

# BUSINESS CONDITIONS

SEVENTH FEDERAL



RESERVE DISTRICT

VOLUME 5, NUMBER 11

CHICAGO, NOVEMBER 30, 1922

**I**NCREASED use of credit during October reflects, in only a conservative way, the general improvement in production, distribution, and unfilled orders reported throughout the district.

To what extent business has improved will be better realized after the pressure of the harvest season with its heavy transportation requirements is over. Carloadings, which reached a new high point for the year, are very near the peak point of 1920, but the car shortage, too, has increased. There has been a gradual but steady increase in bituminous coal production, but mines are still handicapped by the limited tonnage which the railroads can handle. Both steam and domestic markets are very sluggish.

Delayed shipments were an additional factor in increasing the demands for accommodation at the banks in October; seasonal requirements, the buying of feeders in the agricultural sections, the renewed activity in many industries, and building operations heavier than usual at this time of the year, also contributed to the heavier credit demands.

The volume of business as measured by cancelled checks (debits to individual accounts) at clearing house banks was larger in October than for any month since December, 1920; savings increased both in amount and average account over September.

Agricultural sections report a potato harvest which exceeds the earlier estimates and a heavy movement of live stock feeders. Country elevators have been able to move more grain but farmers are showing a disposition to hold at present. Active markets account for many manufacturers operating at or near full capacity, with many sold up to the end of the year. The wholesale trade in October com-

pared better than September with a year ago and combined sales by Chicago mail order houses were larger than for any month in nearly two years.

## MONEY AND BANKING

The transportation situation seems to have been the most important factor in credit conditions during October and the first part of November. The effect has been especially noticeable in agricultural sections, where the proceeds of the crop movement by this time should have furnished funds to the farmer, but lack of transportation facilities has reduced the income received to such an extent that he has not been able to liquidate loans as anticipated at this time, and, furthermore, in many cases cannot meet requirements for current expenses. Continuation of the buying of feeders, financed largely by local banks and available funds of purchasers, and supplemented in some localities by loans from commission firms and cattle loan companies, is an encouraging indication of progress toward normalcy. Slow collections in these sections, as well as curtailed buying power, are resulting from the delay in shipments of farm products.

In manufacturing centers an increase in demand for accommodation may be attributed to seasonal causes and to delay in the movement of raw materials and merchandise; in some cases, the renewed activity is a result of gradual improvement in conditions.

Building operations are showing more than seasonal requirements, the demand for funds to finance them continuing very strong in some localities.

Discount rates charged customers, as reported by Chicago banks, increased somewhat in the thirty-day period ending November

COMPILED NOVEMBER 27, 1922

15 over the preceding thirty days. For 90-day maturities the customary rate was 5 to 5½ in the current period, compared with 5 per cent in the preceding period, and for four to six-months paper, 5 to 5½ compared with 4¾ to 5 per cent.

While only a slight increase in the number of commercial failures in this district is reported for the month of October, the total indebtedness involved was considerably greater than for September. Insolvencies in the country as a whole also increased somewhat over those of September, but total liabilities were slightly reduced.

### COMMERCIAL PAPER AND ACCEPTANCES

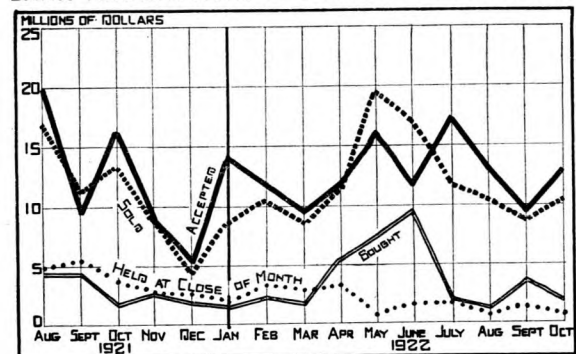
Rates on commercial paper prevailing during October, according to reports from nine dealers in this district, were 4½ and 4¾ per cent, an increase of one-fourth of 1 per cent over rates prevailing in September. During the month, however, rates ranged from 4¼ to 5¼ per cent, although the 5¼ rate was reported by only one dealer.

Aggregate sales of eight dealers increased 10.5 per cent during October and were 13.6 per cent more than a year ago; three dealers show decreased sales for the month. Out-of-town banks were again in the market for paper, while other banks not in the market for some time were attracted by the better rates. Large city banks bought little paper, but outlying banks bought practically the same as in September. The majority of dealers report an increasing supply and demand.

Bankers' acceptance transactions reported by twenty-seven banks in the district, representing the bulk of the accepting business, show increases in bills accepted and bills sold during October. Increase in the latter is the first since last May. Both bills bought and bills held at the close of the month decreased considerably. Ten banks had no transactions in bankers' acceptances during the month. Last year the acceptance market showed the same trend as shown in October this year.

Purchase rates during October continued the upward trend in evidence last month, being at 3¾ to 4¼ per cent compared with 3 to 3½ per cent. Maturities of bills purchased were: 30-day, 5.8 per cent; 60-day, 11.5 per cent; 90-day, 82.7 per cent. Com-

### BANK TRANSACTIONS IN BANKERS' ACCEPTANCES



modities against which bills were reported drawn were: meats and provisions, grain, coffee, cotton, agricultural implements, tea, sugar, wool, silk, hides, and miscellaneous merchandise.

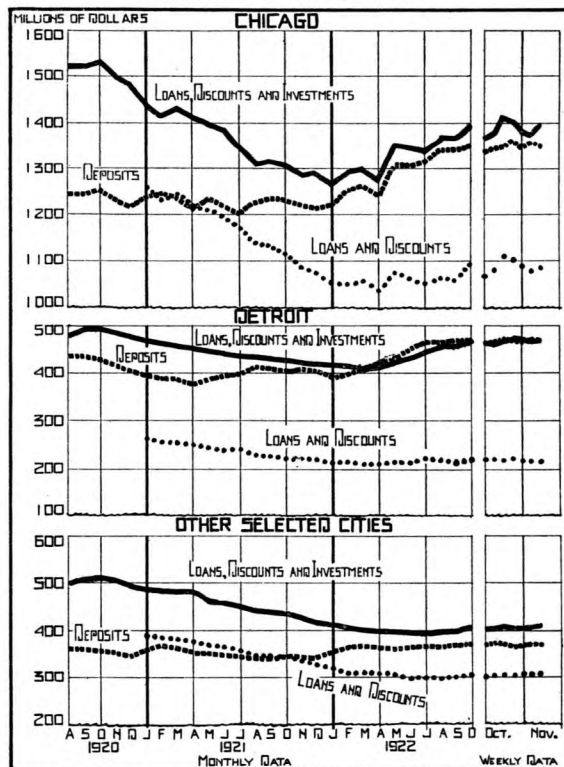
Bankers' acceptances bought by this bank during October amounted to fifteen million compared with twenty-five million in September. Sales from holdings decreased from thirteen million in September to eight million in October; bills held at the close of October decreased three million from the seventeen million held at the close of September.

Purchases by six bill dealers in the district during the four weeks ended November 11 amounted to \$10,404,000, an increase of \$2,317,000 over the preceding four weeks; while sales amounted to \$19,446,000, an increase of \$10,176,000 over the preceding period. The purchases as given do not include transfers from other branches of the same house, of which comparatively large amounts were made. Bills held by these dealers at the close of the period amounted to \$4,840,000, an increase of 125 per cent over the preceding period. Sales to the Federal Reserve Bank of Chicago again represent approximately 65 per cent of the total.

### MEMBER BANKS IN THE DISTRICT

The weekly average of loans and discounts at reporting member banks in the district was considerably higher during October than in September. At Chicago banks the largest increase was in loans on

### REPORTING MEMBER BANKS, SEVENTH DISTRICT COMPARATIVE POSITION



Monthly data are averages of weekly figures.

