

Business Conditions

Report of the Federal Reserve Bank
of Philadelphia



December 1, 1919

THE current demand for commodities of all kinds continues unabated in this district, though production is not up to capacity because of the lower efficiency of the workers in many instances and the difficulty in securing necessary materials. The laboring forces have apparently not yet learned that large and continuous production furnishes the only foundation of permanent well-being and until this basic principle is understood by all, the present cost of living will not show a decline. The coal strike has not as yet had a serious effect on industrial operations but the danger of its long continuance is recognized. The metal industries are well-booked up with orders. In the various textile lines demand is far ahead of supply.

Figures representing the activity of business in this district, as shown by charges to depositors' accounts, continue to reflect the expansion which is due in large measure to the immense volume of business at high prices, and also emphasize the need for mobilizing credit for the conduct of purely commercial business and elimination of speculation in securities.

Labor is in scant supply, both skilled and unskilled. Very nearly all lines of business have been held back due to this cause. High wages and shorter hours are demanded and the indifference of the average worker to his output continues. Strikes and lock-outs have not seriously disturbed the manufacturing situation in this district, but in the bituminous mining sections of the central Pennsylvania field the walk-out was quite general.

Retail sales are large and show no tendency to fall off. In fact, the volume of trade during the first few weeks of November has been in excess of last year and of the corresponding period in the previous month as well. This is likewise true of the quantity of goods passing over the counter. High-priced goods and luxuries command much attention. Clothing sales have shown particular increases. Many of the retail stores which had not anticipated their needs far ahead are now suffering from their inability to secure prompt delivery of merchandise, and in some of the clothing lines the manufacturers have turned back orders, which were placed at an earlier date, due to the necessity of starting the manufacture of products for the spring season. The price tendency in very nearly all lines is steadily upward, but this is particularly true of textiles and many retailers are predicting large advances next spring.

Reports on collections are practically unanimous in the declaration that customers are paying with the utmost promptitude. Accounts of two or three months standing are exceptional and purchasers in many lines are availing themselves of every possible discount for anticipation of payments.

Automobiles

Pleasure cars have been in exceptional demand and manufacturers report almost uniformly that they are far behind on their deliveries of cars. This is not due to labor troubles or inability to secure raw materials, for manufacturers have been fairly successful in this way, but to the fact that cars of every quality are being purchased by the public in great numbers. Manufacturers state that the passenger car business this year will be the largest that they have ever had.

The market for trucks has been sluggish since the first of the year and there appears no immediate likelihood of its showing any decided improvement. The war demand has ceased and the great output during the period of hostilities was far in excess of the normal demand, resulting in a surplus of cars which are now being used, thus eliminating the necessity for large purchases.

Building

As the following table demonstrates, building operations have been holding up very well. These statistics of the permits issued by fourteen of the more important cities of the district

show very little decline during the month of October, at which time it would be expected that the approach of winter would cause a falling off in operations.

BUILDING PERMITS ISSUED IN OCTOBER

	1919		1918	
	Number	Est. Cost	Number	Est. Cost
Allentown	53	\$717,425	20	\$28,935
Altoona	87	86,120	40	10,163
Atlantic City	145	326,168	53	15,704
Camden	108	299,790	33	2,643,445
Harrisburg	47	276,150	19	36,200
Lancaster	35	212,325	14	30,380
Philadelphia	1,190	4,840,005	333	843,520
Reading	252	319,545	153	17,400
Scranton	56	100,438	12	10,420
Trenton	113	511,670	20	18,230
Wilkes-Barre	53	57,391	49	12,232
Williamsport	14	42,376	3	400
Wilmington	128	439,655	72	573,683
York	31	17,200	33	7,580
Total for October	2,312	\$8,246,258	854	\$4,248,292
Total for January	629	\$1,411,290	388	\$2,118,645
February	832	1,696,956	550	1,158,637
March	1,815	3,987,131	1,193	2,665,585
April	2,158	6,005,097	1,510	3,755,123
May	2,224	7,900,952	1,392	2,722,037
June	2,267	10,271,193	1,334	2,803,516
July	2,834	10,290,050	1,186	1,998,069
August	2,623	10,031,035	956	6,231,606
September	2,254	8,632,567	884	1,830,218

The large issues of permits during certain of the months of 1918 were mainly due to village and community construction in connection with the shipyards.

