised For Contribution To Nation

On the occasion of the first wartime observance of Maritime Day—May 22—President Roosevelt in a formal statement praised the nation's shipyards for their "vital contributions to the immediate war effort" and stated that, while Axis submarines have taken a heavy toll, that problem "is being solved."

Saying that "we still are confronted with a serious shortage of ships to carry the essentials of war," the President expressed confidence that the "near-miracle" of ship production, which was started a little over a year ago, will be performed, since the country's shipbuilding capacity has been increased more than 500%.

The day was marked by various celebrations throughout the country, the outstanding event being the launching of 27 merchant ships of the Victory Fleet at 19 shipyards on all coasts and the Great Lakes, ushering in a two-ships-a-day production rate. The various "ports" of the Propeller Club of the United States again took the lead in observing the day, with all five members of the Maritime Commission participating in Propeller Club functions. Rear Admiral Emory S. Land, Chairman of the Commis-

sion and War Shipping Administrator, was the guest of honor of the Propeller Club of Boston, while Rear Admiral Howard L. Vickery, Vice-Chairman of the Commission, was the principal speaker at the banquet held by the Propeller Club of New York. Thomas M. Woodward addressed the club in Chicago; Capt. Edward Macauley spoke in San Francisco, and John Carmody was the guest speaker of the New Orleans club.

The President's Maritime Day statement follows:

Maritime Day, 1942—This is its first wartime observance—a fitting occasion for all of us, and the people of the United Nations, to join in a salute to our Victory Fleet; to pay deserved tribute to the brave men who man the gallant ships of our merchant marine, and those other heroes without uniforms, the shipyards and factory workers.

The tenth annual observance of Maritime Day bears more than ordinary significance for all the people of the nation. At no time in our history have we been more dependent than we are now upon the productivity of our shipyards and the efficient operation of our cargo vessels. We are engaged in what is largely a war of ocean transportation. We must carry to the corners of the earth the men and materials of war, for our armed forces and for those of our Allies.

A little more than a year ago we embarked upon the greatest ship-building program in history. No other nation ever had attempted so vast a maritime enterprise. There were those who doubted our ability to succeed. Today I can assure you that we will perform this near-miracle of ship production. The nation's shipbuilding capacity has been increased more than 500%. That of itself is an outstanding achievement.

We have been, we still are, confronted with a serious shortage of ships to carry the essentials of war. Submarines and the Axis aggressors have taken a heavy toll, but that problem, like the others confronting us, is being solved. Our ships are going through, and we will continue to go through in growing numbers.

The American people have reason to be proud of the heroism and patriotism of the officers and seamen of their Victory Fleet. During these dangerous days and nights on the sea lanes of the world, with danger lurking above, below and on the surface, they do not falter in the performance of their duty. Hundreds of them render service far beyond the call of duty. It is gratifying that the Congress has recognized such heroism and authorized the bestowal of proper awards to these men of the sea, who are just as vital to our ultimate victory as the men in the armed forces.

The nation's maritime industry is writing a wartime preface to the most glorious chapter in our history. It is making a vital contribution to the immediate war effort, and clearing the way for America's full restoration to the position in world trade befitting so great a nation.

## Aide To Sec. Morgenthau

Theodore Roosevelt Gamble, of Portland, Ore., has been appointed an assistant to the Secretary of the Treasury on a \$1-a-year basis, Secretary Morgenthau announces. Mr. Gamble was appointed a consultant in the Secretary's office on Jan. 1 after serving for six months as War Savings State Administrator in Oregon. In Washington he has been serving directly with the War Savings Staff, the Treasury unit in charge of the sale and promotion of War Savings Bonds and Stamps.

## Living Costs In Large Cities Rose 0.7% From Mid-March To Mid-April

The cost of living in large American cities rose 0.7% between mid-March and mid-April, Secretary of Labor Perkins reports. This advance brought the Bureau of Labor Statistics' cost of living index to a point of 115.1% of the average 1935-39 level.

On May 18 when price control regulations went into effect, the prices of those goods under the "freeze" order will return to the highest level each one reached in March, 1942. About 60% of the foods and about 75% of all other goods and services purchased by moderate-income families will come under this control.

Clothing costs showed by far the steepest rise this month. They have risen more, in the past 15 months, than any other group of items in the budget of the moderate-income family, reaching a point, in April, 1942, more than 26% above the level of January, 1941.

By mid-April, families of wage earners and lower-salaried workers would have to spend \$1.17 to buy the same things for which they spent \$1 before the outbreak of the war in August, 1939.

The Secretary's announcement further stated:

**Food**—The family food bill rose 0.8% between mid-March and mid-April, as retail prices of many foods continued to advance. Increases were larger than normal at this season for fresh pork, fresh fruit and onions, and substantial increases were also reported for beef, potatoes and coffee. Fresh milk and certain vegetables such as green beans and carrots were seasonally lower. Exceptionally large supplies of oranges and lettuce resulted in price declines unusual at this season of the year. Fresh fish prices declined for the first time in 11 months, as large supplies reached the market, while canned salmon reached a new high level.

By the end of April, preliminary reports indicated further advances for beef, pork, canned salmon, butter, canned tomatoes and lard.

**Clothing**—The large rise in clothing costs between mid-March and mid-April followed steady increases in these costs over the entire past year. Since Pearl Harbor, clothing costs have advanced more than 10%. This month, there were sharp increases in prices for shoes, men's cotton work clothing and woolen outer clothing, and women's underwear, house-dresses and hose.

**Housefurnishings**—The cost of housefurnishings this month showed a slight rise over the preceding month. Prices of sheets and mattresses, however, continued the relatively rapid climb of past months.

**Rent**—Rent increases have been moderate this month. The largest rise reported, 1.2%, was in Buffalo, where activity in the war industries has been increasing.

**Fuel, Electricity and Ice**—Coal prices declined in many cities. In the cities on the Northeastern seaboard, fuel oil prices increased.

**Miscellaneous Goods and Services**—Increases in charges for laundry services and in prices of laundry soap were general. In Chicago, where costs of miscellaneous goods and services advanced more than in any other city (1.1%), street car fares were raised between March 15 and April 15.

## Savs.-Loan Literature

S. R. Gaynes & Co., 225 Broadway, New York City, brokers specializing in the sale of Federal Savings and Loan insured Certificates, represent over four hundred associations throughout the nation and carry in their files literature and latest financial statements, which will be sent free upon request. Trust officers

## House Passes Bill To Aid Small Business

The House on May 26, by a 346 to 0 vote, approved the bill setting up a Smaller War Plants Corporation within the War Production Board, designed to expedite the granting of war contracts to small business. The measure was returned to the Senate for action on two major House changes which later, however, will likely have to be adjusted in conference. The main House changes from the Senate-approved bill were the inclusion of a clause making it virtually mandatory for government war agencies to award contracts to small enterprises certified by the WPB as capable of handling them, and doubling the Senate-approved \$100,000,000 working capital for the corporation. The mandatory clause referred to (adopted by the House on May 25, by a vote of 72 to 25) was inserted at the instance of Representative Patman, Chairman of the Special Small Business Committee of the House, who, according to the Associated Press, contended that the amendment was necessary to "put teeth in the bill." Opposed to its insertion, however, it is stated, was Representative Jesse P. Wollcott, Republican, of Michigan, who maintained it might interfere with contract activities on the Army, Navy and Maritime Commission.

Under the proposed legislation the Smaller War Plants Corp. would make loans to convert small plants to production of essential war and civilian goods and could accept contracts as the prime bidder on government work and parcel them out under sub-contracts to small businesses.

The Senate version of the measure was adopted on April 1, as was reported in these columns April 9, page 1448.

## June Food Stamp List

Fresh oranges and grapefruit, all fresh vegetables (except Irish potatoes), and seven other foods will be available during June to families taking part in the Food Stamp program, the U. S. Department of Agriculture said on May 28. The Department further said:

Participants in the program can buy designated foods with blue food stamps at local stores in all areas where the program is operating. In itemizing foods available for blue stamps during June, the Department said that fresh apples and fresh pears had been removed from the list because of a seasonal short supply, and that Irish potatoes had been removed because an increasingly favorable price no longer warranted additional market support for the crop.

With those changes, the complete list of foods available during June includes shell eggs, butter, fresh oranges and grapefruit, fresh vegetables (except Irish potatoes), corn meal, dried prunes, hominy (corn) grits, dry edible beans, wheat flour, enriched wheat flour, self-rising flour, enriched self-rising flour, and whole wheat (Graham) flour.

Operating through established food distribution channels, the Food Stamp program is conducted by the Agricultural Marketing Administration.

are invited to avail themselves of this service.

## Morgenthau Charges Attempt To Escape War Time Taxation By Some Corporations

At what is described as "an unusual night session," Secretary of the Treasury Morgenthau appeared before the Joint Committee on Internal Revenue Taxation of the Senate and House on May 28 to tell the Committee "of some instances of what seem to me to be particularly unpardonable attempts to escape wartime taxation," and to report "what the Treasury is doing and intends to do to stop these practices." Mr. Morgenthau asserted that "in every instance the method used by the taxpayer was to inflate expenses with the evident purpose of avoiding normal and excess profits taxes on corporation earnings."

"The devices used," he said, "included the payment of excessive salaries, the distribution of unearned bonuses and the payment of unreasonable sums for purported services to persons closely connected with the management of the companies involved." He went on to say that "these practices, if successful" would reduce the revenue of the Government, the revenue we need so urgently for fighting and winning the war." The Secretary cited seven cases illustrating the practices entered into to avoid payment of taxes on 1941 returns of corporations holding war contracts. Withholding the names of corporations and individuals involved, he said that the particular cases noted were disclosed as a result of speeding up the Treasury's investigation of 1941 returns of corporations holding war contracts. Briefly Secretary Morgenthau enumerated the cases as follows:

Company A makes an important airplane part. This corporation is owned by one man who hired himself as its sales representative. His compensation in 1941 was \$1,656,000. By consolidating these earnings with those of the corporation, we have blocked this obvious attempt to divert profits and we have increased the corporation's income tax by \$1,117,000.

Company B makes steel. All stock in this corporation is held by three families. Excessive salaries were paid to officers who were also stockholders. The Revenue Agent has recommended disallowance of \$82,000 in salaries, and the company has already agreed to a disallowance of \$58,000.

Company C makes vital equipment for airplane pilots. This corporation paid \$31,104 in rent in one year to the wife of the president for using property which had cost her \$45,412. A brother of the principal stockholder, without special training or ability, drew a salary of \$15,000 a year and a son and daughter, just out of school, got \$7,500 a year each.

Company D makes tools and dies. This company is owned by two brothers and their wives. It paid dividends of \$40,000 in 1940 and \$100,000 in 1941, while salaries totaling \$128,000 were paid in 1941 to the president, his wife and his brother.

Company E makes forgings. The stock is owned by three families. From 1938 to 1941 the salaries of employees who were stockholders and relatives of stockholders increased 523%. Excessive salaries for 1941 have been disallowed to the amount of \$568,000.

Company F makes equipment for airplanes. Three principal officers of this corporation took salaries of \$100,000 each and the corporation claimed it had set aside over \$575,000 in bonuses. Salary and bonus payments totaling \$516,000 were found to be excessive. Other disallowed deductions included \$16,000 paid for watches given to employees, \$14,000 for banquets and picnics, \$4,000 for photographs taken at banquets and picnics, and \$1,900 for tickets to football games. Other important deficiencies were found in the tax return.

Company G makes a device

important to aviation. This corporation is owned almost entirely by one man, his wife and his brother. The two men increased their salaries from \$12,000 and \$15,000 in 1939 to \$72,000 and \$90,000 in 1941. The royalty rate on the patent jointly held by them was increased, with the result that with expanded sales for war purposes, the royalties paid to them increased from \$87,000 in 1939 to \$1,179,000 in 1941.

As to the question of deciding whether the names of those concerned should be divulged, Mr. Morgenthau stated that he would leave such decisions to the Committee; "personally," he said, "I am inclined to believe it would have a very wholesome effect."

The steps the Treasury is taking to detect and deal with these evils, Mr. Morgenthau said, are (1) expediting examination of tax returns and corporation records to determine whether excessive expenses are being claimed and (2) disallowing excessive expenditures which have the effect of reducing corporate tax liabilities. He added that the Treasury is compelling corporations to include such amounts in earnings and at the same time calling upon the recipient to pay full personal income taxes on the amounts received.

Disallowance of excessive expenditures does not represent a new procedure, the Secretary continued, since the law and regulations permit the deduction only of ordinary and necessary business expenses for the purpose of determining profits.

He did not ask the Committee for any additional authority to deal with the "evil" but said that if existing powers are not adequate he would not hesitate to make the request.

Mr. Morgenthau outlined the following six general considerations which will guide the Treasury in examining expenses claimed in tax returns:

### 1. Salaries and Bonuses Paid to Officers and Employees.

Deductions claimed for greatly increased salaries and extraordinary bonuses paid to officers or employees will be disallowed unless the taxpayer proves that the payments are, in fact, for services actually rendered and are reasonable.

In determining whether the payments are reasonable, it will be assumed that reasonable compensation is only as much as would ordinarily be paid for like services by like enterprises under like circumstances. The factors that will be considered in determining the reasonableness of such payments are the duties performed by the recipient, the character and amount of responsibility, the time devoted to the enterprise, and the peculiar ability or special talent of the particular officer or employee. Where the payments are to relatives or to shareholders, the taxpayer must show that family considerations have not influenced the amount paid and that the payments are not distributions of profits in disguise. Large profits attributable to causes entirely unrelated to the activities of the officers or employees, which are not unusual in these abnormal times, do not of themselves justify or warrant large salary payments.

### 2. Rents, Royalties and Other Payments to Shareholders.

Deductibility of rents, royalties or other payments to shareholders depends upon whether such charges are in fact fair and reasonable payments for the use of property and are not merely a device for distribution of profits. Any shareholder should be entitled only to a fair return on his investment in the property which he permits the corporation to use.

### 3. Payments to Profit Sharing or Pension Trusts.

The deductibility of payments to pension trusts is governed by Section 23(p) of the Internal Revenue Code. If payments to such trusts are reasonable, their deduction will be allowed. If the payments are unreasonable in amount, or if the trust is not created for the exclusive benefit of employees, or if it is a device to distribute profits to shareholders, the deductions will be disallowed. It is also our purpose to set up a barrier to deductions of large salaries, bonuses, or insurance premiums for officers under the guise of payments to a pension trust.

### 4. Payments for Repairs.

The deductibility for income tax purposes of costs of repairs depends upon whether the expenditure is actually for repairs, or is in fact a capital expenditure which should be added to capital investment or charged against reserves for depreciation, since the costs of repairs are deductible while the capital expenditures are not. We must guard against the tendency during high profit years to make extensive improvements and to charge the cost of such improvements against profits under the caption of repairs.

It will be our policy to scrutinize carefully the items claimed as deductions for expenditures for repairs. We shall disallow such deductions where it is not shown that the expenditures are in fact for repairs instead of for improvements or betterments which should be capitalized.

### 5. Expenses or Allowances Paid to Obtain Government Business, Including Fees Paid to Washington Representatives or for Other Professional Services.

Whether deductions for items of this class will be allowed depends upon whether they meet the test laid down in the Internal Revenue Code, that is, whether they are necessary and ordinary and reasonable. If such items are considered exorbitant or unreasonable, they will be disallowed as deductions. Many of the factors that apply in determining the deductibility of salaries and bonuses will apply also in determining the deductibility of items of this class. Particular attention will be given to deductions for payments which are against public policy, and all such deductions will be disallowed.

### 6. Amounts Paid for Advertising.

The test of whether expenditures for advertising are deductible is whether they are ordinary and necessary and bear a reasonable relation to the business activities in which the enterprise is engaged. This is not intended to exclude institutional advertising in reasonable amounts or good will advertising calculated to influence the buying habits of the public. If such expenditures are extravagant and out of proportion to the size of the company or to the amount of its advertising budget in the past, or if they are not directed to public patronage which might reasonably be expected in the future, such payments will be disallowed as deductions.

## Ask Treasury Outline For Deficit Financing

The statement that "it is greatly to be desired that the Treasury outline in general terms some pattern of financing for that part of the deficit to be financed by the banks," was made on May 26 by Adrian M. Massie, Vice-President of the New York Trust Co., in addressing the annual meeting at the Hotel Astor in New York of the New York State Bankers' Association. "This pattern," said Mr. Massie, "should be such that it will have the wholehearted support of the 15,000 commercial banks of the country and at the same time permit the Treasury to have complete flexibility of action." Mr. Massie went on to say in part:

Many plans have been proposed but one which seems to have much appeal and which provides the essentials of the policy now followed by many banks is that offered by D. K. Pfeffer, Vice-President of the National City Bank. His plan is to have the Treasury Department issue a series of one to 10 years serial maturities with each subscribing bank taking a tenth of its allotment in each of 10 maturities of a marketable issue, any part of any maturity being salable independently. The serial spreading of maturities makes it possible for banks and other buyers to set up a progressive schedule of spaced maturities.

Mr. Pfeffer's plan calls for the use of one to 10-year serial maturities for all the Government financing that the banks would be expected to take including both new money financing and refunding. Since many banks do not follow the same investment theories, greater flexibility might be obtained by slight modifications of this plan. Some banks follow a policy of buying only one to five-year maturities. Others are interested in the one to 10-year issues and still others buy beyond the 10-year limit.

In summarizing his remarks, Mr. Massie said:

1. America is fighting a war for its existence and the continuance of Western civilization.

2. This war is extremely costly and must be paid for partly by very high taxation and partly by borrowing.

3. As much as possible of the borrowing should be provided by the public in order to reduce the risk of inflation.

4. The commercial banks will be called upon to use their facilities and their resources to finance that part of the borrowing which cannot be absorbed by the public and the non-banking corporations. It is not a question of whether or not the banks want to participate. It is just as important that they do their part as it is for General Motors to discontinue the manufacture of automobiles and in their place produce war machines. Each bank must do its share.

5. It is hoped that the Treasury will adopt a general pattern for the financing that will permit the banks to set up maturity schedules which will fit into a sound policy—say one to 10 years.