# Business Conditions Throughout the United States

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## Special Summary By the Federal Reserve Board

November 30, 1922

**S**UBSTANTIAL increases of productive activity during October are reported by basic industries. Due principally to increased activity in anthracite coal mining, mineral output was nineteen per cent larger than in September. Production of pig iron and consumption of cotton were the largest in two years. The total number of railroad cars loaded was nearly at a maximum, yet car shortage on November first was the largest ever reported.

Increased production in October has been accompanied by continued increase in the volume of employment. Average pay per worker was larger in many industries, due in most cases to an increase in hours of work. Steel mills, metal mines and building contractors still report a shortage of skilled laborers.

Wholesale trade showed comparatively little change during October. Retail trade continued to be greater than a year ago and also larger than in September. Total payments by check for one hundred forty cities, not including New York, was eleven

per cent larger in October than in September and thirteen per cent larger than in October, 1921.

The wholesale price index of the Bureau of Labor Statistics was 154 in October as compared with 153 in September and 142 in October, 1921. Prices of farm products and clothing showed particularly large increases during October, while fuel prices continued to decline.

The increased business activity has not been reflected in the movement of total loans of member banks in leading cities. There were slight increases in the southern and western districts and also in New England, but these increases were more than offset by reductions in other districts, especially in New York and Chicago. Rates on various classes of loans have remained firm or have shown a slight upward tendency.

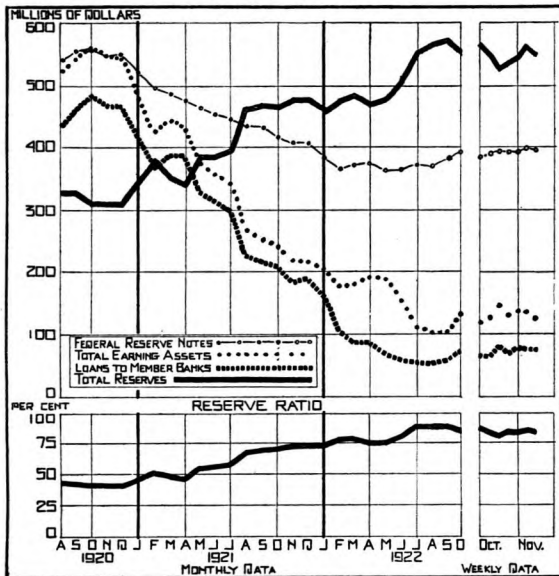
Demand and time deposits both decreased during the four weeks, though again western and southern districts recorded slight increases.

stocks and bonds; while in banks outside of Chicago, it was almost entirely on loans other than on stocks and bonds. Investment holdings of Chicago banks decreased slightly, while in banks outside of Chicago increases were shown, especially in Government securities. Deposits increased in all groups of cities, a decrease in demand deposits at Detroit banks being more than offset by an increase in time deposits.

### POSITION OF THE RESERVE BANK

Loans by the reserve bank to member banks fluctuated considerably during October, but the daily average was distinctly higher than in September. Particularly after the middle of October, the loans

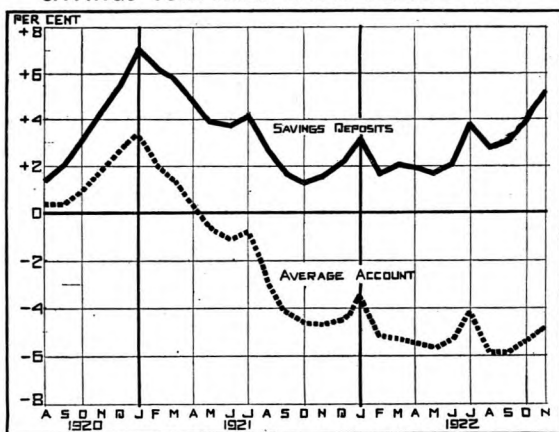
#### FEDERAL RESERVE BANK OF CHICAGO COMPARATIVE POSITION



Monthly data are daily averages; weekly data are those of statements published each week

outside the larger cities began to increase perceptibly. Federal Reserve notes in circulation also averaged higher than in September, while reserves and the reserve ratio were reduced. During the first part of November, Federal Reserve notes increased while loans declined slightly.

### SAVINGS COMPARED WITH 1920 AVERAGE



Data as of the first of each month

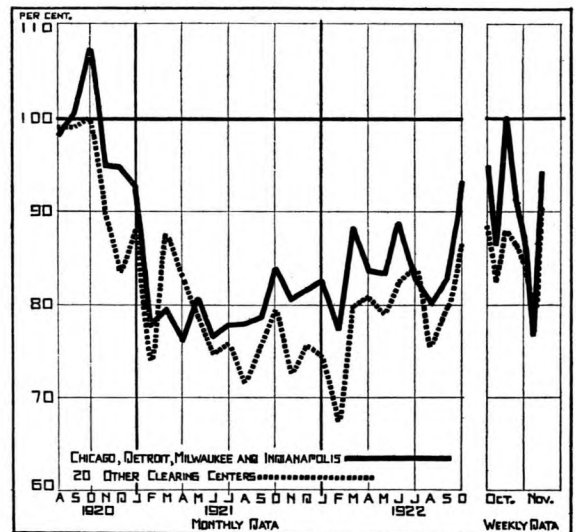
### SAVINGS ACCOUNTS AND DEPOSITS

Continued improvement is shown in the savings deposits of banks reporting direct to this bank and representing approximately 40 per cent of the total for the district. Savings deposits on November 1 had increased considerably over a year ago; gains in Michigan banks have been particularly marked. The average account also increased over October 1 but is again less than a year ago. Last year there was little change in the amount of savings deposits or the average account, while in 1920 gains were reported. Withdrawals were made for real estate and other investments, for taxes and for winter expenses.

### DEBITS TO INDIVIDUAL ACCOUNTS

Debits to individual accounts, as reported at clearing house banks in the four largest centers of the district, averaged higher for the weeks of October than for any month since December, 1920, and for the

#### DEBITS TO INDIVIDUAL ACCOUNTS AT CLEARING HOUSE BANKS Ratio to average in 1920



Monthly data are averages of weekly figures

twenty other clearing house centers were the highest since March, 1921. The increase over September was proportionately larger in the four centers, owing to large increases in Chicago and Milwaukee. The decrease during the first part of November is partly accounted for by a bank holiday.

### BONDS AND INVESTMENTS

Government financing, the fall demand for money, the selling of bond holdings by banks and a rather rapid advance in prices, have been followed by a setback in the investment market, resulting in a market typified more or less by a waiting attitude on the part of western investors. There are strong indications that many investors are still looking for bonds with coupon yields of more than 5 per cent; several large recent issues are still unabsorbed because the yield did not appeal to midwest buyers. Dealers' lists on the whole are crowded, and at the present there is slight indication of strengthening

prices and a better demand. Foreign bonds, particularly European, owing to the disturbed conditions

in Europe, have had greater price declines than domestic bonds.

## AGRICULTURAL PRODUCTION AND CONDITIONS

Our reports show an unusually large potato crop in the district has been practically harvested and advices to this bank, especially from Wisconsin and Michigan, indicate that the entire crop will be saved. The average yield per acre reported from all parts of the district by 172 county agents representing 195,968 farmers shows a large increase over 1921 and a total crop exceeding all previous estimates for 1922. Corn is a bumper crop but not equal to last year's; the quality is good.

Winter wheat is above ground and going into the winter in good condition. Dry weather has affected the stand in about one-third of the acreage in that portion of Illinois lying within the district, but improvement is expected because of recent rains. The stand in the remainder of the district is equal to and in a few localities even better than a year ago. Growth is not so far advanced as it was at this time last year.