The scarcity of efficient workmen, such as carpenters, plumbers, etc., together with high costs of materials, has held back the construction of large office buildings. Increased building of residences accounts for the major portion of the new permits. In the smaller cities large numbers of garages are to be constructed.

Building materials

Business conditions in the cement line have been brisk for the last six months and at times the demand has been in excess of supply. Most raw materials are scarce due to uneasy labor con-

ditions and the lack of sufficient railroad facilities. Prices hold firm in view of higher costs of material and labor.

The lime industry is likewise handicapped by a shortage of cars which makes delivery of the finished product difficult. Prices show an advancing tendency. Labor conditions are unsatisfactory as first-class quarrymen are hard to get. A continued increase in the volume of business is expected though a particularly severe winter may hinder operations for a time.

Lumber continues in good demand with stocks at mills small, and prices about stationary. Ordinary stocks are comparatively easy to obtain but special mill-work is slow in delivery due to labor conditions. For the most part supply and demand are about equal.

Chemicals and drugs

Business conditions at present are active and show little change from the first of the year. There is some scarcity of raw materials in the drug line, but chemical products are in ample supply. Trade is apparently in a healthy condition and there appears little likelihood of an extensive decline in prices for some time to come.

Coal

During the last few weeks in October production of bituminous coal reached its maximum for the year and the beginning of the strike found consumers fairly well stocked up. Prices exhibited a tendency to advance but were stabilized by the re-establishment of the regulations of the Fuel Administration. The Fuel Administration is now supervising the distribution of the coal in transit in order to take care of the more essential needs. The rescinding of the strike order on November 11 has not as yet resulted in any large resumption of operations on the part of the miners. It is estimated that during the strike production was curtailed at least 75 per cent. The central Pennsylvania fields have been tied up very completely. It is anticipated that the men will resume work soon but the ultimate result is largely in the hands of the conference which is now being held in an attempt to reach an amicable agreement.

Consumers have not suffered as yet except in a few instances. If the winter season should be severe, with the transportation difficulties incident thereto, the present shutdown may have a belated but none the less disastrous effect. The exportation of

coal to Europe has been stopped for the time being and a resumption of this trade may still further increase the difficulties of domestic consumers. A competent authority has stated that the output this year is about one hundred million tons below the corresponding period last year and he ascribes this largely to the indifference and laxity of the miners. He instances the greatly increased production of his own mines during October over the summer months as an indication of what the miners can do should they desire to do so.

Cotton

The demand for cotton in the northern States is strong. All grades are comparatively scarce due to labor and transportation difficulties in the South, but the dearth of the longer staples and better grades is felt most. In spite of low stocks abroad, the export demand has been relatively small and such as it is has been hampered by the slow release of vessels incident to the coal strike.

This foreign demand is expected to remain at low levels until the final financial arrangements have been completed for the better extension of credits. Finer qualities of cotton are expected to continue to be scarce and the small crop this year will probably keep prices at high levels.

Cotton yarns are in great request and prices are high. Orders can be booked in almost any quantity that the mills desire to handle, but the shortage of raw material and desirable labor has made some manufacturers feel that it is good policy to carefully curb their sales.

Crops

The department of agriculture estimates that the production of corn in the third Federal reserve district will be 66,916,000 bushels, based on the figures collected as of November 1. The 1918 production was 59,804,000 bushels. Pennsylvania has harvested the largest corn crop in the history of the State.

New Jersey's corn crop is somewhat backward. The same condition holds true of its buckwheat and potato crops. Pennsylvania's production of these latter crops is quite good.

Tobacco, however, has suffered considerably from adverse weather conditions, insect damage and rust. Total production in this State is estimated at 54,120,000 pounds as compared to 64,752,000 pounds last year, and 57,266,000—the average production

for the last ten years. The quality of this crop is 89 per cent. of a normal and is the poorest since 1909 with the exception of the 1917 crop which was 86 per cent. of normal. Unfavorable weather is having an adverse effect on curing.

Groceries

The demand for commodities is unusually heavy and people seem to buy without much reservation. Prices have not shown much change within the last three months. Most goods can be secured with a fair degree of ease, though some popular brands are not in sufficient supply. The sugar situation has been especially serious and shipments have not in any way been commensurate with the demand; this scarcity is expected to last until February of next year, at the least.

Hardware

Hardware of all kinds is finding a ready sale and production has not kept pace with the demand. The general prosperity of our farming and laboring population has made them heavy purchasers of merchandise of this kind. Retailers are not securing goods in sufficient quantities to satisfy their trade. Prices are abnormally high and are expected to continue so as long as labor manifests indifference to the amount of their production.

