

BUSINESS CONDITIONS



SEVENTH FEDERAL RESERVE DISTRICT

CHICAGO, APRIL 30, 1921

BUSINESS CONTINUES HESITANT. REPORTS FROM DIVERSIFIED INDUSTRIES and territories in the Seventh Federal Reserve District, while reflecting, as a rule, operations considerably below a year ago, may be characterized as variable. The chief complaints are the limited market in which to sell the output and the difficulty encountered in the effort to reduce manufacturing and distribution costs. These have contributed to the uncertainty regarding future demands. The situation is decidedly spotted; large concerns in the automobile industry, for example, in some instances report a production equal to or in excess of the corresponding period of last year, while other equally large producers report a curtailment of 40 per cent.

The employment situation is an important factor contributing to the curtailed buying power, but of even greater influence is the effect of the sharp reduction in prices for farm production, which apparently has left the farmer without the means of payment of obligations some of which were contracted before the price decline. The reports indicate clearly a freer buying movement in the cities during the last two months than in the country. Savings deposits, however, indicate that unemployment or shorter hours of employment is forcing some withdrawal of savings from banks, especially in the larger centers where living expenses are high. While the decreases are small and may be overcome later on, they indicate that the employment situation is forcing the thrifty to fall back on their reserves.

HEAVY TAXATION CONSIDERED A RETARDING FACTOR

Business is feeling also the weight of heavy taxation, for not only are the federal and state taxes to be reckoned with, but additional income is necessary in practically all of the municipalities, because of higher costs of administration and the elimination of revenues which formerly came from the liquor licenses and other sources. Retail prices in the Middle West are not coming any nearer keeping pace with the decline in the wholesale prices than earlier in the year. This disparity is everywhere evident between prices which are based largely on raw materials and those for the finished products in which costs tend to pyramid through the continuance of the high level in wages, transportation and other factors, until by the time the article

reaches the consumer the necessary selling price seems to be out of proportion.

The demand on the commercial banks for money continues to be strong but some progress has been made in building up the reserve ratio at the Federal Reserve Bank. The liquidation of loans is gradual. Inventories have been written down generally, while collections show a slight improvement and are generally pronounced as satisfactory.

One stimulating feature of the credit situation is that the soil is working up well and seeding is progressing satisfactorily. Recent rains have stimulated the hope for good crops. There is still some disposition reported, however, to seed smaller areas, due in some instances to hesitancy or inability on the part of farmers to borrow.

Attention is called to the discussion of the normal basic line and eligible paper on the last page of this report.

Compiled April 27, 1921

CONDITION OF RESERVE BANK SHOWS IMPROVEMENT

Total cash reserves of the Federal Reserve Bank of Chicago, which had increased since the first of the year to 388 millions on February 11, and then decreased sharply to 296 millions on April 1, showed a recovery to 352 millions on April 15. Deposits have been steady around 250 millions since March 18. Total bills on hand showed increase from 380 millions on March 4 to 439 millions on April 1, but on April 15 were reduced to 379 millions. Federal Reserve notes have shown a practically steady decrease from the 535 millions on January 7 to 474 millions on April

15. The ratio of total reserves to deposit and Federal Reserve note liabilities combined which has shown a decreasing trend since February 11 reached 40.9 per cent on April 1, but showed recovery on April 15 to 48.7 per cent, due chiefly to increase in gold reserves. Comparatively little change is shown in these items on April 22 from the figures of April 15. The reserve ratio decreased to 48.0 per cent. The figures relate to conditions as shown in the weekly statements of the bank.

AUTOMOBILE INDUSTRY SHOWS GREATER ACTIVITY

Manufacturers of automobiles in some instances show a marked increase in operations. Two of the large manufacturers report operations at present equal to a year ago, while one reports a production in April larger than last year. Some car manufacturers report about two-thirds of the production of this time in 1920, while others are proceeding on an employment basis of about 50 per cent of a year ago, the production per employee, however, being greater.

The spring demand for motor cars of the standard makes has increased notably in the last month or two. There is a trend to lower prices, but leading manufacturers say that until the volume can be increased materially there is very little opportunity to make reductions without accepting rather large losses. Stocks in the hands of retailers in consequence of the active demand are smaller than they were January 1.

Foreign sales of automobiles have been very seriously curtailed by the international exchange market, although makers of cars are building and strengthening their distributing organizations in the foreign markets by means of liberal advertising campaigns. The effort is to place American automobiles in importers' warehouses abroad, at the lowest possible cost, in preparation for a turn in the international exchange market. Meantime there is a concerted effort to stimulate the buying of automobiles in this country, and this has had some effect as reflected in the volume of orders reported by factories. For instance, the De-

troit automobile shops and factories reinstated nearly 26,000 men during March and the early part of April, several of the factories in that city having increased the day to more than a six hour basis. The number of employees, however, is not regarded as a safe criterion of automobile production, at this time, for the effort seems to be to keep as many men working as possible but to restrict the number of working hours in a day.

The reports of shipments of automobiles received from the factories producing two-thirds of the total volume in this country shows 16,500 carloads shipped in March and 10,000 cars driven away on their own power. Computing the driveaways in carload equivalents, the March shipment was 63 per cent greater than February, whereas a year ago this increase was 20 per cent. In March, 1920, the shipments aggregated 29,326 carloads, while there were 57,273 machines driven away. The shipments this year amount to 42 per cent of that record month, while February's completed figures show an increase of 58 per cent over January of this year. Last year the increase of February shipments over January was 13 per cent. The shipments compare as follows:

	Carloads		Driveaways Machines		Boat Machines	
	1921	1920	1921	1920	1921	1920
January	6,442	25,057	3,174	29,283	93	....
February . . .	9,920	25,505	7,491	43,719	99	....
March	16,500	29,326	10,000	57,273	....	....

MANUFACTURERS GENERALLY ARE CAUTIOUS

Manufacturers in other lines of industry are cautious. Improvement in the building situation has stimulated a call for building material. Lumber stocks at retailers' yards are small and buying is light. Brick plants are closed down, or working at a low percentage of capacity. Prices are lower. Sales for road building are helping the cement industry somewhat.

Stocks of farm implements in the hands of manufacturers are relatively large, and production is being curtailed; the trend of prices is downward. Stocks in the hands of retailers are irregular, since large stocks of

fall implements were not sold, but the stock of goods needed in the spring is quite small.

Iron and steel mills are operating at a very large reduction from full capacity, unfilled orders continue to decline, and prices have been reduced.

Furniture business is quiet, living costs and high rents having an adverse effect on the purchasing power of the public; prices tend downward. Manufacturers of furniture report that they are operating as high as 60 per cent capacity.

INDUSTRIAL EMPLOYMENT CONDITIONS

The expected improvement in the labor and employment situation, generally looked for in March, did not materialize. Instead the reports for this month seem to indicate further additions to the great mass of unemployed. Government figures, based on reports from 1,424 large firms scattered over the entire country, employing 1,600,000 men, give the decrease for the month as 1.5 per cent.