6. This financing will increase greatly the earning assets of the banks. To enable the banks to handle this increase, the Federal Reserve Board will probably have to make available a liberal amount of excess reserves by reducing bank reserve requirements and by open market purchases. Gross earnings of banks will be increased but higher operating expenses and a 94% excess profits tax will tend to limit bank earn-

## Call Conference Of Inter-American Banks

The Inter-American Financial and Economic Advisory Committee, under the Chairmanship of Sumner Welles, met in plenary session at the Pan American Union in Washington on May 22 and set June 30 as the opening date for a conference of representatives of the central banks, or equivalent institutions, of the American Republics. In making this known, the Union's announcement further stated:

The conference evolves from Resolution VI adopted at the third meeting of the Ministers of Foreign Affairs which met at Rio de Janeiro last January. Part of general hemispheric unity measures, the resolution provides for a conclave to meet "for the purpose of drafting standards of procedure for the uniform handling of bank credits, collections, contracts of lease and consignments of merchandise, involving real or juridical persons who are nationals of a State which has committed an act of aggression against the American Continent."

To be considered also are measures to safeguard the wartime economy of the American nations.

It is expected that representatives from all the American Republics will be in attendance at the conference. It will be in session at the Pan American Union for a period of approximately 10 days.

## N. Y. State Bankers Elect Myers President

At the annual meeting of the New York State Bankers Association, held in New York City on May 25, John P. Myers, President of the Plattsburg National Bank and Trust Co. of Plattsburg, N. Y., was elected President of the organization succeeding Eugene C. Donovan, President of the Auburn Trust Co., Auburn. Mr. Myers had been Vice-President of the Association. E. Chester Gersten, President of Public National Bank and Trust Co., New York City, was elected Vice-President, and Theodore Rokahr, Vice-President and Treasurer of First Bank and Trust Co., of Utica, was named Treasurer.

Mr. Myers announced on June 1, the appointment of the chairmen of the following seven standing committees of the Association:

Agriculture: Nicholas Jamba, Manager, Agricultural Department, National Bank & Trust Co., Norwich.

Bank Management and Research: Robert C. Tait, Vice-President, Genesee Valley Trust Co., Rochester.

County Organization: Stanley A. Neilson, President, Bank of Gowanda.

Convention: Robert E. Wilson, Vice-President, Osborne Trust Co., East Hampton.

Legislation: Frederic E. Worden, President, National Bank of Auburn, Auburn.

Public Relations: Edward M. Carney, Public Relations Counsel, Mount Vernon Trust Co., Mount Vernon.

Trust Functions: John A. Burns, Vice-President, Chase National Bank, New York City.

ings to 7 or 8% of capital funds. Dividends should be held at conservative amounts in order to build up capital.

7. There is no question but that this financing can be handled by the commercial banks. To accomplish it bankers will need understanding, courage and, above all, the will to do the job.

## Technologists Blamed For Rubber Shortage

America's acute shortage of rubber must be laid to rubber technologists who have failed to develop practical methods of separating this vital material from plants growing plentifully in our own country, Dr. Thomas Midgley, Jr., Vice-President of the Ethyl Gasoline Corp., declared at a meeting of the Chicago Section of the American Chemical Society, on May 22, when he received the Willard Gibbs Medal, one of the highest honors in American science.

More rubber can probably be grown within the United States than could possibly be consumed, but rubber production is confined to the tropics because of the ease with which it can be obtained from the hevea tree by cheap labor, said Dr. Midgley, who was cited for his discovery of tetraethyl lead as an anti-knock agent in motor fuels, for his development of safe refrigerants, for his contribution to synthetic rubber research, and for other scientific achievements.

Referring to what he termed the "mental slothfulness" of rubber technologists, Dr. Midgley posed seven questions dealing with fundamental aspects of rubber, which he said cannot now be answered although scientists and technologists have been studying rubber for more than a hundred years. Dr. Midgley, who is Chairman of the Board of Directors of the Society, warned against the delusion that American ingenuity or a miracle will save the nation from the "sad day of reckoning" by suddenly supplying a huge volume of rubber or a satisfactory substitute from nowhere.

## Winning War Because We Must: Patterson

With respect to the question, which he said, "is in everybody's mind," viz.: "Are We Winning the War?" Robert D. Patterson, Under-Secretary of War, answered, with the assertion on May 20, "yes, we are winning the war, because we must." "There is," he said, "no other choice. To lose it would be to lose much more than a war. It would be to lose every war that has been fought on the battlefield, in the laboratory, in the courts—yes, and in the churches and the schools, and at the stake—by all the soldiers, scientists and priests, by the champions of justice and the martyrs—by all those who have fought and died for two thousand years to make this world a decent place to live in, and worthy of men created in the image of God. To lose this war," he went on to say, "would be to lose Magna Carta, the Napoleonic Code, and our own Constitution. The Declaration of our Independence would be a memory among those who survived the Gestapo, and it would not even be known by their children. Yes, we are winning the war because we must."

Mr. Patterson, whose remarks were addressed to those in attendance at the annual meeting of the National Industrial Conference Board on "National Mobilization for Victory" in New York City, had the following to say in his warnings:

I must warn you that there will be hit-and-run raids against our war plants. But there will be greater and more serious raids against the strength of the Nation itself. Be on guard against the Axis peace offensive, which is already under way—and against the sabotage and defeatism which will be set in motion, the one quickly in an attempt to strike a paralyzing blow to the heart, the other slowly and insidiously, in an attempt to deaden the mind and

the will. These offensives must fail. They must never get started.

They cannot start if we fight this war upon all three fronts with the same determination to win. The three fronts of which I speak are the production front, the transportation front, and the fighting front.

Observing that "we are winning the production war," Mr. Patterson said:

But we must win the transportation war and the military war. The Nazi submarine offensive along our Atlantic seaboard is a battle against our transportation. The great battle of the Coral Sea was a transportation battle. There will be many others before the war on the transportation front is won. Here is where the strength of democracy will be decisive. Our forces can be concentrated against the enemy. They will not have to be scattered all over the world to hold in check millions of people waiting for the day to rise and take up arms. When they do arise, they will take up arms and fight with us. Let us work to make that day come soon. We must organize for victory on all three fronts. Let that be our total war.

In conclusion, he stated:

A year ago we feared a defensive war, here, on our shores. Now our enemies fear an offensive war, by us, against them. That is a great shift in the balance of power to occur in a year. The autocracies begin strong, but it is the democracies that finish strong. And we are going to finish this war.

## Sees Renewed Hope For Jewish Home In Palestine

President Roosevelt, in a message of greeting read at the second annual dinner of the American Palestine Committee in Washington on May 25 reaffirmed his interest in the efforts of those seeking to establish a Jewish national home in Palestine and expressed "renewed encouragement in the fact that the immediate military danger to Palestine, which existed sometime ago, has been very definitely removed."

The President's letter addressed to Senator Wagner (Dem., N. Y.), Chairman of the committee, follows:

Dear Bob:

Will you please convey my greetings to all of those assembled at the second annual dinner of the American Palestine Committee, being held in Washington.

As you know, I have on several occasions expressed my interest in the efforts of those seeking to establish a Jewish national home in Palestine. I think that we all take renewed encouragement in the fact that the immediate military danger to Palestine, which existed some time ago, has been very definitely removed.

The great physical, economic and educational development which has taken place in Palestine in the last two decades has been a perfect example of what can be accomplished by a free people working in a democracy. We are all looking forward to the day when that type of development may be continued in peace and harmony in the general march of mankind toward the accomplishment of the four freedoms everywhere in the world.

I know that all of you assembled at this anniversary dinner will always have clearly in mind the duty and responsibility resting upon all of us to work and fight toward attaining this great objective in the days to come.

Very sincerely yours,

FRANKLIN D. ROOSEVELT.

## Form Railway Panel To Settle Labor Disputes

On May 21 President Roosevelt signed an Executive Order which modifies in one respect the procedure heretofore used in the adjustment of railway labor disputes. The Order provides for the creation of a National Railway Labor Panel of nine members from which emergency fact-finding boards will be chosen to adjust disputes between railways and their employees before disputes have reached the stage of a vote to strike. A White House statement respecting the Executive Order and its purpose said:

Hitherto before the President has appointed an emergency fact-finding board as a result of a railway labor dispute, it has been necessary for the employees involved to take a formal vote declaring a strike and fixing a date therefor. In view of the fact that American labor generally has agreed that during the war there shall be no strikes it has become necessary to adopt a procedure which would obviate the necessity for such a strike vote. Accordingly the Executive Order provides that if a dispute is not settled by mediation or arbitration under the provisions of the Railway Labor Act, instead of taking a strike vote the employees may request the creation of an emergency fact-finding board.

For this purpose the Order provides for the creation of a National Railway Labor Panel consisting of a Chairman and eight members to be appointed by the President. The Chairman shall have the power to designate three members of the panel to sit as such an emergency fact-finding board whenever in his judgment the dispute, if unadjusted, may interfere with the prosecution of the war even in the absence of a strike vote.

In this way the usual normal processes of adjustment of railway labor disputes may be continued without requiring the employees actually to go out on strike or to take a strike vote.

This Executive Order does not seek to amend the Railway Labor Act which has worked so well for many years. It merely sets up for the duration of the war an extra-statutory panel which will provide a means of adjusting disputes without actual strikes.

## President Voices Faith In Newspapers Loyalty

President Roosevelt, in a telegram on May 19 to the Inland Press Association Convention in Chicago, said that "the men and women of a nation at war have the right to expect of their newspaper the same loyalty with which they send their men to join our fighting forces." The President's message follows:

"Every editor and publisher must answer the question: 'What do my readers have the right to expect of their newspaper?'"

"The men and women of a nation at war have the right to expect of their newspapers the same loyalty with which they send their men to join our fighting forces. The same energy with which they raise food and make arms for America and the other United Nations. The same courage with which they face an enemy who would destroy the world. The same vision with which they foresee the world of freedom for which we are fighting.

"Your answer—to yourself and to them—can be only one answer. I know you will make it."

## ABA Sends Members Revised Regulation W

A condensed version of Regulation "W" as revised to May 6, 1942, containing the changes that have been made in the regulation in recent months that are of importance to banks engaged in the consumer credit lending field, is being sent by the American Bankers Association to its membership, it is announced by Walter B. French, ABA Deputy Manager. The Association's condensed version of the regulation deals with new rulings established by the Board of Governors of the Federal Reserve System covering installment sales, instalment loans, renewals, extensions and single payment loans, as well as down payments and time limits for instalments. The Association in its announcement May 29 also has the following to say:

It is brought out in the summary that down payments on all articles listed by the Reserve Board are now 33 1/3%, with the exception of furniture and pianos, on which the down payment is 20%. As in the past, no down payments are required on consumer credit loans for the purchase of unlisted articles and services, or for home modernization.

Maximum maturity on all loans is now 12 months, except for automobile and motorcycle loans, which have a time limit of 15 months. Minimum payments on all loans may be not less than \$5 per month, or \$1.25 per week. Loans may be renewed, the Association's summary of the revised regulation says, provided that such renewals do not extend the time limit of the loan beyond the maximum period allowed. For example, an automobile loan made originally for 12 months may be extended to 15 months, the maximum for this type of loan.

"Although consumer credit in commercial banks has been, of necessity, seriously curtailed by the present economy," the Association's condensation of the regulation asserts, "we believe it is essential to our private chartered banking system to maintain the dominant position of the banks in this important field of service to the general public."

## Douglas Named Deputy Shipping Administrator

The appointment of Lewis W. Douglas, former Director of the Budget, as Deputy Administrator of the War Shipping Administration, was announced on May 20 by Rear Admiral Emory S. Land, War Shipping Administrator.

Simultaneously, Rear Admiral Howard L. Vickery, Vice Chairman of the Maritime Commission, was appointed Deputy Administrator of the WSA for new ships.

Mr. Douglas since last February has served as chief adviser to Admiral Land. He is on leave from his post as President of the Mutual Life Insurance Co. of New York. In announcing the appointment of Mr. Douglas to his new post in the WSA, Admiral Land said:

"Mr. Douglas has been working as my chief adviser, particularly in so far as it concerns the cooperation of the ministry of war transport and our shipping administration. He has, however, had no administrative responsibilities and with this appointment Mr. Douglas will join with me in not only planning but directing the use of our merchant marine. Mr. Douglas's administrative capacity is well known and I am convinced that his agreement to become Deputy Administrator will assure a vigorous and all-out effort to use our ships for the one and only purpose of winning the war."

## Advancing Wages Held Inflation Stimulant

(Continued from First Page) to tap at all. Thus it is diverted from investment and non-inflationary channels into the hands of consumers where it has the greatest inflationary effect.

We all know that wages and salaries comprise fully two-thirds of the costs of production. It is obvious that price ceilings cannot be held indefinitely unless these underlying pressures, pressing against the ceilings, are rigidly restrained.

It particularly behooves business leaders at this time to impose upon themselves the same restraints they recognize as necessary upon others. I can imagine no more mistaken policy than that expressed in resolutions adopted by one of the largest organizations of business at a convention in Chicago recently, when men who dominated these councils proposed that no restraint or limit be placed upon their own profits, bonuses, commissions, and other compensations because to do so might dampen their ardor for winning the war by impairing their incentive. Yet, at the same time, they did not hesitate to proclaim the necessity for abandonment of the 40-hour week. They did not hesitate to condemn increases in wages. That sort of leadership is incredibly blind. It scarcely makes for successful voluntary cooperation. It is not calculated to make for equality of sacrifice, if you call it a sacrifice to fight for the preservation of your country.

We are now at the stage in our war effort at which, on the whole, wages and prices have reached a level that will call forth the maximum of effort and production. In other words, I do not believe it can be successfully shown at this stage that increases in prices, salaries and wages are necessary to stimulate incentive and call forth further production. The time has been reached, therefore, when effective mechanisms are necessary to prevent prices from passing into a dangerous inflationary spiral. Price and wage controls alone are not enough. Taxes, debt reduction and savings must play their part in combatting the upward spiraling of prices.

We must not only willingly accept heavier taxation than we have ever before known—taxation comparable to that which the other democracies have imposed—but we must realize that even after the payment of the taxes now contemplated in pending legislation, the rising tide of national income will still engulf consumer markets and send prices skyrocketing unless we refrain from buying things we do not absolutely need—unless we unitedly channel the excess of buying power into War Savings Bonds.

The inflation problem, which is immediately before us, is after all a matter primarily of holding the civilian spending stream in proper balance with the diminishing supply of civilian goods during the war period. It calls for definite united efforts and specific controls, properly timed. But all of these actions are meaningless if we do not keep before us the larger vision of why we are doing these things, what it is we are defending, protecting, preserving, for the future—a vision of the greater hope and promise that the future holds for mankind when we have emerged successfully from the black night of universal war.

## Supreme Court Issues Ruling On Stock Tax

Regarding several decisions handed down on May 25 by the United States Supreme Court involving taxation matters, the following appeared in the "Wall Street Journal" in its advice from its Washington bureau:

The Supreme Court yesterday upheld the contention of stockholders in the Maytag Co. that the effect of the sale of their stock on its market price should be considered in valuing it for estate and gift tax purposes.

Certain stockholders, having received large blocks of the stock by gift and inheritance, valued it at \$2.50 per share, while the Government contended that it should be valued at its price on the New York Stock Exchange which ranged during the period in question from \$4.56 to \$4.75. Since the stock involved represented almost a third of that outstanding, the lower Court held that the effect on the market price of selling it should be considered in valuing it for tax purposes, and the Supreme Court refused to review this decision.

### Refuses Tax Case Review

The Court refused to review a tax case in which the Government refused to recognize that the stock of a corporation had become worthless even though the corporation's liabilities exceeded its assets and it was sustaining annual net losses. The Government contended, and the lower Courts agreed, that the corporation remained a going concern even though control of its properties had virtually passed to its creditors.

### Taxes On Real Estate

If the purchaser of land pays real estate taxes on that land which had fallen due before the purchase, he may not deduct such taxes from his income for Federal income tax purposes, the Supreme Court ruled.

The Court held that in such instances the tax is one which has been imposed on the vendor, not on the purchaser. If the purchaser agrees to pay the taxes, he has assumed a contractual, not a tax, burden. The taxes which he paid become a part of the purchase price of the land, the Court held.

## Wool Assoc. Nominees

Frank J. Knell has been nominated for a third term as President of the Wool Associates of the New York Cotton Exchange, Inc. Bernard J. Conlin and Stanley H. Lawton have been nominated for First Vice President and Second Vice President, respectively, and William J. Jung has been nominated for Treasurer. One new member for the Board of Governors has been nominated, Tiney C. Figgatt. The Exchange on May 21 also stated:

Ten present members of the board have been renominated, these being E. Malcolm Deacon, Joseph P. Draper, Lawrence P. Hills, Marland C. Hobbs, H. Clyde Moore, Robert J. Murray, Max W. Stoehr, Joseph R. Walker, Philip B. Weld, and Arthur O. Wellman.

James B. Irwin, James C. Royce, and John Tolar, 3rd, have been nominated for inspectors of election.

The annual election of the Exchange is to be held on June 1, and the new officers will assume office on June 3.

The nominating committee consisted of Clayton B. Jones, Chairman, Arthur J. Pertsch, Charles B. Vose, John E. Smith, and Eugene Bascho.

## Conference Bd. Elects Fred Kent Chairman

Fred I. Kent, President of the Council of New York University, was elected on May 20 as Chairman of the National Industrial Conference Board for 1942-1943 by the Governing Body of the Conference Board. The election of the new Chairman and other officers was held in connection with the 26th annual meeting of the Board at the Waldorf-Astoria, New York City. Mr. Kent succeeds F. W. Lovejoy, Chairman of the Board of Eastman Kodak Co. Vice-Chairmen of the Conference Board, elected for one year, were:

Neal Dow Becker, President, Intertype Corp.; W. Gibson Carey, Jr., President, The Yale & Towne Manufacturing Co.; Col. J. F. Drake, President, Gulf Oil Corp.; John Wyckoff Mettler, President, Interwoven Stocking Co., and Langbourne M. Williams, Jr., President, Freeport Sulphur Co.

Dr. Virgil Jordan was reappointed President and Chief Executive Officer of the Board. James L. Madden, Third Vice-President, Metropolitan Life Insurance Co., was elected Treasurer.

The following were elected members of the Executive Committee to serve with the officers for one year:

Clifford S. Anderson, General Counsel, Norton Co.; William W. Bodine, President, The United Gas Improvement Co.; Willis H. Booth, Director, Commercial Solvents Corp.; David A. Crawford, President, Pullman, Inc.; C. W. Kellogg, President, Edison Electric Institute; Edward F. McGrady, Vice-President, Radio Corporation of America; E. V. O'Daniel, Vice-President, American Cyanamid Co.; Harry E. Ward, Chairman, Irving Trust Co.; Roy B. White, President, The Baltimore and Ohio R. R. Co.; and S. Clay Williams, President, R. J. Reynolds Tobacco Co.