Iron and steel

The price of pig iron has been advancing in keeping with the larger demand and curtailment in supply. The furnaces are booked well ahead. But few report difficulties in securing raw materials and the coal strike has not as yet affected operations to any extent. It has, however, forced some concerns to draw on supplies which were being kept in reserve for possible blizzard conditions during the coming winter.

Scrap iron is being stocked in large quantities in some parts of the district and dealers are making little effort to effect sales as higher prices are expected shortly. Refined bar iron is in heavy request and orders on hand will easily carry operations at capacity up to the end of the year.

While prices of steel and finished steel products have not shown any notable changes during the past month, demand has been increasing steadily in many lines. This is particularly true of steel castings, in which branch new business has shown grati-

fyng gains during the last few months. Chain manufacturers report a demand far in excess of supply and complain of their inability to secure sufficient raw material. When the railroads are returned to their owners the steel trade expects a diversified demand which will keep them at capacity production. Structural steel shapes have not been in as great request as might be expected and domestic business is said to be lagging notably, though there is some improvement in the export trade.

Manufacturers of iron and steel products are practically unanimous in expecting a heavy volume of business for the next six months. Some predictions are heard that prices will show advances by next summer. Certainly the only element which worries them is the peculiar labor situation. Mills in this district have experienced little actual trouble but there exists an indifference to work, coupled with a desire for high wages and short hours which is far from encouraging. The eight-hour day in the steel industry presents certain practical difficulties at this time which must be considered. If sufficient additional men were available so that production would not be curtailed, the problem would not be acute, but the present scarcity of labor certainly operates to reduce the output. The worker has shown but little comprehension of the fact that only through increased production is increased return possible.

A nationally known manufacturer presents an interesting point of view in connection with the results of the steel strike. He thinks that the recent strike has been a great benefit to industry in that greater concentration of effort was possible with a resultant economy in production, and that the strike also made possible the weeding out of the non-productive element of labor which would have been a difficult operation under normal conditions.

Knit goods

The demand for practically all kinds of knit goods continues strong and considerably in excess of the ability of manufacturers to supply it. Our attention is drawn to the fact that the actual quantity of goods desired is not necessarily greater than it was before the war, but it is the difficulty in securing sufficient quantities of raw material and the lower output of the mills that are the serious factors.

Cotton and woolen yarns are high in price. The general silk market shows no tendency to recede with a strong demand

centering on it from many textile lines. Some hesitancy is felt in making commitments too far ahead in view of the unstable character of these raw material markets which may radically affect the finished goods markets at a later date.

Silk and mercerized hosiery is claiming the greatest attention in the hosiery line. Silk manufacturers are having difficulty with labor at this time and purchasers of silk thread have paid record prices for spot delivery. The finer qualities of mercerized and cotton yarns are likewise very scarce and show no present indications of being available in greater quantity in the near future.

Sweater coats in wool and worsted for delivery next year have shown price advances ranging from 25 to 40 per cent. over last January when the lines for the present season opened. There is but little buying for future delivery as yet, but demands for immediate shipment for the present season are in excess of the ability of mills to supply.

Manufacturers of knitted products have noticed most particularly the tendency of their workers to decrease production. A large producer who has made a careful study of this situation states that the average operator will not produce more than two-thirds as much work as he formerly did and his investigations outside of his own mills have made it apparent that this is generally the case elsewhere.

Leather

The domestic demand for leather has lessened somewhat during the past month, except for the higher grades. Manufacturers have not been in the market to so large an extent but the repair trade still purchases in good quantity. As stocks in producers' hands decrease brisk business is expected to develop. This tendency will probably be aided by the possibility of increased prices brought about by the higher cost of raw materials, which are fairly plentiful but abnormal in price.

Meats

The demand for meat products has been good with prices considerably lower than a month ago. Due to a rapid decline in prices of live-stock, farmers have been withholding their stock from the markets and a slight rise has resulted. There are fair offerings of meats and such shortage as may manifest itself is

due largely to labor troubles at the various packing plants throughout the country.

Rubber

Rubber tires have been in heavy demand for a long time past and a continual shortage of supply of certain sizes is manifested. Prices have remained stationary since a month ago, when there was some reduction. The demand for mechanical rubber goods is light owing to the small purchases of the railroads and the curtailed operation of the steel mills, which are large purchasers of this line. This lessened consumption has resulted in lower prices through competition and it is stated that with the constantly increasing cost of labor and raw materials profits are being reduced very much.