The questionnaire, sent monthly by the Federal Reserve Bank of Chicago to 80 representative manufacturing plants in the Seventh Federal Reserve District, gives results indicating greater unemployment. The reporting firms, 78 in number, employing at the present time 58,000 persons, 14 per cent of which are women, reduced their number by 6.1 per cent, compared with the previous month. The pay roll for the same period decreased 1.9 per cent. In many cases two weeks extra pay was given to men laid off.

This questionnaire, covering March, shows:

	CHICAGO	DISTRICT
Number employed as compared with		
(a) the preceding month.....	8.5% decrease	6.1% decrease
(b) the same month a year ago... 32.3% decrease		37.5% decrease
Amount of pay roll as compared with		
(a) the preceding month.....	10.5% decrease	1.9% decrease
(b) the same month a year ago... 36.2% decrease		42.2% decrease
Percentage of capacity of plant operating		
(a) March, 1921.....	52.0%	50.0%
(b) February, 1921.....	53.0%	51.0%
(c) March, 1920.....	88.0%	89.0%

Analysis of returns from 929 additional representative employers of labor in this district employing 370,179 in April, 1920, offers comparison of labor conditions at present with those of a year ago. The number of men employed for dates nearest April 1 of 1920 and 1921, shows a decrease of 33.8 per cent while pay rolls decreased 37.4 per cent. On the basis of average weekly pay per man, a decrease of 5.5 per cent is shown.

INDUSTRY	NUMBER OF FIRMS	NUMBER OF MEN EMPLOYED ON PAY ROLL DATE NEAREST		AMOUNT OF PAY ROLL FOR WEEK ENDING ON DATE NEAREST		DECREASE IN NUM- BER OF MEN PER CENT	DECREASE IN PAY ROLL PER CENT	DECREASE IN AVER- AGE PAY PER MAN PER CENT
		APRIL 1, 1920	APRIL 1, 1921	APRIL 1, 1920	APRIL 1, 1921			
Automobiles and Accessories.....	32	52,962	22,840	\$2,101,374	\$734,645	56.9	65.0	19.0
Bakery and Confectionery.....	133	8,563	7,175	207,004	190,855	16.2	7.8	10.1†
Brick and Building Construction Material.	32	4,803	3,105	220,606	123,691	35.4	43.9	13.3
Canning.....	11	273	294	5,253	4,936	7.7†	6.0	12.7
Cereals.....	8	5,166	2,954	172,325	83,117	42.8	51.8	15.6
Chemicals, Paints, and Soap.....	22	10,044	5,533	302,884	143,898	44.9	52.5	13.7
Clothing.....	18	21,330	15,863	798,360	543,669	25.6	31.9	8.4
Coal Mining.....	9	4,388	3,918	202,484	160,706	10.7	20.6	11.1
Contracting and Building.....	32	13,191	3,891	302,642	105,827	70.5	65.0	18.6†
Electrical Goods.....	12	3,398	1,248	122,505	32,485	63.3	73.5	27.8
Farm Implements and Equipment.....	78	21,736	12,683	866,502	461,054	41.6	46.8	8.8
Furniture.....	26	4,755	3,443	158,968	105,547	27.6	33.6	8.3
Glass, Porcelain, China, etc.....	9	3,078	2,727	104,194	87,350	11.4	16.2	5.4
Hardware, Stoves, etc.....	43	7,851	4,311	347,840	146,156	45.1	58.0	23.5
Iron, Steel, and Brass.....	66	19,949	10,908	786,133	383,882	45.3	51.2	10.7
Jewelry, Watches, and Clocks.....	3	3,797	3,821	95,331	98,167	0.6†	3.0†	2.3†
Leather and Leather Goods.....	19	2,756	1,910	75,504	49,592	30.7	34.3	5.3
Lumber and Mill Work.....	68	11,347	8,356	360,791	220,271	26.4	38.9	17.1
Machinery.....	39	10,733	5,627	397,518	169,789	47.6	57.3	18.5
Metal Work.....	18	7,705	4,420	225,388	102,082	42.6	54.7	21.0
Miscellaneous.....	94	14,366	8,761	415,330	253,749	39.0	38.9	0.2†
Packing.....	17	79,064	61,726	2,178,202	1,712,744	21.9	21.4	0.7†
Paper.....	15	2,974	2,326	88,550	70,549	21.8	20.6	1.5†
Pianos and Musical Instruments.....	15	4,013	2,185	120,958	54,218	45.6	55.1	17.7
Printing.....	15	1,281	1,192	59,033	58,186	6.9	1.4	5.9†
Public Utility.....	28	31,671	30,303	1,109,456	1,232,080	4.3	11.0†	16.1†
Railway Cars and Supplies.....	6	3,950	2,023	188,428	112,527	48.8	40.3	16.6†
Railroad Shops.....	3	5,248	4,014	278,897	226,445	23.5	18.8	6.1†
Wood and Paper Containers.....	21	3,490	2,387	99,017	58,521	31.6	34.3	3.9
Woodworking.....	15	3,067	2,414	83,565	62,092	21.3	33.6	15.7
Woolens, Knit Goods, Textiles.....	19	3,230	2,686	77,144	63,605	16.8	17.5	0.8
Totals.....	929	370,179	245,044	\$12,552,486	\$7,852,435	33.8	37.4	5.5

†—Increase.

Complete analysis of the returns of this special questionnaire cannot be presented at this time. In considering the figures, allowance should be made for reduction in pay rolls of firms operating on part time, as well as for reduction in hourly scale due to increases in hours without a corresponding increase in the day scale.

The automobile industry is apparently an exception to the general condition. The 79 firms reporting to the Employers' Association of Detroit have shown a steady improvement since the low point reached in

December. At that time not more than 14 per cent of the 176,000 men employed in September were still working. On April 19 the number was 106,787 or 60 per cent of the September figures. Only a small number of these, about 6,000, are working on a reduced schedule of 39 hours per week.

In several instances, wage reductions affecting large numbers of workmen have been effected without serious trouble. The Western Electric wage cut of 5 per cent affects about 25,000 employees. The Board

of Arbitration between the local unions of the Amalgamated Clothing Workers of the World and the Chicago Clothing Manufacturers decided on a wage reduction of 5 per cent and 10 per cent affecting the majority of the 40,000 garment workers. This becomes effective April 28.

Bricklayers at Detroit, Michigan, have accepted a reduced wage of \$1.12½ an hour until May 1. After that the rate will be \$1.00. The wage question of the railroads is still before the U. S. Labor Board. In Chicago the building trades have rejected the wage cut of 20 per cent proposed by builders and contractors. The present contracts expire May 1.