The latest estimate of the world's oat crop compiled by the Department of Agriculture shows 3,017,538,000 bushels produced in twenty-four countries in 1922 compared with 2,742,438,000 bushels for identical countries in 1921 and 3,007,782,000 bushels, the 1909-1913 average.

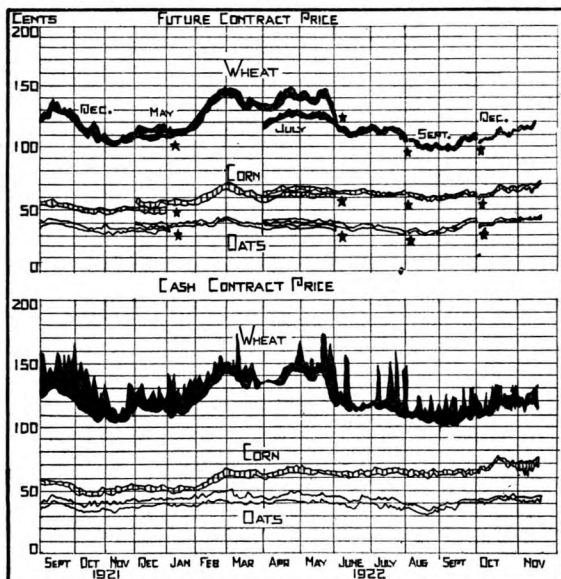
### ESTIMATED CROP PRODUCTION

In thousands of bushels  
Estimated by United States Bureau of Agricultural Economics

	*DISTRICT		ENTIRE UNITED STATES		5-YEAR AVERAGE
	PRELIMINARY 1922	FINAL 1921	PRELIMINARY 1922	FINAL 1921	
Corn .....	1,097,349	1,083,903	2,896,108	3,080,372	2,830,942
White Potatoes ..	98,804	62,911	433,905	346,823	373,417

\*For Illinois, Indiana, Iowa, Michigan and Wisconsin.

### DAILY RANGE OF GRAIN PRICES AT CHICAGO



\*Break in curve represents change from one month to another because previous option runs out

## GRAIN MARKETING

Although receipts of wheat were more at primary markets than in October, 1921, receipts and shipments were less than in September this year. Less corn was received in October than in September or a year ago, but shipments were larger than in either period. Shipments of oats from primary markets declined in October, but compared with a year ago receipts and shipments were more.

Lack of a heavy movement of grain from country elevators because of the car shortage has caused the demand to absorb offerings and resulted in a steady market. Country elevators recently have been better able to ship grain but farmers are showing a disposition to hold their crop.

### CHICAGO SHIPMENTS OF GRAIN AND FLOUR

In thousands

	FLOUR		WHEAT	CORN	OATS	RYE BARLEY	
	BLS.	BU.				BU.	BU.
By BOAT—							
October, 1922.....	45	611	4,674	.....	.....	.....	.....
September, 1922.....	127	3,653	8,266	697	171	.....	.....
October, 1921.....	.....	841	12,135	1,840	161	.....	.....
By RAIL—							
October, 1922.....	1,184	2,029	8,560	4,945	268	346	.....
September, 1922.....	1,118	1,425	1,532	6,210	101	381	.....
October, 1921.....	707	995	808	2,019	9	311	.....

Increased all-rail movement from the West to seaboard points has permitted some relief to the badly congested lake ports in the East. In general, there is a good domestic and export demand, with orders for feed for live stock especially heavy.

Stocks of old corn on farms in the United States on November 1 were estimated by the Bureau of Agricultural Economics at 178,687,000 bushels—5.8 per cent of the 1921 crop—compared with 285,769,000 bushels a year ago, and with 89,190,000 bushels, average for the preceding five years.

### UNITED STATES VISIBLE SUPPLY OF GRAIN

Stocks in public and private warehouses at principal points of accumulation, at lake and seaboard points and in transit by water, in the United States, October 13, 1922. Figures supplied by the Secretary of the Chicago Board of Trade.

In thousands of bushels

	WHEAT	CORN	OATS	RYE	BARLEY
NOVEMBER 13, 1922					
Warehouses and Afloat.....	34,230	9,187	33,827	10,618	2,798
Bonded .....	14,955	.....	1,189	1,467	1,248
OCTOBER 14, 1922					
Warehouses and Afloat.....	33,411	9,738	36,844	9,555	2,695
Bonded .....	10,510	.....	277	1,649	160
NOVEMBER 14, 1921					
Warehouses and Afloat.....	55,382	18,705	68,727	6,760	4,352
Bonded .....	15,082	.....	98	301	57

The total visible supply of wheat, American, Canadian, British, and afloat, was 178,691,000 bushels on October 28 compared with 119,773,000 bushels the month previous.

### FLOUR PRODUCTION

Production of flour by forty millers in this district increased during October compared with September and with October a year ago, although some report decreased operations compared with both periods.

October operating ratio of these mills was 60.7 per cent of capacity—based on a 24-hour working day—

compared with 57.1 per cent in September, and 55.5 per cent in October, 1921.

	PRODUCTION		PER CENT CHANGE FROM	
	OCTOBER 1922	SEPTEMBER 1922	SEPTEMBER 1922	OCTOBER 1921
Wheat flour.....(bbls.).....	466,243		+11.1	+ 7.4
All other flour.....(bbls.).....	48,810		+ 6.0	+31.7
Total .....	515,053		+10.6	+ 9.3

Sales of flour by sixteen mills decreased 5.8 per cent during October in the number of barrels, and 3.4 per cent in dollar amounts, while total production for these mills increased 4.1 per cent. Stocks of flour on hand at twenty-nine mills on October 31, were 6.1 per cent larger than those on hand September 30; stocks of wheat on hand October 31, show an increase of 16.1 per cent for the month.

### MOVEMENT OF LIVE STOCK

Receipts of cattle, calves, hogs, and sheep increased at principal markets in October compared with September and with a year ago. Slaughter also increased over September; only sheep declined from a year ago.

#### SLAUGHTER IN OCTOBER

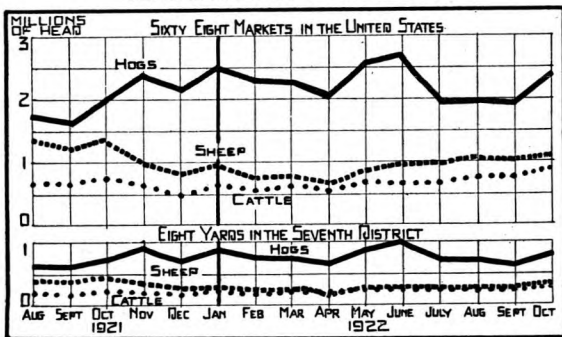
District .....	SLAUGHTER IN OCTOBER			
	CATTLE	HOGS	SHEEP	CALVES
.....	275,920	809,722	312,436	99,858
Sixty-eight markets in				
United States .....	887,171	2,365,155	1,069,024	412,221

There was a large increase in the movement of feeder cattle and sheep back to the farms during October.

Large increases in the feeding of beef cattle in the district compared with a year ago are reported by county agents. This is supported by statistics regarding the movement of feeder cattle from Kansas City, Sioux City, St. Joseph, South St. Paul and South Omaha to the state of Iowa during August, September, and October, which totaled 472,418 head compared with 244,372 during the same months in 1921. For the forty-three weeks of the year ended October 27, shipments of stocker and feeder cattle and calves to Iowa from the twelve feeder markets were 775,263 compared with 410,558 for the corresponding period in 1921, and 418,603 for the same period in 1920. Sheep shipments for the same period were 261,739 compared with 297,314 and 591,398 for the corresponding periods in 1921 and 1920, respectively. Only a small portion of the cattle shipments are for re-stocking dairy herds.