Shipbuilding

The shipbuilding activities along the Delaware River, which are almost entirely included within this district, are among the most important in the country. Vessels (of 3000 tons or more) under construction on September 30 in that section totaled 1,030,000 deadweight tons. Lloyd's estimate of the total construction going on in the United States as a whole approximates 4,632,000 deadweight tons. Construction along the Clyde River in the United Kingdom, which has been the center of the shipbuilding industry, totaled 1,478,000 tons on that date.

The following figures show the number and tonnage of ships delivered by all the shipyards of this country during each month of 1919:

January	..... 24	ships	..... 152,900	dwt.
February	..... 39	"	..... 236,950	"
March	..... 42	"	..... 246,075	"
April	..... 115	"	..... 570,470	"
May	..... 144	"	..... 814,000	"
June	..... 125	"	..... 609,578	"
July	..... 134	"	..... 708,308	"
August	..... 118	"	..... 642,050	"
September	..... 146	"	..... 792,303	"
October	..... 113	"	..... 573,933	"
Total	 1,000	" 5,346,747	"

Of the net program of 2305 ships representing 13,532,511 deadweight tons, the following had been completed on November 1, 1919:

Keels laid	..... 2,224	ships	..... 12,798,536	dwt.
Launched	..... 1,837	"	..... 10,009,994	"
Delivered	..... 1,575	"	..... 8,663,408	"

It is stated that sufficient quantities of material have been purchased to complete the program and that ample supplies are now on hand in most cases. The curtailment of the shipping program since the signing of the armistice has made some of this material unnecessary and efforts are being made to dispose of the surplus.

Labor conditions in the shipyards of this district have been fairly settled, as might be expected in view of the high wages which are being paid the workers. The Delaware River district employs 62,000 men, out of a total of 226,000 for the country as a whole.

It is said that the world's tonnage is rapidly approaching the volume which would have been afloat if normal conditions had prevailed, but the huge quantities of materials which must be transported are keeping up the demand for new construction. Perhaps the most important question now facing the American shipbuilders relates to their ability to turn out vessels at costs which are low enough to meet the competition of foreign shipbuilders.

Wool

The strength of the market at London has given new stimulus to the markets in this country. Some weeks ago fine wools were in good demand but lower grades were moving slowly. Medium and lower qualities are now commanding a greater amount of attention and prices show advances of two to three cents per pound in the grease.

Woolens and worsteds are in great request and the labor difficulties have curtailed production considerably. Demand is greater than supply and high prices appear warranted by continued increases in labor and other costs. Little hope of price recessions within the next six months is advanced by manufacturers.

Financial

The discount rates of this bank were raised during the past month, together with rates of other reserve banks. The new rates became effective on November 6. The main changes involve the eradication of the differential in favor of fifteen-day paper and higher rates on collateral notes of member banks. The earning assets of this bank show a large decrease in collateral notes of members secured by Government war obligations and a corre-

sponding increase in customers' notes secured in the same way and rediscounted here. Earning assets still show a tendency to expand and the loans and investments of this institution made during the month of October totalled \$1,151,792,000, as compared to \$1,003,715,000 in the previous month.

Federal reserve note circulation has expanded somewhat but is not as high as the level reached at the end of 1918. The ratio of reserve to note circulation and net deposit liabilities continues to hover around 40 per cent.

Reports of a selected list of member banks show a decrease during the past month in the loans secured by United States securities and by stocks and bonds.

The table given below shows the average discount rates charged by Philadelphia banks for the thirty-day periods ending on the specified dates. The generally higher rates a year ago and the rise during the last monthly period are apparent.

	Nov. 15, 1919	Oct. 15, 1919	Nov. 15, 1918
Customers' prime commercial paper:			
30 to 90 days.....	5½	5½	6
4 to 6 months.....	5½	5½	6
Prime commercial paper purchased in open market:			
30 to 90 days.....	5½	5¼	6
4 to 6 months.....	5½	5¼	6
Loans to other banks—secured by bills payable.....	5¼	5	5½
Bankers' acceptances of 60 to 90 days:			
Endorsed.....	4¾	4¼	4⅝
Unendorsed.....	4½	4⅝	4¾
Loans secured by prime stock exchange collateral or other current collateral:			
Demand.....	6	6	6
3 months.....	6	6	6
3 to 6 months.....	6	6	6
Cattle loans.....	5½	5	..
Commodity paper secured by warehouse receipts, etc.	6	6	..
Loans secured by Liberty bonds, Victory notes and certificates of indebtedness.....		5	4½

