

# Monthly Review



FEDERAL RESERVE BANK OF SAN FRANCISCO

FEBRUARY 1, 1943

## Review of Economic Conditions in 1942

**M**ARKED further industrialization was the outstanding economic development in the Twelfth District during 1942. Overall industrial production and employment expanded sharply, but more significant was the continued increase in relative importance of the heavy industries. The most spectacular expansion occurred in shipbuilding, although in aircraft production, an activity which had attained the status of a major industry in the district before the end of 1941, the increase far outdistanced that of the year before. Production and fabrication of aluminum, magnesium, and steel also expanded substantially. As in 1941, much of the growth during the year was through the construction of new facilities rather than through the conversion of existing plant and equipment. This type of expansion, with its large additions to available facilities, will present different and more difficult post-war adjustment problems than those that are likely to arise where expansion of war production has been accomplished predominantly by the conversion of existing facilities.

Industrial employment in the district increased by more than a third during the year. Large numbers of workers and their families migrated to centers of war production, both from other localities within the district and from outside the area. Women and other groups not customarily a part of the industrial labor force were also attracted in substantial numbers to the rapidly expanding war industries. The stream was also fed by employees and proprietors of trade, service, and manufacturing establishments forced to curtail operations or to close because their non-essential character deprived them of stocks of goods or materials. Nevertheless, skilled labor shortages which had emerged in a few communities in late 1941 developed into serious manpower shortages in an in-

creasing number of Twelfth District industrial areas.

Migration of workers to centers of war production gave rise to acute housing shortages and created problems in providing adequate community services. In order to divert scarce construction materials and labor to areas most in need, private residential building was severely curbed during the year and a substantial volume of publicly financed residential construction was undertaken. Non-residential construction of a character not contributing directly to the war effort was also curbed, while the building and equipping of facilities for war industries and for the armed services attained large proportions. The peak in new plant construction, however, appeared to have been passed by the year end.

In agriculture, the year was characterized by higher prices and increased production in the face of increasing difficulties in achieving expanded output. Encouragement was given farmers, under the program of production goals of the United States Department of Agriculture, to increase output of essential crops to some extent by curtailing production of others. Efforts to expand output were hampered by shortages of materials and machinery, and by scarcity of labor which assumed acute proportions in a number of areas during the late summer and early fall months when labor requirements were at their peak.

The large expansion in incomes of individuals both in urban and farm communities led to a marked increase in consumer buying of goods and services. Despite severe restrictions on sales of new automobiles throughout the year and limited availability of household appliances, the dollar volume of retail trade in 1942 was as large or larger than in the preceding year. Value



### WAR FINANCE

"Of necessity, the program must be harsh. We should remember, however, that it is a war for existence, and not taxation, which compels us to devote more than one-half of all our resources to war use. An effective program of war finance does not add to the total sacrifice necessitated by war, but it does assure that those sacrifices are distributed equitably and with a minimum of friction."

—From the President's Budget Message, January 11, 1943.

of sales of department stores was 22 percent above a year earlier. In the late fall and early winter shortages of an increasing number of staples developed in retail markets.

In addition to spending more, individuals saved considerably more in 1942 than in any recent year. An important part of this increased saving took the form of a reduction in consumer indebtedness.

The extension of necessary curbs on less essential uses of scarce resources was reflected in a reduction in loans of member banks in the Twelfth District. Producers unable to obtain materials and distributors unable to obtain stocks had little need for bank loans. Severe restrictions on private residential building and limited sales of automobiles and other consumer durable goods were factors in the reduction of real estate and of retail instalment loans. Furthermore, much of the essential industrial activity directed to the war effort was financed by the Government.

Financing of the huge war expenditures of the Federal Government dominated financial activity during 1942. Efforts were made to place as large a portion as possible of the new Treasury issues with investors other than banks, and these efforts met with encouraging success. Nevertheless, a substantial amount of the new securities issued during the year was taken by banks and Twelfth District member banks doubled their holdings of Governments.

The rise in bank investments together with the net Treasury disbursements in the district of some 2.8 billion dollars contributed to a sharp increase in deposits of local member banks and to a further large increase in currency in circulation.

### Industrial and Trade Developments

Economic changes resulting from mobilization of the country's resources in the war effort probably have been more far-reaching in the Twelfth District than elsewhere in the United States. As pointed out in the September issue of this Review, value of war contracts placed in the Twelfth District, in relation to population and to pre-war industrial activity, has far exceeded that for the country as a whole. To a considerable extent, moreover, these contracts have been awarded to the heavier industries which were of minor importance in this region prior to 1941. The result has been a substantial shift in the relative importance of the different branches of economic activity.

### Production and Employment—

Index numbers, 1923-25, average=100	With Seasonal Adjustment			Without Seasonal Adjustment			Annual Average	
	Dec. 1942	Nov. 1941	Dec. 1941	Dec. 1942	Nov. 1941	Dec. 1941	1942	1941
<b>Industrial Production<sup>1</sup></b>								
Lumber <sup>2</sup> .....	p136	143	151	p104	136	116	142	142
Refined oils .....	—	—	—	191	196	167	175	172
Cement .....	254	197	211	186	197	156	188	159
Wheat flour .....	117	114	112	137	125	112	120	120
Petroleum .....	—	—	—	117	110	96	103	96
Electric power .....	p369	354	294	p349	334	278	317	259
<b>Factory Employment and Payrolls<sup>3</sup></b>								
<b>Employment</b>								
Pacific Coast .....	p335	310	221	p325	314	215	271	176
California .....	383	354	264	377	361	260	313	211
Oregon .....	p283	275	170	p269	272	162	235	136
Washington .....	p265	241	161	p252	241	153	206	126
<b>Payrolls</b>								
Pacific Coast .....	p580	553	292	p565	555	286	434	215
California .....	624	598	348	622	604	346	486	256
Oregon .....	p510	549	229	p459	538	206	394	168
Washington .....	p523	462	208	p502	457	200	346	155

<sup>1</sup> Daily average

<sup>2</sup> Converted to 1935-39 base. Back figures will be supplied on request.

<sup>3</sup> Excludes fish, fruit, and vegetable canning.

p Preliminary.

Industrial operations now account for a much larger proportion of the total, and within the industrial structure of the area, the heavier industries have assumed substantially greater importance. These two developments were evident in 1941; in 1942 they were accentuated.