One feature of this increase in cattle feeding in the district is that the financing is being done in a

#### SLAUGHTER OF LIVE STOCK



normal way. County agents are almost unanimous in reporting that the money used to finance these operations is coming principally from local banks and purchasers themselves rather than from outside sources. In some localities, however, cattle loan companies and commission firms are furnishing part of the funds for purchases.

#### AVERAGE PRICES OF LIVE STOCK

CLASS	Per hundred pounds at Chicago			
	WEEK ENDED NOVEMBER 11, 1922	OCTOBER 1922	SEPTEMBER 1922	MONTHS OF OCTOBER 1921
Native Beef Steers				
750-1,050 lbs.....	\$ 8.75	\$ 8.90	\$ 8.90	\$ 6.75
1,500-1,800 lbs.....	12.60	12.60	11.35	8.85
General Average .....		10.65	10.20	8.10
Fat Cows and Heifers.....	5.00	5.35	6.05	4.80
Canners and Cutters.....	3.10	3.10	3.10	2.95
Calves .....	10.10	10.55	12.30	10.90
Stockers and Feeders.....	6.30	6.70	6.75	5.65
Hogs .....	8.26*	8.85	8.70	7.70
Sheep .....	6.75@7.50	6.40	6.30	4.70
Yearling Sheep .....	12.40	11.50	10.35	6.75
Lambs .....	13.97	13.80	13.45	8.55

\*Average price November 1 to 13, inclusive.

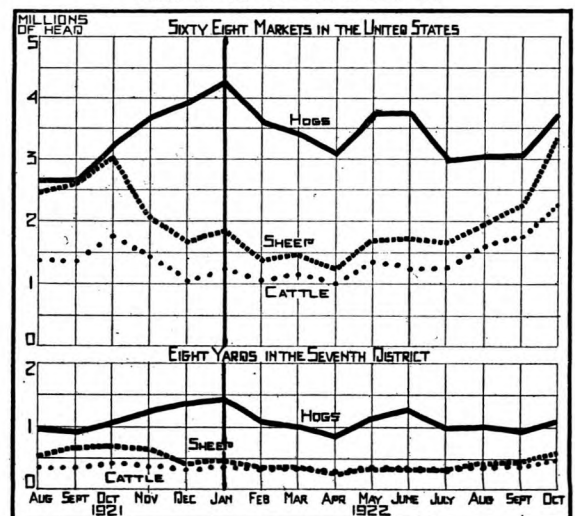
#### MEATS AND PROVISIONS

Demand in the packing industry continued to improve in October, as indicated in reports from fifty-one packing companies throughout the United States which show an increase over September of 13.4 per cent in total dollar sales and an increase over a year ago of 13.6 per cent. Shipments of meats and lard from Chicago in October exceeded in volume those for September but were less than a year ago. October prices of meats at Chicago, with the exception of veal and pork loins, which declined, showed but little change. Compared with a year ago, mutton and pork prices were considerably higher, but veal and beef prices were about the same.

Reporting companies both in the district and in the United States show an increase in the number of men employed in October compared with September.

Exporting companies report about the same volume forwarded in October as in the previous month and there has been fair buying for November, December,

#### RECEIPTS OF LIVE STOCK



January, and February deliveries. Purchases for Germany have not been very liberal because of fluctuating exchange. Prices are about on a par with those in this country plus transportation charges. Consignment stocks already abroad were indicated to be less on November 1 than on October 1.

**COLD STORAGE HOLDINGS OF FROZEN AND CURED MEATS IN THE UNITED STATES\***  
In thousands of pounds

	Nov. 1, 1922	Oct. 1, 1922	Nov. 1, 1921	Nov. 1, 5-YEAR AVERAGE
Frozen Beef .....	47,147	34,611	49,014	141,043
Frozen Pork .....	31,277	46,796	38,517	43,050
Frozen Lamb and Mutton.....	3,475	3,473	6,840	15,314
Cured Beef and in process.....	19,867	18,961	14,472	26,796
Dry Salt Pork and in process	85,741	122,783	108,610	179,840
Pickled Pork and in process.....	278,159	313,517	212,528	226,623
Miscellaneous Meats .....	45,933	49,047	60,666	69,560
Lard .....	36,727	75,338	48,850	55,087

\*Include stocks in both cold storage warehouses and packing plants.

**BUTTER, CHEESE, EGGS AND POULTRY**

October production and sales of creamery butter by companies in the district were below a year ago and considerably less than in September, according to direct reports to this bank. Statistics of the

American Association of Creamery Butter Manufacturers and of the Iowa Creamery Butter Manufacturers' Association also show declines in October production.

The Wisconsin output of cheese and receipts at Wisconsin markets declined in October, but were more than a year ago.

Receipts of dairy products and poultry were less at Chicago than in September with the exception of cheese, which increased; receipts of all except butter were more at Chicago than a year ago.

Prices of dairy products were higher in October while poultry prices showed but little change.

**COLD STORAGE HOLDINGS OF POULTRY AND DAIRY PRODUCTS IN THE UNITED STATES\***  
In thousands of pounds

	Nov. 1, 1922	Oct. 1, 1922	Nov. 1, 1921	Nov. 1, 5-YEAR AVERAGE
Poultry .....	30,253	25,985	34,877	39,053
Butter .....	75,649	98,651	79,686	95,186
Cheese .....	53,793	62,924	59,506	68,475
Case Eggs† .....	5,723	7,924	4,380	4,351
Frozen Eggs† .....	30,531	33,545	26,114	19,051

\*Include stocks in both cold storage warehouses and packing plants.

†In thousands of cases, 30 dozen each.

**INDUSTRIAL EMPLOYMENT CONDITIONS**

Increases in the volume of employment within manufacturing industries of the district were more definite during October than they have been for several months past. Seasonal expansion was evident in the box and container industry, in the manufacture of stoves and furnaces, of electrical goods and of musical instruments. In this latter industry, plants are working overtime and the increase in payrolls for the month greatly exceeds that in employment. A similar condition prevails in many other industries, notably leather manufactures, meat packing and the making of confectionery. Of thirty industrial groups represented in the returns to this bank, twenty-three made gains both in employment and payrolls and in all but three of these the gains shown by payrolls were considerably larger than those shown in employment. Longer hours and working overtime were chiefly responsible for these differences, although several further increases in wage rates also contributed.

Iron and steel industries in general made considerable gains, sixty-four firms employing approximately 50,000 men showing an average increase of 3.4 per cent in men and 8.2 per cent in payrolls. In the lumber industry the volume of employment remained steady but several increases in both wage rates and hours were reported. Logging operations are held back by an insufficient supply of labor, since building, road construction, and field work are still absorbing much of the available supply. Reports from shoe manufacturers state that it is difficult to

get and retain experienced workers in that line. A shortage of skilled labor is still felt in the tanning industry and the furniture industry also complains of the difficulty of obtaining such labor.

The Illinois Department of Labor reports that for the first time in two years the number of jobs available at the free employment offices has exceeded the number of persons making applications. For the month of October the ratio of applicants to the number of jobs is 96.4 to each 100. The employment survey made by this department shows an average increase of 1.7 per cent from September 15 to October 15 for 1,453 plants employing 343,000 men on the latter date. The survey made by the Iowa State Department of Labor, indicates a somewhat larger gain for that state, 415 plants with 56,440 men, being 5.1 per cent ahead of the previous month.