STATEMENT
Federal Reserve Bank of Philadelphia

RESOURCES	Nov. 18, 1919	Month ago	Year ago
Gold reserve	\$130,272,046	\$130,824,692	\$132,829,621
Legal tender, silver, etc. .	242,157	190,488	738,252
Total reserve	\$130,514,203	\$131,015,180	\$133,567,873
Bills discounted, members:			
Secured by Government war obligations	182,426,349	183,884,304	
All other	19,894,305	23,477,992	164,894,514*
Bills bought in open market	1,434,136	618,291	31,748,353
United States securities . .	32,510,900	30,567,400	7,675,850
Total earning assets	\$236,265,690	\$238,547,987	\$204,318,717
Mutilated and fit notes on hand :			
Federal reserve notes	12,034,920	12,550,405	8,548,380
Federal reserve bank notes.	372,692	1,137,091	346,800
Due from depository banks—war loan deposit account	25,318,245	45,968,478	
Uncollected items	91,613,616	95,013,578	73,561,750
All other resources	4,150,179	2,971,052	3,045,491
Total resources	\$500,269,545	\$527,203,771	\$423,389,011

LIABILITIES	Nov. 18, 1919	Month ago	Year ago
Capital paid in	\$7,850,900	\$7,773,850	\$7,398,000
Surplus	5,311,336	5,311,336	643,279
Profit and loss	269,401	271,415	
Government deposits	1,595,217	6,964,013	18,309,249
Due to members—reserve account	111,742,076	105,244,455	86,689,974
Collection items	82,962,400	90,773,665	70,421,948
Gross deposits	\$196,299,693	\$202,982,133	\$175,421,171
Government deposits—special account	26,987,480	47,747,411	
Federal reserve notes outstanding	231,501,465	231,771,280	232,481,285
Federal reserve bank notes outstanding	27,904,000	28,420,000	5,011,500
All other liabilities	4,145,270	2,926,346	2,433,776
Total liabilities	\$500,269,545	\$527,203,771	\$423,389,011

*Total of bills discounted—items not segregated.

RESOURCE & LIABILITY ITEMS
of member banks
in Philadelphia, Scranton, Camden and Wilmington

At the close of business

	Nov. 14, 1919	Oct. 10, 1919	Nov. 15, 1918
	[In thousands of dollars— i.e., 000's omitted.]		
United States bonds to secure circulation.....	\$11,097	\$11,262	\$11,492
Other United States bonds and notes.....	44,142	48,268	66,965
Certificates of indebtedness.....	39,567	54,176	46,573
Total United States securities owned....	\$94,806	\$113,706	\$125,030
Loans secured by United States securities....	117,065	159,950	162,759
All other loans and investments.....	707,109	684,160	623,124
Total loans and investments.....	\$918,980	\$957,816	\$910,913
Reserve with Federal Reserve Bank.....	63,734	67,764	56,530
Cash in vault.....	17,560	16,984	21,892
Net demand deposits on which reserve is computed.....	675,910	677,051	609,060
Time deposits.....	22,386	22,221	15,537
Government deposits.....	20,536	49,121	73,310
Number of banks reporting.....	56	56	53

CHARGES TO DEPOSITORS' ACCOUNTS
other than banks' and bankers', as reported by Clearing Houses

	<i>Weeks ending</i>		
	Nov. 19, 1919	Oct. 15, 1919	Nov. 20, 1918
Altoona.....	\$3,145,000	\$2,922,000	\$2,159,000
Chester.....	5,011,000	2,431,000	5,323,000
Harrisburg.....	4,670,000	4,226,000	6,530,000
Johnstown.....	3,616,000	3,142,000	2,913,000
Lancaster.....	5,741,000	5,347,000	4,793,000
Philadelphia.....	370,800,000	283,458,000	323,852,000
Reading.....	3,791,000	3,841,000	4,865,000
Scranton.....	13,123,000	13,192,000	9,201,000
Trenton.....	11,673,000	10,634,000	8,891,000
Wilkes-Barre.....	9,713,000	9,394,000	6,731,000
Williamsport.....	4,058,000	3,190,000	3,567,000
Wilmington.....	10,330,000	11,086,000	9,410,000
York.....	3,982,000	3,615,000	3,026,000
Total of clearing houses.....	\$449,653,000	\$356,478,000	\$391,261,000