BUILDING ACTIVITY INCREASES

March building permit statistics for cities of the Seventh Federal Reserve District show an increase in total number of permits but a decrease in estimated cost compared with March, 1920. The statistics by cities follow:

	March, 1921		March, 1920		Per Cent	
	No. of permits	Estimated cost	No. of permits	Estimated cost	Gain	Loss
ILLINOIS						
Aurora.....	27	\$ 26,060	30	\$ 79,870	..	67
Chicago....	750	7,320,000	480	10,600,100	..	31
Evanston...	78	181,515	44	275,401	..	34
Peoria.....	85	145,525	72	280,880	..	48
Rockford....	137	105,650	138	449,550	..	76
Total.....	1,077	\$7,778,750	764	\$11,685,801	..	33
INDIANA						
Gary.....	107	\$ 361,730	124	\$629,865	..	42
Hammond..	59	514,475	26	99,050	419	..
Indianapolis	1,091	2,336,964	714	831,454	181	..
Richmond...	47	56,790	15	20,466	177	..
South Bend.	192	258,147	181	509,191	..	49
Terre Haute	151	404,060	100	114,036	254	..
Total.....	1,647	\$3,932,166	1,160	\$2,204,062	78	..
IOWA						
Cedar Rapids	133	\$195,178	75	\$240,000	..	18
Davenport..	87	71,460	142	497,951	..	85
Des Moines..	158	392,947	110	424,900	..	7
Dubuque....	37	48,292	28	116,460	..	58
Sioux City..	181	260,780	125	298,910	..	12
Total.....	596	\$968,657	480	\$1,578,221	..	39

	March, 1921		March, 1920		Per Cent	
	No. of permits	Estimated cost	No. of permits	Estimated cost	Gain	Loss
MICHIGAN						
Battle Creek	63	\$ 59,375	49	\$ 27,350	117	..
Bay City....	121	137,352	63	94,900	44	..
Detroit.....	1,683	6,297,397	1,986	8,762,410	..	28
Flint.....	270	327,321	516	1,154,829	..	71
Grand Rapids	255	348,047	180	600,890	..	42
Jackson....	81	65,485	100	198,773	..	67
Kalamazoo..	106	166,790	35	63,000	165	..
Lansing....	164	240,501	119	121,615	98	..
Pontiac.....	43	44,216	..	..	..	..
Saginaw....	195	111,844	184	150,928	..	25
Total.....	2,981	\$7,798,328	3,232	\$11,174,695	..	30
WISCONSIN						
Kenosha....	81	\$ 112,125	121	\$ 158,887	..	29
Milwaukee..	804	2,082,087	368	1,640,988	27	..
Sheboygan..	96	48,087	63	21,966	119	..
Total.....	981	\$2,242,299	552	\$1,821,841	23	..
Grand Total.	7,282	\$22,720,200	6,188	\$28,464,620	..	20

Contracts awarded largely in this Federal Reserve District show increase of almost 75 per cent in number and of almost 50 per cent in estimated cost compared with February.

In comparing the figures of 1920 and 1921, it is necessary to consider that the decreased cost of material from the high figures of 1920 will account for some of the decreased cost given in building statistics.

BUILDING STATISTICS FOR THE MONTH OF MARCH, 1921

CHICAGO DISTRICT

(Illinois, Indiana, Iowa, Wisconsin, Michigan, Missouri, and portions of Eastern Kansas and Nebraska)

	CONTEMPLATED PROJECTS		CONTRACTS AWARDED	
	NO. OF PROJECTS	VALUATION	NO. OF PROJECTS	SPACE (SQ. FT.) VALUATION
Business Buildings.....	357	\$13,708,000	229	1,094,300 \$6,570,400
Educational Buildings.....	132	13,652,500	70	1,488,700 9,132,200
Hospitals and Institutions.....	34	2,483,300	11	337,000 1,475,300
Industrial Buildings.....	153	15,146,200	86	993,200 4,832,200
Military and Naval Buildings.....	4	195,000	..	..
Public Buildings.....	47	4,037,200	9	64,700 347,800
Public Works and Public Utilities.....	411	35,049,900	166	.. 9,723,500
Religious and Memorial Buildings.....	74	3,930,900	18	113,900 650,400
Residential Buildings.....	(a) 1,389	30,687,900	(b) 1,005	2,858,600 13,146,700
Social and Recreational Buildings.....	113	20,071,500	38	316,900 2,635,000
Total.....	2,714	\$138,962,400	1,632	..... \$48,513,500

CONTRACTS AWARDED

January 1 to April 1

1921.....	\$116,938,000	1917.....	\$120,308,000	1913.....	\$34,591,000
1920.....	213,576,000	1916.....	81,380,000	1912.....	22,674,000
1919.....	110,164,000	1915.....	43,834,000	1911.....	42,764,000
1918.....	63,232,000	1914.....	38,796,000	1910.....	48,707,000

(a) 2,347 Buildings
(b) 1,347 Buildings

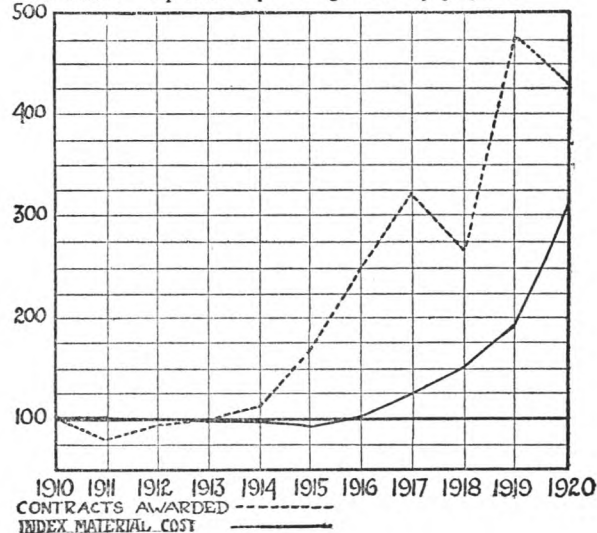
Statistics Compiled by F. W. Dodge & Company

Similarly, in comparing statistics with former years, it is necessary to consider the relation of cost of contracts awarded and building cost. The accompanying chart gives a comparison by years since 1910. Using 1913 as a base, contracts awarded, principally in the Seventh Federal Reserve District, have been reduced to a percentage basis and these are compared with percentages or index numbers of building material costs taken from the U. S. Bureau of Labor Statistics.

Beginning with 1916, a steady increase in cost of building material is shown. A peak of 341 was reached in April and May, 1920.

Settlement of the wage controversy in Chicago appears as far away as before the referendum of the building trades on the proposed reduction, since the vote showed that labor did not care to accept the proposal. The future course of practically all Chicago industries appears to be most intimately connected with a settlement of this question.

Chart showing Value of Contracts awarded in the Chicago District and Cost of Building Materials during 1910-1920, PER CENT expressed in percentage of the 1913 figures.