**LABOR REPORTS FROM FIRMS IN THE SEVENTH DISTRICT**

	DISTRICT	CHICAGO
Number of firms reporting.....	274	62
Total number employed October 31, 1922.....	214,887	52,823
Percentage change in number employed as compared with		
(a) the preceding month.....	+ 2.6	+2.9
(b) the same month a year ago.....	+25.6	+9.7
Percentage change in amount of payroll as compared with		
(a) the preceding month.....	+10.7	+5.3
(b) the same month a year ago.....	+35.1	+8.4
Percentage change in pay per man as compared with		
(a) the preceding month.....	+ 7.8	+2.3
(b) the same month a year ago.....	+ 7.5	-1.1
Percentage of production to ordinary capacity:		
(a) October, 1922 .....	79	79
(b) September, 1922 .....	75	72
(c) October, 1921 .....	60	65

## FUEL AND POWER PRODUCTION

### COAL

The steadily increasing production of bituminous coal has now reached the point where the present relatively weak demand may easily be met and in addition a small amount allowed for storage. It is not sufficient, however, to supply the tonnage which normally would be accumulated at this time of the year for future requirements, tonnage which is vitally needed if a shortage of fuel is to be averted during the coming winter months, when transportation facilities and the demand for coal will be affected to a greater degree by weather conditions.

While the increased output of the past few weeks is largely accounted for by the gradual improvement of transportation, the shortage of motive power and cars has not entirely cleared up. During the week ended November 18 approximately 11,100,000 tons of soft coal were mined, an increase of more than 1,000,000 tons over the previous week and about 700,000 tons in excess of the output for the third week of October. While this also exceeds the output for the corresponding periods of 1918 and 1921, it is still somewhat below the 1920 figure of almost 11,500,000 tons. In Illinois and Indiana there has been a slight improvement both in the rate of output and in the total hours worked per week, but mines are still handicapped by inability of the railroads to handle a greater tonnage, and also by a shortage of labor in some sections. Total production for Illinois during the month of October amounted to 7,542,730 tons, an increase of 21.3 per cent over September.

Production of hard coal for the calendar year to date is still more than 51 per cent below the 1921 output for the corresponding period. In the third week of November 2,100,000 tons were mined, an increase of 237,000 tons over the previous week and slightly in excess of the high level reached during the week of October 9. At the present rate of output it has been estimated that anthracite distribution during the coming winter months will be about 60 per cent of last year's shipments.

Demand is fluctuating with the weather and current requirements. Some industries are storing a little, but the falling market on steam sizes has resulted in a continuation of the policy of day-to-

day buying on the part of large consumers. Eastern markets are comparatively weak partly because of the influx of British fuel. Even the domestic market is now experiencing a relatively slow demand, although anthracite is finding more purchasers than bituminous grades on account of its scarcity.

Locally, steam coal prices have been declining steadily. The larger sizes of coal are also feeling the effect of the buying strike, with slightly softening prices, but anthracite continues comparatively steady despite the slow demand. November 27 spot (mine) prices on Illinois coal ranged from \$1.50 to \$5.50 per ton, while Western Kentucky was quoted at from \$1.35 to \$4.50. Eastern Kentucky ranged from \$3.50 to \$7.00, and Pocahontas from \$5.50 to \$6.00, while anthracite remains at \$3.57 to \$12.00 per ton.

### ELECTRIC ENERGY

Reports from seven central station companies in the district made to this bank show an aggregate output of 398 million K. W. H. during October, an increase of 8.6 per cent over September, although the daily production increased only 5.1 per cent on account of the longer month. Compared with a year ago the October output increased 20.8 per cent; this gain is at approximately the same rate as shown last month. The load factor, based on reports from six companies, was at 53.6 per cent in October compared with 56.1 for September and 52.7 a year ago.

Consumption during the month by industrial users decreased 0.6 per cent but the additional working day caused a decrease of 4.4 per cent in the average daily consumption; an increase of 35.1 per cent is shown compared with October, 1921. The number of industrial users reported by six firms increased 6.3 per cent over a year ago, while compared with the preceding month a small gain was made.

#### ELECTRIC ENERGY IN THE DISTRICT FOR SEPTEMBER, 1922\*

	NUMBER REPORTING	SEPT., 1922	PER CENT CHANGE FROM	
			AUG., 1922	SEPT., 1921
Plant Capacity (K.W.).....	11	1,615,650	0.0	+ 4.6
Plant Output (K.W.H.).....	11	448,856,271	+0.5	+20.7
Peak load (K.W.).....	11	1,146,159	+4.9	+21.5
Number of Industrial Users....	11	68,545	+1.7	+12.0
Connected Industrial Load (H.P.) .....	7	730,750	+2.7	+15.8
Sales to Industrial Users (K.W.H.) .....	11	190,795,214	-2.1	+31.4

\*Complete October comparisons not available.

## MANUFACTURING ACTIVITIES AND OUTPUT AUTOMOBILES

October production of both passenger cars and trucks was considerably larger than in September, part of this increase being attributed to the greater number of working days in October and part to decreased production in September, resulting from the temporary shutting down of the Ford factories. Manufacturers reporting through the National Automobile Chamber of Commerce and direct to this bank, representing approximately 99.8 per cent of total September production, produced 214,208 pas-

senger cars in October compared with 186,163 in September, an increase of 15.1 per cent. This brings the total passenger car production for the ten months of 1922 to a figure higher than the entire yearly production of any previous year. Truck production increased 15.0 per cent for manufacturers who built 21,104 trucks in October compared with 18,353 in September.

Carload shipments and driveaways increased during the month, while boat shipments decreased, but



all shipments were far in excess of last year.

**FACTORY SHIPMENTS BY ALL MANUFACTURERS\***

	CARLOADS		DRIVEAWAYS		BOAT	
	1922	1921	1922	1921	1922	1921
October	26,980†	17,808	33,320†	12,971	7,040†	2,226
September	25,950	19,002	30,055	13,840	8,002	2,959
August	32,814	20,758	36,754	15,218	10,096	3,595
July	29,116	19,514	28,100	15,533	7,030	3,726
June	34,230	20,269	33,857	18,834	7,737	3,947
May	33,416	18,608	28,827	15,193	7,406	2,381
April	31,334	20,187	22,381	14,197	2,960	1,619
March	27,753	16,287	16,917	9,939	560	75
February	19,636	9,986	10,173	7,507	180	99
January	15,357	6,485	7,479	3,185	143	93

\*Reported by National Automobile Chamber of Commerce.  
†October, 1922, partly estimated.

Production and shipments of casings by sixty-four companies during September as reported by the Rubber Association of America were practically the same, while shipments of inner tubes were slightly in excess of production.

**IRON, STEEL AND OTHER METALS**

Plant operations in the iron, steel, and allied industries during the winter months depend to a great extent upon the railroad situation. The lack of adequate transportation facilities prevents present production and deliveries of iron and steel from keeping pace with the insistent demand for prompt shipment. Prices are strong and collections good.

**PIG IRON AND STEEL PRODUCTION IN GROSS TONS**

	OCTOBER		SEPTEMBER		OCTOBER	
	1922	1921	1922	1921	1922	1921
PIG IRON PRODUCTION						
Illinois and Indiana	416,073	346,380	228,028			
United States	2,637,844	2,033,720	1,246,676			
STEEL INGOT PRODUCTION						
(Thirty companies)	2,872,415	2,373,779	1,616,810			
*Unfilled orders—United States						
Steel Corporation	6,902,287	6,691,607	4,286,829			

\*At close of month.

The American Zinc Institute reports 39,940 tons of zinc produced in the United States during October compared with 33,134 tons in September. Shipments were 40,703 tons compared with 35,957 in the previous month, while stocks on hand declined from 18,806 on September 30 to 18,043 on October 31.

**STOVES AND FURNACES**

October shipments and orders reported by stove and furnace manufacturers in the district were larger than in September or a year ago. The ratio to operating capacity which was slightly higher in October than in September, averaged fully 25 per cent higher than a year ago.