BUSINESS INDICATORS

	Nov. 18, 1919	Percentage increase or decrease compared with	
		Previous month	Year ago
Philadelphia banks:			
Loans	\$782,478,000	— 3 %	+ 6 %
Deposits	\$706,502,000	— 1 %	+ 14 %
Ratio of loans to deposits	114 %	119 %*	120 %*
Federal Reserve Bank:			
Discounts and collateral loans	\$202,320,000	— 2 %	+ 23 %
Cash reserve	40 %	40 %*	41 %*
90-day discount rate	4¾ %	4¾ %*	4¾ %*
Commercial paper	5½ %	5½ %*	6 %*

	Oct. 1919	Percentage increase or decrease compared with	
		Previous month	Year ago
Bank clearings:			
In Philadelphia	\$2,094,679,769	+ 9 %	+ 11 %
Elsewhere in district	137,931,088	+ 15 %	+ 18 %
Total clearings	\$2,232,610,857	+ 10 %	+ 12 %
Building permits, Philadelphia	\$4,840,005	— 7 %	+474 %
Post office receipts, Philadelphia	\$1,235,524	+ 12 %	+ 12 %
Commercial failures in district (per Bradstreet's)	22	28 *	26 *
Latest commodity index figures:			
Annalist (food prices only)	281.457	+ 1 %	— 1 %
Dun's	\$238.573	+ 1 %	+ 3 %
Bradstreet's	\$19.9026	+ 2 %	+ 5 %

*Actual figures.

This business report will be sent regularly to any address upon request.



ON THE HORIZON

The New York Sun prints a cable dispatch which says in part: "Money as a medium of exchange practically has passed out of existence in international commercial dealings in Europe, and its place has been taken by a system of barter. This has resulted not so much from the decline in the pound sterling as in the utter collapse of continental currencies."

In explanation of how this system works in the case of Germany, the writer says: "If the German, for instance, is not ready to deliver his goods at the time when he receives the shipment of material under the barter arrangement, the bank pays for the imported goods and gives him credit until he is able to complete the manufacture of the articles called for under the barter agreement:

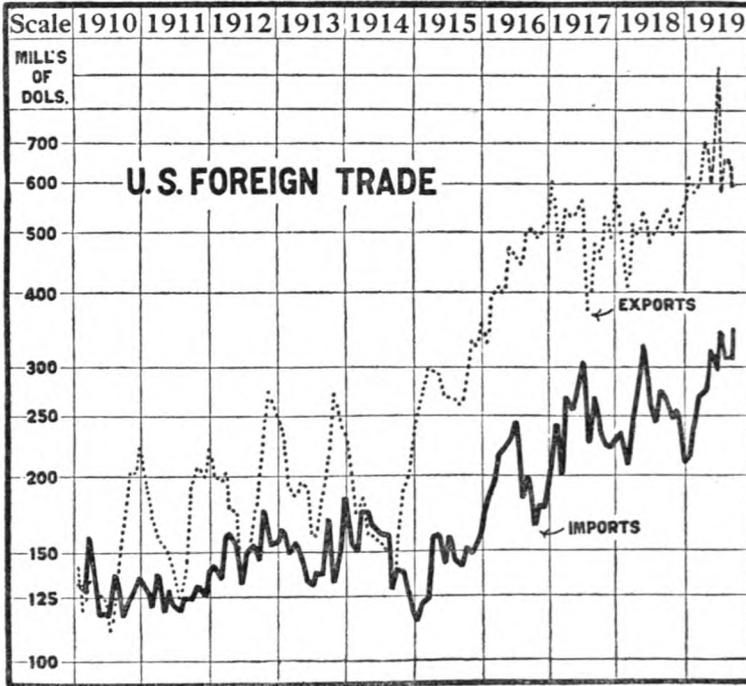
"This method has caused great expansion of credit, especially in Germany, but it is a safe expansion, secured at each step by the goods involved, and it cuts down inflation because the prices are figured in actual commodity exchange value instead of in terms of depreciated currency."



The New York Sun states that the movement to have British salesmen travel to foreign ports on warships has been successful. "The Admiralty has informed the Department of Overseas Trade that sailing dates of warships will be supplied and that accommodations to distant ports will be given to commercial travelers. Arrangements for passage will be made by the Department of Overseas Trade, which is a semi-Government institution for promoting of foreign commerce."