The following will continue to serve on the Executive Committee, as members ex-officio, for the ensuing year:

Louis S. Cates, President, Phelps Dodge Corp.; Arthur M. Collins, President, Phoenix Mutual Life Insurance Co.; F. C. Crawford, President, Thompson Products, Inc.; C. Donald Dallas, President, Revere Copper & Brass, Inc.; J. F. Deasy, Vice-President, The Pennsylvania R. R. Co.; Lewis W. Douglas, President, The Mutual Life Insurance Co. of New York; David M. Goodrich, Chairman, The B. F. Goodrich; R. J. Hamilton, Secretary-Treasurer, American Radiator & Standard Sanitary Corp.; John Henry Hammond, of Hines, Rearick, Dorr & Hammond; Edgar M. Queeny, President, Monsanto Chemical Co.; Robert C. Stanley, Chairman and President, International Nickel Company of Canada, Ltd.; Frank W. Lovejoy, Chairman, Eastman Kodak Co.; and Irene du Pont, E. I. du Pont de Nemours & Co.

## Retail Stores To Aid In Selling War Bonds

The nation's retail stores will suspend the sale of their regular merchandise for a 15-minute period on July 1 and sell only war bonds and stamps, it was announced on May 25 by Benjamin H. Namm of Brooklyn, Chairman of the Retailers Advisory Committee of the Treasury. The war saving bond quotas for all States and Territories is \$1,000,000,000 and this intensive selling effort is designed to help it reach the goal. Prior to the selling period it is planned to have the Governor of each State speak over the radio to the retail stores and to stage rallies throughout the country to arouse the enthusiasm for the selling campaign.

## Wire-Tapping Bill For War Crimes Approved

The House by a voice vote approved on May 26 legislation authorizing wire tapping in order to prevent interference with the national security and defense. The legislation, in the form of a resolution, is strictly a war measure and is confined to war crimes; it restricts wire tapping to the Federal Bureau of Investigation, the Army Intelligence Division and the Office of Naval Intelligence. Specifically, the resolution makes admissible in evidence information obtained by wire tapping in cases involving treason, sabotage, espionage, seditious conspiracy, violations of neutrality laws, violations of the acts requiring the registration of foreign agents and organizations carrying on foreign activities. Severe penalties are prescribed for unauthorized uses of the evidence that might be obtained by wire tapping. The bill, which now goes to the Senate, would remain in effect until six months after the end of the war or until such earlier time as Congress, by concurrent resolution, or the President, might designate.

## FDR Clarifies Duties Of State Dept. & BEW

President Roosevelt on May 21 issued a statement designed to clarify certain relations and functions of the State Department and the Board of Economic Warfare and to provide for cooperative action between them.

Elaborating on his informal remarks made at a recent press conference, the President reiterated that the authority for formulating and conducting the country's foreign policy and relations with foreign nations rests with the State Department and that the BEW's primary responsibility has to do with matters of business judgment concerning the import of materials needed for the war effort. In cases involving both matters, the President said that Secretary of State Hull and Vice-President Wallace, who is head of the BEW, will work out a joint decision. Mr. Roosevelt added that it is essential that there be "complete exchange of information, mutual consultation and mutual confidence."

Mr. Roosevelt's previous remarks in the matter as to jurisdiction of the Department and the Board were mentioned in these columns May 7, page 1783.

The President's statement of May 21 follows, in part:

In the making of decisions the Board and its officers will continue to recognize the primary responsibility and position, under the President, of the Secretary of State in the formulation and conduct of our foreign policy and our relations with foreign nations. In matters of business judgment concerned with providing for the production and procurement of materials to be imported into this country for the war effort, including civilian supply, the Department will recognize the primary responsibility and position of the Board.

In many cases a decision may involve both matters of foreign policy and business judgment in varying degrees. No clear-cut separation is here possible. Accordingly, if occasions arise in which proposed action of the Board or its officers is thought by officials of the State Department to be at variance with essential considerations of foreign policy, the Secretary of State and the Chairman of the Board will discuss such matters and reach a joint decision, in matters of sufficient importance obtaining direction from the President.

The Board will continue to

recognize that it is the function of the Department of State to conduct or authorize the conduct of all negotiations with foreign governments in Washington and abroad. In negotiations relating to the production and procurement of commodities intended for import in accordance with the President's Executive Order, the State Department will recognize the necessity for the participation of representatives of the Board in order that the latter may adequately discharge its responsibilities.

In short, for the effective exercise of the functions both of the Board and the Department, it is essential that from the inception of any project there be complete exchange of information, mutual consultation and mutual confidence.

## Eight Orders Listed For Mobilization

Paul V. McNutt, Chairman of the War Manpower Commission, announced May 22 an eight-point program designed to "promote the fullest utilization of the manpower of this nation." Mr. McNutt made public an outline of eight directives, effective June 1, to various government agencies prescribing the basic policies they are to follow to facilitate the most effective mobilization of the country's manpower.

In his executive order setting up the Commission, President Roosevelt on April 18 designated several Federal agencies to conform to the chairman's policies and directives as was reported in our issue of April 23, page 1631.

The following is the first set of these directives:

1. A directive to the United States Employment Service to prepare and maintain a list of those skilled occupations essential to war production in which a national shortage exists. Such occupations will be designated as critical war occupations.
2. A directive to the War Production Board to classify war plants and war products in the order of their urgency in the war program.
3. A directive to the Employment Service to make preferential referrals of workers to employers engaged in war production in the order of their priority before making referrals to other employers.
4. A directive to the Employment Service to proceed immediately to analyze and classify the occupational questionnaires distributed by the Selective Service System, to interview those individuals with skills in critical war occupations, and to refer them to job openings in war production work.
5. A directive to the Selective Service System to instruct all its local boards located in a community served by the Employment Service to secure the advice of the local public employment office before classifying or reclassifying an individual skilled in a critical war occupation.
6. A directive to the Employment Service to increase its activities and facilities necessary to provide additional agricultural workers.
7. A directive to the Farm Security Administration to increase the number of mobile labor camps in order to make available workers in agriculture to achieve the "food for victory" objective.
8. A directive to the Office of Defense Transportation and the Farm Security Administration to assure adequate transportation facilities to move migrant agricultural workers.

## Foundations' Assets Near \$1½ Billion Mark

The capital assets of independent American foundations that make grants have grown to more than \$1,400,000,000, according to a report published on May 24 by Raymond Rich Associates of New York, consultants to foundations and other non-profit institutions. The survey, embracing reports from 314 leading foundations and family trusts is an extensive revision of a similar survey of 243 foundations published in 1939, and earlier editions issued periodically by the Twentieth Century Fund. Regarding the survey, the announcement from Raymond Rich Associates states:

One hundred and sixty-two foundations of the 314 surveyed, reported capital assets amounting to \$1,073,572,367 as of the end of 1940, the latest year for which complete figures are obtainable. Although the other 152 foundations did not make public the extent of their assets, available information indicates that they aggregate some \$350,000,000, bringing the total to about \$1,400,000,000.

The reported figure of \$1,073,572,367 is contrasted by the Rich Associates with assets of \$945,443,637 for 121 of the 243 foundations listed at the end of 1937, and of \$701,676,268 for 88 of the 123 foundations listed at the end of 1934. The 1934 figures are from the earlier survey by the Twentieth Century Fund. The assets in all cases are exclusive of land, buildings and equipment used by the reporting foundations.

The Rockefeller Foundation is the largest foundation among those reporting their capital assets, with the Carnegie Corporation in second place. The capital of these two foundations—\$169,416,504 and \$165,518,578 respectively—accounts for 31.2% of the total capital reported. Thirty-two other foundations also had capital assets of more than \$5,000,000 each at the end of 1940. These include: Board of Directors of City Trusts of the City of Philadelphia, \$93,420,389; The Kresge Foundation, \$57,510,347; The Commonwealth Fund, \$51,218,551; W. K. Kellogg Foundation, \$46,574,168; Charles Hayden Foundation, approximately \$45,000,000 and the General Education Board, \$40,684,023. The 34 largest foundations showed assets amounting to 87.9% of the total capital of the 162 reporting foundations in 1940.

Twenty-eight of these large foundations—among the 34 with more than \$5,000,000—also provided figures on their capital in 1934 and 1937. Of these 11 reported assets at the end of 1940 greater than at the end of 1937, and four remain the same.

The survey also contains a classified listing of foundation grants and a comparative analysis of foundation investment portfolios.

## Industrial Management—Columbia Summer Course

A 14 weeks' program of combined instruction in industrial management and business procedures will be given in the Summer Session of Columbia University, it is announced by Robert D. Calkins, Dean of the School of Business at the University. The course is designed for both business and engineering students and is intended to meet the shortage of trained personnel in the business-industrial management field. The faculty of the School of Engineering and the School of Business have cooperated in the organization of the program which began on June 1 and ends Sept. 12.

## From Washington

(Continued from First Page)  
pointment to his own cabinet. Even one of Hoover's nominees for the Supreme Court was rejected. Unquestionably the Senate was motivated at times by purely devilish considerations, or the desire to let it be known who was boss. It was almost unheard of for a President to name a federal official in a particular state without the approval of the Senators of that state, or in the event of the Senators being of the minority party, of the state leaders. If he did, because he and these Senators were not seeing eye to eye, the chances were 99 out of 100, that they could block the appointee's confirmation.

It was in this way, together with its control of the purse strings, that Congress held its own against ambitious men who got into the White House. It was in this way that it blocked any ambitions for a third term up until 1940.

Under this system, we had more or less 531 little political groups throughout the country. That is to say the federal appointees owed their appointments to some one member of Congress, the more important ones to a Senator, those of lesser importance such as postmasters, etc., to a Congressman. This resulted in the White House having to keep in close touch with Congress, in its having to work in close cooperation with the legislative branch. Members of the majority party sat in on the formulation of administrative policy. They were a definite part of the Government.

The New Deal has by-passed all of this. Through the tremendous largess at its disposal, it went directly to the Mayors and the Governors with their little armies of officeholders. Formerly these Mayors and Governors had been beholden to their Senators. They became beholden to the "New Deal." With this as a starter, the New Deal then succeeded in putting their own men in the state directorships of the countless bureaus with which they littered the country. Now they even have their own nationwide agency—that of Lowell Mellett's office of Government "Reports"—to inform them of the moods, the goings-on, the conditions in the various communities. Members of Congress used to give this information to the President. Now if one of them should by chance get an audience and tell the President about the conditions in his particular community, he will find the President fully advised and quite likely, differently from the Congressman's report.

The New Deal still plays ball with a sufficient number of Senators to give them a majority there in the matter of confirming appointees which require Senate confirmation. But these appointees are almost negligible in the army of \$5,000 to \$10,000 a year jobs that are being created every day. The Senate has sought unsuccessfully to bring some of these juicy plums under its thumb, by providing that all appointees to jobs calling for certain salaries, must be confirmed. In most instances it has run into the jealousy of the House. This was the case when Henderson's agency was first authorized.

It will be interesting, in view of Congress' belated recognition of the fix it is in, to see if the Senate confirms Frank Hague's offering for the Federal judiciary, one of his henchmen. Here is an appointment about which the President didn't even consult his own Department of Justice, just sent it on to the Senate at Hague's behest. The accepted report here is that the President is sore at Governor Edison, who is fighting the appointment, because the Governor is supposed to have been flirting with the Willkie Democrats.

## Will Not Review Writ Attaching French Gold

The United States Supreme Court on May 26 declined to review the action of the New York Supreme Court in issuing a writ in February, 1941, attaching \$200,000,000 of gold of the Bank of France, held in New York. The writ was issued to representatives of the exiled Belgian Government. Washington advises May 25 to the New York "Times," reporting the U. S. Supreme Court's refusal to review the case, said in part:

The lawsuit arose when the assignees, Daniel de Gorter and Henri Wild, sought to attach the French gold in this country to compensate for gold which the Belgian bank had on deposit with the French institution when the Germans took over Paris.

The two Belgians sent the gold to Paris for safekeeping, against German invasion, between November, 1939, and May, 1940. There was, they contend, an understanding that the metal would be returned, but a request for such rehabilitation was refused in June, 1940, just before the Franco-German armistice.

When France fell, the gold, it was alleged, was sent to Dakar instead of to the exiled Belgian Government. Later it was shipped by plane to Marseilles, and handed over to the Germans, the Belgians maintained.

Subsequently the two litigants obtained an attachment against \$749,000,000 belonging to the Bank of France, and on deposit with the Federal Reserve Bank in New York City. A legal battle ensued, the French maintaining that the New York courts lacked the authority to try cases involving foreign corporations, and neither of the two banks did direct business in the State.

This plea was rejected in the New York tribunals, and now the Supreme Court has declined to review the decision.

In a brief to the Supreme Court, the Bank of France held that "for reasons which it is not here important to discuss," the gold was not given back to the Belgian bank after the Germans went into France.

Previous reference to the proceedings appeared in our issue of Feb. 6, 1941, page 917.

## Plans Completed For NY Bond Pledge Campaign

The results of six weeks' planning and organization, during which more than 200 key men and women have put into motion the massive machinery for enlisting and training 200,000 Minute Men and Women to call upon every family in Greater New York for the purpose of securing a written pledge for the systematic purchase of War Bonds from the entire population, was recently announced by John T. Madden, Chairman of the U. S. Treasury's Greater New York War Bond Pledge Campaign. Mr. Madden, Administrative Vice-President of the Manufacturers Trust Co., is on leave of absence to do this urgent job.

Mr. Madden said that the framework of the huge organization has now been completed and while there are still many serious problems ahead and a tremendous amount of work to be done, the preliminary plans are now already beginning to function in all five boroughs.

In this Greater New York War Bond Pledge Campaign, a total of 7,500,000 people must be reached, which means at least 2,000,000 families will be called upon during a ten-day period from June 14 to 24. Each family will be asked to sign a pledge to buy War Bonds and Stamps regularly, in line with the Treasury Department's national objective.

## Patent Infringement Claim Upheld By Court

In a 6-3 decision on May 25 the United States Supreme Court ruled that machines used by the Williams Manufacturing Co. of Ohio infringed patent claims of the United Shoe Machinery Co. of Boston. The majority decision was led by Justice Roberts; the dissenting Justices were Justices Black, Douglas and Murphy. Reporting the High Court's conclusions the New York "Times" in advices from Washington May 25 said:

Defeated in lower courts, the Williams Company appealed on the ground that the claims concerning automatic heel lasting machines, were invalid because "they constituted attempts to repatent a broad combination of old devices" and merely "embodied aggregations of new unpatentable mechanisms with old mechanical combinations."

The majority, however, supported the lower courts in holding that the "new combinations, while they involve old mechanical constructions, combine these in a new way so as to produce an improved result."

Rejecting a contention that the combinations "are merely of old elements, which perform no new function and produce no new results," the majority refused the Williams Company the right to use a heel lasting machine if it had any of the improvements covered by the patent claims.

Referring to a decision by former Supreme Court Justice Bradley, 69 years ago, the Black-Douglas-Murphy minority objected to combining the description of improvements with description of a complete machine seeking the new patents. They disclaimed belief that "our patent system was intended to allow the indiscriminate jumbling of the new and the old which would permit the inventor of improvements to extend his domain of monopoly by perpetuating rights in old inventions beyond the 17 years Congress has provided."

Asserting that the improvements could have been patented separately, the minority declared the patent technique of United was "an attempt to utilize minor improvements to perpetuate the exclusive enjoyment of a major instrument of production which rightfully belongs to the public."

Justice Black said the patent was "one of a group which seems to have an interminable capacity for self-perpetuation" and that to grant it would deprive the public of benefits expected from the patent laws.

## Peoples' Sacrifices Exact Rights: Donovan

Eugene C. Donovan, President of the New York State Bankers Association, told the bankers' annual meeting in New York City on May 25 that the American people have the right to expect many things from Government, industry, labor and banking in view of their ready and willing acceptance of denial. They have the right to expect, Mr. Donovan said, that no unnecessary burdens will be placed upon them, and he continued:

They have the right to expect that the promises of Government will be kept, that politics will be adjourned for the duration and that their elected representatives will conduct themselves as statesmen and as nothing less. They have the right to expect that Government will practice its preachments of economy, and they have the right to expect that at the end of this struggle those things

which have been taken away will be returned.

From Industry the American people have the right to expect full cooperation with Government and with labor to the end that our productive facilities may yield to the fullest extent the instruments of victory. They have the right to expect industry to forego large private profits. To date these expectations from industry are being realized on a scale few thought possible a little while ago.

From Labor the American people have the right to expect that it will not use its newly won gains for its own selfish advantage. The intelligent people of America agree, I think, that labor will and should have a stronger voice in the conduct of our united affairs, but those same intelligent people expect, and rightly so, that those who lead labor should be of a type to merit the confidence of reasonable and honest men. The responsibility for that leadership rests with labor, as even today goes to it the credit for the astounding production records which are being made.

From the Banking System, from men like us, the American people have the right to expect wholehearted support and intelligent, liberal and sincere cooperation with other groups. From us, too, they expect the acceptance of responsibility for financing the war. They have the right to expect the banks to buy Government bonds to the limit of their resources—resources which, I might say, do not belong to us but to the people of America. They have the right to expect us to do our share in financing our farmers and our manufacturers who are producing for war.

Mr. Donovan further stated:

The American people have a right to expect that we shall continue to do all these things and more, respecting at the same time the legitimate needs of our own communities. We must cooperate in controlling credit, but we must not be scared nor stampeded into liquidating our villages and towns and cities.

These are the rights and expectations of the people of America today. If they are realized there can be only one result: we will win the war, and we will keep faith with the boys at the front.

## Congress Votes Increase In War Risk Ins. Fund

The House passed unanimously on May 21, and the Senate on May 28, a resolution appropriating \$210,000,000 for the purpose of increasing the marine and war-risk insurance fund of the War Shipping Administration. This appropriation is needed to augment the original fund of \$40,000,000 provided in July, 1940. During House discussion of the measure it was disclosed in the report of the House Appropriations Committee that "at the rate losses are occurring the fund is estimated to be liable for a little more than a ship a day, and on the basis of estimated claims payments it will require approximately \$20,000,000 average appropriated funds per month over premium receipts to meet the obligations." The report also showed that between Dec. 31, 1941 and May 1, 1942, insurance coverage increased from \$14,000,000 to \$883,000,000. It was estimated by Rep. Cannon (Dem., Mo.) head of the Appropriations Committee, that the \$210,000,000 appropriation, together with funds now on hand and current premiums, will be sufficient to supply requirements for from eight months to one year. He also pointed out that the premiums charged for this insurance are as high as the traffic will bear and that any higher rates will drive shipping from the seas.

