

# THE BUSINESS REVIEW

THIRD FEDERAL  
PHILADELPHIA



RESERVE DISTRICT  
JULY 1, 1924

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FEDERAL RESERVE BANK of PHILADELPHIA

## SUMMARY OF BUSINESS CONDITIONS IN THE UNITED STATES

Production of basic commodities and factory employment showed unusually large declines in May and were considerably below the level of a year ago. Purchases at wholesale and retail also declined during the month and were somewhat below last year's volume. Commercial loans at member banks decreased and there was a further decline in money rates.

The Federal Reserve Board's index of production in basic industries, adjusted to allow for seasonal variations, declined about 10 per cent in May to a point about 19 per cent below the peak reached a year ago. Particularly marked decreases were shown for production of iron and steel and mill consumption of cotton. Output of anthracite, cement and tobacco products, on the other hand, was slightly larger than in April. Factory employment declined 4 per cent in May, the number of employees being reduced in almost all reporting industries. The largest reduction of working forces occurred in the textile, metal, automobile and leather industries. The value of building contracts

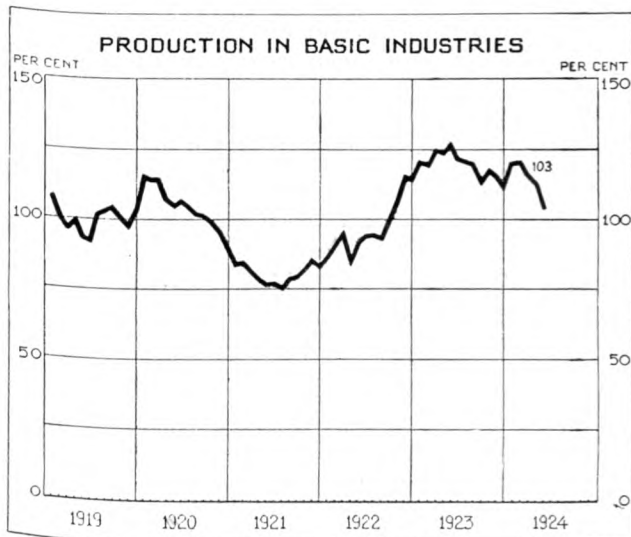
awarded in May was 13 per cent less than the month before and for the first time since the beginning of the year fell below the corresponding month in 1923.

The Department of Agriculture forecasts as of June 1 indicated smaller yields of wheat, oats and barley as compared with the harvests of 1923. The condition of the cotton crop on May 25 was 5 per cent lower than a year ago and 7 per cent below the average condition for the past ten years.

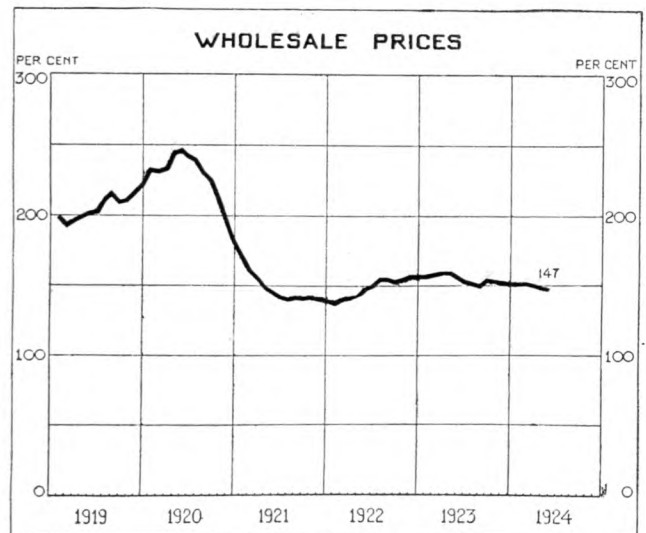
Railroad shipments showed a slight increase in May, but were 8 per cent smaller than a year ago.

Car loadings of all classes of freight, with the exception of grain and live stock, were smaller than in May, 1923.

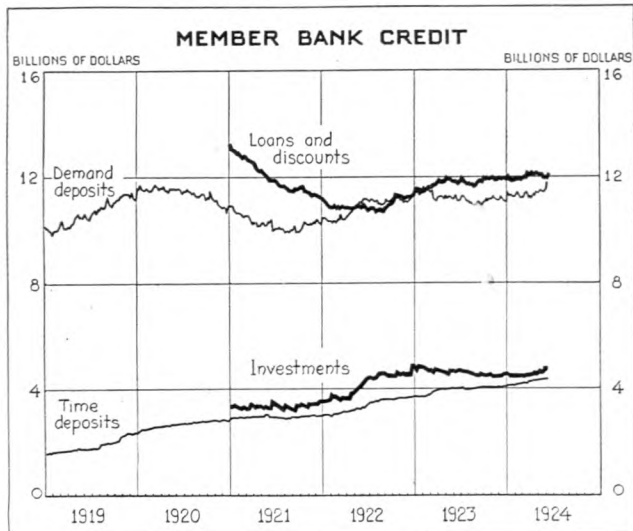
Wholesale trade decreased slightly in May and was 6 per cent less than in May, 1923. Sales of dry goods, shoes and hardware were much smaller than a year ago, while drug sales were slightly larger. Retail trade at department stores and mail order houses declined during May more than is usual at that season and was



Index of 22 basic commodities corrected for seasonal variation (1919=100). Latest figure - May, 103.



Index of U. S. Bureau of Labor Statistics (1913=100, base adopted by Bureau). Latest figure - May, 147.



Weekly figures for member banks in 101 leading cities. Latest figure - June, 11.



Index of 33 manufacturing industries (1919=100). Latest figure - May, 93.

smaller than last year. Department store stocks were 4 per cent smaller in May than in April and 3 per cent larger than a year earlier.

Wholesale prices as measured by the index of the Bureau of Labor Statistics, declined 1 per cent during May to a level about 8 per cent below the high point reached in the spring of 1923. Prices of all commodities groups, with the exception of food, declined in May. During the first half of June quotations on wheat, corn, rye and silk increased, while prices of hogs, beef, cotton and lumber declined.

Decreased demand for credit for current business requirements between the middle of May and the middle of June was reflected in a smaller volume of borrowing for commercial purposes at member banks in leading cities. Further purchases of corporate securities by these banks and larger loans on stocks and bonds, however, resulted in an increase for the month in their total loans and investments. There

was an unusually large increase in net demand deposits of these banks, which carried the total of these deposits to the highest figure on record.

At the Federal Reserve Banks between May 21 and June 18 there was a further decline in discounts for member banks and in acceptances purchased in the open market. Government security holdings, on the other hand, increased and total earnings assets were somewhat larger than a month ago.

The prevailing ease in the money market was reflected in a further decline from  $4\frac{1}{4}$  to  $3\frac{1}{2}$ - $3\frac{3}{4}$  per cent in rates on prime commercial paper in New York. The June 15 issue of six-month treasury certificates bore a rate of  $2\frac{3}{4}$  per cent, compared with 4 per cent on a similar offering last December.

Discount rates at the Federal Reserve Banks of Cleveland, Richmond, Atlanta, Chicago, St. Louis and San Francisco were reduced from  $4\frac{1}{2}$  to 4 per cent during June, and the rates in Boston, New York and Philadelphia were reduced to  $3\frac{1}{2}$  per cent.

**Bank credit**

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## **SUMMARY OF BUSINESS CONDITIONS IN THE THIRD FEDERAL RESERVE DISTRICT**

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Partly because of unseasonable weather, business activity in this district has continued to decline during the past month, although the rate of decrease has become progressively slower. This slackening was evidenced by a further fall in the production of basic commodities, by a reduction in the number of employees at industrial establishments, and by decreased distribution of goods. At the same time wholesale commodity prices have continued to fall, and the demand for bank credit has lessened. Short time interest rates are easy, and are lower than they were a month ago.

The policy of ordering in small amounts and for prompt shipment continues in practically all industries, and in order to prevent the accumulation of stocks, many manufacturers have curtailed production. As a result, consumption and output in many industries are more closely balanced than they were a month ago. Such a condition is found in the iron and steel industry, in which declining business has been accompanied by a sharp reduction of operations. Although certain types of fabricated steel have been selling rather actively, most iron and steel products are in no better demand than they were last month. With one or two minor exceptions, no improvement is evident in the market for textiles, and operations have been curtailed further. Hides are not moving as well as they were a month ago, and leather and leather products are in dull request. Paper, tobacco leaf, bituminous coal and the various building materials are also in poor demand. The estimated value of building permits issued in 15 cities of the Third Federal Reserve District during May was \$16,363,575, a decrease of \$11,861,598 from April and \$2,327,464 below the figure for May, 1923. Despite rainfall in May and June, which retarded the development of many crops, agricultural conditions continue favorable.

The distribution of goods, as measured by the volume of wholesale and retail trade, was less than in May, 1923. Retail trade was 2.4 per cent below that of a year ago, but this decline is attributable in great part to the exceptionally bad weather that prevailed. Of the eight wholesale lines reporting to this Bank, sales in May were smaller in all cases than in May, 1923, and in only three lines were they larger than in April.

Freight car loadings, however, showed the usual seasonal increase in May and early June, but they are not as large as they were a year ago. Much of the decline in freight car loadings, as compared with last year, is due to decreased shipments of coal and ore, as up to the present the movement of manufactured goods has been well maintained.

According to the reports received from 1,041 industrial establishments in Pennsylvania, New Jersey and Delaware the number of wage earners on the pay-rolls fell off 3.7 per cent between March and April, and total wages paid declined 5.1 per cent. Preliminary reports for the period ending June 15 indicate that these movements have continued, and that especially large declines in employment have taken place at silk and other textile mills and at metal manufacturing plants.

Prices, as measured by the index of the Bureau of Labor Statistics, declined from 148 in April to 147 in May, continuing the movement that started late in 1923. Lower quotations for farm products and metals were chiefly responsible for the falling off, although practically all the groups included in the index contributed to the decline. Since June 1, prices of pig iron, electrolytic copper, and raw cotton, silk, and wool have tended downward, but quotations on corn and wheat have advanced. Interest rates have continued to fall, as is indicated by the rates for prime commercial paper which, between May 20 and June 20, declined from  $4\frac{1}{4}$  to  $3\frac{3}{4}$ -4 per cent.

### **EMPLOYMENT AND WAGES**

The number of wage earners on the pay-rolls of over 1,000 industrial establishments in Pennsylvania, New Jersey and Delaware declined 3.7 per cent from April to May, a larger reduction than in any other month during the past year. Total wages paid fell off more than 5 per cent, and average weekly earnings, 1.5 per cent. Inasmuch as only 12 firms reported decreases in rates of pay affecting only 1,267 workers it is evident that the loss in average earnings indicates a further curtailment in working hours. Employment in these establishments is now nearly 10 per cent less than it was in the late fall of 1923.

**EMPLOYMENT AND WAGES  
IN PENNSYLVANIA, NEW JERSEY AND DELAWARE**

Group and Industry	Number of plants reporting	Number of wage earners— week ended			Total weekly wages— week ended			Average weekly earnings— week ended		
		May 15, 1924	April 15, 1924	Per cent change	May 15, 1924	April 15, 1924	Per cent change	May 15, 1924	April 15, 1924	Per cent change
<b>All industries (48)</b> .....	<b>1,041</b>	<b>384,315</b>	<b>399,077</b>	<b>- 3.7</b>	<b>\$10,068,478</b>	<b>\$10,612,501</b>	<b>- 5.1</b>	<b>\$26.20</b>	<b>\$26.59</b>	<b>- 1.5</b>
<b>Metal manufactures:</b>	348	185,417	195,819	- 5.3	5,156,144	5,578,567	- 7.6	27.81	28.49	- 2.4
Automobiles, bodies, and parts.	22	6,714	7,184	- 6.5	193,979	210,938	- 8.0	28.89	29.36	- 1.6
Car construction and repair.	14	15,071	14,931	+ 0.9	422,425	429,380	- 1.6	28.03	28.76	- 2.5
Electrical machinery and apparatus.	39	16,664	17,417	- 4.3	410,562	435,161	- 5.7	24.64	24.98	- 1.4
Engines, machines, and machine tools.	38	12,911	13,577	- 4.9	372,855	381,638	- 2.3	28.88	28.11	+ 2.7
Foundries and machine shops.	72	15,228	15,532	- 2.0	440,373	461,259	- 4.5	28.92	29.70	- 2.6
Heating appliances and apparatus.	18	5,952	6,098	- 2.4	184,629	195,399	- 5.5	31.02	32.04	- 3.2
Iron and steel blast furnaces.	12	14,327	14,938	- 4.1	407,651	427,281	- 4.6	28.45	28.60	- 0.5
Iron and steel forgings.	12	4,736	4,970	- 4.7	125,218	141,429	-11.5	26.44	28.46	- 7.1
Steel works and rolling mills.	48	48,457	52,894	- 8.4	1,335,913	1,506,086	-11.3	27.57	28.47	- 3.2
Structural iron works.	11	2,888	2,815	+ 2.6	78,185	74,907	+ 4.4	27.07	26.61	+ 1.7
Miscellaneous iron and steel products.	47	27,338	28,603	- 4.4	761,423	811,815	- 6.2	27.85	28.38	- 1.9
Shipbuilding.	9	11,432	12,805	-10.8	315,826	385,458	-18.1	27.63	30.10	- 8.2
Non-ferrous metals.	6	3,699	4,055	- 8.8	107,105	117,816	- 9.1	28.96	29.05	- 0.3
<b>Textile products:</b>	253	67,840	70,254	- 3.4	1,411,963	1,497,545	- 5.7	20.81	21.32	- 2.4
Carpets and rugs.	15	4,073	4,374	- 6.9	96,996	112,924	-14.1	23.81	25.82	- 7.8
Clothing.	36	5,816	5,957	- 2.4	105,288	106,169	- 0.8	18.10	17.82	+ 1.6
Hats, felt and other.	7	5,107	5,181	- 1.4	108,967	112,955	- 3.5	21.34	21.80	- 2.1
Cotton goods.	24	6,442	7,083	- 9.0	141,614	157,874	-10.3	21.98	22.29	- 1.4
Silk goods.	68	16,292	16,900	- 3.6	321,776	342,632	- 6.1	19.75	20.27	- 2.6
Woolens and worsteds.	32	12,098	12,483	- 3.1	230,467	248,251	- 7.2	19.05	19.89	- 4.2
Knit goods and hosiery.	46	10,163	10,262	- 1.0	210,967	211,086	- 0.1	20.76	20.57	+ 0.9
Dyeing and finishing textiles.	17	5,733	5,874	- 2.4	152,234	158,721	- 4.1	26.55	27.02	- 1.7
Miscellaneous textile products.	8	2,116	2,140	- 1.1	43,654	46,933	- 7.0	20.63	21.93	- 5.9
<b>Foods and tobacco:</b>	89	26,332	26,887	- 2.1	605,184	607,942	- 0.5	22.98	22.61	+ 1.6
Bakeries.	21	4,765	4,836	- 1.5	127,698	127,409	+ 0.2	26.80	26.35	+ 1.7
Canneries.	7	2,748	2,768	- 0.7	59,156	59,093	+ 0.1	21.53	21.35	+ 0.8
Confectionery and ice cream.	21	5,165	5,315	- 2.8	109,023	109,828	- 0.7	21.11	20.66	+ 2.2
Slaughtering and meat packing.	13	2,644	2,808	- 5.8	74,206	75,217	- 1.3	28.07	26.79	+ 4.8
Sugar refining.	4	4,316	4,294	+ 0.5	134,489	132,887	+ 1.2	31.16	30.95	+ 0.7
Cigars and tobacco.	23	6,694	6,862	- 2.4	100,612	103,508	- 2.8	15.03	15.08	- 0.3
<b>Building materials:</b>	80	26,329	26,357	- 0.1	768,187	773,651	- 0.7	29.18	29.35	- 0.6
Brick, tile, and terra cotta products.	22	3,520	3,547	- 0.8	94,223	94,620	- 0.4	26.77	26.68	+ 0.3
Cement.	15	7,894	7,777	+ 1.5	228,846	224,364	+ 2.0	28.99	28.85	+ 0.5
Glass.	27	9,786	9,972	- 1.9	278,409	285,466	- 2.5	28.45	28.63	- 0.6
Pottery.	16	5,129	5,061	+ 1.3	166,709	169,201	- 1.5	32.50	33.43	- 2.8
<b>Chemicals and allied products:</b>	74	29,651	29,931	- 0.9	893,235	890,881	+ 0.3	30.12	29.76	+ 1.2
Chemicals and drugs.	39	7,415	7,907	- 6.2	195,848	212,235	- 7.7	26.41	26.84	- 1.6
Explosives.	10	2,528	2,543	- 0.6	66,571	72,993	- 8.8	26.33	28.70	- 8.3
Paints and varnishes.	13	1,429	1,456	- 1.9	39,294	39,146	+ 0.4	27.50	26.89	+ 2.3
Petroleum refining.	8	16,996	16,744	+ 1.5	558,788	527,558	+ 5.9	32.88	31.51	+ 4.3
Coke.	4	1,283	1,281	+ 0.2	32,734	38,949	-16.0	25.51	30.41	-16.1
<b>Miscellaneous industries:</b>	197	48,746	49,829	- 2.2	1,233,765	1,263,915	- 2.4	25.31	25.37	- 0
Lumber and planing mill products.	8	2,313	2,279	+ 1.5	47,620	49,740	- 4.3	20.59	21.83	- 5.7
Furniture.	22	3,029	3,107	- 2.5	74,293	78,709	- 5.6	24.53	25.33	- 3.2
Musical instruments.	6	8,872	9,201	- 3.6	242,839	241,393	+ 0.6	27.37	26.24	+ 4.3
Leather tanning.	36	8,073	8,262	- 2.3	208,809	216,273	- 3.5	25.87	26.18	- 1.2
Leather products.	7	353	386	- 8.5	6,995	8,432	-17.0	19.82	21.84	- 9.2
Boots and shoes.	28	5,415	5,779	- 6.3	97,755	106,960	- 8.6	18.05	18.51	- 2.5
Paper and pulp products.	23	5,486	5,602	- 2.1	139,974	145,099	- 3.5	25.51	25.90	- 1.5
Printing and publishing.	24	3,869	3,688	+ 4.9	126,101	121,139	+ 4.1	32.59	32.85	- 0.8
Rubber tires and goods.	19	5,283	5,353	- 1.3	141,926	143,855	- 1.3	26.86	26.87	- 0
Novelties and jewelry.	11	2,926	3,008	- 2.7	67,855	72,483	- 6.4	23.19	24.10	- 3.8
All other industries.	13	3,127	3,164	- 1.2	79,598	79,832	- 0.3	25.46	25.23	+ 0.9