### Expansion in Heavier Industry

The most marked expansion in 1942 was in shipbuilding. In addition to repair and construction of naval vessels, the delivery of merchant ships by district yards approached an annual rate of 1.5 billion dollars in December. During the year, more than 350 merchant ships aggregating some 3,800,000 deadweight tons were delivered to

### ESTIMATED VOLUME OF INDUSTRIAL OUTPUT—TWELFTH DISTRICT (expressed as percentages of 1939 output)

	1929	1933	1937	1938	1939	1940	1941	1942
Lumber .....	134	57	102	81	100	110	130	130
Refined oils .....	121	80	102	99	100	99	108	111
Motion pictures (cost) .....	69	52	92	95	100	100	123	123
Smelting and refining .....	128	40	115	81	100	125	140	1
Paper .....	78	67	99	86	100	112	126	126
Pulp .....	55	55	108	77	100	130	143	145
Automobile assemblies .....	100	48	135	79	100	136	151	1
Rubber tires .....	100	58	123	76	100	105	107	1
Aircraft (value) .....	10	10	43	62	100	167	575	1
Shipbuilding <sup>2</sup> .....	0	0	0	0	0	5	100	1620
(tonnage del'd., 1941=100)								
Steel ingots .....	r87	r55	r102	r74	100	r118	134	159
Cement .....	97	48	98	80	100	109	144	171
Canned fruit .....	80	77	108	74	100	91	117	120
Canned vegetables .....	81	55	124	94	100	131	166	187
Canned fish .....	96	78	109	97	100	101	118	89
Meat .....	84	93	98	98	100	114	112	120
Sugar .....	82	94	82	92	100	r100	86	89
Flour .....	94	79	92	90	100	96	97	97
Butter .....	90	101	97	101	100	105	101	91
Cheese .....	61	78	91	99	100	103	119	130
Ice Cream .....	84	47	96	87	100	106	121	158
Fish meal .....	47	55	97	94	100	73	94	65
Fish oil .....	35	43	72	76	100	61	94	60
Glass containers .....	55	61	116	91	100	112	153	202
Wool consumption .....	89	97	102	89	100	105	114	142
Copper .....	129	21	112	72	100	117	134	1
Lead .....	178	78	123	100	100	116	116	1
Zinc .....	103	58	119	99	100	146	154	1
Gold .....	39	37	85	88	100	105	103	74
Silver .....	94	38	115	101	100	104	102	86
Petroleum .....	130	77	106	111	100	99	103	111
Natural gas .....	98	75	95	90	100	101	107	120
Coal .....	r154	81	r116	r91	100	r105	118	155

r Revised.

<sup>1</sup> Not Available.

<sup>2</sup> Maritime Commission program only.

the United States Maritime Commission by district yards, and several additional vessels were delivered for conversion to military and naval uses. Deliveries of Liberty type cargo vessels alone rose from 19 during the first quarter to 136 during the last quarter. In terms of employment and payrolls, shipbuilding became the largest district industry. It was followed by aircraft, in which both facilities and output increased substantially following the sharp gains of the preceding two years.

The year also saw further significant expansion in metal production and fabrication. New alumina reduction plants, first attracted to the district in 1939 by the availability of cheap hydroelectric power, and aluminum mills came into production. Further increases in facilities for producing and fabricating aluminum were undertaken and a many-fold expansion in capacity for producing magnesium, another industry new to the district, was developed during the year. Additions were made to existing steel mills in California, resulting in an 18 percent increase in ingot production. In Utah, steel production facilities having an annual rated capacity of 1,230,000 tons were under construction during 1942. A southern California project having an initial capacity of 450,000 tons of

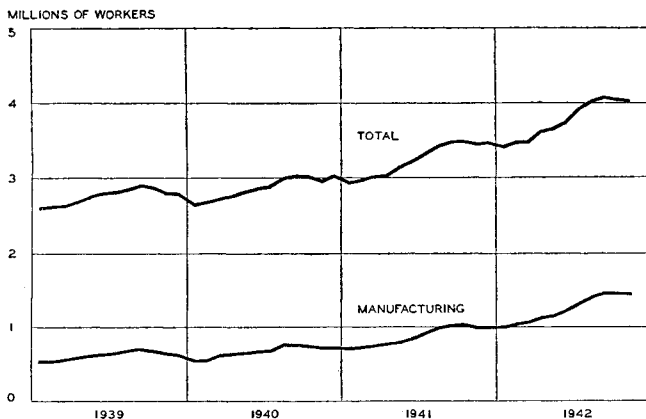
ingots per year and an ultimate capacity of 675,000 tons, as well as an initial capacity for rolling 300,000 tons of plates yearly, is scheduled for completion in the first quarter of 1943. The first blast furnace to be completed on this project was blown in on December 30.

In contrast to the marked expansion in these fields, operations in the consumer goods industries and in lumbering, the petroleum industry, and non-ferrous metals mining, which had been the mainstays of district industrial production in earlier years, generally were but little more active in 1942 than in the preceding year or were curtailed.

**Manpower Shortages**

Serious shortages of many materials, of industrial equipment, and of manpower resulted from the effort to meet the insatiable and immediate demands of war. Shortages of materials and equipment had developed in 1941; despite increased output as well as the diversion of available supplies by means of priority and allocation orders, these shortages extended to additional items and became more pressing in 1942. The Controlled Materials Plan, a more rigid program for directing the flow of scarce materials, including aluminum, copper, and steel, was announced by the WPB in October, to become fully effective by July 1, 1943.

The serious manpower shortages emerging in 1942 contain more fundamental implications relating to further general expansion of production than do shortages of materials and equipment. The War Manpower Commission found labor shortages in December in 17 areas of the dis-



NONAGRICULTURAL EMPLOYMENT—Twelfth District  
By months, January 1939 to November 1942

trict, including all the larger metropolitan centers. In two other areas shortages were anticipated. More recently the Commission has revised its methods of classifying localities according to the adequacy of the labor supply. The first release classifying areas on this new basis, dated January 4, 1943, listed the areas centered about the cities of Las Vegas, Ogden, Portland, San Diego, and Seattle as "areas of current acute labor shortages" wherein no renewal of contracts should be made and no new contracts placed if alternative facilities are available elsewhere. Localities centered in Everett, Phoenix, Pocatello, Provo, Salt Lake City, San Bernardino, San Francisco, Spokane, and Stockton were classified as "areas of current balance of labor supply and demand," in which only renewals of

contracts at the present level of production—requiring no additional workers—should be made, and in which no new contracts should be placed if alternative facilities exist elsewhere. Industrial areas centered in Fresno, Los Angeles, and San Jose were designated as "areas of anticipated balance of labor supply and demand," in which renewals of contracts at the present level of production should be made and in which new contracts may be placed providing such contracts are to be completed within six months. No Twelfth District centers were included in the cities listed by the Commission as areas of labor surplus.

Difficulties of obtaining adequate labor were not restricted to the new and rapidly expanding industries of the district. The failure of lumber output to increase over the 1941 level and the small size of the gains in non-ferrous metals mining in this district have been largely attributed to these difficulties. Copper mining, while exceeding the previous record of 1941, lagged in meeting expanding requirements, particularly during the summer and early fall. Various steps were taken to alleviate the labor shortages in these activities, primarily by the War Manpower Commission through directives to the employees and employers in these and competing industries.