## Close Relation of U. S. Canada Seen Permanent

If the war emergency lasts for any length of time, the new-found bases of economic cooperation between Canada and the United States may have consequences of a profound and permanent character, according to a forthcoming Conference Board report on Canada's role in the American Hemisphere. Everything, says the Board, now points to a constantly nearing unification of the war programs of the two countries and to the greatest possible coordination of industrial production, with regional specialization and mutual exchange of both raw materials and war items. The Board adds:

The functions of the Joint Economic Committees of the two countries are, however, not confined to wartime problems but embrace matters that have to do with post-war problems. These committees have an opportunity to advance Canadian-United States relations tremendously, the Board finds. Members of these committees are high ranking Government officials who have the assistance of full time research staffs.

"Many Canadians," the Board reports, "fear that the constantly approaching economic integration of Canada and the United States increases the potential threat of their country's being annexed to the United States." It finds, however, that "a decided change in Canadian public sentiment" has occurred in recent months "according to observers who note a marked tendency among thinking Canadians to accept, if not welcome, the thesis of hemisphere unity, and its implications for the future." Continuing the Board says:

The more the multitudinous problems involved are frankly discussed and explored today the better prepared both countries will be to meet promptly future contingencies as they arise.

Meanwhile the "main obstacles to the merging of the war efforts of Canada and the United States" are found to be "tariffs, trade regulations, red tape, and foreign exchange problems. One of the chief concerns today is how to overcome these obstacles and at the same time retain intact the traditional political independence and economic individuality of the two countries."

## May Cotton Sales

The Commodity Credit Corporation announces that offers were accepted on May 26 for the purchase of 125,241 bales of cotton under the General Cotton Sales Program at prices averaging 71 points on October New York futures for middling 15/16 inch cotton at Carolina B mill points. Bids were received on a total of 538,050 bales. The announcement stated:

"A total of 69,864 bales had been sold previously in May under the new uses and sales for export programs, bringing the total quantity sold during the month to 195,105 bales.

"Since Jan. 1, 1942, total sales under the various programs of the CCC, exclusive of the Lend-Lease and relief programs, have amounted to 1,322,364 bales as follows:

General Cotton Sales	
Program	1,099,133
Sales for Export	195,381
Sales for New Uses	27,850
	1,322,364

"There remains a total of 177,636 bales of cotton that may be sold during the calendar year 1942 within the limitation of 1,500,000 bales specified in section 381 (c) of the Agricultural Adjustment Act of 1938, as amended."

## AEF Will Land In France, Says Marshall

Gen. George C. Marshall, Army Chief of Staff, declared on May 29 that American soldiers "will land in France" thus giving the first official intimation that an invasion of Europe is planned. Speaking before the graduating class of the United States Military Academy, at West Point, N. Y., Gen. Marshall declared that "one thing is clear to me, we must be prepared to fight anywhere, and with a minimum of delay." Gen. Marshall added in part:

Today we find American soldiers throughout the Pacific, in Burma, China and India. Recently they struck at Tokyo. They have wintered in Greenland and Iceland. They are landing in Northern Ireland and England, and they will land in France. We are determined that before the sun sets on this terrible struggle our flag will be recognized throughout the world as a symbol of freedom on the one hand and of overwhelming force on the other.

The state of the public mind has changed. Many of those who were in confusion have come to a clear conclusion as to what we must do. Our people, solidly behind the Army, are supporting wholeheartedly every measure for the prosecution of the war.

Commenting on the tremendous growth of the military establishment, Gen. Marshall revealed that during the past four weeks the Army has been increased by 300,000 men and that by the end of the year will total nearly 4,500,000 men. (Previous War Department estimates had placed the total in the ranks by the year-end at 3,600,000 men.) Most of the expansion, he added, is taking place in the air forces.

Gen. Marshall in his address also said:

In a few days you will find yourselves among thousands of young officers who have recently won their commissions in an arduous and rigorous competition unique in the annals of our Army.

Already they are familiar with the concentrations and movements of large masses of men. Many of them have participated in manoeuvres which extended over a period of months and involved hundreds of thousands of troops operating over tremendous areas, covering in one instance an entire State. In other words, you will be in fast company; you are to join virile, highly developed forces. You will meet the citizen-soldiers of America at their best and, by the same token, you will have to work very hard to justify your heritage.

## G. W. Norris Dies

George W. Norris, former Governor of the Federal Reserve Bank of Philadelphia, died on May 13 at his home in Gwynedd Valley, Pa. A native of San Francisco Mr. Norris was educated as a lawyer and practiced for years before entering the banking business. He was appointed a Director of the Philadelphia Federal Reserve Bank when the system was organized in 1914 and became Vice-Chairman of the Bank in 1916. Mr. Norris was made Governor of the Reserve Bank in 1920 and served until 1936. His appointment as President of the Bank in 1936 was rejected by the Board of Governors of the Federal Reserve System because, it is said, he was past the retirement age. Mr. Norris also helped organize the Federal Farm Loan system and served as Commissioner from 1916-20.

## June War Bond Quota Raised to \$800 Million

War Savings Bond county quotas for June, stepped up by an average of 33 1/2% to meet the increased national quota of \$800,000,000 from the \$600,000,000 May figure, were announced on May 31 by the Treasury Department for every one of the 3,070 counties in the nation. The announcement stated:

From New York City's \$121,794,100, a quota for all five counties in the city, to the \$100 that Armstrong County, in South Dakota, (population 42) is being asked to produce, the new figures are based on actual sales in past months and the expectation that each county will meet its quota. The pace will be increased next month again, when \$1,000,000,000 will be the minimum goal for the country-wide drive.

The second highest June quota is for Cook County, Ill., in which Chicago is located, while Philadelphia is third. These counties have quotas of \$49,518,300 and \$28,300,700, respectively. For these three the figures conform to population, but several of the next largest figures deviate from the population ratio.

The quota campaign, carried out with the assistance of various community organizations and hundreds of thousands of volunteers, is designed to secure a minimum of 10% of the entire national income, principally through the payroll savings plan under which employees authorize employers to set aside a stated amount from their earnings every payday.

## New York City Expects Influx Of Vacationists

The basic gasoline rationing for motorists will bring the greatest influx in history of nearby vacationists to New York City this summer in the opinion of the Commerce and Industry Association of New York, Inc., which on May 18 made public a survey showing that 18,104,500 people, or 13.7% of the total population of the United States, live within a 100-mile radius of the lower tip of Manhattan Island. The Association points out that existing circumstances have caused thousands, who had hoped for vacation trips to far-away places, to shift their plans and, after a family discussion, it is considered that great numbers of them will choose the Metropolis because of its varied means of entertainment and the easy accessibility of its famous beaches.

As the needs of war and business will have first call on public carriers and the vacationists will get what's left, the Association believes educational campaigns by Chambers of Commerce and transportation companies encouraging vacationists to do their playing nearer home will be helpful in aiding the war effort. The Federal Government is aiming to discourage long distance vacation travel on trains and buses, but encourages recreation if it does not interfere with the war effort. The Association also states:

Under the existing gasoline rationing scheme, "A" card holders must restrict their summer vacation trips to a radius of not more than 100 miles. Even this will entail leaving the car in the garage for a period prior to the planned pleasure jaunt to accumulate a sufficient supply of fuel.

Except for short trips within a radius determined by the amount of gas available and the state of one's tires, long vacations by private motor cars seemed doomed for the duration.

## Mar. Cash Financ'g Down: No Treasury Borrowing

The Securities and Exchange Commission announced on May 27 that new issues of securities offered for cash in March declined to \$709,000,000, the lowest amount offered since November, 1941. The shrinkage, according to the Commission, was primarily due to the absence of borrowing in the market by the Government, except for Treasury bills, which are not included in the survey, and the decrease in sales of War Savings Bonds to the lowest levels since December. Offerings of corporate and municipal securities continued to be small in volume, although increases were shown in each of these categories as compared with the month of February.

The Commission's announcement further stated:

The survey, which was prepared by the Research and Statistics Subdivision of the Trading and Exchange Division, covers all new corporate and non-corporate issues offered for cash that are reported in the financial press, with the exception of issues \$100,000 and under in amount and, in the case of debt issues, of a maturity of less than one year.

Total new corporate flotations amounted to \$102,000,000, comparing with \$78,000,000 in February, and \$164,000,000 in January. Thus, for the first three months of 1942, only slightly over \$340,000,000 of corporate issues have been marketed, or less than any quarter since the first quarter of 1939. A moderate decline has been found so far in 1942 in the percentage of all corporate bond issues that have been privately placed. Excluding issues sold by competitive bidding directly to ultimate investors (which have been few in number), approximately one-fourth of corporate bonds have been privately placed. This compares with averages during the last four years ranging from 28 to 35%.

Public utility issues comprised \$49,000,000 of March flotations, accounted for chiefly by one issue: \$32,500,000 Pennsylvania Electric Co. first mortgage 3 3/4% due 1972. Industrial companies marketed \$47,000,000 of securities, while the remainder of corporate issues was made up of \$6,000,000 of railroad obligations.

Of estimated net proceeds raised from corporate flotations, new money purposes was to absorb \$39,000,000 (the same amount as was shown in February), with plant and equipment accounting for \$35,000,000 and additions to working capital, \$4,000,000. The amount of money allocated to repayment of indebtedness and retirement of preferred stock was \$61,000,000, or approximately three-fifths of total net proceeds. This amount included \$41,000,000 for the retirement of funded debt, \$15,000,000 for the payment of other debt (chiefly bank loans) and \$5,000,000 for the retirement of preferred stock issues.

## Texas Joint Land Bank Bonds Offered At Par

Kidder Peabody & Co. in May offered at par, an issue of \$350,000 First Texas Joint Stock Land Bank of Houston, 1 1/2% farm loan bonds. The issue was offered at par and the proceeds, together with surplus cash, were used to refund \$55,000 3/4% bonds due May 1, 1942 and \$500,000 2 1/2% bonds due May 1, 1942-1947. The bonds dated May 1, 1942, mature May 1, 1947 and are callable at par May 1, 1943 or any interest date thereafter. Interest is payable May 1 and Nov. 1. Bonds are issuable in denominations of \$5,000 each.

## National Bank Earnings Were Higher in 1941

Comptroller of the Currency Preston Delano announced on May 25 that the 5,123 active national banks in the United States and possessions on Dec. 31, 1941, reported gross earnings of \$925,663,000 for the calendar year 1941. This represents an increase of \$60,914,000 over the gross earnings for 1940 of the 5,150 national banks that were in active operation on Dec. 31 of that year.

The Comptroller's announcement further disclosed:

Operating expenses for the year 1941 were \$641,648,000 as against \$599,444,000 for the year 1940. Net operating earnings for 1941 were \$284,015,000, which was \$18,710,000 more than the amount reported for the preceding year.

Adding to the net operating earnings profits on securities sold of \$79,983,000 and recoveries on loans and investments, etc., previously charged off of \$106,779,000, and deducting losses and depreciation of \$201,482,000, the net profits before dividends for the year 1941 amounted to \$269,295,000, which was 17.70% of the par value of common and preferred stock and 7.37% of capital funds. This figure of net profits before dividends for 1941 was \$27,830,000 more than the amount reported for 1940.

The principal items of current gross operating earnings for 1941 were \$457,466,000 from interest and discount on loans, an increase of \$45,822,000; and \$291,984,000 from interest and dividends on bonds and securities, an increase of \$7,891,000 in the year. The principal operating expenses were \$272,057,000 for salaries and wages of officers and employees, an increase of \$16,758,000 over 1940; \$99,199,000 expended in the form of interest on time and savings deposits, a decrease of \$6,371,000, and \$85,134,000 paid in taxes, an increase of \$19,030,000.

Profits on securities sold during 1941 aggregating \$79,983,000 were \$25,068,000 less than in the preceding year, and losses and depreciation on bonds and securities for 1941 totaling \$92,134,000 were \$15,826,000 less than in the year before.

Dividends declared on common and preferred stock in 1941 totaled \$147,970,000, in comparison with \$145,273,000 in 1940. The dividends were 9.73% of common and preferred capital and 4.05% of capital funds.

## SEC Reports On Smaller Iron and Steel Companies

The twelfth of a new series of industry reports of the Survey of American Listed Corporations was made public by the Securities and Exchange Commission on May 20. It covers 50 corporations, with assets of under \$100,000,000 each, engaged primarily in the production of iron and steel and which had securities registered under the Securities Exchange Act of 1934 at Dec. 31, 1940. The combined sales reported by the group were \$529,000,000 in 1940 compared with \$408,000,000 in 1939. Net profits after all charges totaled \$37,000,000 in 1940 against \$21,000,000 in 1939, equivalent to 7% and 5.2% of sales, or 8.8% and 5.4% of net worth at book value. Total dividends paid out by these enterprises were \$16,000,000 in 1940 compared with \$11,000,000 in 1939. The combined assets for these 50 enterprises totaled \$597,000,000 at the end of 1940 compared with \$553,000,000 at the end of 1939, while surplus increased from \$160,000,000 at the end of 1939 to \$184,000,000 at the end of 1940.

## To Bar Commercial Use Of Red Cross Emblem

President Roosevelt urged Congress on May 25 to enact legislation which would prohibit the use of the Red Cross name and emblem for commercial purposes. In identical letters to Senator Van Nuys (Dem., Ind.), Chairman of the Senate Judiciary Committee, and Representative Bloom (Dem., N. Y.), Chairman of the House Foreign Affairs Committee, the President indorsed the bill designed to more effectively implement the provisions of the Red Cross convention of 1929 and declared that the Army, Navy, State Department and American National Red Cross feel strongly that wartime conditions make the proposed legislation necessary. After relating the history of the organization, Mr. Roosevelt said:

To great numbers of loyal Americans it seems almost a sacrilege for any person for private material benefit to use an emblem created by international agreement solely for humane purposes and as a protective mark for the establishments caring for the sick and wounded of armies and those engaged in extending aid to them. That such use preceded this Government's exercise of its prohibitive powers should not stand as a bar to the passage of remedial legislation in the public interest.

This country today faces the greatest challenge. Millions of its citizens are serving for its preservation. There are—there will be—sick and wounded on our battlefield. It is our solemn obligation to give them every comfort and protection within not only the letter but also the spirit of the Treaty of Geneva.

It should now be the declared policy of this Government to give adequate and complete protection to an emblem which, increasingly over the years, has come to be recognized by all nations as the symbol necessary to make possible humanitarian succor to the sick and wounded of armies and the needy and distressed peoples of the world.

I most earnestly commend the pending legislation to the favorable action of the Congress.

Secretary of State Hull on May 23 indicated his indorsement of the bill in a letter to Representative Bloom on the ground that "the common good can best be served by reserving for the exclusive use of the medical services of the Army and Navy and the Red Cross organizations an emblem which has been chosen as their symbol and which we along with other governments, have by treaty undertaken to protect."

## Drop In Home Ownership

While the number of owner-occupied homes in non-farm areas rose from 10,678,504 in 1930 to 11,413,461 in 1940, home ownership did not keep pace with the increase in families, according to the May issue of the Federal Home Loan Bank Review. The article states:

"In 1930, 46 out of every 100 non-farm families owned their homes. According to the 1940 Census, this proportion had shrunk to 41, throwing the position of non-farm home ownership back where it was in 1920 and representing the first serious break in its advance in the past 50 years."

Analyzing the reasons for this trend, the Review mentions the wave of foreclosures in the early 'thirties, economic pressures that forced many families to rent their homes, conversion of numerous large single-family dwellings to apartments or rooming houses, the downward movement in real estate prices providing little incentive for home-ownership as an investment, and the low rate of new home construction during many years.

## Electric Output For Week Ended May 30, 1942 Shows 12.5% 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 May 30, 1942, was 3,322,651,000 kwh., which compares with 2,954,647,000 kwh. in the corresponding period in 1941, a gain of 12.5%. The output for the week ended May 23, 1942, was estimated to be 3,379,985,000 kwh., an increase of 11.2% over the corresponding week in 1941.

Major Geographical Divisions—	PERCENTAGE INCREASE OVER PREVIOUS YEAR			
	May 30, '42	May 23, '42	May 16, '42	May 9, '42
New England	14.6	9.8	8.7	7.8
Middle Atlantic	9.2	8.2	8.4	8.7
Central Industrial	12.6	9.0	9.3	10.2
West Central	10.4	8.2	8.2	10.1
Southern States	10.7	15.4	16.7	17.0
Rocky Mountain	7.0	4.6	2.5	3.3
Pacific Coast	22.1	19.2	19.6	20.1
Total United States	12.5	11.2	11.5	12.0

Week Ended—	DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)				
	1942	1941	% Change over 1941	1940	1939
Mar. 14	3,357,444	2,983,591	+12.5	2,550,000	1,537,747
Mar. 21	3,357,032	2,983,048	+12.5	2,508,321	1,514,553
Mar. 28	3,345,502	2,975,407	+12.4	2,524,066	1,480,208
Apr. 4	3,348,608	2,959,646	+13.1	2,493,690	1,465,076
Apr. 11	3,320,858	2,905,581	+14.3	2,529,908	1,480,738
Apr. 18	3,307,700	2,897,307	+14.2	2,528,868	1,469,822
Apr. 25	3,273,190	2,950,448	+10.9	2,499,060	1,454,505
May 2	3,304,602	2,944,906	+12.2	2,503,899	1,429,032
May 9	3,365,208	3,003,921	+12.0	2,515,515	1,436,928
May 16	3,356,921	3,011,345	+11.5	2,550,071	1,435,731
May 23	3,379,985	3,040,029	+11.2	2,588,821	1,425,151
May 30	3,322,651	2,954,647	+12.5	2,477,689	1,381,452

## New York Stock Exchange Odd-Lot Trading

The Securities and Exchange Commission has made public a summary for the weeks ended May 16 and 23, of complete figures showing the daily 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, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

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

Week Ended—	Odd-lot Sales by Dealers: (Customers' Purchases)	
	May 16	May 23
Number of orders	8,563	9,930
Number of shares	225,296	257,909
Dollar value	\$7,667,510	\$9,372,859
Odd-lot Purchases by Dealers: (Customers' Sales)		
Number of orders:		
Customers' short sales	190	230
Customers' other sales	8,459	9,730
Customers' total sales	8,649	9,960
Number of shares:		
Customers' short sales	5,926	5,961
Customers' other sales	204,755	246,063
Customers' total sales	210,681	252,024
Dollar value	\$6,286,166	\$7,683,379
Round-lot Sales by Dealers:		
Number of shares:		
Short sales	230	200
Other sales	50,010	64,910
Total sales	50,240	65,110
Round-lot Purchases by Dealers:		
Number of shares:	68,040	75,530

## Nation's Food Supply To Be At Record Level

The Department of Agriculture on June 1 said reports on food production indicate that while the nation's total supply of foods will be larger this year than last—and larger than total requirements—variations are expected in the supply of individual items. Products in larger domestic supply include fresh fruits and vegetables, fluid milk and cream, eggs, beef, wheat, lamb and mutton. Products in smaller supply (allowing for military needs and Lend-Lease commitments) include canned vegetables, pork, animal fats, vegetable oils, and sugar.