The largest declines in both employment and earnings occurred in the metal manufacturing and textile products groups. Of the 21 industries in these two groups 19 reported reductions in working forces and 17 reported smaller per capita earnings. Automobile factories, machinery plants, forging shops, rolling mills, shipyards and plants producing non-ferrous metal products reported the most important declines in the metal manufacturing group. Among the textile industries carpet and rug mills and cotton, silk and woolen and worsted mills all showed material losses in employment and in per capita earnings.

Curtailment of operations in most of the other industries included in the survey was less pronounced than in the metal and textile groups. With few exceptions the foods and tobacco and building material industries reported only minor losses in employment, while per capita earnings increased in most cases. Chemical and drug, boot and shoe and leather products factories reduced their working forces more than 6 per cent during the month and earnings in each of these industries were also smaller. The table on page 4 shows the changes in employment and wages in the principal industries of the three states.

### FINANCIAL CONDITIONS

Declining loans, lower money rates, and an active market for investments were the principal features of financial operations during the past month. Moreover, reports on debits to individual accounts at banks in 18 cities of the Third Federal Reserve District are now beginning to reflect the falling off in general business. The total of these debits for the four weeks ended June 18 was \$1,986,000,000, a decline of 4.5 per cent from the figures of a year ago.

From a high point for 1924 of 364.0 millions on April 9, the commercial loans of reporting member banks in the Third Federal Reserve District tended slowly downward to 356.4 millions on June 4, but rose in the succeeding week to 359.9 millions. This latter figure compares with 356.1 millions a year ago. Secured loans amounted to 289.9 millions in the first report for May, but had receded to 280.7 millions by June 11. Investments increased slightly, the tendency, as in recent months, being to dispose of Government issues and purchase other securities, probably because of the higher rate of return obtainable on the latter. Total deposits changed little.

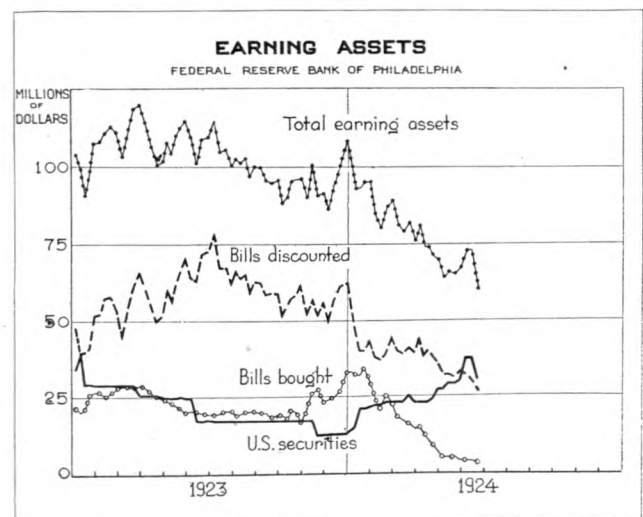
It was noted last month that the total of bills discounted held by the Federal Reserve Bank of Philadelphia on May 21—31.3 millions—was lower than at any time since April, 1919. The four weeks following brought further reductions, and on June 18 the amount under discount was only 26.3 millions. Changes in other items during recent weeks, however, were minor.

Comparisons of the principal items with those of preceding periods follow:

### BANKING STATISTICS Federal Reserve Bank of Philadelphia

All figures in millions of dollars except last item	June 18, 1924	Changes since		
		May 21, 1924	Jan. 2, 1924	June 20, 1923
<b>Earning assets:</b>				
Bills discounted . . . . .	26.3	-5.0	-28.7	-45.2
Other . . . . .	33.7	-.2	-13.0	-3.6
<b>Total . . . . .</b>	<b>60.0</b>	<b>-5.2</b>	<b>-41.7</b>	<b>-48.8</b>
<b>Federal reserve note cir-</b>				
<b>culation . . . . .</b>	<b>185.6</b>	<b>-.7</b>	<b>-32.9</b>	<b>-15.8</b>
Total deposits . . . . .	119.2	-1.2	-3.3	+6.6
Cash reserves . . . . .	262.6	-.8	+4.0	+42.7
Reserve ratio . . . . .	86.1%	+.2%	+10.3%	+16.1%

Material changes in the rates for money have taken place within the past month. On June 18 the Federal Reserve Bank of Philadelphia reduced its rediscount rate on paper of not more than 90 days' maturity from 4½ per cent to 3½ per cent. Other reserve banks recently reduced their rates. At this time (June 20) the Boston and New York reserve banks also have a 3½ per cent rate; in the Chicago, Cleveland, Atlanta, Richmond, St. Louis, and San Francisco districts the rate is 4 per cent; and in the other—4½ per cent. Commercial paper is now selling, for the most part, at 3¾ and 4 per cent, as against 4¼ per cent a month ago; the offering



Holdings of discounted bills have declined more or less steadily since July 1923, reflecting less dependence upon the reserve bank by the member banks. On June 18, 1924, discounts were lower than at any time since 1918.

Source—Federal Reserve Bank of Philadelphia

rate for 90-day bankers' acceptances has been reduced from 3 per cent to  $2\frac{1}{4}$  per cent; and call money, which ruled at 3 per cent a month ago, now brings only 2 per cent.

The bond market, in particular, has been stimulated by the plenitude of funds and transactions in the week ended June 14, according to the Wall Street Journal, totaled \$123,662,000, as against, \$59,438,000 a year ago. The average price of 40 bonds reached a peak, for the year, of \$90.28 on June 16, a gain of \$3.55 from the low point on January 2. Stock prices, too, have increased during the past month. Averages are given in the table:

	June 19, 1924	May 19, 1924	June 21, 1923
Average of—			
20 industrial stocks.....	\$ 93.79	\$ 89.81	\$92.26
20 railroad stocks.....	85.13	81.88	81.24
40 bonds.....	90.18	88.62	86.55
4 Liberty bonds.....	101.56	100.39	98.14
Call money (ruling rate)...	2%	3%	5%

Source: Wall Street Journal.

Average weekly sales of bankers' acceptances in the Third District by five dealers were much smaller in the period ending June 11 than at any time since this reporting system was started, early in 1922.

**Bankers' acceptances** New bills coming into this market are few and the demand for them is poor. The offering rate for 90-day bills is now  $2\frac{1}{4}$  per cent, as contrasted with 3 per cent a month ago.

Transactions of the dealers are summarized here-with:

#### TRANSACTIONS IN BANKERS' ACCEPTANCES

Weekly average for period ending—	Sales in Third District		Purchases in Third District
	To Federal Reserve Bank	To others	
1924—			
June 11.....	\$ 305,000	\$ 19,000	\$165,000
May 14.....	488,000	68,000	269,000
April 9.....	56,000	463,000	581,000
1923—			
June 13.....	1,514,000	235,000	320,000
1922—			
June 11.....	2,949,000	61,000	827,000

Reports of twelve accepting banks show that \$2,827,000 of bankers' acceptances were executed by them in the month ending June 10. This figure compares with

\$3,108,000 in the preceding month, and \$3,743,000 a year ago.

Savings deposits, as reported by 97 banks in the Third District, declined slightly during May. Increases were reported in most of the cities, but reductions in Philadelphia, Johnstown, Scranton, and Easton were sufficient to carry the total downward. Banks in three additional cities—Allentown, Bethlehem, and Easton—have been added to those previously reporting:

#### SAVINGS DEPOSITS Third Federal Reserve District

Cities	Number of reporting banks	Per cent increase or decrease June 1, 1924 compared with	
		May 1, 1924	June 1, 1923
Allentown.....	9	+ .5	+ 6.7
Altoona.....	5	+1.2	+15.0
Bethlehem.....	4	+ .8	+13.1
Chester.....	5	+ .4	+ 7.5
Easton.....	6	-1.0	+ 8.7
Harrisburg.....	4	+1.5	+ 3.9
Johnstown.....	4	-1.2	+ 6.9
Lancaster.....	3	+1.5	+16.5
Philadelphia.....	9	- .2	+ 6.2
Reading.....	3	+1.1	+10.8
Scranton.....	6	- .8	+ 9.7
Trenton.....	6	+ .4	+ 3.1
Wilkes-Barre.....	5	+ .1	+18.2
Williamsport.....	4	+ .5	+ 2.0
Wilmington.....	5	+ .4	+ 7.5
York.....	5	+2.7	+17.7
Others.....	14	+ .1	+ 7.0
Totals.....	97	- .03	+ 7.3

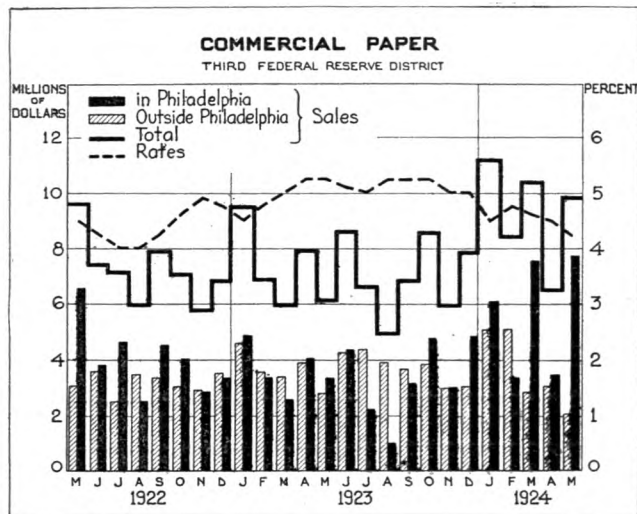
During the early part of June, dealers had a fair list of names, but as the market for call money became even more glutted with funds than it had been, the city banks bought commercial paper more freely, and although the lower rates brought some new paper into the market, the supply of high grade names grew smaller. The class of paper which had been offered at 4 per cent was marked down to  $3\frac{1}{2}$  per cent by most dealers, and banks that had hesitated to purchase at 4 per cent became anxious to buy at that figure, but were not able to obtain the quality of paper they desired. During the third week in June, however, several of the city banks bought at  $3\frac{1}{2}$  and others at  $3\frac{3}{4}$  per cent, but some names not so well known are still passing at 4 and  $4\frac{1}{4}$  per cent. Country banks are buying but little though some sales to them at  $4\frac{1}{4}$  per cent and a few at 4 per cent are reported.

The chart on page 8 shows the sales of commer-

SYNOPSIS OF BUSINESS CONDITIONS						
Compiled as of June 21, 1924			Third Federal Reserve District			
Business	Demand	Prices	Stocks	Labor		Collections
				Supply	Wages	
Bricks	Fair	Unchanged to lower	Moderate	Sufficient	Unchanged to lower	Fair
Chemicals	Weak	Lower	Light	Sufficient	Unchanged	Fair to good
Cigars	Fair to good	Unchanged	Moderate	Sufficient	Unchanged	Fair
Coal, anthracite	Fair to good	Slightly higher	Moderate	Sufficient	Unchanged	Fair
Coal, bituminous	Poor	Unchanged to lower	Heavy	Sufficient	Unchanged	Fair
Coke	Poor to fair	Lower	Moderate	Sufficient	Unchanged	Fair
Confectionery	Fair	Declining	Moderate	Sufficient	Unchanged	Fair
Cotton goods	Poor	Unchanged to lower	Moderate	Sufficient	Unchanged	Fair
Drugs, wholesale	Fair	Slightly lower	Moderate			Fair
Drygoods, wholesale	Poor to fair	Unchanged to lower	Moderate			Fair
Electrical supplies, wholesale	Poor to fair	Unchanged to lower	Moderate			Fair
Floor coverings	Poor to fair	Unchanged	Moderate	Sufficient	Unchanged to lower	Fair to good
Glass	Fair	Unchanged to lower	Moderate to light	Sufficient	Unchanged	Fair to good
Groceries, wholesale	Fair	Firm	Moderate			Fair to good
Hardware, wholesale	Fair	Some declines	Moderate			Fair
Hosiery, full-fashioned	Fair to good	Lower	Moderate	Sufficient	Unchanged	Fair
Hosiery, seamless	Fair	Lower	Moderate	Sufficient	Unchanged	Fair
Iron and steel	Poor to fair	Lower	Moderate	Sufficient	Unchanged	Fair to good
Jewelry, wholesale	Fair	Unchanged	Moderate			Poor to fair
Leather, belting	Fair	Unchanged to lower	Moderate	Sufficient	Unchanged	Fair to good
Leather, heavy	Poor	Barely steady	Heavy	Sufficient	Unchanged	Good
Leather, upper	Poor to fair	Unchanged to lower	Heavy	Sufficient	Unchanged	Good
Lumber	Poor to fair	Unchanged to lower	Moderate to heavy	Sufficient or plentiful	Unchanged	Fair
Oils, crude	Fair to good	Lower	Moderate	Sufficient	Unchanged	Fair to good
Oils, refined	Fair to good	Some advances; some declines	Moderate to heavy	Sufficient	Unchanged	Fair to good
Paint	Fair	Some declines	Moderate to light	Sufficient	Unchanged	Fair
Paper	Fair to poor	Slightly lower	Moderate	Plentiful	Unchanged	Fair
Paper, wholesale	Fair	Slightly lower	Moderate			Fair
Printing and publishing	Fair	Slightly lower		Plentiful	Unchanged	Fair
Pottery	Poor to fair	Generally unchanged	Moderate to light	Sufficient to plentiful	Unchanged	Fair to good
Shoes, manufacture	Poor to fair	Unchanged to lower	Moderate	Sufficient	Unchanged	Fair
Shoes, retail	Fair	Unchanged	Moderate			Fair to good
Shoes, wholesale	Fair	Unchanged to lower	Moderate			Fair
Silk goods	Quiet	Lower	Fairly heavy	Sufficient	Unchanged	Fair
Silk, thrown	Poor	Lower	Fairly heavy	Sufficient	Unchanged	Fair
Tobacco leaf	Fair	Decreasing slightly	Moderate			Fair
Underwear, heavy weight	Irregular	Unchanged	Moderate	Sufficient	Unchanged	Fairly good
Underwear, light weight	Irregular	Unchanged	Moderate	Sufficient	Unchanged	Fairly good
Woolen and worsted goods	Less active	Unchanged	Fairly heavy	Sufficient	Unchanged	Fair to good
Woolen and worsted yarns	Poor	Weak	Moderate	Sufficient	Unchanged	Fair to good



cial paper for the past two years by Philadelphia dealers as reported to this bank and also the prevailing rate for high grade names. Sales have been largest in January and small in August; in 1922, however, the November sales were less than those of August. Rates have ruled at the highest in the autumn.