A few companies report transportation difficulties affecting their supply of raw material and shipments.

**PERCENTAGE CHANGES IN OCTOBER FROM PREVIOUS MONTHS**

Based on dollar values and compiled from direct reports to this bank.

	NUMBER OF FIRMS		NUMBER OF FIRMS		OCTOBER	
	1922	1921	1922	1921	1922	1921
Shipments	15	+19.2	15	+20.1		
Orders accepted	10	+ 4.8	10	+90.0		
Stocks of finished goods on hand at end of month	10	-10.1	9	-36.0		
Cancellations	6	-28.0				

**AGRICULTURAL MACHINERY**

Production and sales of agricultural machinery declined slightly in October, but the large crop in the Northwest requiring later deliveries than last year partly accounts for October sales being ahead of October, 1921. During late November, some manufac-

turers of heavy machinery started a moderate building of product for the coming year. Sales of agricultural pumps and lighting systems showed a small increase over September. Prices have not shown much change, despite the increased cost of raw material.

**SHOE MANUFACTURING, TANNING AND HIDES**

Shoe manufacturers report business good and are well sold up to the end of the year. Unfilled orders, production, and shipments were more in October than in September or a year ago. Thirty-three companies reported shipments 9.5 per cent greater than their October production; stocks on hand declined.

**PERCENTAGE CHANGES IN OCTOBER FROM PREVIOUS MONTHS**

Based on pairs and compiled from direct reports to this bank.

	NUMBER OF FIRMS		NUMBER OF FIRMS		OCTOBER	
	1922	1921	1922	1921	1922	1921
Production	34	+14.7	30	+42.1		
Shipments	33	+11.2	29	+38.7		
Unfilled orders on hand at end of month	21	+47.7	17	+26.4		
Stocks on hand at end of month	22	- 9.5	17	+ 9.9		

Increased production reported by tanning companies in the district is accompanied by corresponding increases in payrolls. Total sales of leather exceeded those for September or a year ago. Demand has improved in practically all leathers but most purchases are for immediate delivery; the shoe trade is showing preference for specialty leathers. Prices trend upward and there is a better demand for the lower grades which were so hard to move and were in accumulation a few months ago. Leather stocks in hands of tanners in the district on November 1 were reported lower than the month previous.

Although the packer green hide market was not quite so active at Chicago in October as in September, sales of calf skins were heavier; shipments of green hides and skins from Chicago were less than in September or a year ago. Purchases of green hides by reporting tanneries in this district were more in October but were largely for current requirements. Hide prices although firmer in October tended to be easier the first part of November because of limited trading. Lambskin prices have advanced in sympathy with those for wool.

**RAW WOOL AND FINISHED WOOLENS**

Dealers report a very active raw wool market and advancing prices during October and, although offerings were limited, demand was good the first part of November. Shipments from Chicago were more than in September but considerably below October, 1921. Stocks of domestic wool in dealers' hands were indicated to be less on November 1 than the month previous. Increased holdings of foreign wool by manufacturers have made total wool stocks held by dealers and manufacturers in the United States more on October 1 than on July 1.

Prices of woollen goods trend upward, and reports from manufacturers in the district show merchants conservative in their purchases. Demand for goods for immediate shipment was strong in October and

the first part of November. Mills in the district reporting to this bank did not increase their purchases of raw wool in October, some even showing a decline from previous months.

#### CLOTHING AND TAILORING INDUSTRY

Although it is too early in the season to obtain a definite trend, current reports from manufacturers in the ready-made clothing industry in this district indicate that the volume of orders booked during the first month of the new spring season is slightly less than that reported for the beginning of the season a year ago. Production is also below the October 1921, level, but is considerably better than last month's record, while shipments increased slightly over October, 1921.

Increased demand for fall and winter clothing continues to be felt in the Tailor-to-the-Trade industry, although the increase in the volume of business handled during October was not so great as shown in September. While current business is more or less seasonal, when compared with the corresponding period a year ago, the marked improvement in the industry is very apparent.

#### PERCENTAGE CHANGES IN READY-TO-WEAR CLOTHING

Number of firms reporting.....	4
Orders for spring from opening of season through October compared with orders during a similar period of time for last year's spring season.....	- 6.0
Number of suits made as compared with—	
(a) September, 1922.....	+13.7
(b) October, 1921.....	- 4.2
Number of suits shipped as compared with—	
(a) September, 1922.....	*
(b) October, 1921.....	+ 4.4

#### PERCENTAGE CHANGES IN TAILORS-TO-THE-TRADE

Number of firms reporting.....	7
Orders for suits compared with—	
(a) September, 1922.....	+35.6
(b) October, 1921.....	+46.7
Number of suits made as compared with—	
(a) September, 1922.....	+31.1
(b) October, 1921.....	+53.7
Number of suits shipped as compared with—	
(a) September, 1922.....	+31.5
(b) October, 1921.....	+50.2

\*Returns insufficient for comparative purposes.

#### FURNITURE

While many close observers of the furniture manufacturing industry a few months ago forecast a rapid return to more normal conditions, present developments have exceeded expectations. Many manufacturers in this district are now operating at or near full capacity; a large number of factories are reported sold up for the remainder of the year with an influx of orders continuing. Orders booked during the month of October by forty-seven reporting firms were over 30 per cent in excess of the large volume reported for September, while shipments increased approximately 14 per cent. Unfilled orders

### BUILDING MATERIALS AND CONSTRUCTION ACTIVITIES CEMENT

While cement production has been carried on at as heavy a rate as during September, stocks are still low. Demand during October continued excellent and although consumption will be much curtailed as soon as bad weather begins, large quantities are still being shipped. Prices in some localities have shown a slight tendency to decline.

for sixteen manufacturers in this district show an increase of over 26 per cent. Prices are showing a slight upward trend owing to higher costs of material and labor. Increasing difficulty is being experienced by many manufacturers in obtaining raw materials, and a shortage of skilled labor is being felt in some parts of the district. Collections were somewhat improved especially during the latter part of the month. Returns from other sections of the country indicate that the marked improvement in the industry is more or less general.

#### PERCENTAGE CHANGES IN MOVEMENT OF FURNITURE

	DISTRICT		UNITED STATES	
	OCTOBER 1922	CHANGE FROM SEPTEMBER	OCTOBER 1922	CHANGE FROM SEPTEMBER
Number reporting*.....	47		103	
Orders .....	\$3,522,500	+30.7	\$6,097,047	+25.5
Shipments .....	2,533,210	+13.8	4,437,041	+13.6
Cancellations .....	95,845	+31.6	144,903	+21.7
Unfilled orders, Nov. 1.....	4,351,859		7,399,483	
Production percentage of normal .....	89.4		90.0	

\*Based on combined returns to Associated Furniture and to this bank.

October orders of sixteen manufacturers in this district were 66.4 per cent greater than in October, 1921, while shipments increased 21.1 per cent and unfilled orders 40.2 per cent. Cancellations decreased 24.9 per cent.

#### BOXES AND CONTAINERS

Seasonal demand felt at this time of the year by the box and container industry is evidenced by the materially increased volume of October sales reported by manufacturers in this district. While little change is apparent in current production figures, the level reached several months ago is being maintained, with twelve reporting firms averaging 87.8 per cent of ordinary capacity. The industry also continues to show a marked improvement over conditions of a year ago. Below are percentage comparisons of October with September, 1922, and October, 1921.