The Department's announcement further said:

Many women and young people will help with the big winter wheat harvest which will soon be underway. This year's crop of winter and spring wheat, added to the carryover from last year, will give the country a two-years' supply—or enough for 265,000,000 people in one year.

There are more than enough feed grains in bin and storage to carry through until the new feed harvest is made this autumn. Farmers have put in larger acreages of feed grains this year, but more livestock

are on the farms and ranches than ever before. These will consume more feed. Meanwhile, summer pastures are in unusually good condition.

Milk is in flush production this month, but will fall off as hot weather sets in. It will decline seasonally through November when another season of rising production will get underway. Effort is to lessen the usual summer slump by means of supplemental feeding. In any case, total production will be larger this summer than last.

Production of eggs during the first four months of this year mounted to a higher season peak than ever before—nearly 18,700,000,000 eggs, as compared with little more than 16,000,000,000 during the same period last year. Although quantities of these eggs were processed for Lend-Lease export, and some went into storage against the seasonal decline in production now under way, the bulk went into domestic consumption.

Domestic production of fats and oils will be larger this year than last by about 1,000,000,000 pounds, but this increase will only offset the reduction in imports. Requirements for fats and oils are much larger this year than last and reserve stocks may be drawn upon heavily.

## ODT Advocates Mid-Week Start For Vacations

The Office of Defense Transportation on May 20 requested the United States Chamber of Commerce, American Bankers' Association, and the Institute of Life Insurance to ask member organizations to aid in relieving week-end travel demands on the railroads and bus lines by scheduling mid-week departure and return of employees who plan vacation trips. In its announcement the ODT said:

In letters addressed to these organizations, ODT called attention to Director Joseph B. Eastman's recent appeal to all Government agencies to arrange for annual leaves to begin and terminate on Tuesdays, Wednesdays, and Thursdays, and to spread vacations over the entire year rather than concentrate them in the months of July and August.

Holgar J. Johnson, President of the Institute of Life Insurance, advised ODT that both the President's Association and the American Life Convention group had taken up with all their company executives vacation adjustments to avoid week-end travel.

Edward E. Brown, President of the First National Bank of Chicago, reported that his bank already had arranged with employees who planned railroad vacation travel to depart on days other than Friday and Saturday and to return in mid-week.

"The continued cooperation of all business organizations in the matter of planning mid-week vacation schedule," Mr. Eastman said, in commenting on the response from these organizations, "will do much to ease the burden on common carrier passenger facilities, and the prompt response to this office's request is most gratifying."

## Begin Normandie Salvage

The salvage work on the former French liner Normandie, which burned and capsized at a New York pier last February, is expected to take a year and cost several million dollars. The Navy Department announced on May 21 that preliminary salvage work had been started on the huge ship, which was being converted into the troopship Lafayette at the time of the fire which led to its capsizing. A special advisory committee of experts informed Secretary of the Navy Knox that the ship could be raised and he then issued the order to begin salvaging operations. Commander William A. Sullivan, Chief of the Navy's Salvage Section, will direct the project.

The Senate Naval Affairs Committee in its report on the disaster said on May 22 that the haste imposed on the contractor by the Bureau of Ships in Washington was an important factor in the loss of the vessel and that confusion of command and divided authority among the naval officers aboard the vessel were contributory causes. The Senate report said that the direct cause of the Normandie fire was the careless use of an oxy-acetylene torch near inflammable material without proper safeguards. The Senate investigating committee also questioned the decision to convert the Normandie into a troop carrier, explaining that competent witnesses had expressed the opinion that its use for war purposes was inadvisable due to the vessel's construction.

The Senate report agreed with the findings of the Navy board of inquiry and of the House Naval Affairs Committee that the fire was not an act of sabotage. The House group's report was referred to in these columns April 23, page 1640.

## P. H. Johnston Awarded Honorary Degree Of LL.D.

Percy H. Johnston, Chairman of the Board of the Chemical Bank & Trust Company, New York, was awarded the honorary degree of Doctor of Laws by Centre College of Kentucky at Danville, Ky., on May 25. The bank's announcement says:

Mr. Johnston began his banking career in his native town of Lebanon, Ky., as a clerk in the Marion National Bank. At the age of 26, he became a national bank examiner despite the fact that he was under the age required for such an appointment. When 30 years old, he was made one of the four national bank examiners at large. He held this position until he became a Vice-President and Cashier of the Citizens National Bank, Louisville, Ky., at the age of 32, becoming First Vice-President the succeeding year.

In 1917, Mr. Johnston came to New York as a Vice-President of the Chemical Bank and was elected President of the bank in 1920. In 1931, he was elected Chairman and acted as both Chairman and President until 1935 when he relinquished the Presidency, continuing as Chairman and Chief Executive Officer of the bank which position he now holds.

Mr. Johnston is a past President of the New York Clearing House Association and has also just completed a two-year term as President of the Chamber of Commerce of the State of New York. He holds many directorships and has received numerous honors in other fields.

## Imports For Government Exempted From Price Order

All sales of imported commodities to the United States Government or its agencies after May 17, have been excepted from the provisions of the General Maximum Price Regulation, Price Administrator Leon Henderson announced on May 29. Also excepted, said the announcement, are sales of imported commodities to any person who will use them to fill a contract or subcontract with United States agencies. The exceptions are provided in Amendment No. 1 to Supplementary Regulation No. 4 of the General Maximum Price Regulation, and became effective May 26. The OPA announcement May 29 added:

An "imported commodity" is defined in the amendment as "any commodity brought into the continental United States from outside the continental United States or brought into any territory or possession of the United States from outside such territory or possession."

In other words, the Price Administrator explained, the amendment excepts from the general order imported items brought into the continental United States from a foreign country or a United States territory or possession under purchase by the Government, its agencies, or by contractors or subcontractors who will use such imports to fill Government orders.

In addition, it excepts from the General Regulation any commodities brought into any United States territory or possession, such as Alaska or Puerto Rico, from anywhere outside the territory or possession, including the continental United States, provided the commodities are under purchase by the Government, its agencies, or other buyers who will use them to fill a contract or subcontract with the United States. The exceptions apply, no matter whether the commodities are purchased in the countries from which they are to be exported, or bought after they have been imported.

## Roosevelt Lauds Canada's Air Training Program

President Roosevelt, in a message to the United Nations air training conference which opened at Ottawa on May 19, said that Canada has become the "air-drome of democracy" in the cause of liberty. The delegates of 14 United Nations were welcomed at the opening session by Prime Minister W. L. Mackenzie King.

The President's message, read by Robert A. Lovett, U. S. Assistant Secretary of War for Air, follows:

I shall be grateful if you will convey my personal greetings to the conference.

It is particularly fitting that this conference should be held in Canada, for Canada has increasingly become the airdrome of democracy, sending from her training fields thousands upon thousands of her own men and men of the other United Nations to fight in the cause of liberty over all the battlefields of this planetary war.

Without Canada's tremendous contribution to our common destiny the cause of the United Nations might have been greatly imperiled. With Canada's valiant and unswerving aid, with the joined power and courage and audacity your conference symbolizes, the people of the United Nations can look forward confidently along the hard road of victory.

The hopes of free men and women everywhere, the hopes of those who are awaiting liberation in the countries the savage invaders have darkened and despoiled, are with the United Nations.

## Strict Control By WPB On Street Cars & Buses

Advices from Washington May 21, (Associated Press) stated that the War Production Board has imposed strict controls on distribution of new street cars and motor buses, prohibiting any production or delivery except in accordance with specific WPB instructions. The advices added:

The order covers bodies designed for mounting upon chassis for either buses or trolleys. Production and delivery schedules must be maintained as ordered by WPB, without regard to preference ratings assigned any particular contracts, the board directed.

Production quotas will be assigned individual producers.

In event a manufacturer finds it impossible to keep up with his production and delivery schedules he must notify WPB immediately, "meanwhile continuing to turn out as many of the vehicles, or bodies for them, as he can."

## Cotton Exporters Given 60 Days More For Shipping

The U. S. Department of Agriculture said on May 28 that exporters who have registered sales under the Cotton Sales for Export Program administered by the Commodity Credit Corporation will be given an additional 60 days to complete shipments to Canada. The previous requirement was that cotton be exported prior to July 31, 1942. The advices likewise said:

The amendment to the program provides that cotton purchased from the CCC under bond prior to July 31, 1942, may be exported any time prior to Sept. 30, 1942. The change in time for completing shipments does not change the requirement that sales must be made during the period from Sept. 18, 1941 to July 31, 1942. Furthermore, the amendment provides that purchases from the CCC stocks must be made prior to July 31, 1942, or such earlier date as may be announced by the Corporation.

### Moody's Bond Prices And Bond Yield Averages

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

MOODY'S BOND PRICES* (Based on Average Yields)										
1942— Daily Averages	U. S. Govt. Bonds	Ave. Corpo- rate*	Corporate by Ratings*				Corporate by Groups*			
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus	
June 2	118.33	106.39	116.02	112.75	107.44	91.48	95.77	110.70	113.70	
1	118.30	106.39	116.02	112.93	107.44	91.77	95.92	110.88	113.70	
May 30										
29	118.35	106.39	116.02	112.93	107.44	91.77	96.07	110.70	113.70	
28	118.35	106.56	116.02	112.93	107.44	91.91	96.07	110.88	113.70	
27	118.35	106.39	116.02	112.93	107.44	91.77	96.07	110.88	113.50	
26	118.34	106.39	116.02	112.93	107.44	91.77	96.07	110.88	113.50	
25	118.40	106.39	116.02	112.93	107.44	91.77	96.07	110.88	113.50	
24	118.38	106.39	116.02	112.93	107.44	91.77	96.07	110.88	113.50	
23	118.38	106.39	116.02	112.93	107.44	91.91	96.07	110.70	113.50	
22	118.33	106.56	116.02	112.93	107.44	91.91	96.07	110.70	113.50	
21	118.08	106.39	116.02	112.93	107.44	91.77	96.07	110.70	113.50	
20	117.92	106.56	116.02	113.12	107.44	92.06	96.38	110.70	113.50	
19	117.86	106.56	116.02	113.12	107.44	92.06	96.54	110.70	113.50	
18	117.88	106.56	116.02	113.12	107.44	92.06	96.54	110.88	113.50	
17	117.88	106.56	116.02	113.12	107.44	92.06	96.54	110.88	113.70	
16	117.88	106.56	116.02	113.12	107.44	92.06	96.54	110.88	113.50	
15	117.89	106.74	116.02	113.31	107.44	92.06	96.54	110.88	113.50	
14	117.80	106.56	116.02	113.31	107.44	92.06	96.54	110.88	113.50	
13	117.89	106.56	116.02	113.12	107.44	92.06	96.69	110.70	113.70	
12	117.72	106.56	116.22	113.12	107.44	92.06	96.69	110.70	113.70	
11	117.74	106.56	116.02	113.12	107.44	92.20	96.69	110.70	113.70	
10	117.76	106.74	116.22	113.12	107.44	92.20	96.69	110.70	113.70	
9	117.76	106.74	116.22	113.12	107.44	92.20	96.69	110.70	113.70	
8	117.79	106.74	116.22	113.12	107.44	92.20	96.69	110.70	113.70	
7	117.83	106.74	116.22	113.12	107.44	92.20	96.69	110.70	113.70	
6	117.98	106.74	116.22	113.12	107.44	92.20	96.69	110.70	113.70	
5	118.01	106.74	116.22	113.12	107.44	92.20	96.69	110.70	113.70	
4	117.86	106.74	116.22	113.12	107.44	92.20	96.69	110.70	113.70	
3	117.98	106.74	116.22	113.12	107.44	92.20	96.69	110.70	113.70	
2	117.90	106.56	116.22	113.12	107.44	92.20	96.69	110.70	113.70	
1	117.80	106.74	116.22	113.12	107.44	92.06	96.69	110.70	113.70	
Apr. 24	117.83	106.82	116.41	113.70	107.62	92.20	96.85	110.88	113.89	
17	118.06	106.82	116.41	113.89	107.62	92.35	97.16	110.70	114.08	
10	118.10	106.82	116.22	113.70	107.62	92.20	97.00	110.52	114.08	
2	118.20	106.74	116.22	113.50	107.62	91.91	97.00	110.34	113.50	
Mar. 27	117.80	106.21	115.63	113.12	107.09	91.34	96.85	109.79	112.93	
20	117.33	106.21	115.43	112.93	107.27	91.34	96.85	109.60	112.75	
13	117.32	106.21	115.63	112.93	107.27	91.62	96.85	109.79	113.31	
6	116.34	106.39	115.63	113.31	107.62	91.62	96.85	110.15	113.31	
Feb. 27	116.32	106.56	115.82	113.31	107.80	91.62	96.85	110.34	113.50	
20	116.27	106.74	116.41	113.50	107.80	91.77	97.16	110.70	113.50	
13	117.02	106.74	116.41	113.50	107.80	91.91	97.16	110.70	113.70	
6	117.08	106.92	116.22	113.70	107.80	92.06	97.31	110.52	113.70	
Jan. 30	117.32	106.92	116.22	114.08	107.62	91.91	97.31	110.70	113.70	
23	117.51	106.92	116.22	114.08	107.62	91.91	97.31	110.52	113.70	
16	117.60	106.92	116.41	113.89	107.62	91.91	97.31	110.52	113.70	
9	118.00	106.92	116.61	114.08	107.62	91.77	97.16	110.70	113.89	
2	117.61	106.04	115.82	113.50	107.09	90.63	95.92	110.34	113.31	
High 1942	118.40	106.92	116.61	114.08	107.98	92.50	97.47	110.88	114.08	
Low 1942	111.90	106.04	115.43	112.75	107.09	90.63	95.77	109.60	112.75	
High 1941	120.05	108.52	118.60	116.02	109.60	92.50	97.78	112.56	116.41	
Low 1941	115.89	105.52	116.22	112.00	106.04	89.23	95.62	109.42	111.62	
1 Year ago										
June 2, 1941	118.82	106.39	116.80	113.31	106.92	91.19	96.54	110.70	112.75	
2 Years ago										
June 1, 1940	113.13	99.20	112.19	110.15	99.68	79.49	86.51	105.69	107.09	

MOODY'S BOND YIELD AVERAGES* (Based on Individual Closing Prices)										
1942— Daily Average	Ave. Corpo- rate*	Corporate by Ratings*				Corporate by Groups*				
		Aaa	Aa	A	Baa	R. R.	P. U.	Indus		
June 2	3.37	2.85	3.02	3.31	4.31	4.02	3.13	2.97		
1	3.37	2.85	3.01	3.31	4.29	4.01	3.12	2.97		
May 30										
29	3.37	2.85	3.01	3.31	4.29	4.00	3.13	2.97		
28	3.36	2.85	3.01	3.31	4.29	4.00	3.12	2.97		
27	3.37	2.85	3.01	3.31	4.29	4.00	3.12	2.98		
26	3.37	2.85	3.01	3.31	4.29	4.00	3.12	2.98		
25	3.37	2.85	3.01	3.31	4.29	4.00	3.12	2.98		
24	3.37	2.85	3.01	3.31	4.29	4.00	3.12	2.98		
23	3.37	2.85	3.01	3.31	4.29	4.00	3.12	2.98		
22	3.36	2.85	3.01	3.31	4.29	4.00	3.13	2.98		
21	3.37	2.85	3.01	3.31	4.27	3.98	3.13	2.97		
20	3.36	2.85	3.00	3.31	4.27	3.97	3.13	2.98		
19	3.36	2.85	3.00	3.30	4.27	3.97	3.12	2.98		
18	3.36	2.85	3.00	3.30	4.27	3.97	3.12	2.98		
17	3.36	2.85	3.00	3.30	4.27	3.97	3.12	2.97		
16	3.36	2.85	3.00	3.30	4.27	3.97	3.12	2.97		
15	3.35	2.85	2.99	3.30	4.27	3.97	3.12	2.97		
14	3.36	2.85	2.99	3.31	4.27	3.97	3.13	2.97		
13	3.36	2.85	3.00	3.31	4.27	3.96	3.13	2.97		
12	3.36	2.84	3.00	3.31	4.26	3.96	3.13	2.97		
11	3.36	2.85	3.00	3.31	4.26	3.96	3.13	2.97		
10	3.35	2.84	3.00	3.30	4.26	3.96	3.13	2.97		
9	3.35	2.84	3.00	3.30	4.26	3.96	3.13	2.97		
8	3.35	2.84	3.00	3.31	4.26	3.97	3.13	2.97		
7	3.35	2.84	3.00	3.30	4.27	3.97	3.13	2.97		
6	3.35	2.85	3.00	3.30	4.26	3.96	3.13	2.97		
5	3.35	2.84	3.00	3.31	4.26	3.96	3.13	2.97		
4	3.35	2.84	3.00	3.31	4.26	3.96	3.13	2.97		
3	3.35	2.84	3.00	3.31	4.27	3.96	3.13	2.97		
2	3.35	2.84	3.00	3.31	4.27	3.96	3.13	2.97		
1	3.35	2.84	3.00	3.31	4.27	3.96	3.13	2.97		
Apr. 24	3.34	2.83	2.97	3.30	4.26	3.95	3.12	2.96		
17	3.34	2.83	2.96	3.30	4.25	3.93	3.13	2.95		
10	3.34	2.84	2.97	3.30	4.26	3.94	3.14	2.95		
2	3.35	2.84	2.98	3.30	4.28	3.94	3.15	2.98		
Mar. 27	3.38	2.87	3.00	3.32	4.32	3.95	3.18	3.01		
20	3.38	2.88	3.01	3.32	4.32	3.95	3.19	3.02		
13	3.38	2.87	3.01	3.32	4.30	3.95	3.18	2.99		
6	3.37	2.87	2.99	3.30	4.30	3.95	3.16	2.99		
Feb. 27	3.36	2.86	2.99	3.29	4.30	3.95	3.15	2.98		
20	3.35	2.83	2.98	3.29	4.29	3.93	3.13	2.98		
13	3.35	2.83	2.98	3.29	4.28	3.93	3.13	2.97		
6	3.35	2.83	2.98	3.29	4.28	3.93	3.13	2.97		
Jan. 30	3.34	2.84	2.97	3.29	4.27	3.92	3.14	2.97		
23	3.34	2.84	2.95	3.30	4.28	3.92	3.13	2.97		
16	3.34	2.83	2.96	3.30	4.28	3.92	3.14	2.97		
9	3.34	2.82	2.95	3.30	4.29	3.93	3.13	2.96		
2	3.39	2.86	2.98	3.33	4.37	4.01	3.15	2.99		
High 1942	3.39	2.88	3.02	3.33	4.37	4.02	3.19	3.02		
Low 1942	3.34	2.82	2.95	3.28	4.24	3.92	3.12	2.95		
High 1941	3.42	2.86	3.06	3.39	4.47	4.03	3.20	3.08		
Low 1941	3.25	2.72	2.85	3.19	4.24	3.89	3.03	2.83		
1 Year ago										
June 2, 1941	3.37	2.81	2.99	3.34	4.33	3.97	3.13	3.02		
2 Years ago										
June 1, 1940	3.80	3.05	3.16	3.77	5.23	4.67	3.41	3.33		

\* 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.