**Expansion in Employment**

The district manpower shortage is largely traceable to the losses of workers to the armed services and to the large and rapidly growing demands of local industry. Average manufacturing employment in the Twelfth District during 1942, as indicated in the accompanying table, was 43

NONAGRICULTURAL EMPLOYMENT—TWELFTH DISTRICT  
(annual average employees in thousands)

Year	Manufacturing	Non-Manufacturing	Total
1939	621	2136	2757
1940	686	2180	2866
1941	875	2371	3246
1942 <sup>1</sup>	1250	2540	3790

<sup>1</sup> 1942 figures preliminary.  
Source: United States Bureau of Labor Statistics.

percent larger than in 1941 and double that of 1939. Total nonagricultural employment in 1942 averaged almost 20 percent above that of the preceding year. Of the increase of one million employees in nonagricultural pursuits from 1939 to 1942, 60 percent occurred in manufacturing.

This sharp expansion in employment in 1942 following the marked gains of the preceding year far exceeded the number of workers which could be provided from the normal district labor force. In part it was met by a sharp

**Distribution and Trade—**

Retail Trade	Index numbers, 1935-39, daily average=100			With Seasonal (Adjustment— 1942—1941)		Without Seasonal (Adjustment— 1942—1941)		Annual Average	
	Dec.	Nov.	Dec.	Dec.	Nov.	Dec.	1942	1941	
Department store sales (value)									
Twelfth District...	p173	210	138	p296	219	235	169	139	
Southern California	p175	200	144	p300	205	246	167	146	
Northern California	p152	184	117	p274	200	211	152	123	
Portland	p188	228	143	p288	237	219	178	137	
Western Washington	p209	282	164	p364	291	286	214	164	
Eastern Washington and Northern Idaho	p160	208	117	p246	217	179	153	125	
Southern Idaho and Utah	p175	218	142	p306	245	246	173	136	
Phoenix	p174	201	138	p309	230	244	179	137	
Carloadings (number) <sup>1</sup>									
Total	p 99	106	110	p 88	106	97	p112	105	
Merchandise and misc.	p113	120	127	p101	120	113	p121	116	
Other	p 82	87	88	p 71	89	76	p102	91	

<sup>1</sup> 1923-25 daily average = 100. p Preliminary.

increase in the employment of women in industry, but workers were also drawn from groups customarily self-employed in small enterprises or not ordinarily seeking employment, and from other parts of the country.

### Employment of Women in Industry

In California the number of women wage-earners in durable goods manufacturing increased from 19,000 in April 1942, when comparable data first became available, to 112,600 in December. In the latter month, 81,600 were employed in California aircraft plants, more than twice

#### WOMEN WAGE EARNERS IN CALIFORNIA MANUFACTURING INDUSTRIES

1942	All Industries	Durable Goods		Nondurable Goods
		Total	Aircraft	
April	69,000	19,000	1	50,000
May	70,000	22,000	12,000	48,000
June	76,500	29,300	18,000	47,200
July	101,800	35,500	23,600	66,300
August	129,100	45,700	31,700	83,400
September	144,500	59,400	42,600	85,100
October	151,800	77,400	58,500	74,400
November	158,400	96,600	68,700	61,800
December <sup>2</sup>	169,800	112,600	81,600	57,200

<sup>1</sup> Not available.

<sup>2</sup> December figures preliminary.

Source: California Division of Labor Statistics & Law Enforcement.

the number reported four months earlier in August. Peak employment of women in nondurable goods manufacturing was reported in September, the decline in the succeeding three months largely reflecting seasonal curtailment of operations of fruit and vegetable canneries.

### Migration to the Twelfth District

A large migration of workers to district centers of war production occurred in 1941 and continued in 1942. Some indication of this movement is provided in the accompanying table showing the increase in population from April 1940 to May 1942 in the five principal Pacific Coast industrial centers. Based upon Bureau of the Census estimates as of May 1, 1942 and the April 1, 1940 Census count, these figures show a net increase of 392,000 in the civilian population of the five centers. Over the same pe-

#### ESTIMATED CIVILIAN POPULATION CHANGES, APRIL 1940—MAY 1942, BY AREAS—TWELFTH DISTRICT

Net increases in industrial centers		
Los Angeles-Orange Counties	131,000	
San Diego County	97,000	
San Francisco Bay Counties	95,000	
Seattle-Tacoma Area <sup>1</sup>	56,000	
Portland Area <sup>2</sup>	13,000	
Total	392,000	
Net decreases in balance of district		
Pacific Coast States	64,000	
Intermountain States	55,000	
Total	119,000	
Net district increase	273,000	

<sup>1</sup> Includes King and Pierce Counties, Washington.

<sup>2</sup> Includes Multnomah and Clackamas Counties, Oregon. Does not include the Vancouver, Washington, area.

Source: United States Bureau of the Census.

riod, Census estimates indicate a reduction of 119,000 in the civilian population of the balance of the district, leaving a net increase of 273,000 for the district as a whole.

### Hydroelectric Power

Not least important among factors contributing to the capacity of the Twelfth District to increase industrial activity as rapidly as it did in 1941 and 1942 was the availability of large and growing amounts of hydroelectric power. Total production of electrical energy for

public use, a principal source of power for western industry, totalled 28.6 billion kilowatt hours in 1942, compared with 23.4 billion in 1941 and 14.2 billion in 1929. More than half the 1942 increase took place in Oregon and Washington, as the capacity and output of Bonneville and Grand Coulee Dams were expanded.

To conserve critical materials the War Production Board issued an order on October 28 stopping all construction on three district projects and limiting construction on two others. The order involved a net potential loss in generating capacity of 476,000 kilowatts.

### Retail Trade

For the first time since the outbreak of war in 1939, shortages of goods became an important factor limiting the volume of consumer commodity purchases in the

#### DEPARTMENT STORE INVENTORIES—TWELFTH DISTRICT

Percent change in months' supply on December 31 at the December rate of sales—1942 compared with 1941