	NUMBER REPORTING	SEPTEMBER 1922	OCTOBER 1921
Sales in dollars.....	14	+16.9	+42.3
Box board consumption.....	9	+ 4.1	+ 9.1
Lumber consumption.....	3	+14.5	+35.6

#### PAPER INDUSTRY

Fourteen paper concerns reporting to this bank were employing 5,832 men on October 31, which is a gain of 16.3 per cent over a year ago. This number is about the same as reported working at the end of September, but owing to overtime, payrolls for October were increased 4.5 per cent.

Three wholesalers in the district show gains in both sales and stocks on hand as compared with October, 1921.

## LUMBER

October reports from lumber dealers of the district indicate a partial recovery from the decreased sales of September. Where further reductions were noted they were attributed to inability to get shipments from the mills, which caused, in many cases, an increased volume of unfilled orders. Industrial and woodworking plants seem to be busy and are finding it rather hard to secure just what they want in dry lumber. Stocks are broken and there is a shortage in some of the better grades. Flooring manufacturers and interior trim, sash, and door plants are still active on the market, especially for hardwoods. The Maple Flooring Manufacturers' Association reports an increase of 7 per cent in production over the previous month, while orders remained the same, and shipments fell off by 4 per cent. Unfilled orders declined 2.5 per cent; stocks gained 6 per cent.

Stocks of Northern hardwood and hemlock are low and preparations indicate extensive logging will be carried on this winter, if the necessary labor can be secured.

## BRICK

The brick industry experienced little change in conditions during the month of October. While yards are still busy making deliveries to local building contractors, demand at production points has fallen off, few dealers being willing to buy for stock in the late fall. Manufacturers' difficulties in obtaining cars have forced them to avail themselves where possible of empty coal and stock cars for delivery to intermediate points. Shipments have been about of the same volume as in September and prices have remained steady.

## CONTRACTS AND PERMITS

Favorable weather conditions have extended the building season and operations were carried on actively through October. There was little apparent let-up in demand for either labor or material. Total contracts awarded within this district amounted to \$52,042,241, or 16 per cent less than for September and 44 per cent more than for October, 1921. Of the states in the district, Michigan showed the greatest decline and Wisconsin the greatest gain for the month. Residential building, however, made gains in every state with an increase of 35 per cent for the district as a whole.

Permit figures for forty-four cities of the district show an increase of 6 per cent in estimated cost. This percentage is greatly affected by increases for the larger cities where a considerable volume of building is done throughout the winter. Outside of the five larger cities an average decline of 7.8 per cent in estimated cost is reported. Chicago, while showing a considerable advance over September, is still greatly below any other month of the year since February; while Detroit is now about 33 per cent below the record figure made in August. Des Moines made the heaviest gain, exceeding the million dollar mark for the second time this year.

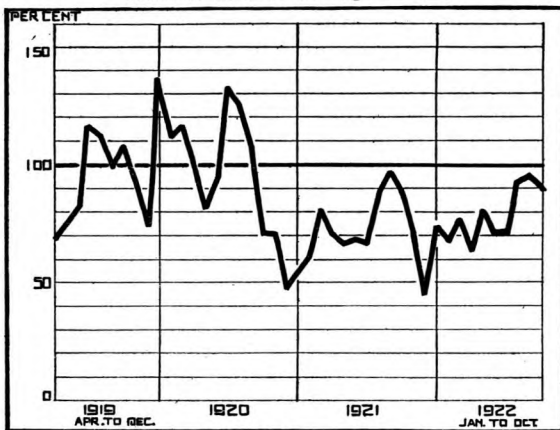
### PERMITS AND COST OF BUILDING CONSTRUCTION

	OCTOBER, 1922		PER CENT CHANGE FROM		OCTOBER, 1921	
	PERMITS	ESTIMATED COST	SEPTEMBER, 1922	COST	PERMITS	COST
Chicago .....	1,103	\$14,996,150	+19.4	+22.3	+25.9	+43.4
Ind'apolis ..	1,406	2,431,513	+20.9	+26.1	+31.5	+39.5
Des Moines..	165	1,626,950	+29.9	+174.1	+17.0	+234.3
Detroit .....	2,750	8,657,180	+12.5	-13.6	+69.8	+133.0
Milwaukee..	3,849	2,865,409	+7.8	+8.2	+13.2	-21.5
<sup>39</sup> other cities .....	5,192	9,275,894	+13.7	-7.8	+28.1	+34.9
Total .....	14,465	39,853,096	+13.0	+6.0	+29.6	+48.0

## MERCHANDISING CONDITIONS

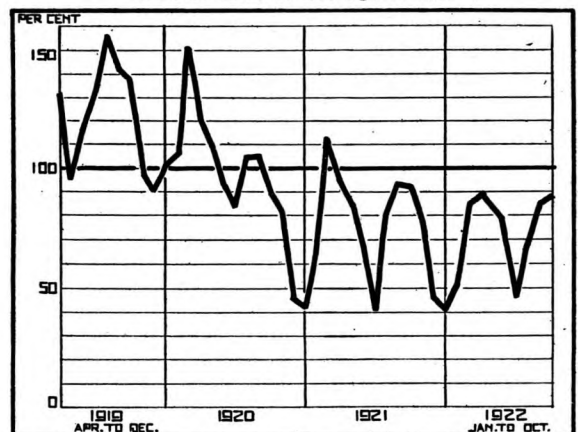
### WHOLESALE TRADE

Comparisons of dollar sales during October with a year ago are more favorable than corresponding changes noted last month for all groups of report-  
**WHOLESALE TRADE—DRY GOODS**  
 Ratio of sales to average in 1920



Based on returns to this bank from 10 dry goods wholesalers

ing wholesalers except automobile accessory dealers, with drug sales aggregating the largest gain yet reported to this bank (September, 1921). Individu-  
**WHOLESALE TRADE—SHOES**  
 Ratio of sales to average in 1920



Based on returns to this bank from 12 shoe wholesalers

ally, a larger proportion of returns show increases over 1921 than last month, gains being made by seventy-four out of ninety-eight firms.

Measured with September sales, decreases were reported by two-fifths of the firms, being largest and most general for dry goods. Several dealers, especially among the grocers, are feeling the effects on their trade of the farmer's inability to move his grain. To this cause a good many attribute slow collections, although statistical statements for the majority of firms show larger amounts collected this year than last.

Slight advances in food prices were made during the month, especially for cereals, sugar, canned milk, and flour. Hardware price advances, apparent for several months past, are meeting with considerable opposition. In general, firms are carrying lower stocks than a year ago, and for dry goods and shoe dealers inventories were lower October 31 than at the beginning of the month, but in other groups most of the returns show a stocking up. Outstanding accounts at the end of the month were above October, 1921, for forty-nine firms, while nineteen show decreases.

MERCHANDISE	NUMBER	NET SALES—CHANGE FROM	
		SEPT., 1922	OCT., 1921
Groceries .....	38	+ 4.2*	+ 6.9
Hardware .....	20	+ 4.5	+15.7
Drugs .....	11	+ 5.5	+10.5
Dry Goods .....	10	- 7.0	+ 3.2
Shoes .....	10	+ 2.1	- 5.8
Automobile Accessories .....	9	-12.8	+47.3

\*37 firms.

### MAIL ORDER PRICE COMPARISONS

A study of retail prices for twenty-four articles, as quoted in the 1922 fall catalogue of one of Chicago's large mail order houses, shows prices with three exceptions above the 1913 level, the increases ranging from 1.5 per cent for work shoes to 135 per cent for blankets. Prepared roofing is back at the 1913 price, while automobile tires are only 52.3 per cent as high.

Compared with 1917 eight of the items listed show increases. Coffee, however, is the only one as high as in 1918, and none reach the 1919 and 1920 peaks. Six articles—coffee, sugar, rice, blankets, muslin, and percale—show an increase over a year ago, with calico and underwear quoted at the same price.