### Daily Average Crude Oil Production For Week Ended May 23, 1942 Up 115,100 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended May 23, 1942, was 3,5

## Labor Bureau's Wholesale Price Index Shows Slight Advance In May 23 Week

The Bureau of Labor Statistics, U. S. Department of Labor, announced on May 28 that except for sharp increases in certain farm products and foods which are not controlled under the Office of Price Administration General Maximum Price Regulation average prices for commodities in primary markets remained comparatively steady during the week ended May 23. The Bureau reports that the advance in prices for farm products and foods brought the all-commodity index up 0.2% during the week to equal the high point reached earlier in the month. At 98.7% of the 1926 average, the Bureau's comprehensive index of nearly 900 price series is 16% higher than at this time last year.

We also quote the following from the Board's advices: During the period of rapid changes caused by price controls, materials allocation, and rationing the Bureau of Labor Statistics will attempt promptly to report changing prices. The indexes, however, must be considered as preliminary and subject to such adjustment and revision as required by late and more complete reports.

The following table shows index numbers for the principal groups of commodities for the past three weeks, for April 25, 1942, and May 24, 1941, and the percentage changes from a week ago, a month ago, and a year ago.

Commodity Groups—	(1926=100)						Percentage changes to					
	5-23 1942	5-16 1942	5-9 1942	4-25 1942	5-24 1941	5-16 1941	4-25 1941	5-23 1942	5-16 1942	4-25 1942	5-24 1941	
All Commodities	104.8	104.3	104.0	104.8	77.3	+0.5	0	+35.6				
Farm products	99.1	98.2	99.3	99.6	79.5	+0.9	-0.5	+24.7				
Foods	119.2	119.8	120.2	119.8	106.9	-0.5	-0.5	+11.5				
Hides and leather products	97.2	97.3	97.3	97.0	82.9	-0.1	+0.2	+17.2				
Textile products	78.9	78.8	78.7	78.5	76.2	+0.1	+0.5	+3.5				
Fuel and lighting materials	104.0	104.0	103.9	103.9	98.2	0	+0.1	+5.9				
Metals and metal products	110.0	110.1	110.0	108.8	100.5	-0.1	+1.1	+9.5				
Building materials	97.3	97.3	97.3	97.1	84.2	0	+0.2	+15.6				
Chemicals and allied products	104.6	104.6	104.6	104.4	92.5	0	+0.2	+13.1				
Housefurnishing goods	90.2	90.2	89.9	90.0	79.7	0	+0.2	+13.2				
Miscellaneous commodities	99.8	98.9	99.5	100.4	79.9	+0.9	-0.6	+24.9				
Raw materials	92.8	92.8	92.6	92.6	86.5	0	+0.2	+7.3				
Semimanufactured articles	99.2	99.3	99.3	98.9	87.5	-0.1	+0.3	+13.4				
Manufactured products	97.4	97.2	97.4	97.3	86.7	+0.2	+0.1	+12.3				
All commodities other than farm products	95.9	95.9	95.8	95.6	87.7	0	+0.3	+9.4				
All commodities other than farm products and foods	98.7	98.5	98.6	98.6	85.0	+0.2	+0.1	+16.1				

## Engineered Construction Volume Up 132%

Engineered construction volume for the week totals \$163,227,000, an increase of 132% over the corresponding 1941 week, but 25% lower than last week as reported by "Engineering News-Record" on May 28. Public construction climbs 284% over the week a year due to the more than seven-fold increase in Federal Work. The public total, however, is 24% below the preceding week. Private work is 31% under the 1941 week, and 41% lower than a week ago. The report went on to say:

With this week's construction total, the volume for May reaches \$1,044,572,000, the highest monthly total ever reported. Over 90% of the monthly volume is concentrated in Federal work, and the balance is almost equally divided between private, and State and municipal construction.

The current week's volume brings 1942 construction to \$3,936,356,000, an increase of 75% over the 22-week period last year, and just about on a par with the volume reported for the entire year in 1940. Public work is 125% higher than a year ago as a result of the 214% gain in Federal work. Private work, however, is 53% lower than in the period last year.

Construction volumes for the 1941 week, last week, and the current week are:

	May 29, 1941	May 21, 1942	May 28, 1942
Total construction	\$70,368,000	\$216,513,000	\$163,227,000
Private construction	29,317,000	9,305,000	5,458,000
Public construction	41,051,000	207,208,000	157,769,000
State and municipal	20,876,000	11,487,000	12,336,000
Federal	20,175,000	195,721,000	145,433,000

In the classified construction groups, gains over the 1941 week are in waterworks, sewerage, public buildings, and unclassified construction. Increases over last week are in bridges, streets and roads, and unclassified construction. Subtotals for the week in each class of construction are: Waterworks, \$2,113,000; sewerage, \$2,437,000; bridges, \$1,228,000; industrial buildings, \$1,857,000; commercial building and large-scale private housing, \$3,415,000; public buildings, \$96,248,000; earthworks and drainage, \$956,000; streets and roads, \$10,528,000; and unclassified construction, \$44,445,000.

New capital for construction purposes for the week totals \$7,047,000. This compares with \$34,755,000 for the corresponding week last year. The current week's new financing is made up of \$3,997,000 in State and municipal bond sales, and \$3,050,000 in corporate security issues.

New construction financing for the year to date, \$6,818,823,000, is 108% above the \$3,271,780,000 reported for the opening 22-week period last year.

## Commodity Price Average Again Recedes

The weekly wholesale commodity price index compiled by The National Fertilizer Association and released on June 1, declined for the second consecutive week. In the week ended May 30, 1942, this index was 127.7, compared with 128.0 in the preceding week. A month ago it was 128.0 and a year ago 106.9, based on the 1935-1939 average as 100.

The slight drop in the all-commodity index last week was due primarily to declining prices for farm products, the index for which dropped to March levels. A slight advance in cotton was more than offset by rather marked declines in grain and most livestock prices. The fertilizer materials index declined due to a drop in the price of cottonseed meal. The index of miscellaneous commodities was lower, reflecting price declines for cottonseed meal, linseed meal, and bran. A lower price for linseed oil caused a small decline in the building material average. The food group average moved to higher levels last week as a result of upturns in

prices of eggs, potatoes and chickens. The only other group average to change during the week was the textile index, which advanced fractionally.

During the week price declines outnumbered price advances 13 to 10; in the preceding week prices of 12 commodities declined and 12 advanced; in the second preceding week there were 16 advances and 15 declines.

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

% Each Group Bears to the Total Index	Group	Latest Week	Preceding Week	Month Ago	Year Ago
		May 30 1942	May 23 1942	Apr. 25 1942	May 31 1941
25.3	Foods	125.6	125.3	126.0	100.9
	Fats and Oils	138.7	139.1	138.0	110.8
	Cottonseed Oil	163.0	163.0	159.3	119.7
23.0	Farm Products	136.5	137.8	138.4	102.7
	Cotton	187.5	187.4	191.6	123.2
	Grains	114.1	115.1	114.6	93.4
	Livestock	132.2	133.9	134.3	100.9
17.3	Fuels	119.5	119.5	117.4	107.2
10.8	Miscellaneous commodities	127.7	127.9	128.7	115.3
8.2	Textiles	148.9	148.8	149.2	127.6
7.1	Metals	104.4	104.0	104.4	103.4
6.1	Building materials	151.7	151.8	151.7	117.7
1.3	Chemicals and drugs	120.7	120.7	120.7	105.0
.3	Fertilizer materials	118.7	119.8	118.7	107.1
.3	Fertilizers	115.3	115.3	115.3	101.1
.3	Farm machinery	104.1	104.1	104.1	99.3
100.0	All groups combined	127.7	128.0	128.0	106.9

\*Indexes on 1926-1928 base were: May 30, 1942, 99.5; May 23, 1942, 99.7; May 31, 1941, 83.3.

## Non-Ferrous Metals—Copper Allocations For June Under Way—Lead Pool For June At 15%

"Metal and Mineral Markets" in its issue of May 28 stated: "Allocation certificates for copper for June started moving out of Washington to consumers during the last week. Beginning June 1, zinc will come under full allocation, and most of the details for handling the distribution of the metal have been settled. Requests from consumers for High Grade zinc have been excessive. The emergency pool in lead, which some observers thought might be abandoned, will be continued at the 15% rate during the next month. Arsenic and tantalum were placed under full allocation by the War Production Board." The publication further reported as follows:

**Copper**  
The copper industry was surprised to learn on May 26 that fabricators had received word from the authorities in Washington on the status of their June allocations, a record performance. Early notification naturally will expedite the movement of metal to consumers. The tonnage to be released for June will be larger than that of May.

Domestic consumers are obtaining copper on the basis of 12c., Valley. Foreign metal is moving into the country on the basis of 11.75c., f.a.s. United States ports.

The extent to which the Division of Industry Operations, WPB, is moving to curb civilian use of copper products is emphasized in a ruling on the use of brass screws or other copper products to attach handles to blades of saws. Referring to Copper Conservation Order M-9-c, as amended May 7, the Director of Industry Operations has ruled that copper products may not be used in the manufacture of any item where the use of a less scarce material is practicable. Steel screws, use of which is not prohibited, are held to be a satisfactory substitute for brass screws for saw handles.

**Lead**  
Though lead appears to be in a comfortable position, the emergency pool will be continued for June, with producers obliged to set aside 15% of output. The "take" will be based on April's rate of production. Producers met in Washington May 26 to confer with the authorities on June allocations. Quotations on common lead continued at 6.50c., New York, and at 6.35c., St. Louis. Chemical lead sold on the basis of 6.40c., St. Louis.

**Zinc**  
In reference to June allocations, the call for High Grade exceeds the supply available. The trade feels that there will be no problem in distributing the other grades.

**Tin**  
Chinese tin, 99%, spot, 51.125c., all week.  
The War Production Board has not yet taken action in reference to the construction of five government-financed detinning plants proposed some time ago to add to the tin supply. The problem not yet solved, it is argued, relates to the collection and salvage of old tin cans. In centers where salvaging of used cans has been tried, results have been far from satisfactory. Instructions about cleaning the cans and pressing them into a flat form for easy transportation to the detinner are being ignored by many contributing to the drive for salvaging containers.

**Quicksilver**  
Fairly large business has been closed in quicksilver in recent weeks, and, with Metals Reserve ready to purchase so-called "frozen" metal on the basis of \$192 per flask, New York, the trade regards the market as more or less stabilized. Support of the price structure by the Government is viewed as war policy in so far as quicksilver and other strategic metals are concerned. On spot metal, quotations in New York contained at \$197.30 @ \$199.21 per flask.

May	DAILY PRICES OF METALS ("E. & M. J." QUOTATIONS)			Zinc
	Electrolytic Copper	Straits Tin	Lead	
21	11.775	11.700	52.000	6.50
22	11.775	11.700	52.000	6.50
23	11.775	11.700	52.000	6.50
25	11.775	11.700	52.000	6.50
26	11.775	11.700	52.000	6.50
27	11.775	11.700	52.000	6.50
Average	11.775	11.700	52.000	6.50

Average prices for calendar week ended May 23 are: Domestic copper f.o.b. refinery, 11.775c.; export copper, f.o.b. refinery, 11.700c.; Straits tin, 52.000c.; New York lead, 6.500c.; St. Louis lead, 6.350c.; St. Louis zinc, 8.250c.; and silver, 35.125c.

The above quotations are "M. & M. M.'s" appraisal of the major United States markets, based on sales reported by producers and agencies. They are reduced to the basis of cash, New York or St. Louis, as noted. All prices are in cents per pound. Copper, lead and zinc quotations are based on sales for both prompt and future deliveries; tin quotations are for prompt delivery only. In the trade, domestic copper prices are quoted on a delivered basis; that is, delivered at consumers' plants. As delivery charges vary with the destination, the figures shown above are net prices at refineries on the Atlantic seaboard. Delivered prices in New England average 0.225c. per pound above the refinery basis. Export quotations for copper are reduced to net at refineries on the Atlantic seaboard. On foreign business, owing to World War II, most sellers are restricting offerings to f.a.s. transactions, dollar basis. Quotations for the present reflect this change in method of doing business. A total of .05c. is deducted from f.a.s. basis (lighterage,

## N. Y. Mfg. Employment Shifts To War Ind.

New York State factories are concentrating their efforts on war production, according to a statement issued May 16 by Industrial Commissioner Frieda S. Miller, who reports that there was little change in the total number of factory wage earners at work in the State between the middle of March and the middle of April. The advices from the State Labor Department also said:

Industries producing consumer goods were forced to curtail their employment while those engaged in war production reported further expansion. Decreases in total employment were recorded for clothing and textiles, food products, lumber, furniture, paper and printing, chemicals, rubber products and several products in the stone, clay, and glass group. Net increases occurred in metals and machinery, petroleum products, tobacco, leather goods and miscellaneous industries. Within these major groups, also, there was a shifting of employees from civilian to war production. Concerns making consumer goods were feeling the effect of government restrictions on the use of materials. These statements are based on final tabulations covering reports from 3,130 representative manufacturers who employed 668,292 shop workers in April on a weekly payroll of \$24,849,419.

The New York State Department of Labor's index number of factory employment for April was 145.2. The corresponding index number of factory payrolls was 217.9. These index numbers are computed with the average for the years 1935-1939 as 100. The April figures represent a drop of 0.1% in employment and an increase of 0.7% in payrolls over March and increases of 14.5% and 41.7%, respectively, over April a year ago. Current reports on factory employment and payrolls are collected, compiled and analyzed in the Division of Statistics and Information, New York State Department of Labor, under the direction of Dr. E. B. Patton, Director.

## Mexico Joins In War Against Axis Powers

President Manuel Avila Camacho of Mexico formally signed on June 1 Mexico's declaration of war against the Axis Powers. The state of war was made to exist as of May 22, the date the Mexican Cabinet proposed to join the United Nations at war. The action was taken in reprisal for attacks on Mexican shipping by Axis submarines and after the Axis Powers refused to accept a Mexican note asking for complete satisfaction for the sinking. President Camacho asked for the war declaration on May 28 and the Chamber of Deputies and the Senate unanimously approved it on May 29 and 30, respectively. Mexico thus becomes the 27th member of the United Nations and the 10th Latin-American nation that has declared war on the Axis. The six Central American countries and the three Caribbean republics have been at war for some time. While no South American country has declared war, all, with the exception of Argentina and Chile, have severed diplomatic relations with the Axis Powers.

York contained at \$197.30 @ \$199.21 per flask.

**Silver**  
The silver market in London has been quiet, with the price unchanged at 23½d. The New York Official and the U. S. Treasury prices are also unchanged at 35½c. and 35c., respectively.

**FDR Greets Argentina**

President Roosevelt, in congratulatory telegrams to the Argentine Republic on the anniversary of its independence on May 25, expressed his "confidence" and "conviction" that the "spirit of resistance to aggression and devotion to democracy" will continue and that the peoples of the American Republics will preserve their freedom and liberty. President Roosevelt addressed messages to President Roberto Ortiz, who is unable to act as chief executive because of illness, and to Dr. Ramon S. Castillo, Acting President.

The following is President Roosevelt's message to President Ortiz:

May 25, 1942.

His Excellency

Roberto Ortiz,  
President of the Republic of Argentina, Buenos Aires.

As we in the American Republics celebrate the anniversaries of those solemn acts upon which our sovereignties are based, we are confronted with the harsh fact that many liberty-loving peoples who less than three years ago were independent members of the family of nations are today enduring a bitter slavery. Their homes have been invaded—their liberties suppressed.

Therefore, in extending to you my congratulations upon this highly significant Argentine anniversary, I take particular pleasure in expressing my confidence that the spirit of resistance to aggression and devotion to democracy so nobly personified in your actions and your utterances will lead the people of your great country, as in the past, along those paths which alone can insure the continued preservation of those political and economic freedoms upon which our American civilization is based.

FRANKLIN D. ROOSEVELT.

To Acting President Castillo, President Roosevelt telegraphed as follows:

May 25, 1942.

His Excellency Dr. Ramon S. Castillo, Acting President of the Republic of Argentina.

On this memorable date, the anniversary of the independence of the Argentine Republic, I wish to extend to your Excellency and to the Argentine people my cordial greetings. At the same time I express the conviction, which I feel sure is shared by your Excellency, that because of their unity the peoples of the republics of the Americas will preserve that freedom and liberty gained for them by their forefathers which is today challenged as never before in the history of their independence.

FRANKLIN D. ROOSEVELT.

**Resources Protection Bd.**

Formation of a Resources Protection Board, which will recommend precautions against sabotage, bombing and invasion of vital industrial centers, was announced on May 15 by War Production Board Chairman Donald M. Nelson, according to Washington advices to the "Wall Street Journal," which added:

The Board "will evaluate the relative wartime importance of all industrial plants, war installations, facilities and vital economic resources and make recommendations for their protection," the announcement stated.

It will further act as a coordinating agency for protective measures the Army and Navy and other agencies have affected during the past year "to assure that no important resource or facility has been overlooked."

William K. Frank of the WPB production division was named head of the new organization.

**Revenue Freight Car Loadings During Week Ended May 23, 1942, Totaled 837,748 Cars**

Loading of revenue freight for the week ended May 23, totaled 837,748 cars, the Association of American Railroads announced on May 28. The decrease below the corresponding week in 1941 was 28,279 cars or 3.3%, but the increase above the same week in 1940 was 150,268 cars or 21.9%.