Main Store		-25
Piece goods		-27
Domestics—muslins, sheetings, etc.	-36	
Blankets, comforters, spreads	-35	
Linens, towels	-32	
Woolen dress goods	-29	
Silks, rayons, velvets	-15	
Cotton wash goods	+31	
Small wares		-24
Notions	-40	
Stationery, books, magazines	-35	
Silverware, jewelry, clocks, watches	-31	
Toilet articles, drug sundries	-29	
Art needlework	-6	
Ready-to-wear accessories		-28
Handbags, small leather goods	-54	
Negligees, robes, lounging apparel	-53	
Millinery	-48	
Silk and muslin underwear, etc.	-48	
Infants' wear, infants' furniture	-43	
Women's and children's gloves	-36	
Women's and children's shoes	-32	
Knit underwear	-20	
Handkerchiefs	-19	
Women's and children's hosiery	-4	
Corsets, brassieres	+24	
Women's and misses' ready-to-wear		-28
Furs	-64	
Dresses	-51	
Blouses, skirts, sportswear	-37	
Coats and suits	-30	
Juniors' coats, suits, dresses	-24	
Girls' wear	-11	
Aprons, housedresses, uniforms	-3	
Men's and boys' wear		-6
Boys' clothing and furnishings	-25	
Men's and boys' shoes and slippers	-24	
Men's furnishings	-14	
Men's clothing	+17	
Housefurnishings		-20
Radios, phonographs, records	-35	
Major household appliances	-34	
Furniture, beds, etc.	-32	
Domestic floor coverings	-27	
China, glassware	-22	
Lamps, shades	-8	
Draperies, curtains, etc.	-7	
Housewares	+8	
Miscellaneous		-22
Luggage	-47	
Toys and games, sporting goods, cameras	-15	
Basement Store		+9
Domestics, blankets, linens, towels	-17	
Housefurnishings	-6	
Shoes	-1	
Men's and boys' clothing and furnishings	+19	
Women's and misses', juniors', girls' and infants' apparel and accessories	+21	

Twelfth District in 1942, principally because of restrictions on the manufacture and sale of automobiles. Availability of household equipment and other consumer durable goods was also limited, and several staples were formally rationed. The dollar volume of retail trade was at least as large, however, as the record attained in 1941, despite commodity shortages and increased savings.

Department store sales increased 22 percent over the

1941 level. This bank's seasonally adjusted index advanced to a peak of 209 percent of the 1935-39 average in November, when more Christmas buying than usual was reported. Since retail trade will probably increasingly reflect commodity shortages, it is likely, in the absence of substantial price increases, that the high point of consumer spending during the war has been passed.

With sales of district department stores in November and December at unprecedented levels, inventories of these stores were reduced by about a third from the record peak attained in July, and were about the same as a year earlier when sales were considerably smaller. Stocks of individual departments on December 31, 1942 displayed considerable variance when compared with totals of a year earlier ranging from an increase of 44 percent for men's clothing to a decrease of 59 percent for "major household appliances."

Since changes in the stocks of individual commodities are significant only when viewed in the light of current sales, a much better indication of the current supply situation is given by "months' supply" data. Stocks of woolen dress goods, for example, were 31 percent higher on December 31, 1942 than a year earlier, but the "months' supply" on that date (December 31 stocks divided by December sales) was 29 percent lower than a year earlier. As shown in the preceding table, "months' supply" at the end of 1942 varied greatly among the various departments for which data are available.

In an attempt to maintain their stocks, department stores in the Twelfth District placed, during the final quarter of 1942, almost twice the volume of orders placed in the last quarter of 1941. October orders were larger than any other month on record. Reflecting this heavy

purchasing and the delays in receiving goods previously ordered, total orders outstanding advanced continuously to the year's end when they were approximately as large as the selling value of goods on hand. Available information indicates that outstanding orders of department stores in this district have never before approached the dollar value of stocks on hand.

### Agriculture in Wartime

Expansion is the keynote of wartime agriculture as it is of wartime industry. In 1942 general agricultural expansion reached approximate capacity, and by the end of the year selective expansion had already become a necessity in Twelfth District agriculture.

#### *Selective Expansion of Production*

Early in 1942, the Department of Agriculture established goals as a guide to farm production. These stressed certain of the more essential crops, such as flaxseed, dry peas and beans, sugar beets, meats, milk, eggs, and certain vegetables.

On the whole, the expansion of these essential crops was accomplished in the general movement toward full production. The one major exception was in wheat, which was the largest contributor of acreage to other crops. In the Pacific Northwest, wheat lands were shifted to dry peas and barley, and in California to flaxseed, sugar beets, barley, and grain sorghums. Toward the end of 1942, conversion of vegetable lands was taking place also, through the replacing of luxury crops such as melons, cucumbers, and strawberries with crops which lend themselves to processing and dehydrating such as tomatoes, snap beans, and potatoes. By the end of the year, it was evident that

PRODUCTION AND VALUE OF TWELFTH DISTRICT CROPS, 1941-1942

(all figures in thousands)

Field Crops	Unit	California Production		Arizona-Nevada-Utah Production		Idaho-Oregon-Washington Production		Total Twelfth District			
		1941	1942	1941	1942	1941	1942	Production		Value	
								1941	1942	1941	1942
Wheat	bu.	11,656	9,916	7,910	6,069	112,530	95,871	132,096	111,856	\$115,731	\$114,861
Barley	bu.	25,529	43,819	7,537	8,270	23,490	36,915	56,556	89,004	35,997	57,546
Corn	bu.	2,624	2,574	1,383	1,308	5,923	5,539	9,930	9,421	8,950	9,699
Oats	bu.	3,699	5,696	2,435	2,210	23,417	28,042	29,551	35,948	13,765	18,013
Sorghums	bu.	7,344	5,328	1,472	1,190			8,816	6,518	7,273	5,795
Rice	bu.	8,415	11,592					8,415	11,592	12,118	17,040
Flaxseed	bu.	3,267	3,535	294	368	78	69	3,639	3,972	6,846	10,800
Beans	bag	5,139	4,894	106	117	1,958	2,123	7,203	7,134	32,939	36,871
Cotton lint	bale	404	432	181	194			585	626	53,666	66,780
Cottonseed	ton	180	193	81	1			261	1	12,712	13,211
Potatoes	bu.	19,541	23,130	2,609	3,357	43,445	45,590	65,595	72,077	54,239	86,055
Sweet potatoes	bu.	1,500	1,500					1,500	1,500	1,860	2,925
Hops	lb.	10,260	9,984			30,120	24,912	40,380	34,896	13,190	14,816
Sugar beets	ton	1,999	2,339	575	570	823	988	3,397	3,897	21,486	1
Peas	bag					3,007	6,309	3,007	6,309	10,475	27,971
Alfalfa seed	bu.	42	60	130	184	59	46	231	290	2,850	4,576
Red clover seed	bu.					199	128	199	128	1,876	1,578
Alsike clover seed	bu.					136	125	136	125	1,210	1,475
Hay	ton	4,846	5,107	2,511	2,423	6,285	6,127	13,642	13,657	132,019	183,968
<b>Fruits and Nuts</b>											
Almonds	ton	6	22					6	22	4,224	9,240
Apples	bu.	7,706	6,090	472	307	31,913	32,351	40,091	38,748	40,294	53,627
Apricots	ton	198	213	1	3	15	17	214	233	9,949	16,155
Avocados	ton	19	22					19	22	1,879	2,322
Cherries	ton	21	32	6	3	52	55	79	90	9,199	11,229
Figs—fresh	ton	34	29					34	29	3,829	4,802
Figs—dried	ton	19	17					19	17	1,104	1,348
Filberts	ton					6	5	6	5	1,759	1,626
Grapes	ton	2,547	2,300	2	2	15	17	2,564	2,319	57,577	76,572
Grapefruit	box	3,144	2,678	3,450	2,655			6,594	5,333	5,429	5,604
Lemons	box	11,753	13,650					11,753	13,650	18,922	26,481
Oranges	box	51,532	45,204 <sup>2</sup>	660	700			52,192	45,904	81,902	94,471
Olives	ton	56	58					56	58	8,568	6,786
Peaches	bu.	22,754	27,461	816	392	2,671	2,965	26,241	30,818	27,197	43,139
Pears	bu.	9,292	9,834	168	92	11,068	11,246	20,528	21,172	22,431	35,220
Plums	ton	71	72					71	72	4,169	6,166
Prunes—dry	ton	178	174					178	174	13,350	24,360
Prunes—fresh	ton					113	119	113	119	3,257	4,967
Walnuts	ton	63	57			7	4	70	61	17,619	17,367

<sup>1</sup> Not available.