Commercial paper rates decreased in May to the lowest point since the fall of 1922. In that month sales to Philadelphia banks were larger and to country banks smaller than at any time in the past two years.

Source—Federal Reserve Bank of Philadelphia

In May the sales by five reporting firms in the Third Federal Reserve District totalled \$9,835,000, as compared with \$6,500,400 in April and \$5,467,000 in May, 1923. Philadelphia institutions purchased \$7,645,000 and outside banks \$2,190,000. The range of rates at which paper was sold during May was again a wide one, the low being 4 per cent and the high  $5\frac{1}{4}$  per cent. Of the total less than 3 per cent sold at 4, 5 and  $5\frac{1}{4}$  per cent. More than one-half of the business was at  $4\frac{1}{4}$  per cent and most of the balance at  $4\frac{1}{2}$ , transactions at  $4\frac{3}{4}$  per cent being comparatively small.

No great variations have occurred in the foreign exchange market during the past month, though the principal European currencies were sensitive to the political developments in France incidental to the establishment of a new Government. Sterling fluctuated considerably within a range of 4 cents and is at present quoted at \$4.3304, as compared with \$4.3594 on May 21. The decline is partly attributed to the approach of the time when exporters will offer sterling against fall shipments of grain and cotton. French francs declined during the first part of June but since then considerable improvement has taken place and on June 21 they were quoted at \$.0541. Neither Belgian

### Foreign Exchange

nor Swiss francs are as high as they were a month ago, though the decline has been small. On June 21, the former were listed at \$.0469 and the latter at \$.1774. Italian lire are also slightly lower than they were in May, but they have been fairly steady at \$.0433 since the first of this month. Guilders have been remarkably constant in value and are at practically the same levels as they were a month ago. On June 21 they were quoted at \$.3742. On the other hand Spanish pesetas declined from \$.1385 on May 21 to \$.1343 on June 21, a loss of 42 points. The return of Sweden to the gold standard has greatly stabilized the currency and fluctuations during the past four weeks have been confined to a spread of less than 6 points. On June 21 kroner were listed at \$.2655. Norwegian kroner are not as strong as they were in May. During the month ending June 21, they declined from \$.1392 to \$.1351, a loss of 41 points.

Currencies of the principal South American countries are all lower than they were at this time in May, though in no case has the decline been great. On June 21, Argentine gold pesos were quoted at \$.7400 and Brazilian milreis at \$.1089. Quotations for Chilean pesos strengthened somewhat during the middle of the month but declined on June 21 to \$.1067. A more favorable trade balance has materially improved quotations on Japanese yen and the present value of \$.4108 represents an increase of almost one cent over that recorded on May 21. Canadian dollars are listed at \$.984178, a gain of several points over the quotation a month ago.

### FOREIGN EXCHANGE RATES

Noon cables	Par	June 19, 1924	May 19, 1924	June 19, 1923
London.....	\$4.8665	\$4.3270	\$4.3657	\$4.6241
Paris.....	.1930	.0539	.0553	.0621
Antwerp.....	.1930	.0469	.0472	.0528
Milan.....	.1930	.0433	.0444	.0454
Vienna.....	.2026	.000014	.000014	.000014
Amsterdam.....	.4020	.3742	.3741	.3926
Copenhagen.....	.2680	.1687	.1694	.1791
Stockholm.....	.2680	.2656	.2655	.2655
Madrid.....	.1930	.1343	.1387	.1488
Berne.....	.1930	.1769	.1744	.1797
Buenos Aires.....	.9648	.7380	.7467	.8131
Shanghai.....	.7965	.7141	.7127	.7255

### RETAIL TRADE

The advent of warm weather during the latter half of the month has stimulated retail sales, especially of summer wearing apparel. But advance reports from the majority of stores indicate that the volume of retail trade will not be as large as in June, 1923; because the



**RETAIL TRADE**  
**Third Federal Reserve District**

	Index number (Per cent of 1923 monthly average)	Comparison of net sales		Comparison of stocks		Rate of turnover*	
		May, 1924 with May, 1923	Jan. 1 to May 31, 1924 with Jan. 1 to May 31, 1923	May 31, 1924 with May 31, 1923	May 31, 1924 with April 30, 1924	Jan. 1 to May 31, 1924	Jan. 1 to May 31, 1923
All reporting firms . . . . .	107	- 2.4%	+ 3.5%	+ 1.7%	- 3.8%	3.3	3.4
Firms in—Philadelphia . . . . .	100	- 2.4 "	+ 4.2 "	+ 0.4 "	- 4.4 "	3.8	3.8
—Allentown, Bethlehem and Easton . . . . .	106	- 1.3 "	+ 2.6 "	+ 4.4 "	- 0.9 "	2.2	2.4
—Altoona . . . . .	103	- 9.0 "	- 2.3 "	+ 3.9 "	- 5.1 "	2.6	2.8
—Chester . . . . .	70	-28.1 "					
—Harrisburg . . . . .	108	- 5.2 "	+ 1.5 "	+ 6.2 "	- 2.3 "	2.3	2.5
—Johnstown . . . . .	93	-15.9 "	- 8.7 "	+27.1 "	+ 1.0 "	2.6	3.3
—Lancaster . . . . .	105	+ 0.8 "	+ 3.7 "	- 1.0 "	- 3.6 "	2.6	2.6
—Reading . . . . .	108	+ 4.2 "	+ 3.9 "	- 2.2 "	- 5.0 "	2.2	2.2
—Scranton . . . . .	99	- 9.0 "	+ 3.8 "	+ 5.2 "	- 3.1 "	2.9	3.3
—Trenton . . . . .	101	- 1.1 "	+ 1.3 "	+ 1.3 "	- 2.5 "	2.9	2.9
—Wilkes-Barre . . . . .	121	+ 3.9 "	+ 4.7 "	+ 9.0 "	- 0.7 "	3.1	3.1
—Williamsport . . . . .	96	- 7.3 "	- 2.0 "	+ 2.4 "	- 3.0 "	2.1	2.2
—Wilmington . . . . .	108	- 1.2 "	+ 4.6 "	+ 1.2 "	- 2.3 "	1.9	1.8
—York . . . . .	100	- 2.8 "	+ 1.3 "	- 2.8 "	- 5.0 "	2.5	2.5
—All other cities . . . . .	106	+ 5.0 "	+ 7.7 "	+ 2.3 "	- 4.0 "	2.3	2.2
All department stores . . . . .	98	- 3.0 "	+ 2.6 "	+ 0.7 "	- 3.6 "	3.2	3.3
Department stores in Philadelphia . . . . .		- 3.4 "	+ 0.3 "	- 0.9 "	- 4.1 "	3.6	3.7
Department stores outside Philadelphia . . . . .		- 1.9 "	+ 1.6 "	+ 4.0 "	- 2.7 "	2.5	2.6
All apparel stores . . . . .	111	+ 3.1 "	+11.0 "	+ 9.4 "	- 5.4 "	4.3	4.4
Men's apparel stores . . . . .	93	- 5.3 "	+ 2.7 "	+12.6 "	- 3.0 "	2.3	2.5
—in Philadelphia . . . . .		- 5.9 "	+ 0.8 "	+15.9 "	- 3.8 "	2.6	2.9
—outside Philadelphia . . . . .		- 4.7 "	+ 4.6 "	+ 9.8 "	- 3.3 "	2.0	2.1
Women's apparel stores . . . . .	126	+10.2 "	+16.9 "	+ 6.3 "	- 5.8 "	6.5	6.1
—in Philadelphia . . . . .		+14.1 "	+19.4 "	+ 8.7 "	- 5.9 "	7.1	6.6
—outside Philadelphia . . . . .		- 8.9 "	+ 3.2 "	- 1.8 "	-12.4 "	4.8	4.6
Credit houses . . . . .	105	- 6.5 "	+ 0.8 "	+ 5.1 "	- 5.0 "	2.4	2.6
Shoe stores . . . . .	113	- 5.3 "	+ 5.6 "	+ 2.1 "	- 0.1 "	3.5	3.4

\* Times per year based on cumulative period.

depressed condition of business and the increase of unemployment are causing consumers to buy cautiously. This is particularly noticeable in industrial centers, although reports from all cities state that price is more of a factor in sales than it has been for the past several years. Unseasonably cool and rainy weather in the early part of the month also caused a slowing up of retail sales.

A downward trend is still noticeable in the prices of most textile products, but declines are most pronounced in spring and summer merchandise, which is now being offered to retailers at considerably lower prices than sixty days ago. Silk goods, knitted woolen sweaters and capes, carpets and rugs, gloves and silk hosiery are the items most affected. Imported fancy goods, such as beaded bags and beaded necklaces, are also offered at concessions in price, as are domestic and imported fancy woolen suits. Furniture prices show little change.

Retail sales in this district during May were 2.4 per cent smaller than those of May, 1923, and were con-

siderably behind those for April. Women's apparel stores were the only group whose sales exceeded those of May, 1923, the increase being 10.2 per cent. Department store sales were 3.0 per cent less, men's apparel, 5.3 per cent smaller, and credit houses, 6.5 per cent less, than in May, 1923. Apparently the unseasonable weather of May did not greatly affect sales of women's apparel.

### WHOLESALE TRADE

Prices at wholesale have been more stable than in recent months; and except for a few seasonal advances in some grocery articles the changes recorded are downward. None of the declines is large, however, though quotations for silk hosiery have fallen to the lowest point in several years. Preliminary estimates indicate that sales in most wholesale lines will be smaller in June than they were in June, 1923.

In May, sales in all of the eight reporting lines were less than in May, 1923, and, with the exception of groceries, hardware and jewelry, were not as large as

**WHOLESALE TRADE**  
**Third Federal Reserve District**

	Percentage of increase or decrease in								
	Net sales May 1924 compared with		Stocks May 1924 compared with		Accounts outstanding May 1924 compared with		Ratio of accounts outstanding to sales		
	April 1924	May 1923	April 1924	May 1923	April 1924	May 1923	May 1924	April 1924	May 1923
Boots and shoes .....	-30.5%	-23.2%	- 3.1%	-10.8%	- 8.3%	- 6.3%	288.4%	217.8%	236.9%
Drugs .....	- 4.7 "	- 0.8 "	+ 6.9 "	-12.8 "	- 3.7 "	+ 1.0 "	142.3 "	139.7 "	135.8 "
Dry goods .....	- 3.1 "	-16.9 "	- 4.0 "	+ 3.2 "	- 2.1 "	- 8.1 "	263.4 "	260.8 "	238.2 "
Groceries .....	+ 6.7 "	- 2.2 "	- 4.1 "	+ 8.6 "	+ 1.2 "	- 1.4 "	107.3 "	112.4 "	106.3 "
Hardware .....	+ 0.4 "	- 8.3 "	- 3.0 "	+ 7.7 "	- 2.0 "	+ 0.5 "	167.6 "	170.3 "	151.5 "
Jewelry .....	+ 2.4 "	-13.7 "	+15.3 "	+ 3.1 "	+ 4.3 "	+ 6.1 "	365.6 "	357.5 "	299.7 "
Paper .....	- 3.8 "	-12.5 "	+ 1.1 "	+ 4.5 "	- 0.5 "	- 4.0 "	146.0 "	141.2 "	133.0 "
Electrical supplies .....	-14.3 "	-12.5 "	+ 3.8 "	-10.6 "	- 3.1 "	-10.4 "	158.8 "	140.4 "	155.2 "

in April. Collections too are poorer in all lines than they were a year ago and only in groceries and hardware have they improved as compared with the previous month.

The trend in stocks is not as marked as that of sales and collections. In four lines they are larger than they were a month before and in four smaller; and as compared with those of May 31, 1923, stocks in five lines were heavier, but those of shoes, drugs and electrical supplies were lighter.

Indications are that sales of shoes at wholesale will be smaller in June than they were in June, 1923. The dulness which was noted in May

**Shoes** has continued and conditions show but little change. If, however, the latter part of the month should be warm and clear, wholesalers expect that retailers, who have allowed stocks to become depleted, will buy freely and sales may be large enough to offset the early slackness. Patent leather shoes for women and tennis shoes have been active. Nearly all the sales made are for immediate shipment but a few houses report some transactions for September, October and November delivery.

The buying policy of wholesalers is the same as last reported and purchases for the autumn are considerably smaller than they were a year ago. Some buyers have become more interested of late and a few early orders have undoubtedly been given, but the great bulk of the business remains to be placed. No general decrease in the price of shoes is noted but slight concessions have been granted in a number of cases.

During May, sales decreased 30.5 per cent from those of April and were 23.2 per cent less than in May, 1923. Stocks show a small decrease as compared with last month and last year, but collections have become slower, the ratio of accounts outstanding to sales rising from 217.8 on April 30 to 288.4 on May 31. It was 236.9 on May 31, 1923.

Little if any improvement in the wholesale drygoods trade is shown by the preliminary reports on June business received by this bank.

**Drygoods**

As is to be expected at this season, however, the number of orders booked for early autumn delivery has increased, but it is still true that the great bulk of the buying is in small lots for prompt delivery. Prices are about stationary except for hosiery which again declined, lower quotations having been named for silk, silk and fibre and cotton lines. Hosiery, wash goods, notions, laces and underwear are the articles for which the best demand is noted.

Wholesalers continue to buy with great caution and almost without exception the statements show that purchases for next autumn's trade are smaller than they were at this time in 1923.

During May, sales were 3.1 per cent less than in April and decreased 16.9 per cent from those of May, 1923. Stocks on May 31 were smaller by 4.0 per cent than on April 30, but were 3.2 per cent heavier than on May 31, 1923. Last month stocks were larger by 10.3 per cent than they had been a year previous, this shows that efforts towards the reduction of stocks have been successful. Collections have not improved, the ratio of accounts outstanding to sales being 263.4 on May 31, 260.8 on April 30, and 238.2 on May 31, 1923.

Sales of jewelry during early June are reported to be smaller than they were last year, with demand only fair. Some reports state that diamonds are selling better and

**Jewelry**

that the request for watches remains good. Very little buying, however, is recorded for future delivery, for retailers, as is usual when prices are without change, see no reason to stock up. Wholesalers, too, state that their purchases are smaller than at this time last year.

In the past two years May sales have been larger

than those of April and this year they also increased, but the gain was less, being only 2.4 per cent. As compared with those of May, 1923, they were 13.7 per cent smaller. Collections are slower, the ratio of accounts outstanding to sales being 365.6 on May 31, 357.5 on April 30, and 299.7 on May 31, 1923. Stocks are heavier by 15.3 per cent than they were a month before and by 3.1 per cent than they were on May 31, 1923.

The net sales of 32 hardware firms in the Third Federal Reserve District were .4 per cent greater in May than they were during April, but were 8.3 per cent less than in May, 1923. Our index of hardware

### Hardware

sales, based on the average monthly sales in 1923, stood in May at 101, which was the same as the number in the preceding month, but 14 points below the figure for May, 1923. The demand for hardware is only fair and is not as good as it was at either this time last month or a year ago. Building materials and farm hardware compose the majority of shipments.

Prices in many instances are lower than they were a month ago. As compared with those at this time last year, they are in every case either unchanged or lower. A record of stocks compiled by us from monthly reports of wholesale dealers in the district discloses that during May supplies on hand were 3 per cent smaller than they were in April, but 7.7 per cent larger than in May of last year. Collections are only fair. The ratio of accounts outstanding to sales was 167.6 in May as against 170.3 in April and 151.5 in May, 1923.

The wholesale drug market is less active than it was in May and sales are about on a par with those of June, 1923. Patent medicines, toilet articles, and staples form the bulk of the present demand. Botanical

drugs are in fair request, but prices are slightly lower than they were a month ago, although they display an upward tendency. Drugs and fine chemicals are also a trifle cheaper than at the close of May and are in fair demand. The following table shows the price indexes of 40 botanical drugs and of 35 drugs and fine chemicals as compiled by the "Oil, Paint and Drug Reporter."

	Price index of 40 botanical drugs		Price index of 35 drugs and fine chemicals	
	1924	1923	1924	1923
May 26.....	139.5	145.2	200.3	171.6
June 2.....	136.8	141.3	200.3	172.2
June 9.....	131.8	141.1	200.1	182.2
June 16.....	136.8	139.9	199.5	183.7

In May wholesale drug sales were 4.7 per cent smaller than in April, and 0.8 per cent less than in May,

1923. Stocks at the close of May were slightly smaller than at the end of April and considerably smaller than at the close of May, 1923. The ratio of accounts outstanding to sales was 142.3 in May, as compared with 139.7 in April and 135.8 in May, 1923.