Loading of revenue freight for the week of May 23 decreased 1,304 cars or 0.2% below the preceding week.

Miscellaneous freight loading totaled 378,339 cars, an increase of 164 cars above the preceding week, and an increase of 9,054 cars above the corresponding week in 1941.

Loading of merchandise less than carload lot freight totaled 96,365 cars, a decrease of 854 cars below the preceding week, and a decrease of 65,889 cars below the corresponding week in 1941.

Coal loading amounted to 165,983 cars, a decrease of 3,024 cars below the preceding week, but an increase of 14,105 cars above the corresponding week in 1941.

Grain and grain products loading totaled 34,412 cars, a decrease of 552 cars below the preceding week, and a decrease of 5,718 cars below the corresponding week in 1941. In the Western Districts alone, grain and grain products loading for the week of May 23 totaled 21,914 cars, a decrease of 102 cars below the preceding week, and a decrease of 5,145 cars below the corresponding week in 1941.

Live stock loading amounted to 12,853 cars, an increase of 859 cars above the preceding week, and an increase of 2,424 cars above the corresponding week in 1941. In the Western Districts alone, loading of live stock for the week of May 23 totaled 9,067 cars, an increase of 551 cars above the preceding week, and an increase of 2,015 cars above the corresponding week in 1941.

Forest products loading totaled 48,410 cars, a decrease of 1,444 cars below the preceding week, but an increase of 6,692 cars above the corresponding week in 1941.

Ore loading amounted to 87,205 cars, an increase of 3,412 cars above the preceding week, an increase of 10,604 cars above the corresponding week in 1941.

Coke loading amounted to 14,181 cars, an increase of 135 cars above the preceding week, and an increase of 449 cars above the corresponding week in 1941.

All districts reported increases compared with the corresponding week in 1941 except the Eastern, Allegheny, Pocohontas and Central Western, but all districts reported increases over 1940.

	1942	1941	1940
Five weeks of January	3,858,273	3,454,409	3,215,565
Four weeks of February	3,122,773	2,866,565	2,465,685
Four weeks of March	3,171,439	3,066,011	2,489,280
Four weeks of April	3,351,038	2,793,630	2,495,212
Week of May 2	858,904	794,299	665,547
Week of May 9	839,253	837,149	680,628
Week of May 16	839,052	860,802	679,065
Week of May 23	837,748	866,027	687,480
Total	16,878,480	15,538,892	13,378,462

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended May 23, 1942. During this period 56 roads showed increases when compared with the corresponding week last year.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS)—WEEK ENDED MAY 23

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1942	1941	1940	1942	1941
<b>Eastern District—</b>					
Ann Arbor	469	578	585	1,335	1,682
Bangor & Aroostook	1,672	1,822	1,579	341	236
Boston & Maine	6,034	8,615	7,245	14,906	13,751
Chicago, Indianapolis & Louisville	1,360	1,473	1,396	2,028	2,747
Central Indiana	28	19	19	65	73
Central Vermont	952	1,504	1,360	2,051	2,745
Delaware & Hudson	6,846	6,355	4,871	11,357	10,091
Delaware, Lackawanna & Western	7,553	10,065	8,936	9,590	9,511
Detroit & Mackinac	278	310	283	125	194
Detroit, Toledo & Ironton	1,767	3,259	2,037	1,186	1,304
Detroit & Toledo Shore Line	278	360	298	2,333	3,251
Erie	13,914	15,847	12,356	16,520	15,252
Grand Trunk Western	3,487	6,140	4,833	7,403	8,939
Lehigh & Hudson River	195	253	312	3,484	2,372
Lehigh & New England	2,188	1,967	1,839	1,699	1,896
Lehigh Valley	3,879	9,616	7,947	11,129	8,993
Maine Central	2,199	3,145	2,569	3,420	3,113
Monongahela	6,289	6,438	4,645	349	426
Montour	2,314	2,284	2,082	41	48
New York Central Lines	45,398	53,356	41,540	54,473	49,063
N. Y., N. H. & Hartford	9,900	12,160	9,173	19,260	16,733
New York, Ontario & Western	963	1,138	1,028	2,815	2,562
New York, Chicago & St. Louis	7,859	6,765	5,461	15,216	13,574
N. Y., Susquehanna & Western	412	507	360	1,665	1,626
Pittsburgh & Lake Erie	8,214	8,524	6,447	9,409	10,126
Pere Marquette	5,355	7,402	5,858	5,905	6,484
Pittsburgh & Shawmut	709	752	888	48	86
Pittsburgh, Shawmut & North	378	357	390	251	386
Pittsburgh & West Virginia	1,011	1,311	838	2,787	2,441
Rutland	387	629	632	1,134	1,156
Wabash	5,105	6,039	4,855	12,862	11,378
Wheeling & Lake Erie	5,608	6,331	4,579	4,387	4,427
<b>Total</b>	<b>158,001</b>	<b>185,321</b>	<b>147,241</b>	<b>219,574</b>	<b>206,666</b>

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1942	1941	1940	1942	1941
<b>Allegheny District—</b>					
Akron, Canton & Youngstown	680	725	489	1,020	935
Baltimore & Ohio	40,530	41,576	32,067	27,047	21,979
Bessemer & Lake Erie	7,737	7,386	5,701	2,269	2,352
Buffalo Creek & Gauley	325	268	363	2	4
Cambria & Indiana	1,978	2,023	1,362	15	6
Central R. R. of New Jersey	6,767	8,235	6,272	18,559	15,206
Cornwall	621	695	639	63	63
Cumberland & Pennsylvania	303	315	235	7	33
Ligonier Valley	136	135	60	48	25
Long Island	884	748	580	3,442	2,925
Penn-Reading Seashore Lines	1,730	1,710	1,095	2,576	1,863
Pennsylvania System	83,307	88,079	63,827	63,621	57,029
Reading Co.	14,517	16,791	13,936	27,338	23,319
Western Maryland	21,455	19,254	16,044	8,489	6,940
Western Maryland	3,906	4,459	3,538	12,221	8,652
<b>Total</b>	<b>184,876</b>	<b>192,399</b>	<b>146,208</b>	<b>166,717</b>	<b>141,351</b>

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1942	1941	1940	1942	1941
<b>Pocohontas District—</b>					
Chesapeake & Ohio	28,838	29,487	24,369	13,226	14,117
Norfolk & Western	22,522	23,942	19,820	6,918	6,149
Virginian	4,245	4,832	4,055	2,114	1,793
<b>Total</b>	<b>55,605</b>	<b>58,261</b>	<b>48,244</b>	<b>22,258</b>	<b>22,059</b>

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1942	1941	1940	1942	1941
<b>Southern District—</b>					
Alabama, Tennessee & Northern	386	344	247	358	213
Atl. & W. F.—W. R. of Ala.	673	806	689	2,395	1,935
Atlanta, Birmingham & Coast	876	840	663	1,158	1,179
Atlantic Coast Line	12,862	11,775	8,838	8,800	6,816
Central of Georgia	3,551	4,478	3,628	3,767	4,028
Charleston & Western Carolina	411	518	454	1,604	1,883
Clinchfield	1,608	1,838	1,488	2,839	2,975
Columbus & Greenville	322	327	255	179	302
Durham & Southern	209	206	159	1,267	492
Florida East Coast	1,721	1,027	1,413	810	936
Gainesville Midland	31	44	27	93	100
Georgia	1,226	1,172	1,107	2,688	2,037
Georgia & Florida	363	368	304	531	520
Gulf, Mobile & Ohio	4,301	3,835	3,360	4,337	3,076
Illinois Central System	27,773	23,988	19,203	17,340	14,570
Louisville & Nashville	27,386	27,321	22,912	9,846	7,491
Macon, Dublin & Savannah	154	179	139	743	781
Mississippi Central	182	137	118	538	406
Nashville, Chattanooga & St. L.	3,699	3,528	2,801	3,965	3,222
Norfolk Southern	1,269	1,227	1,132	1,928	1,203
Piedmont Northern	325	430	363	1,266	1,584
Richmond, Fred. & Potomac	529	433	302	10,945	6,715
Seaboard Air Line	11,289	10,891	8,899	8,765	6,438
Southern System	23,075	26,327	20,242	24,233	19,942
Tennessee Central	674	526	487	1,210	673
Winston-Salem Southbound	123	146	131	916	888
<b>Total</b>	<b>125,018</b>	<b>122,711</b>	<b>99,341</b>	<b>112,521</b>	<b>90,465</b>

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1942	1941	1940	1942	1941
<b>Northwestern District—</b>					
Chicago & North Western	21,526	23,634	18,349	12,849	12,574
Chicago Great Western	2,294	2,877	2,368	2,898	3,072
Chicago, Milw., St. P. & Pac.	19,015	21,951	18,463	9,414	9,298
Chicago, St. Paul, Minn. & Omaha	3,326	4,021	3,415	3,518	3,897
Duluth, Missabe & Iron Range	28,610	21,438	16,153	360	282
Duluth, South Shore & Atlantic	1,290	1,107	1,003	527	533
Elgin, Joliet & Eastern	10,371	10,706	7,973	10,185	9,223
Ft. Dodge, Des Moines & South	592	682	470	131	127
Great Northern	24,209	22,921	18,494	4,992	3,626
Green Bay & Western	557	629	456	783	735
Lake Superior & Ishpeming	3,272	2,544	2,578	49	76
Minneapolis & St. Louis	1,989	2,194	1,534	2,295	2,147
Minn., St. Paul & S. S. M.	7,416	8,225	6,030	3,209	2,856
Northern Pacific	10,371	9,092	9,514	4,739	4,353
Spokane International	172	232	213	389	310
Spokane, Portland & Seattle	2,510	2,442	1,818	3,269	2,115
<b>Total</b>	<b>137,429</b>	<b>134,695</b>	<b>108,831</b>	<b>59,607</b>	<b>55,424</b>

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1942	1941	1940	1942	1941
<b>Central Western District—</b>					
Atch., Top. & Santa Fe System	22,204	21,851	18,185	10,557	7,295
Alton	2,853	3,440	2,589	4,238	2,984
Bingham & Garfield	671	700	550	142	88
Chicago, Burlington & Quincy	15,826	17,091	12,792	10,950	9,281
Chicago & Illinois Midland	2,560	3,085	1,783	860	872
Chicago, Rock Island & Pacific	11,341	13,804	10,690	10,703	9,892
Chicago & Eastern Illinois	2,559	2,836	2,294	3,229	3,191
Colorado & Southern	783	674	631	1,986	1,638
Denver & Rio Grande Western	2,747	2,096	1,719	4,861	3,370
Jenver & Salt Lake	626	276	234	15	30
Fort Worth & Denver City	888	1,302	1,049		

**Lumber Movement—Week Ended May 23, 1942**

Lumber production during the week ended May 23, 1942, was 4% greater than the previous week, shipments were 7% less, new business, 10% less, according to reports to the National Lumber Manufacturers Association from regional associations covering the operations of representative hardwood and softwood mills. Shipments were 3% above production; new orders 6% above production. Compared with the corresponding week of 1941, production was about the same, shipments, 4% greater, and new business 10% less. The industry stood at 139% of the average of production in the corresponding week of 1935-39 and 147% of average 1935-39 shipments in the same week.

**Year-to-Date Comparisons**

Reported production for the first 20 weeks of 1942 was 3% below corresponding weeks of 1941; shipments were 6% above the shipments, and new orders 9% above the orders of the 1941 period. For the 20 weeks of 1942, new business was 27% above production, and shipments were 1% above production.

**Supply and Demand Comparisons**

The ratio of unfilled orders to gross stocks was 61% on May 23, 1942, compared with 41% a year ago. Unfilled orders were 22% greater than a year ago; gross stocks were 17% less.

**Softwoods and Hardwoods**

Record for the current week ended May 23, 1942, for the corresponding week a year ago, and for the previous week, follows in thousand board feet:

SOFTWOODS AND HARDWOODS			
	1942	1941	Previous
	Week	Week	Wk. (rev.)
Mills	475	475	475
Production	262,221	262,673	251,527
Shipments	270,407	260,550	290,407
Orders	278,728	309,618	309,435
SOFTWOODS			
	1942	1941	Previous
	Week	Week	Wk. (rev.)
Mills	384	105	105
Production	249,345	100	12,876
Shipments	254,767	102	15,640
Orders	262,616	105	16,112
HARDWOODS			
	1942	1941	Previous
	Week	Week	Wk. (rev.)
Mills	84	105	105
Production	12,876	100	12,876
Shipments	15,640	102	15,640
Orders	16,112	105	16,112

**Signs Housing Loan Bill**

President Roosevelt has signed the bill increasing to \$800,000,000 the Federal Housing Administration's authority to insure mortgages for housing of war workers. It was announced on May 26. Congressional action on the legislation was completed on May 20 when the House adopted the conference report; Senate approval on May 18 was referred to in these columns of May 21, page 1935. Originally the measure passed the House on April 22 and the Senate on May 5.

The increased authority was said to be needed because the present FHA limit of \$300,000,000 is exhausted. In addition to raising the loan insurance by \$500,000,000, the bill extends the permissible maturity of any insured mortgage from 20 to 25 years and raises present limits on insured mortgages for single-family and multi-family home units.

**Simplify Naturalization For Non-Citizen Soldiers**

Announcement was made in Washington on May 20 that the Army plans to simplify the naturalization procedure for all non-citizen soldiers, providing they entered the country legally. This authority was granted under the Second War Powers Act of 1942, which was signed by President Roosevelt on March 28 (noted in our issue of April 2, page 1338); the law provides that citizenship may be conferred upon any soldier who entered the country legally, who has served at least three months in the Army since Sept. 1, 1939, and whose application is approved by his commanding officers.

**Weekly Coal And Coke Production Statistics**

The Bituminous Coal Division, U. S. Department of the Interior, in its latest report states that the total production of soft coal in the week ended May 23 is estimated at 11,340,000 net tons as against 11,480,000 tons in the preceding week, thus indicating, as in the past six weeks, little change in trend. Production in the corresponding week of 1941 was estimated at 10,325,000 net tons.

The U. S. Bureau of Mines reported that production of Pennsylvania anthracite for the week ended May 23 was estimated at 1,201,000 tons, a decrease of 61,000 tons, or 4.8%, from the preceding week. When compared with the output in the corresponding week of 1941, however, there was an increase of 361,000 tons (about 43%). The calendar year to date shows a gain of 17.8% when compared with the corresponding period of 1941.

The U. S. Bureau of Mines also reported that the estimated production of byproduct coke in the United States for the week ended May 23 showed a decrease of 3,000 net tons when compared with the output for the week ended May 16. Coke from beehive ovens increased 9,800 tons during the same period.

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

	Week Ended			January 1 to Date		
	May 23, 1942	May 16, 1942	May 24, 1941	May 23, 1942	May 24, 1941	May 22, 1937
*Bituminous coal—	11,340	11,480	10,325	226,389	173,151	184,456
Total, incl. mine fuel	1,890	1,913	1,721	1,868	1,419	1,536
Daily average	5,765	5,581	6,042	124,933	120,247	109,387
†Crude petroleum—	5,765	5,581	6,042	124,933	120,247	109,387
Coal equiv. of weekly output	5,765	5,581	6,042	124,933	120,247	109,387

\*Includes for purposes of historical comparison and statistical convenience the production of lignite.  
†Total barrels produced during the week converted into equivalent coal assuming 6,000,000 b.t.u. per barrel of oil and 13,100 b.t.u. per pound of coal. Note that most of the supply of petroleum products is not directly competitive with coal. (Minerals Yearbook, 1939, page 702).  
‡Subject to revision.

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

	Week Ended		Calendar year to date			
	May 23, 1942	May 16, 1942	May 24, 1941	May 23, 1942	May 24, 1941	May 25, 1929
Penn. anthracite—	1,201,000	1,262,000	840,000	23,572,000	20,017,000	23,572,000
*Total, incl. colliery fuel	1,411,000	1,499,000	798,000	22,394,000	19,016,000	27,443,000
†Commercial production	1,411,000	1,499,000	798,000	22,394,000	19,016,000	27,443,000
Beehive coke—	178,000	168,200	147,400	3,096,300	2,105,800	2,581,000
United States total	1,780,000	1,810,000	1,470,000	23,925,700	22,122,800	25,123,000
Bv-product coke—	1,780,000	1,810,000	1,470,000	23,925,700	22,122,800	25,123,000
United States total	1,780,000	1,810,000	1,470,000	23,925,700	22,122,800	25,123,000

\*Includes washery and dredge coal, and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Comparable data not available. §Subject to revision.