WHOLESALE TRADE SHOWING HESITANCY

Wholesalers generally report buying very restricted and marked by a feeling that recessions in prices may go further. This view is not generally held by the jobbing trade except in groceries and shoes. The prevalent opinion is that prices have reached a stable level where supply and demand factors can operate normally, producing small fluctuations. The dry goods trade reports a decrease of 35.9 per cent net sales for March, 1921, compared with March, 1920. "Cautious buying" is reported by 75 per cent of the answers. The opinion of the trade as to prices is generally summed up in the word "stable," only 25 per cent looking for a lower level. The shoe trade is off 31.6 per cent from March, 1920, being an improvement of 20 per cent from the February report. Over one-half of the replies indicate a belief in lower prices. Grocery jobbers report a decline of 25.0 per cent in net sales com-

pared with March, 1920. About two-thirds of the replies express the belief that prices will go lower, and about one-third are noncommittal or believe that the present level is stable. Wholesale clothing sales are off 35.3 per cent from a year ago but prices are regarded as stable by those who give an opinion. Buying is cautious. Cancellations show a distinct tendency to decline and are now rated "negligible" in the wholesale trade.

TRADE	No.	DECREASE NET SALES MARCH '21 MARCH '20	REPORT BUYING CAUTIOUS	PRICE TENDENCY			No STABLE REPLY
				DOWN	UP	STABLE	
Dry Goods	13	35.9%	72.5%	3	..	5	5
Shoes....	10	31.6%	87.5%	6	..	2	2
Clothing..	5	35.3%	50.0%	..	..	2	3
Tailoring..	3	37.4%	33.3%	1	..	..	2
Groceries..	23	25.0%	96.0%	14	1	3	5

RETAIL TRADE CONDITIONS IMPROVED

Conservative merchandising is the feature of the replies to our monthly questionnaire covering the retail trade. Net sales show a decrease of 4.2 per cent for March, 1921, compared with March, 1920. This is an improvement of about 2 per cent on the similar comparison for February. For the first quarter year ending March 31, 1921, a decrease of 2.1 per cent in net sales appears, compared with the total for the same quarter of 1920. This, also, presents an improvement of 3.8 per cent. Inventories were reduced 15.0 per cent in March, 1921, compared with the previous March. Compared with February stock, there was a gain of 4.5 per cent, showing conservative shelf replenishment and a careful policy. Retail stocks for the first quarter of 1921, to March 31, stood at 381.0 per cent of net sales for the same period, indicating a gain of 0.1 per cent in rate of turnover compared with the February report. In detail, the stock sales ratio

for February was 398.0 per cent, and for March 381.0 per cent, corresponding to turnover rates of 3 and 3.1 respectively. Outstanding orders at the close of March were 3.2 per cent of the 1920 total purchases, against 9.6 per cent in February. This difference is due in part to the inclusion of stores, not before reporting, whose buying for stock is on a spot delivery basis. The situation reflected in the store returns is distinctly better than in previous months since the decline began, and moderate optimism is generally expressed.

Number of stores reporting.....	33
Decrease Net Sales—March, 1921, from March, 1920....	4.2%
Decrease Net Sales—January 1—March 31, 1921, from same period, 1920	2.1%
Decrease Stocks—March, 1921, from March, 1920.....	15.0%
Increase Stocks—March, 1921, over February, 1921.....	4.5%
Ratio of Stocks to Net Sales January 1—March 31, 1921..	381.0%
Ratio of Outstanding Orders March 31, 1921, to Total Purchases, Year 1920	3.2%

COMMERCIAL PAPER MARKET SLUGGISH

The supply of commercial paper greatly exceeds the demand. Half of the reporting firms show an increase in sales over the preceding month; the other half show decrease. The lack of funds for investments of this class is accounted for by brokers as due to the March 1 settlement period, income tax payments, investments in securities, delayed liquidation of farm products and purchases of seeds for Spring planting. The feeling of uncertainty as to the future has

played an important part in the present stagnation of the commercial paper market.

Reports of distribution show that the principal buying markets have been in the New England states, New York, and Pennsylvania, while the southern and Pacific states were comparatively sluggish. In all these districts, the principal buyers have been the country banks. Commercial paper rates in Chicago ranged from $7\frac{1}{4}$ to 8 per cent, the majority of the paper being sold on the basis of $7\frac{3}{4}$ per cent.

DEMAND FOR ACCEPTANCES IMPROVES

Improvement in the demand for acceptances is noted. Statistics for March over February showed increased sales. Most of this demand has been from the suburban and country banks. One of the largest dealers reported 80 per cent of the bills sold to be ninety day maturity and the remainder divided between thirty and sixty day maturity. The acceptances sold by one bank showed 25 per cent of acceptances drawn against grain, 25 per cent drawn against sugar and the remainder against oil, machinery, tobacco, coffee, and cotton.

The March returns from three banks and one dealer show increase over February as follows: 26 per cent in amount of sales, 2 per cent in amount of purchases

and 9 per cent in amount held at the close of month. The figures for these percentages are given below:

	MARCH		FEBRUARY	
Total bankers acceptances bought during month.....	\$18,980,377		\$18,558,189	
Total bankers acceptances sold during month.....	21,667,561		17,182,243	
Total bankers acceptances held at close of month.....	3,704,819		3,393,617	

	MARCH		FEBRUARY	
	HIGH	LOW	HIGH	LOW
Selling rates for prime bills				
30 day maturity.....	$5\frac{7}{8}$	$5\frac{3}{4}$	$5\frac{3}{4}$	$5\frac{3}{8}$
60 day maturity.....	6	$5\frac{3}{4}$	$5\frac{7}{8}$	$5\frac{5}{8}$
90 day maturity.....	$6\frac{1}{8}$	$5\frac{3}{4}$	6	$5\frac{3}{4}$

CLEARINGS MOVEMENT SHOWS DECREASE

Clearings movement as indicated in the aggregate debits to individual accounts, shows a decrease of 2.7 per cent compared with the previous month, and a decrease of 21.2 per cent from a year ago.

The total debits as of April 13, 1921, reported by

208 banks in 24 leading clearing house centers, including Chicago, were \$871,505,000, a decrease of \$24,886,000 over the corresponding week of March, and a decrease of \$234,617,000 compared with the same period of last year.

BUSINESS MORTALITY BY FEDERAL RESERVE DISTRICTS

Tabulation of business mortality shows 138 defaults during March in the Seventh Federal Reserve District compared with 64 in the corresponding month of last year. The liabilities represented in these defaults amounted to \$3,438,805 compared with \$1,420,313 a year ago.

Following are the number of defaults and liabilities by Federal Reserve Districts:

District	Number		Liabilities	
	1921	1920	1921	1920
First.....	88	54	\$ 8,259,999	\$ 866,304
Second.....	248	139	30,836,832	6,213,228
Third.....	63	33	1,082,419	644,376
Fourth.....	88	63	2,767,384	553,082
Fifth.....	123	36	2,918,460	464,017
Sixth.....	152	34	2,397,390	382,988
Seventh.....	138	64	3,438,805	1,420,313
Eighth.....	108	31	5,273,193	524,242
Ninth.....	27	18	703,571	209,558
Tenth.....	66	11	4,189,798	42,587
Eleventh.....	98	19	2,702,583	203,445
Twelfth.....	137	64	2,838,475	1,175,216
United States.....	1336	566	\$67,408,909	\$12,699,356

LEATHER AND SHOE TRADE IMPROVING

Chicago shoe salesmen are calling on the trade, and orders for summer goods are being obtained in some quantity; demand for novelty lines is stronger than for staple goods. Shoe retailers in places still have some

overstock of standard lines. Good qualities are wanted, the consumer not yet having reached the point of calling for cheaper qualities. Buying is very cautious, many buyers holding for cheaper prices, and, although

there has been some improvement since the first of the year, the industry is still quiet.