Business in electrical supplies has not improved during the past month; reports received by this bank state that sales are either unchanged or smaller and that trade is considered either poor or fair. Prices generally are unchanged but some quotations are lower. Mills' supplies for cement and brick manufacturers are in fair request and supplies of wiring devices and household appliances are moving to builders and dealers. Collections are fair.

Sales during May were lower by 14.3 per cent than in April and by 12.5 per cent than in May, 1923. Collections are slower, as is shown by the ratio of outstanding accounts to sales, which was 158.8 on May 31, 140.4 on April 30, and 155.2 on May 31, 1923. Stocks increased during May and were 3.8 per cent heavier on May 31 than on April 30; they were smaller, however, by 10.6 per cent than on May 31, 1923.

Wholesalers report that sales are smaller than they were in May or in June, 1923. In general, business is barely fair, newsprint being the only important grade of paper that is in good demand. The call

### Paper

for book and fine papers is fair, but not as heavy as it was last month. Cardboards, box cover papers and some grades of wrapping paper are selling slowly, as are most paper boards. Prices in the open market display considerable weakness although most contract prices are firm. Jobbers' stocks are moderate and about the same in size as a month ago. Collections are fair, but a trifle slower than they were last month.

May sales were 3.8 per cent smaller than in April and 12.5 per cent less than in May, 1923. The ratio of accounts outstanding to sales was 146.0 in May, as compared with 141.2 in April and 133.0 in May, 1923.

The demand for groceries is fair and about the same as it was last month. Sugar, beverages, 1923 pack canned fruits and vegetables, preserving jars, and staples constitute the bulk of present sales.

### Groceries

The volume of future delivery orders for canned goods, which are now being solicited by the jobbers, compares favorably with the amount of orders received a year ago. Prices are practically unchanged, as about the same number of commodities have advanced as have declined. Sugar, dried fruits, canned milk, and sardines are cheaper than they were a month ago; but butter, eggs, canned fruits, rice and flour are higher. Jobbers' stocks are smaller than they were a month ago, but are about the same as they were in June, 1923.

Sales of groceries at wholesale in May were 6.7 per cent larger than in April, but 2.2 per cent less than in



May, 1923. The ratio of accounts outstanding to sales decreased from 112.4 in April to 107.3 in May.

### CONFECTIONERY

Most manufacturers of candies report that the demand is not as good as it was in June, 1923, and that the usual seasonal dulness, which is experienced each summer, is more pronounced than it was a year ago. Retailers and jobbers are purchasing very closely and recent price cuts made by many manufacturers have further retarded buying. The new tax law as passed at the last session of Congress, provides for the discontinuance of the excise tax upon candies on July 1, but many manufacturers have already reduced prices and will absorb the tax themselves until it is removed. All manufacturers of hard candies state that their sales are not as large as they were last June and the same condition is reported by the majority of makers of chocolates and chocolate-coated candies. In a few cases, however, where manufacturers have opened additional sales territory, business has been slightly larger than it was a year ago. Makers of bar chocolate, baking chocolate, and cocoa, however, report that the demand is good and slightly greater than it was in June, 1923, although not as heavy as it was last month. The average of factory operations in this district is about 60 per cent of capacity. All factories are operating on a hand to mouth basis and none of the manufacturers reporting to us has more than one week's business on hand.

Candy prices are weak and show a downward trend. Many manufacturers have lowered their prices, the reductions varying from 5 to 8 per cent. Bar chocolate and cocoa prices, however, are firm. Sugar is considerably cheaper than it was a month ago and about 15 per cent lower than on May 1. Glucose also shows slight weakness but most other raw materials are unchanged in price.

Finished stocks at the factories are moderate and stationary; this is also true of supplies of raw materials. The supply of skilled and unskilled labor is ample and wages are unchanged. Collections are fair, but not as good as they were a year ago.

### BUILDING

Fifteen cities in the Third Federal Reserve District report that during May, 4,254 building permits were issued representing a total estimated cost of \$16,363,575. Though the number of permits granted was only 306 smaller than in April, the total cost was less by \$11,861,598. Most of the decline occurred in Philadelphia where the total cost during the month amounted to \$10,940,375, a loss of \$8,005,885 from the figure in the preceding month. On the other hand, the number of permits issued in that city increased from 1,582 to 1,735, a gain of 153. In May, 1923, 4,100 permits were issued in the entire district at a total estimated cost of \$18,917,274, of which 1,566 at a value of \$12,709,660

were taken out in Philadelphia. In Allentown, Altoona, Atlantic City, Camden, Harrisburg, Lancaster, Reading and Wilkes-Barre, the estimated cost was less than in April, but in Williamsport, York, Scranton and Trenton it was greater. In Wilmington and Bethlehem both the number of permits granted and the estimated cost were larger than in the preceding month.

On June 1, the building cost index compiled by the Aberthaw Company stood at 199, a decline of 1 point from the figure for May 1.

Partly on account of the inclement weather during the first half of June, the call for bricks has been barely fair and at present is not as good as it was at this time last month or a year ago. Unfilled orders are somewhat smaller than they were in May and of those now on the books the greater part are for delivery within 60 days though some are for up to and beyond 90 days. Few manufacturers are running at full time and some plants are closed down altogether. The average rate of those reporting to us is approximately 57 per cent of capacity, which is lower than it was a month ago. Orders on hand will insure the maintenance of present production schedules for from 1 to 3 months, the average period being close to 7 weeks.

Prices are inclined to be weak and quotations on some grades of common and face bricks are lower than they were a month ago. Some refractories report that, though prices of fire bricks are unchanged from those quoted in May, they are far from firm. Resistance to present prices of building bricks is attributed in part to the increasing use of substitute materials and to the fact that considerable supplies of old bricks are available, particularly in Philadelphia. In this market on June 21, face bricks were quoted at from \$28 to \$40 per thousand. Stocks of both finished bricks and raw materials are moderate and for the most part stationary though supplies of the former show a tendency to increase.

The supply of both skilled and unskilled workers is sufficient and in several instances plentiful. A few reductions in wages of both classes occurred during the month. Collections are fair and are much the same as they were a month ago but are not as satisfactory as they were at this time last year.

The demand for lumber is from poor to fair and is not as strong as it was this time last month or a year ago. The call for hardwoods, in general, is moderate, but lately there has been an increase in the number of requests for floorings. Spruce, hemlock and cypress in the cheaper grades are moving rather slowly. Yellow pine is in better request than it was a month ago, but there has been little if any improvement in the demand for white pine. Practically all manufacturers



**BUILDING PERMITS**  
Third Federal Reserve District

	May, 1924			May, 1923			January to May, inclusive			
	Permits	Operations	Estimated cost	Permits	Operations	Estimated cost	1924		1923	
							Number	Estimated cost	Number	Estimated cost
Allentown.....	114	168	\$501,975	114	137	\$352,115	488	\$2,503,300	445	\$2,766,620
Altoona.....	275	287	389,556	253	259	365,763	898	1,637,721	837	1,619,302
Atlantic City...	178	178*	374,157	180	180*	1,086,982	821	2,469,569	1,314	5,091,707
Bethlehem.....	71	71*	278,581	69	69*	226,235	223	681,580	199	744,362
Camden.....	169	173	249,235	115	172	1,143,725	595	2,061,759	424	4,324,187
Harrisburg.....	80	100	297,425	111	122	267,050	446	3,665,665	445	4,296,175
Lancaster.....	123	135	176,350	144	189	435,925	487	2,580,305	446	1,555,460
Philadelphia....	1,735	2,731	10,940,375	1,566	2,298	12,709,660	6,767	61,459,605	5,980	66,808,220
Reading.....	355	358	383,677	405	456	591,975	1,279	2,949,327	1,419	2,675,905
Scranton.....	231	231*	762,090	210	210*	351,852	775	2,189,725	626	1,711,760
Trenton.....	267	293	597,470	223	284	714,017	976	2,495,839	725	3,340,068
Wilkes-Barre....	202	202*	500,058	159	159*	254,777	694	1,766,522	486	1,213,214
Williamsport....	140	140*	205,932	149	175*	34,942	484	550,427	366	609,682
Wilmington.....	160	160	432,087	130	130	231,977	532	2,040,702	496	1,733,615
York.....	254	254	274,607	272	272	150,279	862	1,018,879	739	1,215,755
Total.....	4,354	5,481	\$16,363,575	4,100	5,112	\$18,917,274	16,327	\$90,070,925	14,947	\$99,706,032

\* Operations not reported.

**NEW BUILDINGS AND ALTERATIONS**

	1924						1923					
	New Buildings			Alterations			New Buildings			Alterations		
	Permits	Operations	Estimated cost	Permits	Operations	Estimated cost	Permits	Operations	Estimated cost	Permits	Operations	Estimated cost
Allentown.....	79	133	\$463,475	35	35	\$38,500	92	115	\$298,915	22	22	\$53,200
Altoona.....	104	116	318,412	171	171	71,144	94	100	322,620	159	159	43,143
Camden.....	66	70	193,170	103	103	56,065	68	125	1,126,450	47	47	17,275
Harrisburg.....	67	85	285,650	13	15	11,775	91	102	251,500	20	20	15,550
Lancaster.....	55	67	103,845	68	68	72,505	62	107	380,625	82	82	55,300
Philadelphia....	941	1,917	10,238,070	794	814	702,305	817	1,518	12,053,200	749	780	656,460
Reading.....	103	106	288,527	252	252	95,150	106	157	442,675	299	299	149,300
Trenton.....	241	267	528,680	26	26	68,790	196	256	702,978	27	28	11,039
Williamsport....	54	54	170,803	86	86	35,129	66	75	29,035	83	100	5,907
Wilmington....	124	124	398,729	36	36	33,358	94	94	213,873	36	36	18,104
York.....	93	93	228,307	161	161	46,300	76	76	84,125	196	196	66,154

and dealers reporting to us state that prices are weak and lower than they were a month ago. Although there have been no drastic reductions in quotations, purchasers have been able to obtain sizable concessions from time to time. Stocks of finished lumber in the hands of both manufacturers and dealers are described as either moderate or heavy, but supplies of raw materials in the hands of the former are moderate and stationary. Unfilled orders now on the books are somewhat smaller than they were at this time last month and of these the greater part are for delivery within 60 days. There are none for shipment beyond 90 days. Manufacturers reporting to this bank consider from 50 to 60 hours a week as their operating capacity, but the average rate at which they are running is less than 80

per cent of full time. Unfilled orders being prepared will insure the continuance of present schedules for from 30 to 60 days. The supply of both skilled and unskilled labor is either sufficient or plentiful and no wage changes have been reported during the month.

Collections, though fair, are not as prompt as they were in May or at this time last year.

At times during the past month, the call for paint has been fairly good, but on other occasions the demand has been scarcely fair. Generally speaking, however, it has not been as strong as it was at this time last month or a year ago. Recently the demand for colors in oil strengthened, but the call for dry pigments has been rather light. Lithopone and litharge

have been moving in fairly substantial volume, the bulk of which was composed of contract deliveries.

Several declines in prices have occurred during the month, chief among which have been in those of dry colors, litharge and red lead. Quotations for lead pigments are at practically the same levels as those listed a month ago, notwithstanding a recent reduction in the price of pig lead. On June 21 linseed oil was quoted at 94 cents per gallon for carload lots in cooerage, which was the same as the spot price listed four weeks ago. Manufacturers reporting to us state that stocks of both finished goods and raw materials are fairly light and are decreasing. Of orders now on the books very few are for delivery beyond 60 days and, as the average rate of operations is estimated to be about 60 per cent of capacity, the filling of these orders will not insure the maintenance of the present rate for much longer than one or two weeks. Manufacturers say that from 50 to 52½ hours per week is regarded as full running time.

The supply of both skilled and unskilled workers is sufficient and no wage changes have been reported during the month. On May 15, 1429 employees were on the payrolls of 13 paint and varnish establishments in this district, a decline of 1.9 per cent from the number of workers employed on April 15. Total weekly wages paid increased from \$39,146 on the latter date to \$39,294 on the former. Collections are fair and are about the same as they were a month ago and in June, 1923.

Closely following present market conditions in the building industry, there has been a slackening in the demand for pottery during the past month and the call is now, in several cases, even poor. On

### **Pottery**

the other hand, one manufacturer of plumbing earthenware states that the demand for his product is still good even though requests have not been as numerous as they were a month ago. Practically all are agreed that the market during June, 1923, was in a considerably more active condition than it has been during the current month. Most of the orders now on the books are for delivery within 60 days though a substantial number are for shipment up to and beyond 90 days.

Prices are in most instances firm and unchanged from those prevailing at this time last month, but some weakness resulting from competition is reported. This fact is especially true in cases in which new business is being solicited and considerable resistance to present prices has resulted. Quotations for raw materials are firm and, in a few cases, are slightly higher than they were a month ago. Stocks of finished goods are moderate or light and are increasing, though a few firms carry no stocks whatever as they manufacture only on order. Supplies of raw materials are either moderate or light and are for the most part stationary.

Manufacturers from whom we receive reports variously estimate the number of working hours considered as weekly capacity to be from 44 to 144, but the average is not over 50 hours per week. On that basis the average rate of present operations is close to 74 per cent of maximum output. Unfilled orders are smaller than they were a month ago, but a sufficient number yet remain to insure the maintenance of present operating schedules for from three weeks to the balance of the year, with an average period of about 10 weeks. The supply of both skilled and unskilled labor is either sufficient or plentiful and wages are the same as they were a month ago.

Collections are fairly good and, though not quite as satisfactory as they were at this time last month, are as prompt as they were in June, 1923.

### **IRON AND STEEL**

Expectations of a more favorable outlook in the iron and steel industry, which were commented upon by observers a month ago, failed to materialize, and the situation, with a few exceptions, is no better than it was in May. The demand for pig iron and iron and steel castings is characterized as little better than poor, but manufacturers of the latter products are considerably encouraged because of the increasing number of inquiries from railroad and automobile interests. Iron bars are moving slowly and the call is less than it was a month ago. The demand for crude steel, too, is poor, but a fair call for scrap is reported, though orders received are nearly all for small quantities. On the other hand, plates and structural shapes are moving somewhat more briskly than they were at this time last month, most of the deliveries being made to building contractors. Rolled steel bars and forgings are in poor request and the call for these is noticeably lighter than it was four weeks ago. Similarly, no improvement is apparent in the market for light and heavy hardware or for machinery and tools, and such orders as have been placed are for immediate shipment and represent, for the most part, urgent needs. Railroads are taking only moderate quantities of steel rails and railroad spikes. The most favorable outlook in the industry is in the fabricated steel market. The demand from bridge and oil interests is stronger than it has been for several weeks. But many miscellaneous articles such as ball bearings, pumps, sheet steel articles, steel shelvings, and charcoal iron boiler tubes are in poor or only fair request.

Prices are, in many instances, weak and lower than they were a month ago. Some manufacturers have been willing to sacrifice profits in order to keep their plants running and, as this policy makes for concessions in price, very few quotations can be classed as particularly firm. The "Iron Age's" composite price index of finished steel fell from 2.639 cents per pound on May

20 to 2.603 cents per pound on June 17, a decrease of 36 points. A similar computation of pig iron prices revealed that during the same period the index declined from \$21.04 to \$20.13 per ton, a reduction of 91 cents. The present composite price of the latter product is the lowest in more than two years. Quotations for Philadelphia 2X pig iron declined twice during the month and on June 17 were listed at \$21.76 per ton, representing a reduction of \$1.00 from the price quoted on May 20.

Production continues to decline, though the curtailment program has not been as drastic as it was during May. In that month the daily average rate of output of steel ingots was 24 per cent less than in April. Production of pig iron also fell off but not as abruptly. During May, output of pig iron totalled 2,615,110 tons, as compared with 3,233,428 tons in April, a decline of 618,318 tons or about 19.1 per cent. Unfilled orders of the United States Steel Corporation fell from 4,208,447 tons on April 30 to 3,628,089 tons on May 31. This reduction of 580,358 tons brings the total for May down to the lowest level since October, 1914. Last month four more furnaces were blown out in this district leaving only 26 in the blast out of a total of 61. The industry as a whole is estimated to be operating at not more than 50 per cent of capacity.

weekly wages paid declined from \$1,506,086 to \$1,335,913 in the same period. In the accompanying chart is shown the number of wage earners and total wages paid in 40 identical plants each month since January, 1923.

Collections are much the same as they were a month ago and may be described as fairly good.