<sup>2</sup> December 1 forecast.

Source: United States Department of Agriculture.

further increases must come primarily from shifting of land, labor, and machinery.

In 1942, the major instrument used by Government to stimulate and direct production was price, and goals were supported by price inducements of various kinds. Toward the end of the year, however, when it became evident that agriculture would be hard pressed to meet all wartime requirements, these measures became relatively less important. More direct methods were then introduced and the allocation of machinery, transportation, fertilizer, etc., based upon war needs, became a significant part of the control program, which also attempted to distribute agricultural labor more effectively.

### Production and Prices

With increased acreages and the generally favorable weather, production of most field crops in the Twelfth District in 1942 compared favorably with the high output of the preceding year and was considerably above the average of the past decade. Major exceptions were wheat and corn, because of reduced acreages, and hops, because of poor yield. California fruit and nut crops were exceeded only in 1941. District production in 1942 and 1941 is summarized in the accompanying table.

Prices of Twelfth District crops continued to rise sharply in 1942, many reaching levels more than double those of two years earlier. Three factors were of foremost importance in the agricultural price situation. First of these was the tremendous increase in demand for food for the military forces and for lend-lease purposes, supplemented by the large and growing demands of a fully employed civilian population. Second was the Government price support programs, designed to sustain or stimulate certain important sectors of agriculture. Third was the Emergency Price Control Act. This Act, as amended October 2, provides what has been to date an essentially negative control over agricultural commodity prices. It prohibits the placing of ceilings on agricultural commodities below parity or below the highest market level between January 1 and September 15, 1942, whichever is higher. Although many crops have reached the point at which controls may be placed on them, only in the case of a few, including dried fruits and hops, have ceilings been placed at the grower level.

The Emergency Price Control Act also increased the amount which the Commodity Credit Corporation may advance in loans on farm products from 85 to 90 percent of parity, except in the case of wheat and corn. Should the President find it necessary to hold these two products at the lower level in order to prevent an increase in prices of feeds for livestock and poultry, the loan rate may be retained at 85 percent of parity. In November, loan rates on dry beans, flaxseed, rice, barley, and potatoes were increased to the higher level.

### Shortages of Labor, Materials, and Equipment

The 1942 increases in prices of farm products were favorable to the farmer, but to some extent this has been offset by mounting farm costs. Farmers have had to pay more for equipment and supplies and have been faced by growing shortages in labor, farm machinery, fertilizer, containers, and storage and transportation facilities. Both in securing and in maintaining a sufficient labor supply, agriculture had to contend not only with the competition

of industry, which in turn was facing manpower shortages, and with losses of men to the armed services, but also suffered the loss of Japanese farmers at the time of their evacuation early in the year. Labor shortages grew more

PRICES OF MAJOR TWELFTH DISTRICT CROPS, 1940-1942  
AND PARITY PRICES, DECEMBER 1942  
(in dollars)

	Season Average			Parity Dec. 15, 1942
	1940	1941	1942	
<b>Field crops</b>				
Wheat, per bushel.....	.68	.95	1.06	1.37
Barley, per bushel.....	.40	.53	.59	.96
Sorghums, per bushel.....	.86	.98	1.11	1.88
Rice, per bushel.....	.81	1.36	1.53	1.26
Flaxseed, per bushel.....	1.42	1.79	2.27	2.62
Dry peas, per 100 lbs.....	1.90	3.47	4.42	3.24
Dry beans, per 100 lbs.....	3.17	4.54	5.02	5.22
Cotton, per pound.....	.09	.17	.19	.19
Cottonseed, per ton.....	21.73	47.66	45.60	34.95
Potatoes, per bushel.....	.54	.81	1.11	1.12
Hops, per pound.....	.27	.33	.43	.36
Hay, per ton.....	7.59	9.02	9.99	18.40
Sugar beets, per ton.....	5.16	6.47	6.70	8.06
Alfalfa seed, per bushel.....	8.76	12.40	15.74	10.86
<b>Fruits and nuts</b>				
Almonds, per ton.....	324.00	704.00	420.00	426.65
Apples, per bushel.....	.80	.96	1.24	1.49
Apricots, per ton.....				
Dried.....	245.00	248.00	396.00	297.29
For canning.....	51.68	44.69	65.00	62.00
Fresh.....	59.97	56.40	81.00	62.81
Avocados, per ton.....	106.46	100.96	120.00	180.22
Cherries, per ton.....	106.11	120.23	136.35	159.08
Figs, per ton.....				
Fresh.....	57.77	55.00	62.00	101.79
Dried.....	70.00	114.30	166.00	97.02
Filberts, per ton.....	249.53	305.91	355.80	393.76
Grapefruit, per box.....	.33	.65	.85	.79
Grapes, excluding raisin, per ton.....	17.98	24.98	39.76	33.91
Lemons, per box.....	.96	1.07	1.40	1.98
Olives, per ton.....				
Ripe.....	93.00	167.00	130.00	117.40
Crushed for oil.....	70.00	145.00	100.00	35.77
Oranges, per box.....	1.09	1.28	1.68	1.77
Peaches.....				
Fresh, per bushel.....	.95	.89	1.60	1.77
Canning, per ton.....				
Clingstone.....	20.60	48.00	60.00	42.78
Freestone.....	18.50	26.00	38.00	37.82
Dried, per ton.....	108.70	193.00	280.00	148.34
Pears, per ton.....				
Canning.....	25.78	43.00	64.00	52.47
Dried.....	109.80	139.70	260.00	198.08
Plums, per ton.....	51.81	62.28	66.71	73.47
Prunes, per ton.....				
Fresh.....	24.31	35.51	57.00	36.32
Dried.....	55.52	75.76	139.98	133.59
Walnuts, per ton.....	233.64	251.70	288.97	415.91
<b>Vegetables</b>				
Artichokes, per box.....	1.70	2.10	1.80	1.71
Asparagus.....				
Fresh, per crate.....	1.29	1.48	1.62	2.44
Processing, per ton.....	87.60	106.55	118.15	82.32
Beans.....				
Fresh, per bushel.....	1.17	1.38	1.59	1.80
Processing, per ton.....	51.49	53.40	75.38	60.35
Cabbage.....				
Fresh, per ton.....	12.51	20.87	16.47	19.72
Processing, per ton.....	5.43	9.70	7.89	8.59
Cantaloupes, per crate.....	1.09	1.25	2.12	1.48
Carrots, per bushel.....	.62	.75	1.07	.70
Cauliflower, per crate.....	.57	.79	1.02	1.16
Celery, per crate.....	1.69	2.03	2.43	1.91
Lettuce, per crate.....	1.46	1.67	2.55	1.62
Onions, per 100 lbs.....	1.40	2.26	1.77	2.07
Peas.....				
Fresh, per bushel.....	1.09	1.26	1.57	1.86
Processing, per ton.....	48.13	48.67	63.93	57.72
Spinach.....				
Fresh, per bushel.....	.48	.50	.60	.58
Processing, per ton.....	18.62	24.03	38.72	20.90
Tomatoes.....				
Fresh, per bushel.....	1.24	1.54	2.05	1.88
Processing, per ton.....	11.80	15.06	19.37	14.68
Watermelons, per 1,000.....	107.00	134.00	241.00	180.00
<b>Livestock products</b>				
	Dec. 15, 1940	Dec. 15, 1941	Dec. 15, 1942	Parity Dec. 15, 1942
Beef, per hundredweight.....	7.84	9.34	11.43	8.40
Hogs, per hundredweight.....	5.59	10.32	13.27	11.27
Lambs, per hundredweight.....	7.88	10.13	12.51	9.11
Veal, per hundredweight.....	9.01	11.18	13.14	10.46
Chickens, per pound.....	.13	.16	.21	.18
Turkeys, per pound.....	.16	.21	.30	.22
Eggs, per dozen.....	.27	.34	.40	.41
Butterfat, per pound.....	.35	.36	.49	.45
Milk, wholesale, per 100 lb.....	2.07	2.66	3.01	2.71
Wool, per pound.....	.31	.37	.40	.28