Wholesale shoe prices have been reduced, but leading manufacturers say that prices cannot recede much further on the present wage basis. Some small wage reductions have been accepted, but delay in the reductions of wage scales seems likely. Most manufacturers have small stocks on hand; collections are being closely watched.

Stocks of leather in the hands of shoe manufacturers are small, large quantities remaining in the hands of tanners. The supply would not be abnormal if manufacturing in leather lines were proceeding normally. Exports of leather have been light this year. Tanners are working on a "hand to mouth" basis, but recently have been encouraged by a little improvement in sales of leather. Top grades are in most demand.

COAL PRODUCTION CONTINUES LOWER THAN NORMAL

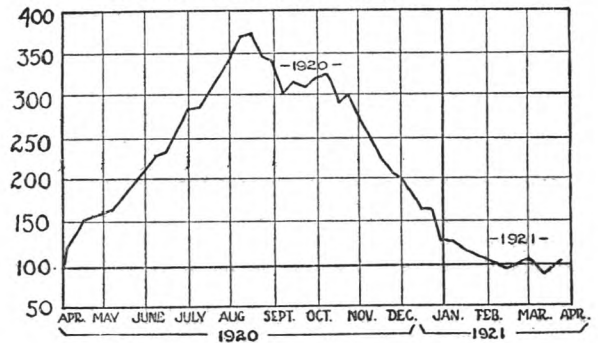
Consumers of coal generally are buying only for current use, the belief prevailing that a reduction in freight rates will come and lower the cost of fuel. The trend of all grades of coal has been downward, but the change during the last month has been small in the Middle West. The index number compiled by the *Coal Age* for bituminous coal shows practically no change, spot prices remaining at 101.

Bituminous coal production has continued to decline during the last month, the daily average nearing the one million net ton point, or one hundred thousand tons less than a month before. There is no sign of a revival of mining activity in the current returns. It is estimated that the requirements of the consumers, depending on Illinois coal throughout the year, necessitate a production from the mines in this state of a weekly minimum average of one million seven hundred and fifty thousand tons. The Illinois fields during the last month have been producing only at the rate of a million to a million and a quarter tons. There have

been no reductions made in wages paid to mine workers.

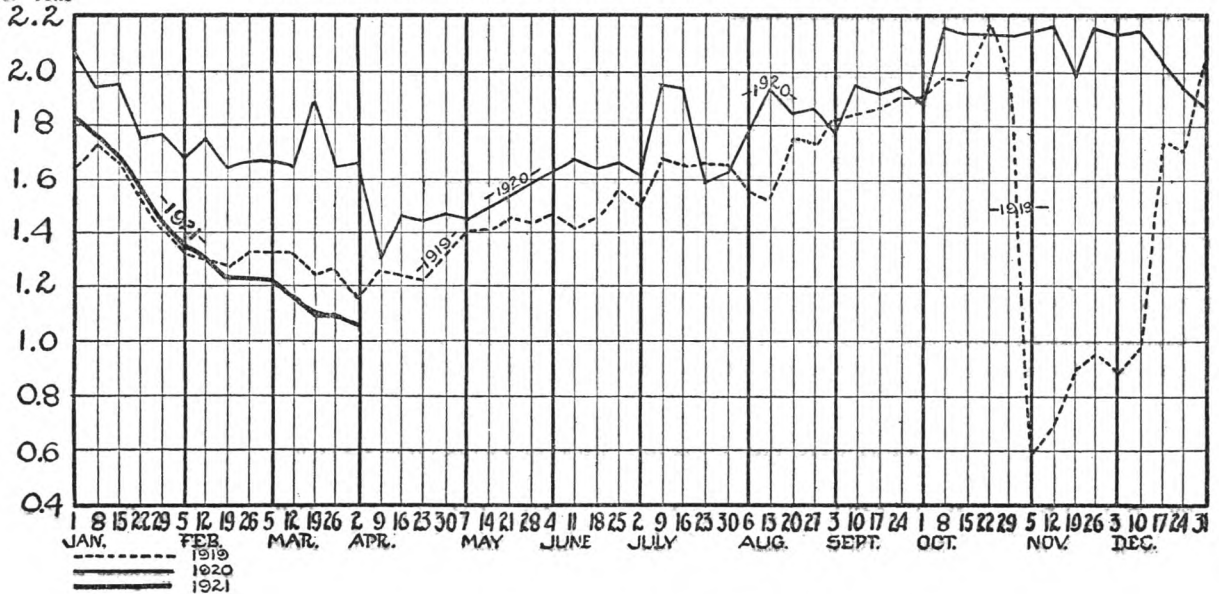
The accompanying charts show the trend of bituminous production as compared with other years, also the trend of prices as indicated by the *Coal Trade* index.

INDEX PRICE OF BITUMINOUS COAL



MILLIONS OF TONS

DAILY AVERAGE PRODUCTION OF BITUMINOUS COAL IN THE U. S.



MOVEMENT OF COMMODITIES AT CHICAGO

Receipts and shipments of cereals at Chicago showed a large increase over last month and last year. Without exception, receipts exceeded shipments, which was

not the case during March last year as both wheat and rye shipments exceeded receipts at that time. Receipts of other commodities are about the same as last

year, except in hides which showed considerable falling off. Shipments of hides show a large increase over last year. Meat shipments show decrease from last

year but an increase over last month. The detailed figures follow:

		(000's Omitted)				SHIPMENTS			
		RECEIPTS		RECEIPTS		RECEIPTS		RECEIPTS	
		MARCH		FEBRUARY		MARCH		FEBRUARY	
		1921	1920	1921	1920	1921	1920	1921	1920
Flour.....	Barrels.....	1,142	785	796	1,007	688	686	587	734
Wheat.....	Bushels.....	2,218	977	1,134	2,231	1,484	1,375	1,192	3,141
Corn.....	Bushels.....	15,743	8,449	13,657	7,759	10,716	2,804	5,166	2,715
Oats.....	Bushels.....	6,089	5,568	3,874	6,841	5,488	4,679	3,304	3,645
Rye.....	Bushels.....	218	829	367	710	172	901	234	605
Barley.....	Bushels.....	828	959	483	968	399	269	465	370
Cured Meats.....	Pounds.....	3,942	6,461	3,575	6,599	92,176	106,701	79,932	101,022
Fresh Meats.....	Pounds.....	73,055	71,844	62,723	82,284	142,512	203,092	136,482	199,337
Lard.....	Pounds.....	10,871	9,188	18,694	13,670	59,488	46,469	53,752	49,376
Cheese.....	Pounds.....	14,693	15,822	11,760	12,311	11,068	21,040	9,666	32,780
Butter.....	Pounds.....	20,445	20,638	15,412	16,370	21,204	26,371	16,817	45,256
Eggs.....	Cases.....	815	460	234	166	349	267	183	145
Potatoes.....	Bushels.....	1,270	1,098	1,006	1,128	452	378	291	334
Hides.....	Pounds.....	9,005	15,040	8,318	18,492	23,433	13,789	20,373	22,922
Wool.....	Pounds.....	1,145	1,047	259	1,114	13,723	2,371	5,214	2,674
Lumber.....	Thousand feet.....	169	284	123	235	73	122	55	81