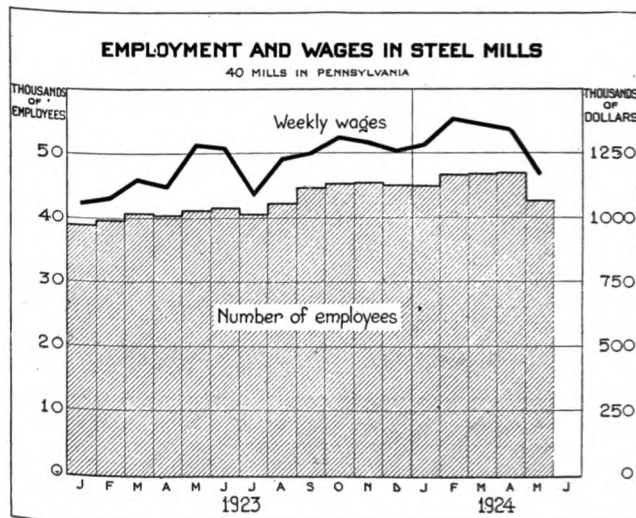
Reports received from 45 iron foundries in the Third Federal Reserve District show that production in May was 10 per cent less than in April, the largest falling off being reported by gray iron foundries.

Shipments and unfilled orders also declined, both in value and tonnage. Stocks of pig iron and scrap were slightly heavier in May than in April. Shipments of gray iron castings by 26 identical firms manufacturing this product exclusively amounted to 3,431 tons valued at \$472,007 in April and to 3,349 tons valued at \$462,194 in May. Calculated on this basis the average value per ton was \$137.57 in April and \$138.01 in May. The accompanying table shows the totals for April and May in the principal operating items for the 45 reporting foundries with a monthly capacity of 14,804 tons.

## IRON FOUNDRY OPERATIONS

### Third Federal Reserve District

	April	May	Change
Capacity of furnaces.....	14,804 tons	14,804 tons	0
Production of castings.....	7,612 "	6,851 "	-10.0%
Malleable iron.....	1,002 "	982 "	-2.0 "
Gray iron.....	6,610 "	5,869 "	-11.2 "
Jobbing.....	4,409 "	3,989 "	-9.5 "
For further manufacture.....	2,201 "	1,880 "	-14.6 "
Shipments of castings.....	5,142 "	4,638 "	-9.8 "
Value of shipments.....	\$807,755	\$749,543	-7.2 "
Unfilled orders.....	6,602 tons	6,001 tons	-9.1 "
Value of unfilled orders.....	\$1,127,877	\$1,078,351	-4.4 "
Raw stock.....			
Pig iron.....	9,048 tons	9,122 tons	+ .8 "
Scrap.....	3,624 "	3,777 "	+ 4.2 "
Coke.....	2,366 "	2,361 "	- .2 "



Total weekly wages paid by 40 Pennsylvania mills have declined since February and in May was less than at any time since July, 1923. Employment showed a large decline in May after an almost steady increase for the past year and a half.

Source—Federal Reserve Bank of Philadelphia

The supply of both skilled and unskilled labor is sufficient and, on account of the restricted schedules of operation, is in some instances plentiful. On May 15, 48,457 employees were on the payrolls of 48 steel works and rolling mills in this district, a reduction of 8.4 per cent from the number employed on April 15. Total

In our second month's survey of the steel foundry industry in this district we publish comparative figures for the principal operating items

**Steel foundries** of five identical establishments with a monthly steel making capacity of 4,150 tons. Production increased less than 1 per cent while tonnage shipments were 7 per cent larger than in April. The value of castings shipped, however, showed a reduction of more than 20 per cent. Unfilled orders, both in tonnage and value, were larger in May than in April. Stocks of both pig iron and scrap were considerably reduced in May.



## STEEL FOUNDRY OPERATIONS

## Third Federal Reserve District

	April	May	Change
Capacity of furnaces.....	4,150 tons	4,150 tons	0
Production of steel castings.	2,356 "	2,373 "	+ .7%
Shipments.....	2,189 "	2,347 "	+ 7.2 "
Value of shipments.....	\$473,855	\$378,742	-20.1 "
Unfilled orders.....	4,118 tons	4,310 tons	+ 4.7 "
Value of unfilled orders...	\$680,125	\$788,974	+16.0 "
Raw stock:			
Pig iron.....	2,108 tons	1,148 tons	-45.5 "
Scrap.....	6,372 "	3,966 "	-37.8 "
Coke.....	596 "	712 "	+19.5 "

## COAL

There has been some slackening in the demand for anthracite during the past month but this was expected since for obvious reasons the market ordinarily quiets down to some extent at this season. On

**Anthracite**

the other hand, some companies report that the call for stove sizes continues to be fairly strong, and some contracts for substantial tonnages have been signed for fall delivery. As has been the case for several months, steam sizes are moving slowly owing in great part to competition with bituminous.

On June 1 prices of stove sizes were advanced from 10 to 15 cents following the customary procedure in the summer months. In Philadelphia, Company stove coal is now quoted at from \$8.85 to \$9.00 per ton and egg sizes, from \$8.80 to \$8.85 per ton. Quotations for barley are unchanged at \$1.50 per ton.

In the week ending May 31, production of anthracite declined on account of the observance of Memorial Day, but since then output has again increased and in the week ending June 7 was almost as great as at any time last month. In the table below figures are given showing output in tons for each of the past five weeks and for the corresponding five weeks of last year.

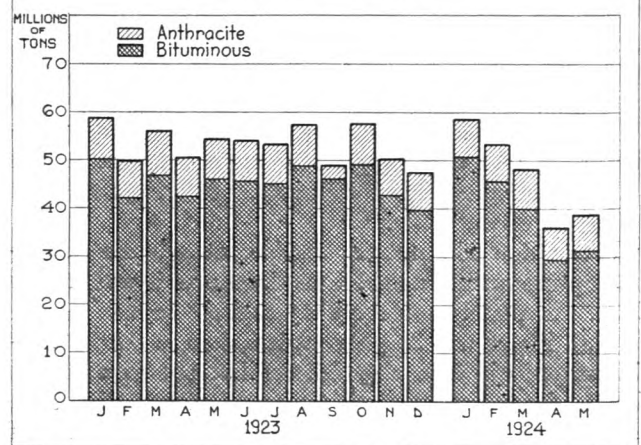
## PRODUCTION OF ANTHRACITE\*

Week ending	1924	1923
May 17.....	1,898,000 net tons	2,045,000 net tons
May 24.....	1,850,000 " "	1,956,000 " "
May 31.....	1,294,000 " "	1,606,000 " "
June 7.....	1,846,000 " "	2,046,000 " "
June 14.....	1,823,000 " "	2,053,000 " "

\*Compiled by the Geological Survey.

Operators reporting to this bank are running at very close to capacity and, in general, the supply of both miners and miners' helpers is adequate.

## COAL PRODUCTION



Production of both anthracite and bituminous in January was large but since that month bituminous output has been sharply curtailed.

Source—U. S. Geological Survey

Only a slight improvement in demand for bituminous coal is apparent over that during May and the call for all grades is far from satisfactory.

**Bituminous**

The majority of deliveries are being made to public utilities and railroads, though tonnages taken by the latter have not been as substantial as they were a year ago. The belief is expressed in one quarter that railroad interests are delaying their purchases and drawing on reserve stocks as a measure of economy incidental to the falling off of freight and passenger traffic. Then, too, the reduced production schedules of many coal consuming industries have made it possible for them to stay out of the market longer than usual.

## PRODUCTION OF BITUMINOUS\*

Week ending	1924	1923
May 17.....	7,031,000 net tons	10,270,000 net tons
May 24.....	7,163,000 " "	11,049,000 " "
May 31.....	6,699,000 " "	10,091,000 " "
June 7.....	7,373,000 " "	10,676,000 " "
June 14.....	6,999,000 " "	10,573,000 " "

\*Compiled by the Geological Survey.

Spot prices are slightly lower than they were at this time last month and are from 25 to 50 cents below contract quotations. In Philadelphia the spot price of Pool 10 coal is now from \$1.70 to \$2.00 which is the same as it was a month ago, but in instances in which large tonnages are involved, concessions are not uncommon. Production seems to have found a level between



6 and 7 million tons per week which is substantially less than it was a year ago, as will be seen in the table on the preceding page, which gives figures showing output in tons for each of the past five weeks and for the same periods in 1923. The low output during the week ending May 31 was due to the occurrence of Memorial Day.

Many mines are closed down entirely and in no case are collieries reporting to us operating at more than 60 per cent of capacity. It is doubtful if the average rate of operations in this district exceeds 40 per cent of full running time. As is to be expected, there is a surplus of both miners and miners' helpers.

As long as production of iron and steel continues to decline no improvement can be expected in the coke market. Demand is light and, even though output has been considerably restricted in the past

### Coke

few weeks, production is still in excess of consumption. This has brought about a decline in prices of both foundry and furnace grades. On June 17 furnace coke was quoted at \$3.25 per ton and foundry grades at \$4.50 per ton, representing a reduction of 25 cents in the price of the latter grade from the quotation listed on May 20.

In the week ending May 31, which included Memorial Day, output of beehive coke declined to a low level of 135,000 tons, but during the following week it recovered somewhat. The total for the week ending June 14 was the lowest in many months. The present rate of production is about 40 per cent less than the average rate in 1923. In the table below figures are presented showing output in tons for each of the past five weeks. For purposes of comparison the totals for each of the five corresponding weeks of the year before are also shown.

#### PRODUCTION OF BEEHIVE COKE\*

Week ending	1924	1923
May 17.....	182,000 net tons	411,000 net tons
May 24.....	157,000 " "	415,000 " "
May 31.....	135,000 " "	395,000 " "
June 7.....	151,000 " "	405,000 " "
June 14.....	131,000 " "	406,000 " "

\*Compiled by the Geological Survey.

The output of by-product coke has not declined as sharply as has that of beehive. During the month of May the total production of by-product coke was 2,786,000 tons or 224,000 tons less than that of April, but was only 11 per cent below the monthly average production for 1923.

### OILS

General opinion seems to be that the refinery demand for Pennsylvania crude oil is somewhat lighter than is usual at this season of the year, but one large producer in this district says that

#### Crude and refined

the call at present is heavier than during any similar season for years past. The chief reason for this, he continues, is that there has been an extensive advertising campaign advocating one hundred per cent use of Pennsylvania oil products. The demand for many refined oils is not as good as was expected but is better than it was a year ago. The late spring, attended by extremely unsettled weather, has had an unfavorable effect on the markets for gasoline and lubricating oil, which depend to a large extent on the automobile trade. Sales of the latter product have been curtailed somewhat by the decline in industrial activity. The call for kerosene is rather dull, as is usually the case at this season, and fuel oil is not moving as well as it did a few months ago, partly for seasonal reasons and partly because cheap coal has created considerable competition. The demand for wax, on the other hand, increased noticeably after the end of the first quarter, and according to one refiner this is the outstanding feature of the petroleum market at this time. The call for asphalt fell off on account of the rainy weather.

During the first half of May, prices of Pennsylvania crude oils were reduced 25 cents per barrel and are now quoted at from \$3.75 to \$4.25 per barrel at the wells. Quotations on most refined products have changed very little if at all since the first part of February. Prices of gasoline are slightly lower than they were a year ago but quotations for kerosene are higher. Fuel oils rose somewhat in price at the beginning of the second quarter but quotations for lubricating oils declined, though they still are higher than they were a year ago. Prices of wax have fallen to some extent since the middle of May. In this market on June 16 the tank wagon prices of gasoline and kerosene were 20 cents and 14 cents, respectively.

#### PRODUCTION OF PETROLEUM\*\*

Month	1924	1923
February.....	55,454,000 barrels*	48,413,000 barrels
March.....	59,729,000 " "	56,132,000 " "
April.....	59,194,000 " "	58,133,000 " "

\* Barrels of 42 United States gallons.  
\*\* Compiled by the Geological Survey.

Since February, production of petroleum in the entire United States has increased substantially and is now greater than it was in December of last year.

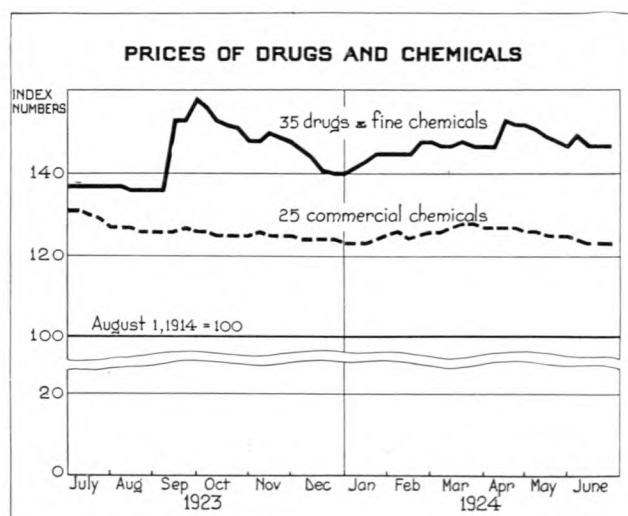
Output in the Pennsylvania field also increased from 558,000 barrels in February to 628,000 barrels in March, and again to 659,000 barrels during April. The table on page 17 gives the monthly production of petroleum in the whole country during the last three months for which figures are available. Figures for the corresponding three months of the preceding year are also shown.

Local producers store only comparatively small quantities of crude oil for their own account but stocks held by them are beginning to increase as the season advances. Refiners report that supplies of gasoline had been accumulating up to the first of May but since then have decreased somewhat. Stocks of fuel oil are from moderate to fairly heavy but those of wax, asphalt, and kerosene are either moderate or light. Operations are at a fairly high rate and the supply of labor is adequate. Collections are in the main satisfactory but are not quite as prompt as they were a year ago.

### CHEMICALS

Keen competition, present depression in some of the principal consuming industries, and weakness in prices have continued to affect the market for heavy chemicals in this district during the past month. The bulk of business has been for spot delivery, although some dealers report that they have orders on their books for September shipment. Since mills are restricting their orders to small quantities, sufficient only to cover their immediate requirements, withdrawals on old contracts are not satisfactory. In consequence, new contracts, especially in bleaching powders and chlorines, are limited, and are usually made at lower figures than last year. Demand for alkalis and bichromate of soda, potash and oil chemicals is especially dull, owing primarily to the drastic recession in textile and leather trades. While charcoal and wood alcohol are reported to be selling slightly better than other wood chemicals, business in methanol, acetate of lime, and tar is very slow. Nor is there any pronounced improvement in the market for phosphates, potashes, and nitrogenous materials, the buyers of which, particularly of nitrate of soda, are delaying their purchases. Although the present market for dyestuffs and intermediaries is less active than last month, trading in dry pigments, such as lithopone, appears to show a slight improvement. During the past month paper, plate glass, and table glass industries offered a fair demand for chemicals, but makers of bottleware continued inactive. The situation in barium products remains somewhat unsettled, though there seems to be some offerings of imported material at concessions.

Aside from the usual routine trading, conditions in fine chemicals are equally quiet, and prices remain unchanged. Dealers' stocks of finished goods are light and stationary, and supplies of raw materials



Commercial chemicals have been much steadier in price during the past year than have drugs and fine chemicals.

Source—Oil, Paint and Drug Reporter

are generally moderate and easily obtainable. Chemical plants in this district are operating at about 50 to 60 per cent of single shift capacity, and the supply of labor is adequate. While total weekly wage payments from April 15 to May 15 increased 0.3 per cent, the average weekly earnings increased 1.2 per cent during the same period.

Principally because of sharp competition and dullness in the market, quotations on both heavy and light chemicals are generally lower than they were a month ago, and buyers continue offering firm resistance to prices. The foregoing chart shows, however, that quotations for industrial chemicals on June 16, 1924, were 23 per cent higher than those on August 1, 1914, and on drugs and fine chemicals during the same period they rose 47 per cent.

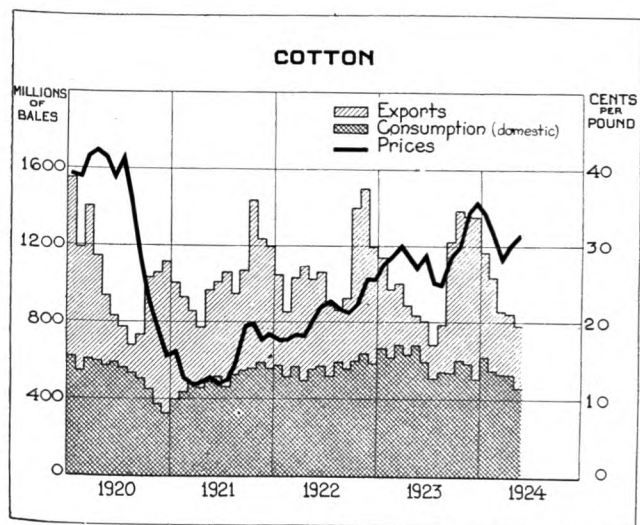
Collections in this district are on the whole satisfactory.