Source: United States Department of Agriculture.

serious as labor requirements reached their peak in the summer and early fall months. During this period the depleted ranks of farm labor were at least partially filled with somewhat inexperienced volunteers and by the recruitment of workers in Mexico. Although the 1942 crops were unusually large and were harvested with little real loss, the experiences of the summer and fall made it evident that steps would have to be taken to relieve agriculture from the drain of its workers if wartime food requirements of 1943 were to be fulfilled adequately.

Toward the year-end, a program for the classification of farm workers by Selective Service was established. Under this program, farm workers are classified as essential and, within the discretion of the local draft boards, may be deferred from induction into the armed forces when they account for from 8 to 16 "war units" of agricultural production. A unit of agricultural production is defined as indicated in the following table which covers Twelfth District farm products.

FARM ACTIVITIES MAKING UP ONE WAR UNIT OF PRODUCTION

	Acres		Head
Barley, wheat, sorghums, oats, rye, dry peas, cover crop seeds, hay, and hay seeds.....	15	Beef cattle	
Corn, dry beans, rice, peas, and sweet corn.....	5	In farm herds.....	12
Flaxseed.....	12	On feedlot.....	20
Potatoes and peanuts.....	2	On range.....	15
Fruit trees.....	1	Stocker.....	75
Small fruits and berries.....	0.7	Chickens	
Tomatoes, carrots, onions, cabbage, asparagus (from present plantings), lettuce, snap beans, and certain other truck crops.....	1	Broilers.....	600
Cotton—Upland 1 inch and over....	2	For egg production..	75
Cotton—American-Egyptian.....	2.5	Flock replacement....	300
Nuts (from present plantings).....	5	Turkeys.....	40
Sugar beets.....	2	Hogs.....	20
		Cows.....	1
		Sheep	
		In farm flocks.....	30
		In feedlot.....	160
		On range.....	45

The increase in farm wages during 1942 was the largest ever recorded within a year's time. According to the Department of Agriculture, average farm wage rates in California were \$5.70 per day on January 1, 1943, compared with \$3.70 on January 1, 1942, and \$2.85 on January 1, 1941. They were \$5.60 in Washington and \$5.10 in Oregon. In all three states active competition for workers with war industries was present, particularly in such farm activities as dairying, much of which is centered close to urban communities.

Farm machinery, which is used extensively in some parts of the Twelfth District, becomes increasingly important as farm labor becomes scarce and costly. Shortages in farm machinery at a time when a larger agricultural output is desired were therefore serious and it became necessary during 1942 to develop a rationing program. Under this program, which covers machinery and equipment such as tractors, combines, milking machines, and fencing, a certificate of need issued by the Department of Agriculture is required before purchase, and a factor in determining need is the essential character of the product.

#### **Government Finance and Bank Credit**

War requirements of the United States Treasury dominated monetary and banking developments in the Twelfth Federal Reserve District during 1942. Total earning assets of member banks increased 1,606 million dollars during the year to 6,338 million on December 31. Expansion of investments in Government securities, amounting to 1,892 million dollars, was larger than the rise in total earn-

ing assets. Most of the securities added to investment portfolios during the year were short term issues. Treasury bills, certificates of indebtedness, and notes comprised over one-third of all Governments held at the end of the year, but were only 12 percent at the end of 1941. This emphasis upon short term securities was made possible by the types of issues offered the banks by the Treasury. The weekly offering of bills was increased from 150 million dollars to 600 million during the year and the issue of certificates of indebtedness was resumed. On the other hand, new issues of bonds of more than 10 years' maturity were not offered to banks after February.

#### **Decline in Private Borrowing**

Other investments and loans held by member banks shrank from 2,993 million dollars to 2,708 million dollars. A decline occurred in all categories of loans, but was relatively heaviest in personal and retail instalment paper. This class of loans began to decline late in 1941, reflecting the reduced supply of durable consumer goods and the administration by the Federal Reserve System of Regulation W to control and limit consumer credit. Consumer instalment credit outstanding reported by 22 larger district banks declined 106 million dollars during the year to 105 million on December 31. The decrease in real estate loans was primarily a result of the severe restrictions on private residential building imposed to conserve materials and manpower for essential construction. The decline in loans for commercial, industrial, and agricultural purposes occurred after a steady increase during the preceding two years.

New loans in significant amounts were being made in the latter half of the year to essential war industries only. Many of these advances were made under the terms of Regulation V of the Board of Governors of the Federal Reserve System which sets forth the provisions for the extension of funds through loans guaranteed in whole or in part by the Army, Navy, or Maritime Commission.

#### **Bank Deposits and Currency**

The money supply in the Twelfth District increased substantially in 1942. Coin and currency in circulation continued the steady rise evident over the past two years and increased by 609 million dollars in 1942. Net demand deposits averaged 4,600 million dollars in the last two weeks of December, a gain of 1,600 million dollars over a year earlier. This was the largest increase in any one year on record and compares with a gain of 650 million dollars in 1941 and of 270 million dollars in 1940. Time deposits amounted to 2,560 million dollars late in 1942, compared with 2,400 million a year earlier.