### MAIL ORDER TRADE

Combined dollar sales of Chicago's two leading mail order houses during October exceeded those of any previous month for nearly two years. Compared with September, 1922, an increase of 40.8 per cent is shown, while a gain of 21 per cent was made over a year ago. Aggregate sales for the first ten months, however, are only 2.6 per cent ahead of last year. Both firms report goods sold in larger quantities with wearing apparel sales especially heavy.

## CHAIN STORE SALES

October sales of eight chain stores reporting to this bank are ahead of a year ago in dollar amounts. The fact, however, that the number of stores for each chain has also increased should be taken into consideration. Compared with last month, sales for all but two out of nine firms show gains.

### FEDERAL RESERVE BOARD STATISTICS OF RETAIL TRADE THROUGHOUT THE UNITED STATES

	NUMBER	1919 Monthly Average—100		
		OCT., 1922	SEPT., 1922	OCT., 1921
Department Stores .....	176	134.3	102.5	127.8
Mail Order Houses .....	4	110.0*	76.1*	88.6
Chain Stores—				
Grocery .....	16	148.4*	138.4	135.2
Drug .....	7	133.0	128.4	124.2
Shoe .....	5	121.2	117.8	135.4
Five & Ten .....	4	156.6	136.1	141.9
Music .....	4	118.6	118.8	99.2
Cigar .....	3	127.1	135.4	138.0

\*Estimated.

### RETAIL TRADE

Department store sales in this district as reflected by reporting firms are approaching in aggregate dollar amounts the 1920 level. Compared with one year ago, the gain is less than noted last month, but exceeds all previous increases since January, 1921. It is, however, confined to the minority of firms. Sixty-four returns show improvement in sales over September, but with an increase for the district as a whole only half as large as the corresponding 1921 gain.

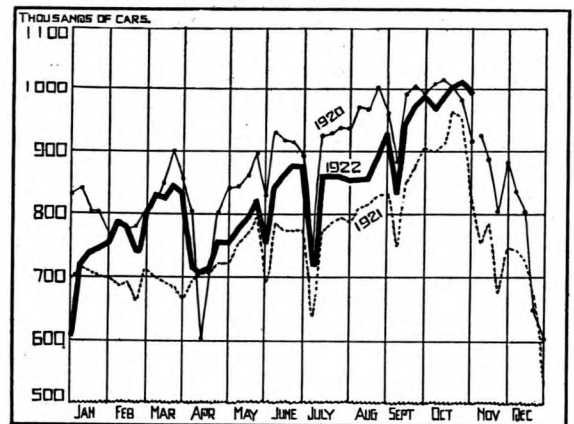
Most of the firms increased their stocks during the month, and a third are inventoried higher than a year ago. Twenty-seven firms average a gain in dollar collections of 21.3 per cent over October, 1921.

	NUMBER	SALES CHANGE FROM		STOCKS CHANGE FROM		*TURN-OVER RATE
		SEPTEMBER 1922	OCTOBER 1921	SEPTEMBER 1922	OCTOBER 1921	
		Chicago .....	11	+20.5**	- 1.6	
Detroit .....	6	- 2.4	+24.9	+7.1‡	-1.3‡	3.7‡
Des Moines..	3	- 2.9	+ 6.9	+2.4	+4.3	3.8
Indianapolis..	3	+12.9	- 0.5	.....	.....	.....
Milwaukee ..	3	+17.8	- 1.1	+0.7	-2.1	2.0
Outside .....	46	+17.8	- 1.8	+4.0§	-6.3	2.1§
District .....	72	+ 6.9††	+ 8.8	+4.3	-3.0††	2.8

\*Period, July to October, inclusive.

\*\*10 firms; † 8; ‡ 5; § 40; || 39; †† 71; ††† 60.

### TOTAL CARLOADINGS, UNITED STATES



Source—American Railway Association

## TRANSPORTATION CONDITIONS

The movement of freight throughout the United States increased in October, but there continues evidence of inadequate motive power to facilitate rail transportation. Loadings for the week ending October 28 were even greater than the corresponding weeks of 1921 and 1920, and only 4,059 cars below the figure for the peak loading for 1920.

The number of requisitions for cars which could not be filled from October 15 to 23 averaged 166,349 daily, compared with 141,252, the average for the first week in October. Bad order cars for October 15, 1922, were 11.9 per cent of all cars on the line com-

pared with 13.4 per cent on September 15, 1922, and 15.3 per cent on October 15, 1921.

The most important question at this time is the shortage of freight cars especially in the Middle West. Western railroads requested and have been granted by the Interstate Commerce Commission more cars to handle the increasing traffic largely in grain and potatoes from western states. The total grain movement seems to be about normal for this season of the year, but there are many interior points of the district, particularly in Iowa, where elevators are reported closed because of inability to ship grain.

## HOW THE BANK RESERVES OF THE RESERVE SYSTEM AFFECT THE AVERAGE BANK DEPOSITOR

The man who has money in a bank has always been interested in the reserve the bank carries, because it is these reserve funds that the bank depends upon to meet the ordinary deposit withdrawals that occur day by day in the banking business. The plan provided by the Federal Reserve Act for the treatment of these reserves should be even more interesting to the bank depositor, because it not only provides for a custodian of these reserves but also sets up machinery through which certain classes of a bank's investments can be turned into currency when additional funds are needed to repay depositors.

Just how this reserve plan works out can be considered in the case of the average country bank. This bank receives the deposits of the community and may pay the depositors a certain rate of interest on their money, depending on the terms under which it was deposited. Then the bank will have to earn this interest by loaning or investing a sufficient portion of these funds. In making these investments, the banker will bear in mind, among other things, the necessity of being in a position to repay deposits as they are demanded by his customers. For this reason the banker keeps certain funds uninvested as a reserve, but this reserve is a relatively small part of the total amount of deposits because only a small number of depositors are likely to make withdrawals at any one time.

One of the functions of public service assigned to the Federal Reserve banks by the Federal Reserve Act is that they serve as custodian of the reserves of member banks; this is to make these reserves *true reserves*, as in view of banking experience in the leading countries of the world, it has been considered wise that the reserves be held in the Federal Reserve bank rather than in the vaults of the banks to which they belong.

These member banks have resources comprising about 70 per cent of the total banking resources of the United States, exclusive of mutual savings and

private banks, although they are only about one-third of the total number of banks in the United States. All national banks must be members of the Federal Reserve System, and state banks are allowed to become members upon compliance with the requirements placed upon the national banks.

The reserves carried by member banks in the Federal Reserve banks are over  $1\frac{3}{4}$  billion dollars. No interest is paid on these deposits, and so the Federal Reserve banks can hold them uninvested, if they wish, as true reserves and are not forced to invest them merely for the purpose of making earnings. At the present time the Federal Reserve banks hold gold reserves amounting to considerably more than the total amount of member bank reserves on deposit. The Federal Reserve banks themselves are required to set aside in gold or lawful money in the United States an amount equal to 35 per cent of the deposits from member banks.

After the reserve against these reserve deposits has been provided for, the Federal Reserve banks still have a large amount of gold that is available as partial security for the issuance of Federal Reserve notes. The twelve Federal Reserve banks are the only institutions in the United States, which can issue currency to member banks in exchange for certain of their self-liquidating loans and investments. Thus, a bank belonging to the Federal Reserve System, which has exhausted its cash on hand and depleted its reserve, can apply to its Federal Reserve bank for currency in exchange for such of its paper as is eligible for rediscount at the Federal Reserve bank. This makes it possible for a bank to turn its assets into currency to repay depositors, without depending upon the condition of the investment and money market as in the old days before we had the Federal Reserve System. In this way, the plan provided by the Federal Reserve Act for holding bank reserves has worked to the benefit of the bank depositor.