### COTTON

The effect of the drastic curtailment in production in the cotton mills of the United States is seen in the consumption figures issued by the Bureau of the Census on June 14. These figures show that in April 480,010 bales were consumed and in May only 413,649 bales; but the most striking comparison is that with May, 1923, when the consumption figure was 620,854 bales. At that time about 5,000,000 more spindles were in operation than were used this year. Exports, on the other hand, continue to show an increase as compared with 1923, and the figures for May were 326,357 bales as against 160,358 bales in the previous year.

The accompanying chart depicts the domestic and export demand for American cotton during the years

since 1919 and the price of spot cotton at New York in that period. The latter part of 1920 was a period of extreme liquidation of all merchandise, but since then the trend of cotton prices has been almost steadily upward, and the advance was particularly marked in the latter part of the years 1921, 1922 and 1923.



Sources—Cotton Facts, Journal of Commerce, Department of Commerce

In the accompanying table is shown the position of the last crop as compared with that of the two previous years. As a market factor, the lack of demand by American mills continues to offset both the present short supply of cotton and the unusually poor condition of the new crop on May 25, as shown by the Government report issued on June 2. This is indicated by quotations for spot cotton in New York, which fell by June 9 to 28.85 cents after remaining fairly steady between May 21, when the quotation was 32.50 cents, and June 2, the day of the Government report, when it was 32.75 cents. Another confirmation of the lack of home market demand is the reduction during the month of about 175 points in the premium of the July over the October option in New York. Since June 9 a slightly improved demand for cotton goods has been reflected in a stronger raw cotton market, spot cotton advancing to 29.65 on June 21.

Since the date of the report the weather has on the whole been more favorable for the growth of the crop, and some private reports have increased their estimates of acreage planted.

Production of cotton goods has decreased further during the month, but this curtailment has not been as general as in the previous month.

**Cotton goods** In fact, several firms state that their operations are larger than they were a month ago; these firms, however, make specialties such as surgical supporters and trusses. A

#### SUPPLY AND TAKINGS OF AMERICAN COTTON\*

In bales	Season of 1923-1924	Season of 1922-1923	Season of 1921-1922
Visible supply, American, at end of previous season (July 31).....	869,968	1,968,159	4,112,651
Crop in sight, American, on June 20.....	10,976,537	10,826,714	10,330,597
Total.....	11,846,505	12,794,873	14,443,248
Visible supply, American, on June 20.....	1,322,092	1,221,364	2,687,773
World's takings of American to June 20.....	10,524,413	11,573,509	11,755,475

\* Figures compiled by the New York Cotton Exchange.

number of reports, too, state that production is unchanged.

The National Association of Finishers of Cotton Fabrics reports to the Federal Reserve Board that identical factories in the Third Federal Reserve District operated during May at 71 per cent of their total average capacity as against 76 per cent in April. In these factories the billings during May totalled 7,078,049 yards of white goods and 5,142,631 yards of dyed goods as compared with 6,429,698 yards of white goods and 5,769,535 yards of dyed goods in April.

Prices have declined slightly, but on this point also the statements received are by no means uniform and a good proportion report that their quotations have not changed. The demand continues poor and it is doubtful whether it is large enough to absorb even the present production, although many of the reports received indicate that stocks of finished goods are not increasing. An equal number of firms describe them as heavy, as moderate, and as light.

Since the first week in June sales appear to have increased slightly in some lines, among which are sheetings and grey goods, and a number of good sized orders were booked, but the prices obtained were unsatisfactory. Turkish towels, too, are a trifle more active but upholstery tapestries, curtains and table covers show little or no improvement.

The survey of employment and wages made by this bank shows that in 24 plants making cotton goods the number of employees decreased 9.0 per cent between the week of April 15 and that of May 15 and that total weekly wages paid were 10.3 per cent less in the latter period. Average weekly earnings, however, were only 1.4 per cent lower. These figures indicate that the curtailment in production was accomplished largely through a reduction in the working force and that those retained were working on about the same schedule as formerly.



Collections are unchanged from the previous month and in a majority of the reports are classed as fair.

## WOOL

Conditions in the Philadelphia market for raw wool continue quiet, and prices are tending downward.

### Raw wool

Current orders are limited mostly to quantities sufficient to cover the immediate needs of manufacturers of yarns and goods, as the demand for these products is dull. What trading is being done locally is reported to have favored for the most part such better grades of wools as three-eighths and quarter-bloods, and to some degree medium grades. Because of the reduced operations in worsted mills, some dealers find a slight scarcity of noils, with a consequent firmness in prices. But the demand for carpet wool in this district is especially quiet, chiefly because the makers of carpets are meeting with poor business and are either closing down their plants or are drastically curtailing their production. Supplies of most wools here are limited, and receipts of the new wool, which has recently begun to come in, are not large.

Contracting for the new clip wools in the west is now less active than it was a month ago. According to information received lately by the Department of Agriculture there seems to have been some tendency on the part of the western growers to resist the decline in prices but recent buying indicates that the western growers are willing to grant concessions in order to sell their wools rather than hold them or ship them on consignment. Largely because of the present contraction in business and weakness in prices, the Eastern market for western wools does not seem to offer any great encouragement at this time, even in the face of the openings in the heavy-weight season.

Quotations are now on a lower level than they were a year ago, and buyers are generally resisting prices. As is shown by Dun's index of ninety-eight quotations, prices for raw wool averaged 77.34 cents per pound on June 14 in contrast with 83.93 cents per pound last year. And the last auction sales in London show that the foreign situation has been somewhat irregular, with prices receding, the chief weakness being in the finer grades of wools, both merinos and cross breeds. But the disparity between foreign and domestic markets still prevails, as is evidenced by the re-exportations of the lower grades of wool, which, however, have not been as large as last year. Imports of wool into this country were smaller than in the preceding month or a year ago, the prices abroad being relatively higher than at home. During May imports amounted to 17,353,190 pounds, as compared with 29,456,578 pounds in April and 47,172,652 pounds a year ago.

Collections in the Philadelphia market appear to be satisfactory.

Poor business in woolen and worsted goods has continued to depress the market for yarns and, as compared

### Woolen and worsted yarns

with the previous month, demand for both weaving and knitting yarns shows no improvement. In most cases mills making carpets are operating on short time and some plants have been closed down. As a result, producers are making only small specifications for yarn on old contracts and new business with the carpet trade is limited. Manufacturers of knit goods, men's wear, and dress goods have curtailed operations drastically with the result that current consumption of yarns is relatively small. Moreover, buyers show little inclination to anticipate their future requirements of yarn. In consequence most spinners find that sales are unsatisfactory and that the bulk of the business on their books is for delivery during the next sixty days.

A few concerns, however, by granting reductions in price have been able to book considerable business for future shipment.

Rather than accumulate stocks of yarn, spinners have restricted production. Curtailment has increased during the past month and the majority of producers are running at less than 60 per cent of single-shift capacity. Wool consumption in this district, which declined nearly 18 per cent during April, showed a further decrease of 20.8 per cent during May, as shown by returns from 79 establishments in this district. Stocks of yarn are for the most part moderate, and supplies of raw material are fairly light. Returns indicate that the supply of labor exceeds the demand.

Collections, in general, are fair though in some cases they are reported to be poor. They are not as prompt as they were last month or a year ago.

Current demand for woolen and worsted fabrics is, on the whole, unsatisfactory. With manufacturers the

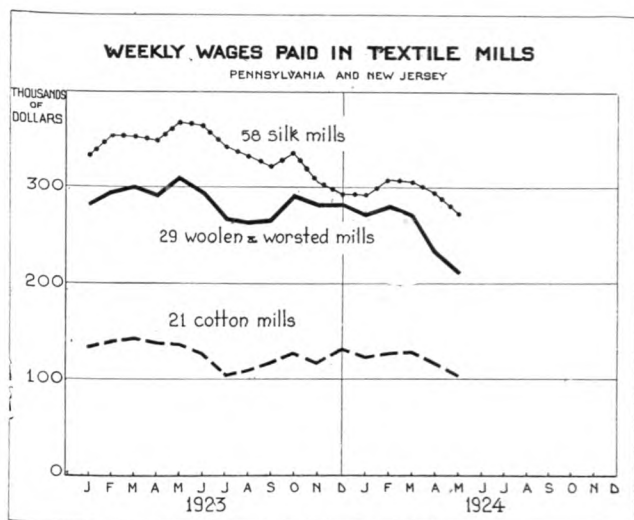
### Woolen and worsted goods

light weight season is now practically over and this is partly responsible for present quiet conditions in the market for piece goods. But in spite of the fact that initial business in heavy weight fabrics was disappointing, duplicate orders have been few. Buyers have preferred not to anticipate their future requirements and, as in other branches of the textile trade, most of the orders on the books of producers are for delivery during the next sixty days. Manufacturers find that demand is less active than either last month or a year ago, though in a few cases reports indicate that buyers have displayed more interest than they did during May. Business in men's wear has probably been somewhat better than that in dress goods. By experimenting with various cloths, however, at least one enterprising maker of women's cloakings in this district has produced a fabric which has apparently met with favor among buyers. Woolen cassimeres are in dull request but some producers have been able to



utilize most of their equipment without accumulating finished goods.

The majority of mills, however, have curtailed operations drastically, and in several cases manufacturers are running at only from 10 to 30 per cent of single-



Curtailment in textile mill operations is indicated by the considerable reduction in the wage total paid by establishments in Pennsylvania and New Jersey.

Source—Federal Reserve Bank of Philadelphia

shift capacity. The supply of labor is plentiful. Returns from 32 establishments making woolen and worsted products in Pennsylvania and New Jersey show that average weekly wages have decreased sharply since March and that total wages paid during the first five months of 1924 were considerably smaller than during a similar period last year. This is indicated by the foregoing chart 1. Notwithstanding curtailment, demand as a rule has not kept pace with production and stocks of finished goods in the hands of producers are reported to be fairly heavy. Supplies of raw material are moderate and are tending to decrease. Prices for raw material are somewhat lower than in May.

As compared with last month, quotations on finished goods, though weak, remain substantially unchanged. It is reported, however, that concessions are obtainable and a few concerns have actually reduced prices. Resistance to quotations on the part of buyers is strong. Collections vary but in general they are satisfactory, though not as prompt as a year ago.

**SILK**

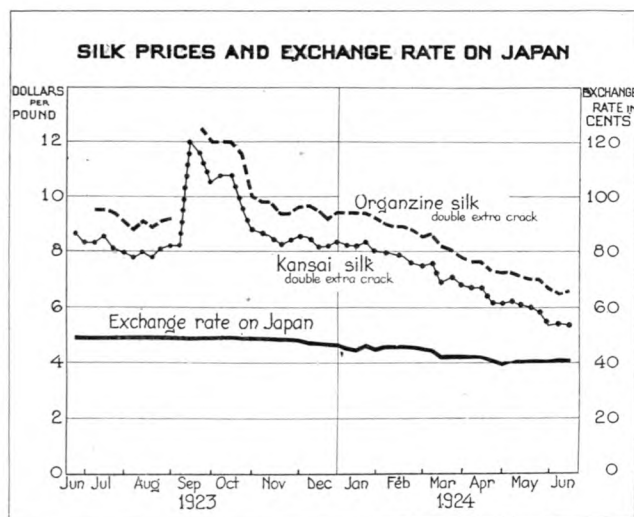
Coincident with the general slump in business, activity in the domestic market for raw silk has been restricted. Manufacturers of silk goods have displayed great caution in making future commitments for raw material and the orders placed have been

**Raw silk**

chiefly to cover their current requirements. This is not unusual, however, in view of the continued slow movement of finished goods and the steady decrease in quotations on raw silk. That prices have declined more or less steadily since the latter part of 1923 is indicated by the accompanying chart. Kansai double-extra cracks dropped from \$10.50 per pound on October 1 to \$8.20 on January 2 and on June 9 the quotation reached \$5.20 per pound, the lowest level since 1917.

Weakness in raw silk has been largely due to inactivity in the domestic market but fluctuations in yen exchange have also exerted some influence on prices. Since last October rates on yen exchange have declined about 18 per cent while quotations on silk have dropped almost 50 per cent. Recently the yen has recovered somewhat but prices for raw silk have failed to advance.

Depression in the domestic silk industry is reflected by statistics of the Silk Association of America. During the first five months of this year deliveries of raw silk to American mills were 14.1 per cent less than during the same period in 1923, and imports were 12.4 per cent smaller. Both imports and deliveries to mills increased during May, but the former showed a greater gain than the latter with the result that stocks in warehouses increased somewhat. Supplies of raw silk in the hands of manufacturers are fairly light but stocks at Yokohama are reported to be considerably larger than they were a year ago.



During the present year the decline in silk prices has been accompanied by a falling off in the Japanese exchange rate.

Sources—Silk Market Weekly Digest, Journal of Commerce

As in most other textiles, business in broad silks has continued relatively quiet. Fall lines have been opened by some concerns at prices considerably lower than a year ago but advance orders are limited. Buyers as a rule have preferred to purchase only such

**Silk goods**

goods as are needed immediately or in the near future. In consequence, spring and summer goods are in best demand, although these, too, have moved but slowly. The cold and unseasonable weather has been blamed to some extent for present slack sales of silk goods, particularly of georgettes. Most of the demand is for piece-dyed fabrics; and the various crepes and wash silks, are probably selling most actively at the present time. Business in yarn-dyed goods has been comparatively dull, but recently one large producer has noticed improvement in the call for satin-faced goods, such as charmeuse, and for taffetas. Demand for narrow ribbons has continued better than that for the wide varieties, but orders for the former are only for small quantities. Reports indicate that there has been a somewhat stronger request for prints.

Owing to the reluctance of merchants to order goods in advance and to the unsatisfactory spot sales, the majority of mills have restricted production and for the most part are running only from 40 to 60 per cent of capacity. As is indicated by the chart on page 21, monthly wages paid to wage earners in 58 plants in Pennsylvania and New Jersey have decreased steadily since January and the total for the first five months of this year was 16.5 per cent less than during a like period in 1923. Labor, both skilled and unskilled, has been in plentiful supply. Stocks of finished goods in weavers' hands are still fairly heavy, but supplies of raw materials are rather light and in the majority of cases they are decreasing.

Because of lower prices for raw silk and dull business in finished goods, quotations on silk fabrics have continued weak. During the past month most producers have made reductions which in some cases have amounted to five or ten per cent. Collections, in general, are fair. Makers of ribbons, however, find that they are not as prompt as last month or a year ago.

Although one or two throwsters in this district have enjoyed a fair request for their products, business in thrown silk is for the most part poor. Both commission and independent throwsters reporting to this bank indicate that demand is less active than either last month or a year ago. The present unsatisfactory situation has been largely due to dulness in silk goods and to the downward trend of quotations on raw silk, but the general depression in the textile industry has also had a sympathetic effect upon the market for thrown silk. Buyers lack confidence in the future and as has been the case for some time they have purchased little thrown silk in excess of their immediate needs.

Quotations on thrown silk have been weak and irregular. As is shown in the accompanying chart, prices for orgazine double-extra cracks fell from about \$9.35 per pound in January to \$5.35 on June 20, a decrease

of about 42.8 per cent. A number of throwsters have reduced quotations during the past month. Some of the reasons given by throwsters for the steady decline in prices are lack of business, keen competition, and weakness in raw silk.

Operations in mills making thrown silk have been reduced. Most of the throwsters in this district are operating at less than 60 or 70 per cent of capacity and a few are running as little as a third of their equipment. Unfilled orders show a decrease as compared with last month and at the present rate of production they will insure operations for only from one to four weeks. Stocks of thrown and raw silk in the hands of throwsters are reported to be fairly light. The supply of labor is sufficient.

Collections, which are not as prompt as a year ago, are for the most part fair, though in a few cases they are not satisfactory.

## HOSIERY

Reports from hosiery manufacturers indicate that business has become decidedly spotty, and that those mills which are making novelties for men, women or children are enjoying the best trade. Considered as a whole, however, the market is less active than it has been in recent months, notwithstanding the fact that sales for export are said to have increased. The call for full-fashioned silk hosiery for women has slackened but some mills are busy and report a good demand for medium and light weights. The flesh colors continue to sell best and, as is to be expected at this season, white hosiery is in increased request. For men's wear, specialties of silk and of mixtures of silk and fibre are in fair demand. For misses and children, fancy mercerized  $\frac{7}{8}$  length stockings are selling better than any others and several mills making these report that they are not only working night and day shifts but have a considerable volume of orders booked ahead. Infants' hosiery is usually offered at this season for next year's delivery but up to the present few mills have shown their new lines.