For the country as a whole the most important cause of the nation-wide increase in the money supply has been and continues to be the increase in bank holdings of Government securities. For the district, however, the net change in the aggregate of deposits and coin and currency in circulation is the resultant of three major factors, (1) the increase in bank holdings of Government securities, (2) net Treasury disbursements in the district, and (3) net interdistrict payments by banks and their customers resulting from commercial and financial transactions. The last two factors do not affect the money supply in the country as a whole but represent inter-regional shifts of funds, principally of bank deposits.

### Member Bank Reserve Balances

Net Treasury disbursements in the district increase the reserves as well as the deposits of member banks, since they represent funds transferred to the district from other parts of the country. Despite higher tax collections and increased receipts from local sales of securities, Treasury disbursements in the district exceeded receipts by 2,820 million dollars in 1942. The growing volume of Federal payments for local war contracts, military payrolls, and other war activities is indicated by a comparison with earlier years. In 1941, this excess amounted to 1,000 million dollars and in 1940 to 421 million.

Additions to deposits and reserves from this source, however, are not all retained in the district. On a net basis, funds flow eastward to pay for purchases of materials and equipment, consumer goods, insurance and other services, and the like. This outward movement of funds has the opposite effect upon district bank deposits and reserves to that of net Treasury disbursements in the district. In 1942 the net outflow of funds because of commercial and finan-

FACTORS AFFECTING TWELFTH DISTRICT MEMBER BANK RESERVE BALANCES (millions of dollars)			
	1940	1941	1942
<b>FACTORS WHICH INCREASED RESERVES</b>			
United States Treasury Operations . . . . .	421	1,000	2,820
<small>The amount by which Federal Government disbursements in the district exceeded collections.</small>			
Reserve Bank Credit . . . . .	2	4	107
<small>The amount of increase in credit extended directly in the Twelfth District.</small>			
Total of factors increasing member bank reserves . . . . .	423	1,004	2,927
<b>FACTORS WHICH REDUCED RESERVES</b>			
Interdistrict Payments and Transfers of Funds . . . . .	148	596	2,008
<small>The net amount paid to other districts in settlement of commercial and financial transactions (exclusive of Treasury operations).</small>			
Demand for Currency . . . . .	96	227	609
<small>The amount by which holdings of cash by banks and the public increased.</small>			
Other Federal Reserve Accounts . . . . .	8	5	8
<small>The amount of the increase in nonmember bank accounts and other miscellaneous accounts at the Reserve bank.</small>			
Total of factors decreasing member bank reserves . . . . .	252	828	2,625
Member bank reserve balances at the Federal Reserve Bank of San Francisco increased . . . . .	171	176	302

cial transactions amounted to 2,008 million dollars, compared with 596 million in 1941 and 148 million in 1940. Reserves may also be reduced by the conversion of a portion of customers' deposits to coin and currency, since a bank obtains till money to meet the demands of its customers by drawing upon its balance with the Reserve bank. Altogether, member bank reserves increased by 302 million dollars, or 33 percent, during the year, while total reserve balances for the entire country increased by 667 million or 5 percent.

The increase in deposits raised required reserves by less than the increase in total reserves, so that excess reserves increased from 230 million dollars in late 1941 to 250 million late in 1942. This increase of 20 million dollars is in marked contrast to the substantial decline in excess reserves of all member banks in the United States.

### War-Induced Shift in the Banking Function

It is evident that the imposition of direct wartime controls over economic activity has materially affected the

function of private credit agencies. The general expansion in production, employment, and trade resulting from the defense program led first to increased demands for credit by virtually all private borrowers, industrial, agricultural, commercial, and consumer, as well as by the Treasury. As idle plants and labor were absorbed, and critical materials became scarcer it became increasingly necessary to impose restrictions upon the use of materials and equipment in less essential activities.

Ordinarily a lending agency has three means of disposing of its loanable funds. It can make loans to private enterprises and consumers; it can make loans to Government or make Government guaranteed loans to others; or it can allow its funds to lie idle as excess reserves. But the demand for credit by private borrowers is limited at present, and banks are being actively urged to meet all requirements of the Treasury that are not met by other investors, rather than to allow their funds to lie idle. Since the Treasury's need for funds is paramount in wartime, the second alternative, that of making loans to the Government or to others under Government guarantee, has now become the dominant use for loanable funds. During the war, the assumption of risk by private lenders in extending credit has practically ceased, and the influence exercised by the banking system and other financial institutions upon enterprise through the conditions and terms upon which credit is made available is at a minimum.

On the monetary level, there are two general objectives to be attained during wartime. First, essential activity must not be hampered for lack of funds. Second, since the goods and services available for civilian use are being severely limited, price increases must be checked and short supplies distributed as equitably as possible by limiting civilian spending. Taxation and borrowing from others than commercial banks are particularly significant in furthering the second objective, because they channel funds to the Treasury which could otherwise enter into the flow of civilian spending.

The first of these objectives was more nearly realized than the second during 1942, but in the process the banking system was drawn upon heavily. As a result there was an expansion of the money supply in the hands of the public which provided the means for more, not less, civilian expenditure, and which required the extension of direct controls over prices and the distribution of goods bought by civilians.

### Banking and Credit—

Averages of Wednesday figures (millions of dollars)	1943 Jan.	Change From 1942		
		Dec.	Nov.	Jan.
<b>Condition Items of Weekly Reporting</b>				
<b>Member Banks</b>				
Total loans . . . . .	990	— 27	— 41	— 156
Commercial, industrial, and agricultural loans . . . . .	454	— 11	— 20	— 39
Open market paper . . . . .	11	— 2	— 2	— 13
Loans to finance securities transactions . . . . .	39	— 1	0	— 7
Real estate loans . . . . .	358	— 3	— 6	— 30
All other loans . . . . .	128	— 10	— 13	— 67
Total investments . . . . .	2,524	+177	+334	+1013
<b>United States Government securities</b> . . . . .	2,229	+185	+342	+1051
All other securities . . . . .	295	— 8	— 8	— 38
Adjusted demand deposits . . . . .	2,145	+ 74	+160	+651
Time deposits . . . . .	1,125	+ 20	+ 17	+ 15
<b>Coin and Currency in Circulation</b>				
Total (changes only) . . . . .	—	+ 35	+ 95	+607
Federal Reserve notes of F. R. B. of S. F. . . . .	1,288	+ 40	+101	+580
<b>Member Bank Reserves</b> . . . . .	1,285	+ 15	+ 68	+298



## Summary of National Business Conditions

Released January 23, 1943—Board of Governors of the Federal Reserve System

**I**NDUSTRIAL activity continued at a high level in December and the first half of January and distribution of commodities to consumers was sustained. Prices of farm products and retail foods advanced further, while prices of most other goods showed little change.