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

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

State	Week Ended					May ave. 1923
	May 16, 1942	May 9, 1942	May 17, 1941	May 18, 1940	May 15, 1937	
Alaska	5	4	3	3	2	**
Alabama	393	386	304	291	129	39F
Arkansas and Oklahoma	72	71	12	18	8	6F
Colorado	130	123	83	73	97	16E
Georgia and North Carolina	1	1	1	1	††	**
Illinois	1,171	1,173	972	678	523	1,29F
Indiana	463	430	403	262	245	39F
Iowa	43	41	31	35	24	8E
Kansas and Missouri	155	160	32	79	68	131
Kentucky—Eastern	1,002	977	848	756	792	67E
Kentucky—Western	236	227	208	104	127	18C
Maryland	44	43	38	23	20	47
Michigan	4	5	3	2	1	12
Montana	60	57	46	42	34	42
New Mexico	27	27	17	17	28	57
North and South Dakota	21	23	19	18	15	**14
Ohio	698	752	558	389	465	860
Pennsylvania bituminous	2,880	2,884	2,581	1,877	1,995	3,578
Tennessee	155	148	140	115	84	121
Texas	5	5	6	15	17	22
Utah	100	91	49	38	28	74
Virginia	436	418	376	279	243	250
Washington	30	26	32	22	32	44
*West Virginia—Southern	2,341	2,314	2,248	1,760	1,675	1,38C
*West Virginia—Northern	878	904	788	564	555	862
Wyoming	129	124	88	80	61	110
†Other Western States	1	1	††	††	1	**5
Total bituminous coal	11,480	11,415	9,936	7,541	7,269	10,878
†Pennsylvania anthracite	1,262	1,266	872	855	1,068	1,932
Total, all coal	12,742	12,681	10,808	8,396	8,337	12,810

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

**Federal Reserve Reports Brokers' Balances**

The Board of Governors of the Federal Reserve System announced on May 27 that member firms of the New York Stock Exchange carrying margin accounts for customers reported for April a decrease of \$16,000,000 in their customers' debit balances and a decrease of \$6,000,000 in money borrowed by the reporting firms. During the year ending April 30, 1942, customers' debit balances decreased by \$91,000,000 and money borrowed decreased by \$68,000,000. The Board supplies the following summary of the customers' debit balances and principal related items of the member firms of the New York Stock Exchange that carry margin accounts, together with changes for the month and year ended April 30, 1942, follows:

	(Ledger Balances in Millions of Dollars)			Increase or decrease Since
	April 30, 1942	Mar. 31, 1942	April 30, 1941	
Debit Balances:				
Customers' debit balances	515	—16	—91	
Debit balances in firm and partners' investment and trading accounts	76	—2	—20	
Cash on hand and in banks	195	—	—4	
Credit Balances:				
Money borrowed	300	—6	—68	
Customers' credit balances:				
Free	247	—2	—18	
Other	61	—6	—1	
Credit balances in firm and partners' investment and trading accounts	21	+1	—7	
Credit balances in capital accounts	196	—5	—31	

**Trading On New York Exchanges**

The Securities and Exchange Commission has made public figures showing the daily volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the weeks ended May 9 and 16, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

The data published are based upon weekly reports filed with the New York Stock Exchange and the New York Curb Exchange by their respective members. These reports are classified as follows:

	New York Stock Exchange	
	Week-Ended	Week-Ended
	May 9, 1942	May 16, 1942
Total number of reports received	1,000	999
1. Reports showing transactions as specialists	174	167
2. Reports showing other transactions initiated on the floor	110	121
3. Reports showing other transactions initiated off the floor	135	142
4. Reports showing no transactions	636	638
New York Curb Exchange		
	Week-Ended	Week-Ended
	May 9, 1942	May 16, 1942
Total number of reports received	715	713
1. Reports showing transactions as specialists	85	86
2. Reports showing other transactions initiated on the floor	16	20
3. Reports showing other transactions initiated off the floor	41	43
4. Reports showing no transactions	577	559

Note—On the New York Curb Exchange, odd-lot transactions are handled solely by specialists in the stocks in which they are registered and the round-lot transactions of specialists resulting from such odd-lot transactions are not segregated from the specialists' other round-lot trades. On the New York Stock Exchange, on the other hand, all but a fraction of the odd-lot transactions are effected by dealers engaged solely in the odd-lot business. As a result, the round-lot transactions of specialists in stocks in which they are registered are not directly comparable on the two exchanges.

The number of reports in the various classifications may total more than the number of reports received because a single report may carry entries in more than one classification.

**Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members\* (Shares)**

	Total for Week Ended	
	May 9, '42	May 16, '42
A. Total Round-Lot Sales:		
Short sales	71,390	59,790
Other sales b	1,671,760	1,544,490
Total sales	1,743,150	1,604,280
3. Round-Lot Transactions for the Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	144,810	111,350
Short sales	33,470	26,590
Other sales b	100,770	87,700
Total sales	134,240	114,290
2. Other transactions initiated on the floor—		
Total purchases	61,850	60,020
Short sales	13,810	7,300
Other sales b	42,950	43,460
Total sales	56,760	50,760
3. Other transactions initiated off the floor—		
Total purchases	42,740	48,910
Short sales	5,610	3,800
Other sales b	35,470	32,880
Total sales	41,080	36,680
4. Total—		
Total purchases	249,400	220,280
Short sales	52,890	37,690
Other sales b	179,190	164,040
Total sales	232,080	201,730

**Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members\* (Shares)**

	Total for Week Ended	
	May 9, '42	May 16, '42
A. Total Round-Lot Sales:		
Short sales	4,110	3,705
Other sales b	256,260	303,090
Total sales	260,370	306,795
B. Round-Lot Transactions for the Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	21,580	25,900
Short sales	2,705	3,185
Other sales b	27,065	32,355
Total sales	29,770	35,540
2. Other transactions initiated on the floor—		
Total purchases	3,330	2,300
Short sales	200	0
Other sales b	2,555	4,350
Total sales	2,755	4,350
3. Other transactions initiated off the floor—		
Total purchases	9,550	8,020
Short sales	170	100
Other sales b	13,705	13,135
Total sales	13,875	13,235
4. Total—		
Total purchases	34,460	36,220
Short sales	3,075	3,285
Other sales b	43,325	49,840
Total sales	46,400	53,125
C. Odd-Lot Transactions for the Account of Specialists—		
Customers' short sales	50	0
Customers' other sales c	20,367	21,162
Total purchases	20,417	21,162
Total sales	10,446	10,675

\*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

a Shares in members' transactions as per cent of twice total round-lot volume. In calculating these percentages, the total members' transactions is compared with twice the total round-lot volume on the Exchange for the reason that the total of members' transactions includes both purchases and sales, while the Exchange volume includes only sales.

b Round-lot short sales which are exempted from restriction by the Commission rules are included with "other sales."

c Sales marked "short exempt" are included with "other sales."

## Items About Banks, Trust Companies

Col. Arthur V. McDermott, Director of Selective Service for New York City, is scheduled to address the Chamber of Commerce of the State of New York at its monthly meeting today (June 4) at 65 Liberty Street. Frederick E. Hasler, newly elected President, will preside at his first meeting, the business session of which begins at noon. Several reports will be presented.

Clarence V. Joerndt (with the National City Bank) as President of New York Chapter, American Institute of Banking, presided at the commencement of the Chapter at the Marble Collegiate Church on May 28. Dr. William A. Irwin, Educational Director of the American Institute of Banking, delivered the principal address on "Rebuilding A World." The invocation was read by the Rev. Charles J. Haulenbeek, Associate Minister of the Marble Collegiate Church, and George T. Newell, Vice-President of the Manufacturers Trust Co., greeted the graduates as President of the American Institute of Banking. The class paper on the "Future of Foreign Banking" was read by Jose A. Fernandez, with the National City Bank. Daniel Schmeidler, Assistant Secretary of the Brooklyn Trust Co., President-elect of New York Chapter, awarded the prizes, and William J. Ahern, Assistant Vice-President of the Bank of the Manhattan Co., welcomed the graduates as President of the Alumni Association.

Wandell M. Mooney, Vice-President of the Chemical Bank & Trust Co. of New York, was recently elected a member of the Board of Trustees of Wesleyan University, Middletown, Conn.

Eugene W. Stetson, President of the Guaranty Trust Company of New York, announced on May 28 the appointment of Robert A. Jones as a Vice-President. Mr. Jones, who has been Personal Trust Officer of the company since June 18, 1936, was born in Brooklyn. He was graduated from Erasmus Hall in 1918, and received degrees from Colgate University in 1922 and from Harvard Law School in 1925. Mr. Jones was an attorney on the staff of Larkin, Rathbone & Perry from August, 1925, to Jan. 1, 1927. He was then with Davis Polk Wardwell Gardiner & Reed until Jan. 16, 1928, when he entered the Personal Trust Department of the Guaranty Trust Company. He was appointed an Assistant Trust Officer on Dec. 19, 1929. Mr. Stetson also announced the appointments of S. Hobart Lockett and Don C. Kreger as Assistant Trust Officers of the company.

John F. Hickey, for many years active in the banking and security business, was on June 1, elected a Vice-President of the Continental Bank & Trust Co. of New York. Formerly associated with the Harris Trust & Savings Bank in Chicago and later heading the investment firm of Hickey, Doyle & Co. with offices in Chicago and New York, Mr. Hickey has been serving in a volunteer capacity as Assistant Treasurer of the USO. Mr. Hickey was an officer in the 37th Division of Ohio during the first World War.

Arthur S. Kleeman, President of the Colonial Trust Company of New York, announces that LeRoy T. Tanfield, John J. Downes and George Onderdonk, formerly Assistant Managers, have been elected Assistant Secretary-Treasurers. Mr. Onderdonk is on leave with the National forces.

The Central Savings Bank in the City of New York announced on May 26 the resignation of Charles G. Edwards as President, effective May 25. For some time Mr. Edwards' health has been such that he feels it necessary that he curtail his business activity. Mr. Edwards was elected President of the Central Savings Bank on Jan. 13, 1936, and had been a Trustee of the bank since 1933.

George R. Leslie, a charter member of the New York Curb Exchange, died on May 28 at the Johnston Willis Hospital, Richmond, Va. He was 56 years old. During the 31 years of his membership in the Curb Exchange, Mr. Leslie served as a member of the Board of Governors from 1922 to 1925. He was a partner in the firm of Salisbury, Leslie & Co. from October, 1918, until his retirement in January, 1924, and joined the firm of C. D. Halsey & Co. as a partner in July, 1924, continuing until its dissolution in November, 1934. In May, 1936, Mr. Leslie became a partner in the firm of Friedman & Torney which firm dissolved in January, 1938. In February of that year he was a partner of Berdell Bros. and continued there until his retirement in December, 1940, because of ill health.

Joseph Wayne, Jr., retired President of the Philadelphia National Bank and of the Philadelphia Clearing House Association, died on May 26 at his home in Chestnut Hill, Philadelphia. He was 68 years old. Mr. Wayne had been associated with Philadelphia banking for over 50 years. When he retired as President of the Philadelphia National Bank in January, 1941, the Directors of the institution named Mr. Wayne to the newly created post of Chairman of the Board and he continued in that advisory position up to the time of his death. He had served as President of the Philadelphia National Bank and its predecessor institutions since 1914.

A native of Philadelphia, Mr. Wayne began his banking career in 1890 as a clerk with the Girard National Bank and advanced through various positions until he was elected President of the Girard National in October, 1914. In 1926 when the Girard National was consolidated with the Philadelphia National, Mr. Wayne retained the presidency of the combined institution—the Philadelphia-Girard National Bank. Two years later, upon the merger of this organization with the Franklin-Fourth Street National Bank, he was again chosen President of the merged institutions, whose title was changed back to the original Philadelphia National Bank. Under Mr. Wayne's leadership the Philadelphia National Bank, organized in 1803, grew to be one of the leading banks in the United States and the largest financial institution in the Third Federal Reserve District.

Mr. Wayne served as President of the Philadelphia Clearing House Association for 11 years, between 1930 and 1941, refusing to accept another term in the latter year. At his death he was active as a director in more than a score of financial, insurance and industrial corporations, including the Federal Reserve Bank, the Philadelphia Savings Fund Society, the Provident Mutual Life Insurance Co., the Insurance Co. of North America, the Philadelphia and Reading Coal and Iron Co., the Midvale Co., the Pennsylvania Railroad Corp., the Pennsylvania Railroad Co., and the Baldwin-Southwark Corp.

The New York Agency at 67

## Lending Operations Under Regulation W Discussed At N. Y. State Bankers Meeting

Loren B. Allen, Manager of the Credit Department of the Federal Reserve Bank of New York, discussed Regulation W relating to consumer credit control in a talk before the New York State Bankers Association annual meeting in New York on May 25.

Stating that he would confine his remarks "to a few, of what appear to us to be, major points of confusion under the regulation in your lending operations," Mr. Allen said:

But, before getting into that discussion, let's have clearly fixed in mind that the regulation does not affect any loans for "business" purposes or "agricultural" purposes unless they are for the purpose of purchasing listed articles.

In the first place, there is the question of single-payment loan which is new to the regulation. The Board has ruled that the regulation places no restriction whatever on the renewal or revision of any single payment loan which was made prior to May 6. That is to say, such a loan may be renewed again and again without regard to the provisions of the regulation. Therefore, a single payment loan which is subject to the regulation, is any loan to an individual in the amount of \$1,500 or less, which is not an instalment loan and which was made on or after May 6. It may be evidenced by either a time or demand note. By the terms of the regulation, it is limited to a 90-day maturity: I believe you are probably familiar enough with the provisions of the regulation to know that such a single payment loan may be renewed on an instalment basis but that total period of the credit is limited to a maximum of 12 months. The question however which seems to be most confusing at this time, relates to a problem which may probably be most clearly described by an example: If a prospective borrower who is already indebted to the bank in the amount of \$5,000 wished to borrow an additional \$1,000, the \$1,000 increase is subject to the regulation. This is true because it is a new loan for less than \$1,500. The mechanics of the transaction are immaterial. It does not make any difference whether the aggregate indebtedness of \$6,000 is evidenced by two notes—one in the amount of \$5,000 and the other in the amount of \$1,000—or whether the indebtedness is evidenced by a new note in the amount of \$6,000, of which amount \$5,000 of the proceeds goes toward full payment of the old indebtedness. What I have said, in effect, is that there has been a new extension of

Wall Street of the Standard Bank of South Africa, Ltd., announced on May 29 the receipt of the following advices by telegram from the Head Office in London, regarding the operations of this bank for the year ended March 31, 1942:

The Board of Directors have resolved to recommend to the shareholders at the General Meeting to be held 26th August next, payment of a dividend of 7% for the half-year ended 31st March last together with a bonus of two shillings per share, both payable in British currency and subject to British income tax, making total distribution of 14% for the year ended 31st March, 1942; to appropriate £50,000 to writing down Bank premises and £150,000 to the Officers Pension Fund, carrying forward a balance of £155,509. Bank's investments stand in the books at less than market value as at 31st March last and all other usual and necessary provisions have been made.

Transfer Books will be closed from 5th August to 18th August, both days inclusive.

credit in the amount of \$1,000. You and I think of it generally in our operation as being a new loan of \$6,000. However, for the purposes of the regulation it is the amount of increase—the additional extension of credit—which is the determining factor of whether or not it comes within the scope of the regulation.

"Probably the second most confusing problem under the revised regulation," said Mr. Allen "is the question of its effect on a class of loans which has come into being in substantial volume in the banks comparatively recently, and in some cases looked upon almost as a 'rent payer.'" In part he added:

I refer to the loan secured by cash surrender value of a life insurance policy. Such new loans of \$1,500 or less are subject to the regulation. The regulation provides an exemption for any loan made by a life insurance company on the cash surrender value of a policy, or any loan which is made by a bank for the purpose of paying off a life insurance company loan made prior to May 6, or any renewal or revision of such a loan provided it doesn't involve an increase in the amount.

We have been asked why the restrictions on loans of \$1,500 or less, apply to a loan secured by an individual's savings in one form such as a savings account, and not to the other form such as the savings evidenced by insurance. That question has been partly answered in that we cannot legally apply the control to insurance savings. In the second place they represent a different class of savings. An individual may withdraw the funds in a savings account and restore the account by the deposit of new funds at a later date. If a policy holder withdrew his insurance savings, it would have a further effect in that it would cancel the policy and if the insured desired to reinstate his insurance at some later date, he might be prevented from doing so as the result of a change in his physical condition.

The third principal bank question appears to be one relating to FHA loans. There seems to be some confusion as to whether or not FHA loans are subject to the regulation. Evidently some feeling exists that if the FHA has issued insurance coverage on an instalment loan it automatically exempts the loan from the restrictions of Regulation W. That is not the case.

If it is a necessary case such as repairing a roof, or if it is for the purpose of making an uninhabitable dwelling livable, or if it is for the purpose of expanding the living space, it will probably be approved. Generally speaking however, an FHA loan of \$1,500 or less is limited to a maximum maturity of 12 months.

Another question which seems to have been perplexing to banks is that which relates to collateral loans—loans collateralized by stocks, bonds or other securities. Such loans are exempt only if they are for the purpose of purchasing securities or if they are for the purpose of paying off another loan which was initially created for the purpose of purchasing securities.

## Nat'l Bank Deposits, Loans Show Decline

Comptroller of the Currency Preston Delano announced on May 21 that the total deposits of the 5,115 active national banks in the United States and possessions on April 4, 1942, amounted to \$39,477,493,000. It is pointed out that this was a decrease of \$77,279,000 in the amount reported by national banks on Dec. 31, 1941, the date of the previous call, but an increase of \$3,190,012,000 over the amount reported on April 4, 1941. Deposits on April 4, 1942, consisted of demand and time deposits of individuals, partnerships, and corporations of \$20,287,746,000 and \$7,721,120,000, respectively, United States Government deposits of \$1,479,538,000, deposits of States and political subdivisions of \$2,735,059,000, postal savings of \$14,320,000, certified and cashiers' checks, cash letters of credit and travelers' checks outstanding of \$396,668,000, and deposits of domestic and foreign banks of \$6,843,042,000.

The Comptroller's announcement further said:

Loans and discounts were \$11,569,311,000, a decrease of \$182,481,000 in the quarter, but an increase of \$1,141,845,000 in the year.

Investments in United States Government obligations, direct and fully guaranteed, aggregating \$12,782,079,000, were \$709,027,000 more than in December, and \$2,186,089,000 more than the amount held a year ago. The direct and indirect obligations held on April 4, 1942, were \$10,665,769,000 and \$2,116,310,000, respectively. Other bonds, stocks and securities totaling \$3,843,589,000, which included obligations of States and political subdivisions of \$2,082,182,000, increased \$29,133,000 since December but decreased \$148,057,000 in the year.

Cash of \$635,312,000, balances with other banks, including cash items in process of collection, of \$6,022,393,000, and reserves with Federal Reserve banks of \$7,753,030,000, a total of \$14,410,735,000, decreased \$591,195,000 since December, but showed an increase of \$166,927,000 over the amount reported in April of last year.

The total assets on April 4, 1942, were \$43,496,537,000, in comparison with \$43,538,234,000 on Dec. 31, 1941, and \$40,193,021,000 on April 4, 1941.

Bills payable, rediscounts, and other liabilities for borrowed money amounting to \$12,270,000 increased \$8,492,000 and \$9,840,000 in the three and 12-month periods, respectively.

The unimpaired capital stock on April 4, 1942, was \$1,511,895,000, comprising \$159,999,000 of preferred stock and \$1,351,896,000 of common stock. Surplus of \$1,396,118,000, undivided profits of \$515,127,000, and reserves of \$249,442,000, a total of \$2,160,687,000, increased \$27,382,000 since December and \$115,260,000 since April last year.

The percentage of loans and discounts to total deposits on April 4, 1942, was 29.31, in comparison with 29.71 on Dec. 31, 1941, and 28.74 on April 4, 1941.

## Tenders On Sydney 5 1/2s

Tenders of City of Sydney, New South Wales, Australia, 25-year 5 1/2% sinking fund gold bonds, due Feb. 1, 1955, will be received at the corporate trust department of City Bank Farmers Trust Co., New York, fiscal agent, in amount sufficient to exhaust any funds available in the sinking fund. Offers to sell at prices not exceeding 100% of principal and accrued interest, must be submitted in writing on or before noon June 17.