The trend of prices continues downward, although a number of manufacturers state that their quotations are unchanged as compared with those of a month ago. Nearly all hosiery made either wholly or in part of pure silk has been reduced in price because of the lower cost of hosiery tram, which has fallen about 10 per cent during the month.

Operations in 336 identical mills in the United States, summarized in the accompanying table, show that production decreased in April as compared with March, but that orders booked during the month were larger during April. On April 30 unfilled orders also showed an increase as compared with the previous month but stocks of finished hosiery were smaller.

## HOSIERY INDUSTRY\*

## United States

In dozen pairs	March	April
<b>Production:</b>		
Full-fashioned, men .....	83,444	77,741
Seamless, men .....	1,897,116	1,723,955
Full-fashioned, women .....	603,601	601,654
Seamless, women .....	1,112,052	1,040,107
Boys' and misses', all styles .....	597,541	514,253
Children's and infants', all styles .....	465,027	434,428
Athletic and sport, all styles .....	28,141	18,303
Total production .....	4,786,822	4,410,441
Total shipments during month .....	4,622,280	4,340,774
Total finished products on hand, end of month .....	8,920,866	8,874,765
Total orders booked during month .....	3,851,480	4,347,463
Total cancellations received during month .....	241,929	210,294
Total unfilled orders on hand, end of month .....	7,424,870	7,461,477

\*Compiled by the Bureau of the Census.

If conditions in this district are representative of the whole country, production again decreased in May, for preliminary figures for the same 116 mills in the Third Federal Reserve District, as summarized below, show a reduction in output as compared with April. This reduction, however, was almost entirely in men's and in children's and infants' hosiery. Cancellations were considerably larger; this is ascribed by some manufacturers to the lowering of prices. Reports to this bank

state that in early June also business continued to decrease.

The price of raw materials has been falling except that of rayon (artificial silk) which is unchanged. Silk prices have declined sharply and hosiery tram now is lower than at any time since 1917 and cotton, mercerized, and wool yarns have been purchased at recessions.

Stocks of finished hosiery are moderate and except in a few cases have not increased during the month. In fact, over 40 per cent of the reports received by this bank state that they are lower than they were a month ago. The supply of labor, both skilled and unskilled, is adequate and wages are unchanged. Collections are fair.

## UNDERWEAR

Further restrictions of production, continued inactivity in demand and somewhat slower collections have featured the market for underwear during the past month. Unseasonable weather has hindered sales of light weight garments in retail channels, with the result that duplicate orders from jobbers and retailers have been unusually small. Demand for heavy weight underwear is very irregular. Initial orders are disappointing and until retail stocks begin to move, little business is looked for in the primary market. It is reported that jobbers are awaiting the August cotton report before entering the market for more heavy weight

## HOSIERY INDUSTRY\*

## Third Federal Reserve District

In dozen pairs	Men's				Women's			
	Full-fashioned		Seamless		Full-fashioned		Seamless	
	April	May	April	May	April	May	April	May
Production .....	44,658	31,158	317,098	290,944	305,785	315,415	254,215	244,994
Shipments during month .....	34,785	33,572	298,237	262,395	325,311	332,784	247,049	240,889
Finished product on hand at end of month .....	49,709	31,343	526,489	533,405	434,147	415,904	267,686	253,485
Orders booked during month .....	28,797	41,843	213,551	221,237	660,397	243,049	199,449	237,689
Cancellations received during month .....	1,568	245	17,301	14,858	5,508	7,738	8,023	13,799
Unfilled orders on hand at end of month .....	44,433	49,026	392,970	348,071	1,041,311	955,346	263,676	250,297
	Boys' and misses'		Children's and infants'		Athletic and sport		Total	
	April	May	April	May	April	May	April	May
Production .....	21,616	22,185	111,384	98,992	4,034	4,206	1,058,790	1,007,894
Shipments during month .....	32,180	30,755	151,251	145,147	5,411	6,358	1,094,224	1,051,900
Finished product on hand at end of month .....	63,152	56,434	302,117	254,077	15,109	13,082	1,658,409	1,557,730
Orders booked during month .....	36,241	16,628	84,354	67,956	5,137	3,799	1,227,926	832,201
Cancellations received during month .....	543	2,615	6,545	11,191	1,390	1,235	40,878	51,681
Unfilled orders on hand at end of month .....	26,021	10,151	229,824	124,858	5,145	1,471	2,003,380	1,739,220

\* Preliminary report compiled by the Bureau of the Census.



garments. Fluctuations in raw cotton and the slow retail movement of underwear are largely responsible for the present conservatism and hesitation on the part of most buyers in making future commitments. The market for men's and children's underwear is a little better than for women's, although both continue slow and dull.

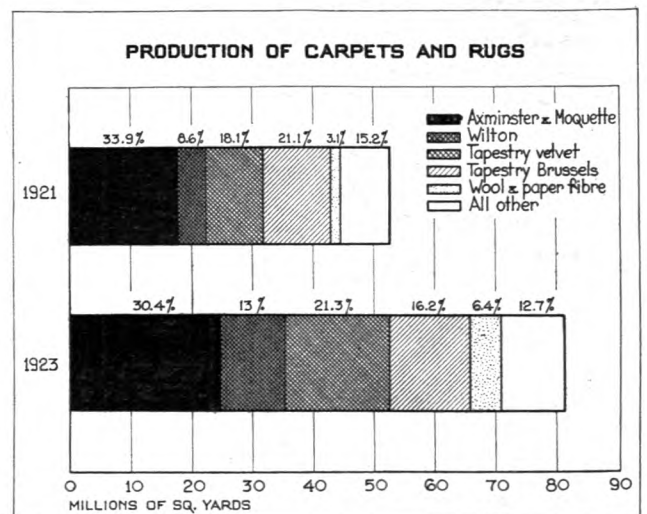
Curtailed production has continued during the past month, the average rate for all reporting firms being about 40 per cent, as against 52 per cent last month and 60 per cent two months ago. Most of the orders are booked for delivery within the next 60 days, but a few makers of underwear indicate that a fair percentage is for shipment after that period. As compared with the previous month, the unfilled orders are smaller, and at the present rate of production, they will insure present operations for about 30 days on the average. Supplies of raw materials are moderate. No difficulty is had in obtaining labor. Although the total of wages paid decreased 0.1 per cent from April 15 to May 15, the average weekly earnings per employee were 0.9 per cent larger.

Although buyers are offering determined resistance to prices, as in other branches of the textile industry, none of the underwear manufacturers report any change within the past month. Collections in this district are not as satisfactory as either last month or a year ago, but they are reported to be fairly good.

### FLOOR COVERINGS

Production of carpets and rugs continues to be curtailed and is now down to a point lower than for several years. A number of estimates have been published regarding the per cent of plant capacity which is being operated at present and a figure as low as 30 per cent was put out by one authority, but this is probably too low and slightly more than 40 per cent is thought by many in the trade to be nearer to the correct figure. Axminster mills, in particular, are making a greatly reduced quantity, in fact, a number of these are closed down. The accompanying chart shows the production of carpets and rugs in the years 1921 and 1923, divided into the principal kinds. The output of all descriptions was much larger in the latter than in the former year.

Following the reduction in wages made last month in the Wilton mills, a cut of 10 per cent, and in some cases more has been announced by the makers of Axminsters. But in mills producing other descriptions wages are, as a rule, unchanged. The survey of employment and wages made by this bank discloses the fact that in 15 plants in Pennsylvania and New Jersey making carpets and rugs, the number of employees decreased 6.9 per cent between the week ending April 15 and that ending May 15. Total weekly wages fell 14.1



The relatively large increase in the production of Wiltons in 1923 as compared with 1921 was largely due to the strike in that year which closed the Wilton mills for a number of months.

Source—Department of Commerce

per cent, and average weekly earnings 7.8 per cent between those dates, as is shown in the table on page 4. In Pennsylvania alone, the number of wage earners in 12 plants fell 8.9 per cent, and total weekly wages and average earnings were lower by 17.5 and 9.8 per cent respectively.

Quotations for carpets and rugs are unchanged from those announced a month ago, with the exception of an advance of one dollar on the 9 by 12 size of a well-known make of Axminster rug. Recently sales in most lines are reported to have increased somewhat. For the most part, however, buyers are covering only their immediate needs, the individual order being small, and bookings even for late summer and early autumn delivery are the exception. Stocks in manufacturers' hands, because of small production, are said to have decreased since the beginning of June.

Raw materials are, in some cases, lower in price; jute has fallen one cent per pound and cotton yarns have declined slightly. Wool and worsted yarns hold remarkably firm, when the small sales are considered. At the English auction of carpet and wools prices declined from five to ten per cent and a few reports state that quotations in this market are easing somewhat. Carpet and rug manufacturers say that they, too, are buying their supplies for immediate needs only.

Linoleums, with the exception of inlaid, and felt base goods are in good demand for prompt shipment, but little forward buying is reported. Plants are running on full time, except in the inlaid departments, and total production is about 90 per cent of capacity. Prices of finished products are unchanged, but the trend of raw material quotations is downward, though the changes have been small. Linseed oil is slightly lower and re-

ports from Argentine indicate that stocks of seed in that market are large. Because of increased production, wide burlap, which had been in short supply, is now offered freely.

Collections in the floor covering industry are reported as fair or good, but some companies state that small dealers are paying more slowly and that more of them are in arrears in their settlements than in recent months. They explain this on the ground that retail sales have been retarded by the unusually cool and rainy weather.

**LEATHER**

During the past month the hide market has become more quiet, sales have decreased, and prices, which are barely steady, are about the same as they were a month ago.

**Hides and skins** American tanners by the end of May had covered their wants for the near future and European buying has been much less. The stock of hides in the country, as reported by the Bureau of the Census, was 4,277,958 on April 30. This is a decrease of 8.8 per cent during April and is the smallest stock reported since these figures were first collected in September, 1920. On April 30, 1922, the stock was 7,407,862, and on April 30, 1923, 5,553,091, so that the decline has been fairly steady during the past two years.

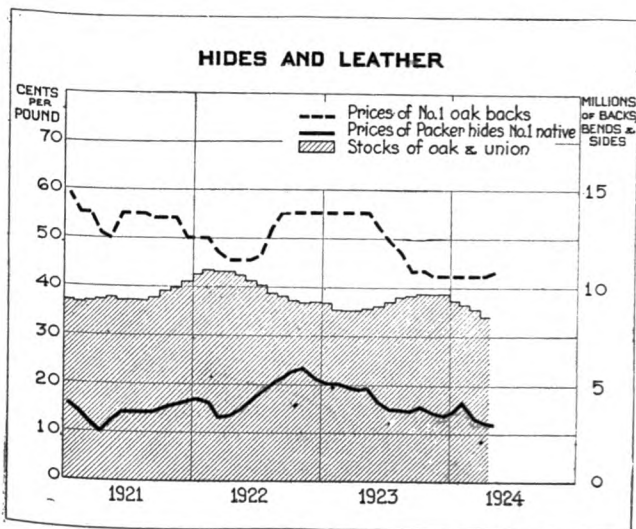
these quotations fail to attract tanners, though their purchases are probably larger than they were in May. On April 30 stocks of calf and kid were 11.3 per cent and those of goat and kid 10.6 per cent greater than on March 31. The supply of calf skins, however, was considerably below the average of the past two years.

The drastic curtailment in the production of heavy leathers, which has been in effect for about a year, is now showing its effect clearly on the stocks which in the face of a slack demand, have been falling almost continuously since October. The following table compares the production and stocks of April with those of March and October.

**HEAVY LEATHER\***

	Production during April compared with		Stocks at end of April compared with	
	March, 1924	October, 1923	March, 1924	October, 1923
Backs, bends and sides...	-3.2%	-22.3%	-4.3%	-13.6%
Belting butts.....	+4.8"	- 6.2"	-2.6"	- 5.1"
Offal, sole and belting....	+6.6"	-24.1"	-2.8"	-15.7"

\*Compiled from figures furnished by the Bureau of the Census.



Stocks of sole leather are now lower than at any time in the past three years. And the prices of oak backs and packer hides are much lower than they were in the fall of 1922.

Sources—Dun's Review and Department of Commerce

Calf skins also have been less active during the month and Chicago packer skins have sold at 20 cents per pound as compared with 21 cents a month ago. Sheep skins, under somewhat restricted trading, have eased in price and quotations for goat skins have fallen sharply both in the domestic and foreign markets. The prices of many varieties are now down to pre-war levels and even

Tanners report that during June inquiries for heavy leather have increased, but that actual sales are still small and the gain in business is slight. They anticipate, however, that within a few weeks shoe manufacturers will have booked more business and will enter the market for leather in a larger way. Prices are barely steady. The accompanying chart indicates that the price of sole leather during the past three years has followed closely that of hides, and has usually advanced as stocks of leather decreased and vice versa.

The call for calf leather in men's weights is less than it was a month ago, but for women's shoes, sales are somewhat larger, especially in the light tan shades. Tanners of kid leather have in some instances made a further cut in production, the total of which is now estimated to be less than 8,000 dozens per day as compared with 13,000 dozens some months since. On April 30 the stock of finished kid leather was 23,348,284 skins, the largest since May, 1922. Of this total, tanners held 17,317,270 skins, the heaviest stock held by them since these figures were first collected in December, 1920. Since April, however, the demand for kid leather has improved somewhat and as output has been lowered, stocks are at present thought to be smaller than in April. The lower price of goat skins has enabled tanners to shade the price of leather, especially in the medium grades in which were the principal accumulations. Patent leather continues to be used largely for

women's shoes and is in better request than any other kind of upper leather.

Our survey of employment and wages shows that 36 tanners during the week of May 15 employed 2.3 per cent less people than during the week of April 15. Total wages paid decreased 3.5 per cent and average weekly earnings fell 1.2 per cent in the same period. Sales of leather belting have been decreasing during the month and are about 60 per cent of those of last year. Buying is for immediate needs only and the individual orders are small. Prices are quoted by most belt makers as unchanged, but some report that they are 10 per cent lower. Makers of harness leather, also, state that the market is dull, sales are small and prices are declining.

Some makers of fancy leather goods are running their factories at capacity and have sold their product for some months; others, however, state that business has decreased and that they are operating at from 40 to 85 per cent. Prices in some cases are firm and unchanged but in others are lower.

Business in luggage has decreased, and production has been reduced to about a 75 per cent basis. Sales are at present less than output, so that a further reduction is anticipated unless business improves in the near future. Wardrobe trunks are the best sellers, but both bags and suit cases are moving in fair quantity. Manufacturers report that retailers are carrying small stocks and ordering sparingly. Prices have been reduced and competition is said to be very keen.

Reports to this bank from factories making leather goods show that employment decreased 8.5 per cent between April 15 and May 15, and that total weekly wages fell 17.0 per cent. Individual weekly earnings also declined, the change being 9.2 per cent.

Collections in the tanning industry are generally good and have improved during the month. Manufacturers of leather goods, however, report that they have an increased number of overdue accounts and that collections are only fair.

The end of the spring season finds factories as usual fairly well caught up with their orders and slowing down in their operations. After taking inventories on July 1 most of them will start to work on the

### Shoes

orders booked for late summer and early autumn delivery. These orders, however, are smaller than usual as both wholesalers and retailers have been slow to place contracts. Though recently some early purchases have been made, the hesitant attitude of buyers in general has been increased by the poor business done in May and the first half of June by both wholesalers and retailers. This condition is blamed by many on the cold and rainy season which undoubtedly has affected trade adversely. Prices are well maintained by most manufacturers, but some report a reduction of about 5 per cent, and it is believed in the trade that many others

would make such a concession if thereby important business could be closed.

For women, patent leather and satin continue to be popular for pumps, and, as is usual at this season, much is heard of an increase in the demand for oxfords for the autumn. It is known, moreover, that a number of manufacturers are sampling tan calf for the making of oxfords. Manufacturers of turns complain that their business is being cut into by McKay shoes, for the making of which improved machinery and processes have been introduced.

According to the statistics gathered by this bank the number of people employed in shoe factories in this district was 6.3 per cent less during the week of May 15 than in that of April 15. The total wages paid was 8.6 per cent smaller and the weekly earnings 2.5 per cent less on the former than on the latter date.

Production in the United States during April was 27,921,064 pairs as compared with 28,864,463 pairs in March and 31,867,776 pairs in April, 1923. And during the first four months of 1924 production decreased over 18,000,000 pairs from that of the corresponding months of 1923.

In the Third Federal Reserve District the following table shows that production during May in 117 identical factories was 8.3 per cent smaller than in April. The output of boys' and youths' shoes, however, increased.