### PRODUCTION

Industrial production in December showed less than the usual decline from November and the Board's seasonally adjusted index rose two points further to 196 percent of the 1935-39 average. Munitions output continued to increase, raising total durable goods production to a level 33 percent higher than in December a year ago, while production of nondurable goods was only 4 percent larger and mineral output was somewhat lower.

Steel production in December and the first half of January averaged 97 percent of capacity, down slightly from the October and November levels. Total steel production for the year showed a 4 percent increase over 1941 while the output of steel plate, important in shipbuilding and tank production, rose 90 percent over the previous year. This increase over a year ago was largely obtained by conversion of existing facilities. Output of lumber, and stone, clay and glass production in December showed larger declines than are usual at this time of year.

Mineral production was lower in December, reflecting a decline in coal output from the peak reached in November. Bituminous coal production in 1942 was the second largest in the history of the industry, averaging 13 percent greater than 1941. Crude petroleum production in December continued at the level of earlier months and for the entire year was slightly lower than 1941, reflecting transportation shortages. In the first half of January production of bituminous coal and petroleum was maintained, but a number of anthracite mines were closed by an industrial dispute.

The value of construction was 3.2 billion dollars in the fourth quarter of 1942, according to preliminary estimates of the Department of Commerce. This was about 25 percent lower than the peak of 4.3 billion reached in the previous quarter, but slightly higher than that of the fourth quarter of 1941. Installations for direct military use and industrial facilities accounted for almost three-quarters of the total, and residential building contributed somewhat less than half of the remainder. For the year as a whole, construction is valued at 13.6 billion dollars—of which almost four-fifths was publicly financed—an increase of one-fifth over 1941; the increase took place entirely in military and industrial projects, which rose 4.4 billion dollars. All other types of construction declined.

### DISTRIBUTION

Distribution of commodities to consumers was maintained at a high level in December and the first half of January, after allowance for the sharp fluctuations that are customary at this time of year. The 1942 Christmas buying season exceeded that of any previous year, value of sales at department stores, for example, being about 15 percent larger in November and December than in the corresponding period of 1941. The increase over the year period reflected in part price advances but volume of goods sold also increased.

Freight carloadings declined about the usual seasonal amount in December, and the Board's adjusted index remained at 134 percent of the 1935-39 average.

### COMMODITY PRICES

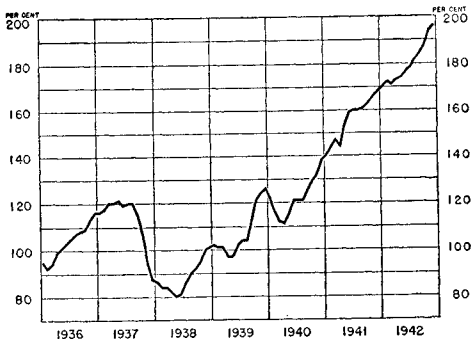
Prices of agricultural commodities advanced sharply from the early part of December to the middle of January. Maximum prices designed to restrict further increases were issued for some of these commodities, including corn and mixed feeds. For certain other products, however, like potatoes and truck crops, Federal price supports were increased. Wholesale prices of most other commodities continued to show little change.

From mid-November to mid-December retail food prices advanced 1.6 points to about 133 percent of the 1935-39 average. Further increases in these prices are indicated in January as a result of advances permitted recently in maximum levels for such items as flour, milk, and poultry.

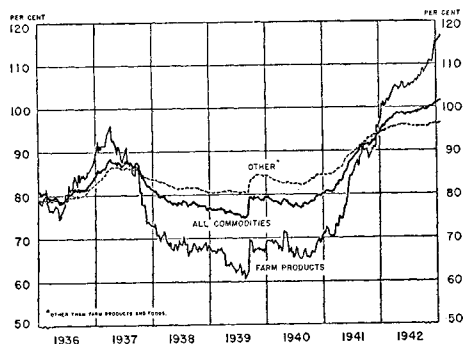
### BANK CREDIT

Excess reserves of member banks declined sharply in the last week of December, and during the first half of January they averaged about 2.2 billion dollars, as compared with 2.5 billion for most of December. Large payments to the Treasury for new securities, some increase in currency, and other end-of-year requirements were responsible for drains on reserves during the last week of December. There were, however, substantial sales of Treasury bills to Federal Reserve banks under options to repurchase. In the early part of January, reduction in Treasury balances at the Reserve banks and a return flow of currency supplied banks with additional reserves, and some of the bills sold to the Reserve banks were repurchased. During this period Reserve bank holdings of Government securities, which had increased to 6.2 billion dollars by December 31, declined to below 6 billion.

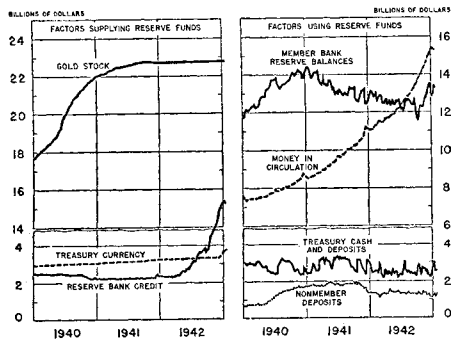
Reflecting largely purchases of the 7½ percent certificates of indebtedness delivered in the week of December 30, holdings of direct and guaranteed Government obligations at reporting member banks in 101 cities increased by 1.8 billion dollars to 28 billion over the four weeks ending January 13. New York City banks took 640 million of the 1.5 billion dollars of certificates sold to reporting banks. Commercial loans in New York City declined by 90 million dollars; outside New York there was little change. Loans to brokers and dealers rose sharply in December during the Victory Fund Campaign, but declined correspondingly in the following weeks. Other loans continued to decline.



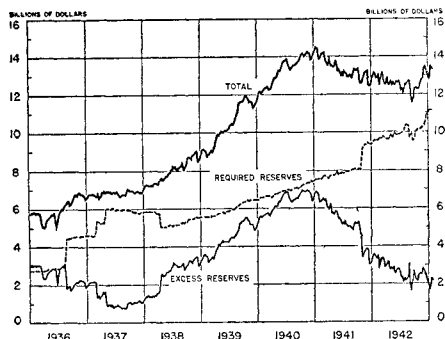
**INDUSTRIAL PRODUCTION**  
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average=100. Latest figures shown are for December 1942.



**WHOLESALE PRICES**  
Bureau of Labor Statistics weekly indexes, 1926 average=100. Latest figures shown are for week ending January 16, 1943.



**MEMBER BANK RESERVES AND RELATED ITEMS**  
Wednesday figures. Latest figures shown are for January 13, 1943.



**MEMBER BANK RESERVES**  
Wednesday figures. Required and excess reserves, but not the total, are partly estimated. Latest figures shown are for January 13, 1943.

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