COMPARATIVE LIVE STOCK STATISTICS

Receipts of live stock at Chicago for the four weeks ending April 9 show increase over those of the corresponding period of last year. Receipts at all principal markets also increased except in hogs. However, receipts for the first three months, except in sheep and lambs, show a decrease. Prices are far below those of last year. Detailed statistics are given in the following tables:

Receipts of live stock at Chicago for the four weeks ending April 9, 1921, compare with 1920 as follows:

Year	CATTLE	CALVES	HOGS	SHEEP
1921.....	196,625	74,980	472,461	363,872
1920.....	146,472	54,492	371,903	138,943
Increase.....	50,153	20,488	100,558	224,929

Receipts of live stock at the principal markets during March, and during the first three months of 1921, compared with the corresponding periods of the previous year, show the following changes:

1921	CATTLE	CALVES	SHEEP AND LAMBS	HOGS
March.....	23 per cent increase	22 per cent increase	64 per cent increase	22 per cent decrease
First three months.....	15 per cent decrease	3 per cent decrease	14 per cent increase	7 per cent decrease

Receipts of hogs at the six principal markets during March, 1921, aggregated 1,487,884 head, against 1,909,122 in March, 1920. The average prices compared as follows per hundredweight:

	CATTLE CHOICE	CATTLE COMMON	SHEEP	LAMBS	HOGS
March, 1921.....	\$10.55	\$ 9.03	\$ 5.89	\$ 9.50	9.90
March, 1920.....	15.40	13.08	13.32	18.82	15.21
Three months, 1921.....	\$10.62	\$ 8.68	\$ 5.28	\$ 9.83	\$ 9.55
Three months, 1920.....	17.05	13.37	12.72	19.37	14.90

Cash lard in March, 1921, ranged from \$11.00 to \$12.05 cwt. compared with \$18.75 to \$20.05 in March, 1920.

Cash ribs in March, 1921, ranged from \$11.00 to \$11.87½ cwt. compared with \$17.50 to \$18.75 in March, 1920.

ANALYSIS OF EXPORT TRADE QUESTIONNAIRE

The Federal Reserve Bank of Chicago sent out during the month a list of questions designed to obtain an expression from important houses in the District producing goods for the export trade, on points of great importance connected with the exchange situation and the difficulties of financing business with European and other foreign customers.

Fifty-three replies were received and the analysis of the problem was fully detailed on all the principal

points of the inquiry. Following is a digest of the information derived from the answers:

1. Do you produce goods for the export market?
ANSWER—Yes, 52; No, 1.

Specify kinds. ANSWER—Automobiles, trucks, accessories, leather goods, packing house products, meats, lard, soap, grain, mill products, lithography, chewing gum, candy, hats, heavy machinery, tractors, mining and roadmaking machinery, implements, steel and

iron beams, rails, billets, merchant bars, electrical and mechanical instruments, clocks, watches, recording and computing devices, tungsten and molybdenum rods and wire, agricultural machinery and tools, chemicals and compounds.

2. Are your foreign sales affected by the prevailing rates of exchange? ANSWER—Yes, 52; No reply, 1.

How? ANSWER—By compelling the exporter to take too low a price for foreign bills and the foreign merchant to buy dollar exchange at a premium.

3. What efforts are you making to overcome foreign selling difficulties?

ANSWER—(a) Special study of foreign conditions—9.

(b) Personal representatives abroad—9. (One has established representatives at 36 important trade centers.)

(c) Direct advertising and mail order methods—6.

(d) Trading on arbitrary exchange rates—10. (Cuts out most of the profit hoped for but establishes relations for the future.)

(e) Special credit terms, discounts, etc.—11.

(f) Deposits abroad—4.

(g) Consignment shipping for own account—4.

4. Are you aware of increasing competition with your goods by foreign makers?

ANSWER—Yes, 30; No, 11; No reply, 12.

One states that Belgian steel has been offered on the Pacific at prices under American cost of production, this being partly due to the high domestic freight rates in America and the abnormally low ocean freights accorded "ballast freight."

5. Are you satisfied with the banking cooperation being accorded to you in exporting?

ANSWER—Yes, 20; No, 25; No reply, 8.

Those classified in the negative generally wish for more liberal discounting of foreign paper. They

appreciate that the exchange situation justifies conservative banking.

6. Do you favor any change in the methods of financing exports? Specify.

Suggested changes include establishment of American branch banks abroad, longer credits and greater liberality toward foreign paper.

7. Do you favor any change in the American customs duties now in force in your line?

ANSWER—(a) More tariff protection—22; (b) No, 16; (c) Fifteen are non-committal or already protected by processes, brands and exclusive character of goods. Those answering in the negative hold that this is not the time to shut out foreign goods when Europe is heavily in our debt and can pay only in goods and services.

8. Are your products costs so high, with reference to foreign productive costs as to require Federal action for your protection?

The answers to this question and question 7 were given together.