The following chart, portraying the foreign trade of the United States, shows the fundamental situation which has caused the great drop in foreign exchange rates. Exports are so largely in excess of imports that Europe's debts to us are far beyond their present ability to pay.



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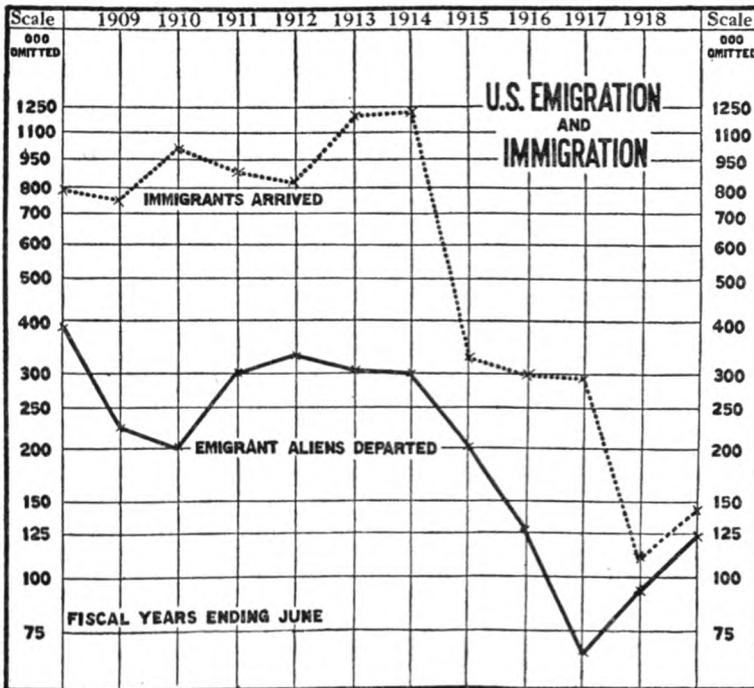
The price of silver has exceeded \$1.30 per ounce and in commenting on this situation the Wall Street Journal draws attention to the fact that there is no law in this country prohibiting the melting down of silver coins, or of any coins. "Holders of the the pieces may dispose of them in any way they wish, provided they do so without any intent to defraud. But if the price of silver continues to advance and the silver circulation of the country is threatened with extinction, the Government will be confronted with the question of whether it should not forbid the destruction of the coins. England and France have found it necessary to take such measures in order to preserve their subsidiary coinage."

When silver sells over \$1.2929 an ounce, the bullion value of the metal in a silver dollar exceeds its momentary value and a profit is to be derived through the melting of the coin. As the

melting expense is estimated at about half a cent an ounce, such procedure is profitable when silver is selling at \$1.30 and above. The silver content in the subsidiary coins is not so great as in the dollar, since the point of parity on the half-dollar is \$1.35 and on the quarter and dime, \$1.39. The comparative scarcity of silver dollars in every-day circulation prevents any serious loss in our money supply through withdrawals. The market price of silver must advance at least ten cents an ounce before the supply of subsidiary is endangered. While such a further advance is not unlikely, the Government will probably act in the emergency and prevent any withdrawal of the coins from circulation, although the problem will become increasingly difficult if the price advances considerably over \$1.40 an ounce.



The chart below, showing the emigration and immigration tide of the United States, explains in a measure the scarcity of labor in this country. For quite a long period before the opening of the Great War the United States was receiving a net inward flow of from 600,000 to 800,000 individuals per annum.



The consumption of wool has been increasing since the beginning of the year and in September was nearly double that consumed in March. The percentage of idle wool machinery has correspondingly declined. As an example, the percentage of idle wide looms to the total reported was 40 per cent. on January 2 and 16 per cent. on October 1.



The Esch Bill for the return of the railroads by the Government was passed by the House on November 17. The Senate will not act before December. The indications are that roads will be returned about January 1; guaranteed earnings will be continued at least six months; and capital requirements for the ensuing two years will probably be provided out of a revolving Government fund. Anti-strike provisions will apparently not become a part of the permanent measure.



The foreign trade situation remains a complex problem. Exchange rates are lower and will continue to fall until a solution is reached. The Edge Bill has been reported out of conference but will not go to the President until December. The general curtailment of credit which has been rendered necessary in the United States must also apply to exports and should further contribute to decreasing the quantity.