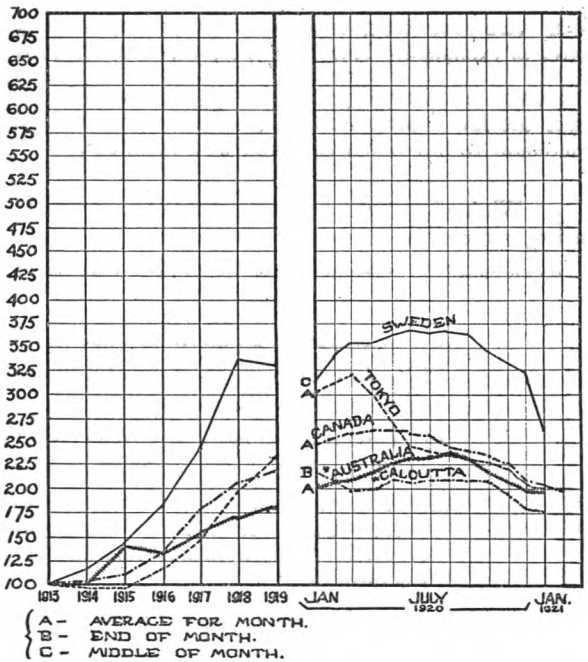
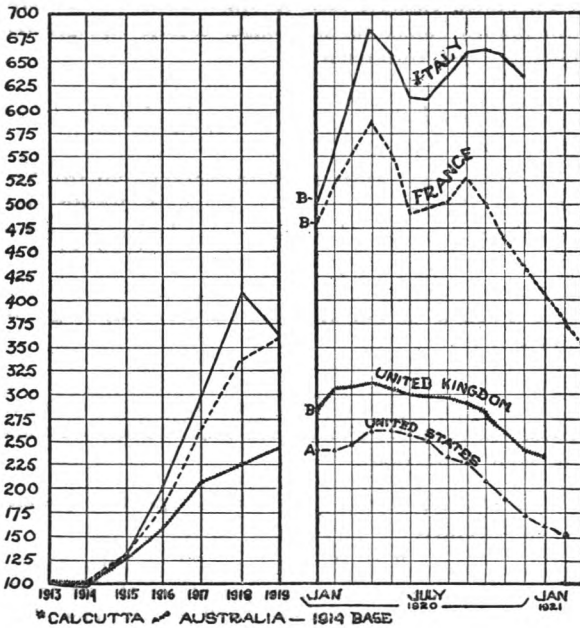
There is a call for better cooperation between exporters and the consular representatives of this country. Several correspondents dwell on the fact that the readjustment of conditions can be brought about only by American purchases of European goods and securities for years to come, and one believes that final remedy for the disparity of the exchanges rests with foreign governments. One holds that the pre-war theory of gold reserves requires modification on the part of Americans to prevent our falling out of the international trade position we have held as a great producing nation. One believes that the remedy will be found when we begin to ship some gold.

Of the thirty answering question 4 in the affirmative, twenty made specific mention of the increasing competition of Germany and other European nations, in Italy and elsewhere. It is estimated that with the mark at its present level Germany can undersell America by 50 per cent. This advantage on the part of the German manufacturer is enhanced by liberal credit arrangements for the benefit of his customers and by the superiority of German export banking. The opinion is expressed that American banks should establish foreign branches and cooperate actively with American export houses.

PRICE TRENDS AS REFLECTED BY INDEX NUMBERS

The accompanying charts show the trends of prices in foreign countries as compared with the United

States. Explanation of these numbers and their sources will be found in the March report.



OPEN MARKET DISCOUNT AND INTEREST RATES AT CHICAGO

The open market range of discount and interest rates prevailing in Chicago, during the thirty-day period ending April 15, 1921, together with a comparison

of rates during the thirty-day periods ending March 15, 1921, and April 15, 1920, follows:

	APRIL, 1921			MARCH, 1921			APRIL, 1920		
	HIGH	LOW	CUSTOM-ARY	HIGH	LOW	CUSTOM-ARY	HIGH	LOW	CUSTOM-ARY
1. Rates of discount charged by banks to customers for prime commercial paper such as is now eligible under the Federal Reserve Act:									
a. Running 30, 60, and 90 days	7	6½	7	7	6½	7	7	6	6½ @ 7
b. Running 4 to 6 months	7	6½	7	7	7	7	7	6	6½ @ 7
2. Rates for prime commercial paper purchased in the open market:									
a. Running 30 to 90 days .....	..	..	..	..	..	..	7	6	6½ @ 7
b. Running 4 to 6 months .....	..	..	..	..	..	..	7	6	6½ @ 7
3. Rates charged on loans to other banks—secured by bills payable	9	7	7	8	7	7	7	6	6½ @ 7
4. Rates for bankers acceptances of 60 to 90 days maturities:									
a. Endorsed .....	..	..	..	..	..	..	6	5¾	5¾ @ 6
b. Unendorsed .....	..	..	..	..	..	..	6	5¾	5¾ @ 6
5. Rates for demand paper secured by prime stock exchange collateral or other current collateral	7	6½	7	7	6½	7	7	6½	6½ @ 7
6. Rates for time paper secured by collateral mentioned in Number 5:									
a. Running 3 months	7	6½	7	7	7	7	7	6½	6½ @ 7
b. Running 3 to 6 months	7	6½	7	7	6½	7	7	6½	6½ @ 7
7. Rates (when paper is current in city) for:									
a. Cattle loans	7	7	7	7	7	7	7	6½	6½ @ 7
b. Commodity paper secured by warehouse receipts, etc.	7	6½	7	7	7	7	7	6½	6½ @ 7
8. Rates for ordinary commercial loans running 30, 60, and 90 days, (not including loans to enable purchase of bonds) secured by:									
a. Liberty bonds	7	6½	6½ @ 7	7	7	7	7	6½	6½ @ 7
b. Certificates of Indebtedness	7	5	6½ @ 7	7	6½	6½ @ 7	6	5	5½

SELECTED MEMBER BANK STATISTICS SEVENTH DISTRICT

(ooo's Omitted)

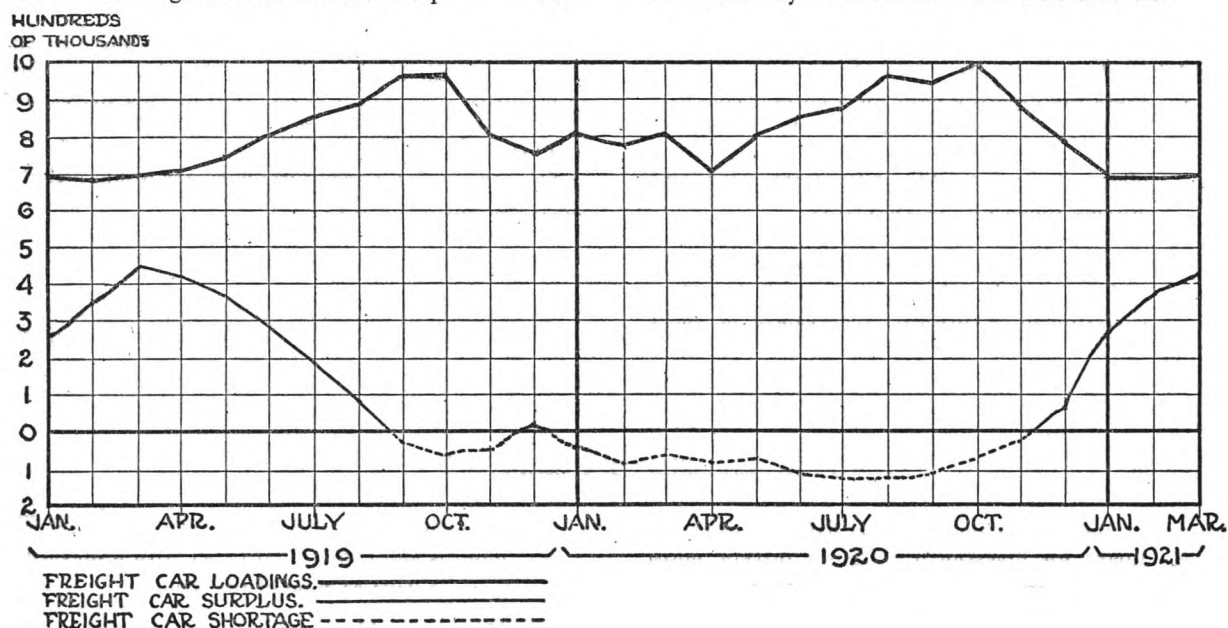
	CHICAGO			DETROIT			OTHER SELECTED CITIES		
	APR. 8, 1921	MAR. 11, 1921	JAN. 7, 1921	APR. 8, 1921	MAR. 11, 1921	JAN. 7, 1921	APR. 8, 1921	MAR. 11, 1921	JAN. 7, 1921
Number of Banks reporting.....	52	52	52	13	13	13	48	49	50
Loans and Discounts (exclusive of re-discounts)									
(a) Secured by U. S. Govt. obligations.....	56,380	51,373	51,885	5,990	7,244	5,171	12,200	13,157	12,123
(b) Secured by Stocks and Bonds other than U. S. Bonds.....	306,478	323,411	327,504	61,130	61,807	64,311	58,700	60,447	58,585
(c) All other.....	719,359	739,676	720,221	162,083	164,949	186,673	246,931	254,639	259,876
Investments:									
(a) U. S. Bonds.....	19,812	19,282	18,575	21,866	22,716	26,849	35,213	35,918	35,780
(b) U. S. Victory Notes.....	13,010	12,990	12,941	15,862	15,019	14,884	5,974	6,166	5,946
(c) U. S. Certificates of Indebtedness	9,551	8,599	7,981	10,343	11,366	11,437	7,468	7,998	5,908
(b) Other Bonds, Stocks and Securities.....	143,963	144,051	134,323	146,823	146,338	138,839	49,164	46,421	45,448
Reserve balances with F. R. Bank.....	125,199	133,418	129,804	24,707	24,385	29,288	25,527	27,845	30,912
Cash in Vault.....	31,263	32,705	39,618	9,236	8,605	9,487	13,972	14,730	16,337
Deposits:									
Net Demand.....	876,117	935,793	924,722	159,047	173,164	171,258	214,644	229,247	225,887
Time.....	314,370	310,337	308,232	212,947	217,845	225,033	129,107	130,189	130,344
Government.....	12,445	2,186	4,787	4,845	1,200	2,840	1,417	1,443	1,888

FREIGHT CAR SURPLUS INCREASES

The accompanying chart shows the freight car surplus and loadings in the United States since January, 1919. The freight car surplus as given by weekly figures continues to increase. The decrease in average weekly carloadings by months beginning in October last year was checked in January, and since that time no material change in carloadings is shown.

During the week ending April 9, car loadings showed a considerable gain in all districts except the Central

Western and the Central Southern. Increases compared with the previous week were shown in the loading of grain and grain products, live stock, coal, forest products, merchandise, and miscellaneous freight. However, these increases were not reflected in the car surplus report. Previous records for the number of freight cars idle were again broken during the week ending April 8, reaching a new high point of 507,427 cars, or approximately 21 per cent of the total freight cars owned by the railroads of the United States.



THE BASIC LINE

The basic line of credit of a member bank is the amount of accommodation it would receive if the Federal Reserve Bank were to distribute all of its loanable funds at one time to all member banks equitably.

The ability of a Federal Reserve Bank to loan an amount greater than its capital, surplus and reserve deposits to its member banks is based upon its right to issue currency in the form of Federal Reserve notes. As it must be in a position to pay out this currency to member banks when called upon to the extent of loans granted, its loaning power would be the maximum amount of currency it can issue. A 40% gold reserve must be maintained against currency issued and its loaning power would, therefore, depend upon the amount of gold held available for this reserve.

Gold is contributed by the member banks in the form of reserve deposits and payments for Federal Reserve bank stock. If the Federal Reserve Bank were to loan all of its funds exclusive of statutory reserve to member banks at one time on an equitable basis, each member bank, therefore, would receive

an amount equal to the currency which could be issued based upon the available gold such member bank has contributed. This amount is termed a member bank's Basic Line of credit and may be determined in the following manner:

Illustration: Country bank making following statement:

Capital and surplus	\$100,000
Demand Deposits	500,000 (7% reserve required)
Time Deposits	500,000 (3% reserve required)
Federal Reserve Bank Capital Stock paid for (3% of its own Capital and Surplus)	\$ 3,000
65% of Required Reserve (35% being held as reserve against deposits)	<u>32,500</u>
Total available gold contributed by individual member bank	\$35,500
This would be a 40% gold reserve for Federal Reserve notes amounting to 2½ times this amount	<u>2.5</u>

Total amount of Federal Reserve notes which can be issued on basis of gold contributed by individual member bank, or its Basic Line of credit \$88,750

In this manner the Basic Line of member banks of a state or an entire district may be figured.

ELIGIBLE PAPER

The extraordinary credit requirements incident to the war and the readjustment period have demonstrated to banks the value of having a large portion of their loans in the form of paper which is eligible for rediscount at the Federal Reserve Bank. What constitutes eligibility is here briefly, but not exhaustively set forth.

Paper rediscounted with the Federal Reserve Banks is pledged as collateral to currency issued in the form of Federal Reserve notes and, therefore, must essentially be of a liquid character if our currency is to properly expand and contract with the legitimate needs of business. The principal factors in determining the eligibility of notes, drafts or acceptances are:

1. Were the proceeds used for a current commercial, industrial, or agricultural transaction which can reasonably be expected to be completed during the life of the instrument and provide funds for its payment?
2. Is the transaction involved a part of the production, manufacture, or distribution of goods, and not one based on securities, (other than Government securities), real estate or fixed assets?

COMMERCIAL PAPER

Notes given for current commercial or industrial purposes are eligible for rediscount if within ninety days of maturity. Evidence of the character of the loan must be obtained by the Federal Reserve Bank to establish the eligibility of paper. Financial statements of the makers showing a reasonable amount of quick assets as compared with current liabilities may be accepted as evidence of the liquidity of paper.

AGRICULTURAL PAPER

Notes of responsible makers given for agricultural purposes are eligible for rediscount if within six months of maturity. Agricultural purposes include the use of the soil for planting seed, raising and harvesting crops, and the seasonal feeding and management of live stock. In general, agricultural purposes would include the requirements for the seasonal operation of the farm.

PAPER SECURED BY UNITED STATES SECURITIES

Notes secured by United States securities are eligible for rediscount if within ninety days of maturity.

GENERAL CLASSES OF INELIGIBLE PAPER

1. Demand notes not having a fixed maturity.
2. Loans for investment purposes (except notes or bonds of the United States).
3. Paper arising out of speculative transactions.
4. Paper for fixed or permanent improvements.
5. Agricultural paper with a maturity of over six months and commercial paper with a maturity over 90 days at time of rediscount.
6. Non-negotiable paper.