In discussing the general trade and banking situation abroad, the Federal Reserve Bulletin makes the following comments: "In the study of the whole financial situation, it is worthy of note that some of our strongest former competitors actually have not the resources to continue competing without injuring themselves and that the expansion of credit which exists here as the result of over-exportation is more than paralleled abroad. The question whether the continental countries will have the resolution to subject themselves to drastic taxation for the purpose of reducing their outstanding obligations is serious, and to the extent that a negative answer is given to this question a continuation of the inflation which now exists all over the world must be looked for. Such inflation can not go on indefinitely, but invariably brings its own retribution. After almost all foreign wars there has been a

period of excessive prices, inflated credits and active trade, eventually followed by the collapse which is the result of the price and industrial disturbances naturally produced by such changes. Active trade under such circumstances is undoubtedly the economic expression of the need to replace destroyed commodities. In these circumstances the question of American trade with foreign countries and of the basis for such credits as we may extend, becomes an unusually important and essential one. Countries which have suffered from war naturally desire to restore at the earliest possible moment their productiveness and to put their industrial machinery into full operation. In order to bring about this result they naturally seek to employ every possible resource which they either possess or can obtain the use of from others."



The curtailment of credit to non-productive undertakings should help industry in general as it will assure production a sufficient supply of capital on fair terms. The restriction of credit will seriously interfere with speculative operations—not only in the stock markets, but in real estate and the commodities as well.



The steel strike has apparently been a failure in the Pittsburgh district and steel companies are now contending for the most part simply with the imperfect shop organization inevitably accompanying operation with a large percentage of men not yet familiar with their jobs. The New York Sun draws attention to the fact that there are 228,430 mill workers employed in Pittsburgh; 162,474 either failed to report for work or were sent home the first day of the strike. Out of this latter number 109,455 are back at work.

The payroll loss is estimated at \$29,634,000 and the property loss at \$153,150. The strike committee places the tonnage loss of the steel companies at \$250,000,000. The Sun states that less than one per cent. of the men who struck are idle today. The labor situation is serious due to the return of many men to Europe and the tendency of the workers to seek employment elsewhere. This is being met by the introduction of other nationalities and the increased use of labor-saving machinery.

It appears that a large percentage of the workers were not idle from choice, but merely went "along with the crowd." The radical character of the leaders and the failure to make prompt

payment of strike benefits are said to be important reasons for the failure of the strike.



In commemorating the fifth anniversary of the operation of the Federal Reserve System, the Wall Street Journal prints the following comments and figures:

"In the first years of the existence of the Federal Reserve System it was not a factor in the money market. In fact, until the United States entered the war and the credit resources of the country were drawn upon to the extent of roughly \$25,000,000,000 the Federal Reserve banks did not establish money rates but rather adjusted their discount rates to conform to the rates made by the member banks. In those days the member banks were the dominant factor in making the money market. Their resources were so great they did not have to lean upon the central institutions. Today the situation is reversed, and the Federal Reserve System is the dominant factor in the money market.

"The growth of the system is shown best in tabular form. It can be divided into two parts, from the beginning until the United States entered the war, and the war period of finance when the Federal Reserve System proved the salvation of the banking structure of the United states.

"Comparative figures of the growth of the Reserve System are given in the table below, the first column giving the principal items as they stood at the end of the first few days of business:

	PEACE PERIOD		
	Nov. 20, 1914	Nov. 12, 1915	Nov. 17, 1916
Gold	\$203,415,000	\$297,447,000	\$435,645,000
Rediscounts	5,607,000	43,148,000	117,493,000
Total resources	246,425,000	446,192,000	719,217,000
Capital	18,072,000	54,846,000	55,704,000
Reserve deposits	227,138,000	359,317,000	622,254,000
Federal Reserve Notes	1,215,000	13,007,000	14,468,000

	WAR PERIOD		
	Nov. 16, 1917	Nov. 15, 1918	Nov. 14, 1919
Gold	\$1,584,328,000	\$2,056,777,000	*\$2,119,565,000
Rediscounts	487,850,000	1,879,808,000	2,189,489,000
Total resources	3,012,406,000	5,148,418,000	6,081,606,000
Capital	66,691,000	79,903,000	86,267,000
Surplus .....	.....	1,134,000	81,087,000
Reserve deposits	1,480,498,000	1,449,949,000	1,906,867,000
Federal Reserve notes	972,585,000	2,562,517,000	2,806,759,000

*Gold reserves.