### BOOT AND SHOE PRODUCTION\*

#### Third Federal Reserve District

	Number of pairs	
	May, 1924	April, 1924
Boots and shoes, total.....	1,618,598	1,765,148
High and low cut (leather) total.....	1,487,027	1,613,119
Men's.....	118,785	139,763
Boys' and youths'.....	174,981	150,543
Women's.....	241,827	261,855
Misses' and children's.....	501,304	573,294
Infants'.....	450,130	487,664
All other leather or part leather footwear**	131,571	152,029

\* Preliminary report compiled by the Bureau of the Census.

\*\* Includes athletic and sporting shoes (leather), shoes with canvas, satin, and other fabric uppers, slippers for housewear, and all other leather or part leather footwear.

Collections are fair and about the same as they were a month ago. At wholesale, sales during May were smaller than in either April or in May, 1923, as is shown on page 10, and preliminary reports for June indicate that sales will be lower than in June, 1923.

Smaller sales at retail, also, are reported and the same conditions have operated to curtail business in both the wholesale and retail markets; one of these conditions has been the unusual number of cool and rainy days.



Retailers believe that a change to warm and clear weather might still result in larger sales than in June of last year. Black satin, patent leather in cut-out effects, and white shoes are in best request for misses and women. Tan oxfords and white sport shoes for men and boys are selling well. Prices at retail show little or no change, though on some lines of shoes retailers report that concessions are obtainable when buying. Their purchases, however, have been small for this season of the year. Details of May transactions are shown in the accompanying table.

### RETAIL SHOE TRADE Third Federal Reserve District

<b>1. Net Sales (in terms of dollars):</b>			
May, 1924, as compared with April, 1924.....	-	15.2%	
May, 1924, as compared with May, 1923.....	-	5.3%	
<b>2. Stocks (selling price):</b>			
May, 1924, as compared with April, 1924.....	-	0.1%	
May, 1924, as compared with May, 1923.....	+	2.1%	
<b>3. RATE OF TURNOVER (times per year based on cumulative period):</b>			
January 1 to May 31, 1924.....		3.5	
January 1 to May 31, 1923.....		3.4	
Number of stores reporting above items:			
1.....	22	2.....	20
		3.....	20

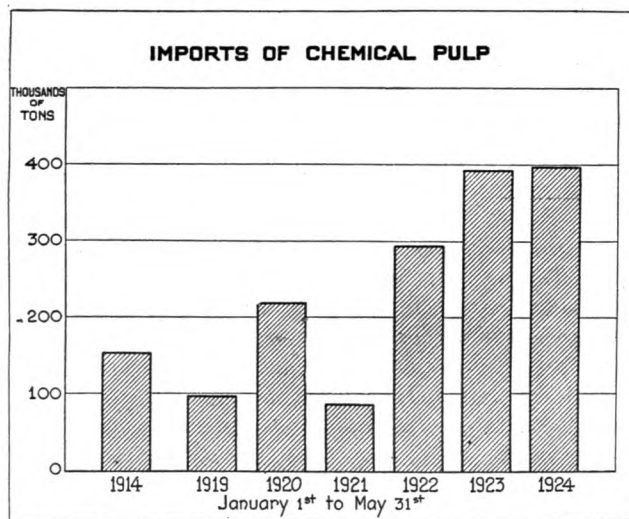
### PAPER

A further decline in business is reported by the majority of paper manufacturers, who state that the demand is fair or poor. The orders received by manufacturers thus far in June are smaller than the bookings of the first three weeks in May and, except at toilet paper mills, show a considerable decrease from those of the same period in June, 1923. Consequently production continues to decline and some mills are preparing to close down or have already ceased operations. Book and fine papers are in fair demand, but the request for wrapping papers and tag stocks is poor. Toilet tissues and crêpe towels are selling in greater volume than a year ago, but not so actively as in the three previous months of this year. Wall paper manufacturers are now sending out samples of their fall lines and report that a fair amount of orders is being received. Producers of building papers, building boards, and boxboards find business much slower than it was last June and poorer than it was last month. About the only important grade of paper that is in good demand is newsprint and even on this grade some Canadian mills have recently cut prices. However, this is because of too rapid expansion in the productive capacity of the mills, as the call for

newsprint is fully as heavy as it was a year ago. Paper converters, principally envelope makers, also report a decline in orders and few factories are operating at more than 65 per cent. The majority of paper mills are operating on a hand to mouth basis with only a few days' business on hand and at only 50 or 60 per cent of capacity, but a few have from two to three weeks' orders ahead. In this district, wall paper factories are the only ones operating on full time.

Jobbers report that their sales are smaller than those of June, 1923, and they characterize business at present as only fair. As is shown in the table on page 10, wholesale paper sales in May were smaller than those of May, 1923.

Despite the increase in our domestic production of chemical pulps, imports of these since the close of the world war, except in 1921, have been much larger than before the war. As the following chart shows, the imports of chemical pulps during the first five months of 1922, 1923, and 1924 were twice as great as those for the first five months of 1914.



During the first five months of 1922, 1923 and 1924 imports of chemicals were twice as large as for the same period of 1914.

Source—Department of Commerce

Paper prices display considerable weakness in the open market, although very few mills have announced any price reduction. Contract prices are quite firm and at the few mills where reductions have been made they have not exceeded 5 per cent. Mechanical and chemical pulps show no change in prices, as compared with a month ago.

Finished stocks at the mills vary from light to moderate and are stationary. Supplies of raw materials are moderate. Both skilled and unskilled labor are in plentiful supply and wages are unchanged. Collections are fair and slightly slower than they were last month.

### PRINTING AND PUBLISHING

The majority of job printers report that the demand for printing is not as heavy as it was in April or May and is considerably less than in June, 1923. General job work has fallen off sharply, but direct-by-mail circulars are in good request. The volume of work on college and high school annuals has been larger than ever before and this work, together with many corporate annual reports, has enabled some printers to maintain a high percentage of operations. But, on the whole, the demand for printing is only fair and commercial advertising is the only important grade of work that is as heavy as it was last June.

An average of the reports to us shows that commercial printers are operating their plants at 70 per cent of capacity. Magazine publishers state that their sales of advertising space for their July issues are considerably smaller than those for the two previous months and are not as large as for the same issues of last year. Manufacturers of automobiles, automobile accessories, and tires are not buying as heavily as they did a year ago and these industries are the principal factors causing the decrease. Book publishers, too, report that their orders booked during this month are not as large as in June, 1923, although the majority of them have sufficient orders on hand to operate at capacity for 30 days ahead. Up to the close of May, business with the publishers had been excellent. Lithographers also find that sales are not as large as they were a year ago. Since the middle of April the call for window display advertising has been only fair. Manufacturers of food products have cut their window display purchases sharply, but makers of perfumes and toilet preparations are still buying heavily. The majority of lithographers are operating at approximately 80 per cent of capacity.

Printing and publishing costs have shown a very slight downward trend during the past two months. However, this decline has been due chiefly to a softening of prices on paper and some grades of inks and glue. Labor costs are unchanged.

The supply of both skilled and unskilled labor is plentiful but wages are unchanged. Collections are not as good as last month or as in June, 1923, and can be called only fair.

### CIGARS

The call for cigars has improved somewhat during the past four weeks and is also better than it was a year ago. Delivery dates on orders already taken are pretty evenly distributed over the 30, 60 and 90 day periods, though many are for shipment either immediately or after September. The bulk of orders are for C grade cigars, as is usually the case. Prices of all grades are firm and unchanged from those prevailing at this time in May, but manufacturers state that,

though quotations on raw materials have remained comparatively firm, a downward tendency in prices of some domestic products has been recently observed. Stocks of both finished goods and raw materials are from moderate to heavy and are decreasing.

Cigar makers reporting to us are operating their plants at an average rate of about 80 per cent of capacity which is higher than it was a month ago. Unfilled orders on hand will insure the continuance of the present rate for an average period of close to three weeks. Though some manufacturers will be kept busy on back orders for several weeks, others have very little business ahead and are working on orders as they arrive from day to day. The supply of both skilled and unskilled workers is either sufficient or plentiful and wages are the same as they were in May.

Collections are fair and unchanged from those at this time last month, but more satisfactory than they were a year ago.

### TOBACCO LEAF

Leaf dealers report that the cigar tobacco market is seasonally quiet and that at present the demand is barely fair. In the Lancaster market only small quantities are being sold and the active export request for the cheap grades, which was so noticeable in the late winter and early spring, has practically disappeared. Few inquiries for 1923 Pennsylvania packed wrappers have been received by dealers and thus far no market has been established. Prices are a trifle weaker than they were 60 days ago and those growers who did not sell their crops in the early spring are finding it difficult to secure buyers. Consequently they are obtaining prices from 15 to 25 per cent lower than were paid the growers in March. The 1923 fillers are selling at from 10 to 12 cents per pound, 1922 wrappers at from 24 to 28 cents per pound, and 1922 fillers at 10 to 12 cents in the Lancaster market. Considerable quantities of 1922 packed wrappers are still in the dealers' hands and estimates made by them place the total at from 5,000 to 10,000 cases.

In Wisconsin considerable amounts of the 1923 crop are still held by farmers who are not members of the pool, and leaf dealers who have recently visited that market state that these growers are finding it difficult to sell their crop. The Wisconsin Tobacco Growers Association, however, is steadily disposing of its holdings. One dealer estimates that in Ohio about 10 per cent of the total 1923 output of the Zimmer Spanish, Gebhart, and Dutch varieties is still in the farmers' hands. Prices that are now being paid to the growers in these two districts are at least 25 per cent lower than they were four months ago. The demand for B grades of Ohio tobacco is good, but the frost-damaged tobacco is a drug on the market.

The Connecticut pool which is steadily disposing of

its holdings announces that the 1923 Havana Seed is one of the finest crops ever grown. An unusually small percentage of poor tobacco was found among the thousands of cases that the pool has thus far inspected.

Most of the large American buyers at the Sumatra inscription in Holland have now returned home and they report that only about two thousand bales of Sumatra, that are suitable for the American market, remain unsold. Approximately the same quantities were purchased for American account as were taken last year and at prices almost the same as were paid in 1923. Vast quantities of Sumatra were sold for European account at the inscriptions and returning American buyers state that consequently the prospects for the sale of American tobacco to the Continent are not very bright.

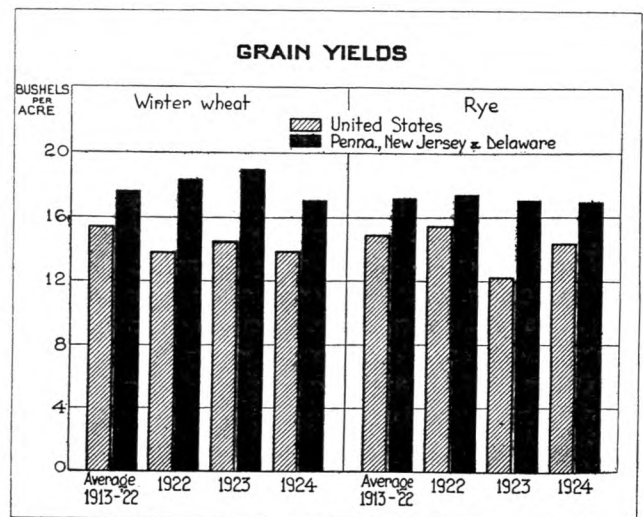
**AGRICULTURE**

Excessive rainfall and cool cloudy days during the early half of the month prevented the normal development of all crops and increased the lateness of the season. The harvest of strawberries, which is normally completed by the middle of June, really only began in midmonth this year and the cherry crop is fully two weeks late. However, the yields of these fruits are bountiful and should exceed those of 1923. County agents report that the stands of wheat, oats, rye, and hay are excellent, although growth is somewhat below normal. The outlook for the corn crop is rather doubtful, owing to the lack of sunshine, and in many counties farmers did not plant until after the middle of the month. Potatoes are generally in good condition, although planting has been greatly retarded in many sections, because of the abnormally moist condition of the soil. Early June peas are below normal condition despite the heavy rainfalls on which they usually thrive, as the excessive moisture has favored the heavy development of root rot. Other early truck crops show a fair stand, but growth is greatly retarded.

With the advent of clear warm weather in the latter half of the month crop growth, however, has been rapid, and should this condition continue the lateness of the season will be decidedly reduced.

The state departments of agriculture estimate from the June 1 condition, that the production of all small grains (except oats in New Jersey) will be smaller than it was last year and below the ten-year average. The table at the foot of the page shows the condition and estimated yields of grains.

The per acre yield of rye, however, is almost equal to the ten-year average, but that of wheat is smaller than it was last year and below the average, as is illustrated in the following chart.



The estimated yields per acre of rye and wheat in 1924 are smaller than the ten-year average.

Source—Department of Agriculture

Tree fruits are in excellent condition and the outlook for yields on June 1 was much better than on June 1, 1923, and considerably above the average. The follow-

**PRODUCTION OF GRAINS AND HAY**

State	Crop	Production (000's omitted)			
		Per cent normal June 1	1924 Estimated from June 1 condition	1923	10 year average
Pennsylvania	Winter wheat	85	20,451 bushels	24,168 bushels	24,356 bushels
Delaware	" "	89	1,525 "	1,908 "	1,656 "
New Jersey	" "	88	1,331 "	1,480 "	1,523 "
Pennsylvania	Oats	78	29,112 "	33,930 "	39,062 "
New Jersey	"	85	1,847 "	1,632 "	2,202 "
Pennsylvania	Rye	93	3,307 "	3,655 "	3,908 "
New Jersey	"	92	1,097 "	1,157 "	1,203 "
Pennsylvania	Tame hay	88	3,892 tons	3,066 tons	4,139 tons



ing table shows the condition of apples, peaches and pears on June 1 in the states of Pennsylvania and New Jersey.

CONDITION OF FRUITS				
State	Fruit	Condition—Per cent of normal		
		June 1, 1924	June 1, 1923	Average June 1 past 10 years
Pennsylvania.....	Apples	89	84	73
".....	Pears	88	75	65
".....	Peaches	84	81	60
New Jersey.....	Apples	85	78	77
".....	Pears	86	80	66
".....	Peaches	89	84	..

Spraying programs were seriously interrupted by the continual rains and consequently insect pests and fungus diseases are somewhat more common than a year ago. The Oriental peach moth, the apple-tree tent-caterpillar and apple scab are most in evidence. The two latter are easily controlled by spraying, however, and the damage they have done so far has not been heavy. But the Oriental peach moth is difficult to control and it may cause considerable injury.

Pastures are, on the whole, in good condition although here, too, growth has been slow. But pastur-

age is much more abundant than it was a year ago, and this fact is a source of much relief to dairymen. On account of the poor hay harvest of last season, many dairy farmers ran short of roughages and fed their herds small rations in the late winter and early spring. Consequently many herds were put on pastures very early this year and were in a poor, scraggy condition. Good pastures have enabled the herds to pull through, without heavy purchases of hay from outside sources by the dairymen; but their physical condition is still below normal and will scarcely be improved until the new hay crop is harvested. Throughout this district the number of milch cows is slightly greater than it was a year ago, and county agents state that the herds are steadily being improved through better methods of selection and breeding. Frequent complaints are made by dairymen in counties distant from the large cities that milk prices are too low, but, in general, the dairy-ing industry is earning a profit.

The agricultural outlook in the Third District is distinctly favorable, and most farm agencies state that farmers are more hopeful than they have been for several years. True, in some sections, plant diseases are more prevalent than a year ago because of the heavy rains, but this condition is not particularly alarming. The late season and the shortage of farm labor have resulted in noticeable decreases in the acreage under cultivation in a few counties; but this should bring better farm prices for the crops that are being cultivated.

COMPILED AS OF JUNE 21, 1924.

*This business review will be sent regularly without charge to any address upon request*

**BUSINESS INDICATORS**  
**Third Federal Reserve District**

The following data refer to the Third Federal Reserve District, except where otherwise noted	May, 1924	April, 1924	May, 1923	Latest compared with	
				Previous month	Year ago
Retail trade—net sales† (152 stores).....	\$24,147,000	\$26,850,000	\$24,741,000	- 10.1%	- 2.4%
Department (64 stores).....	\$19,093,000	\$20,754,000	\$19,690,000	- 8.0 "	- 3.0 "
Apparel (46 stores).....	\$3,511,000	\$4,473,000	\$3,407,000	- 21.5 "	+ 3.1 "
Shoe (22 stores).....	\$478,000	\$564,000	\$505,000	- 15.2 "	- 5.3 "
Credit (20 stores).....	\$1,065,000	\$1,059,000	\$1,139,000	+ 0.6 "	- 6.5 "
Wholesale trade—net sales (176 firms).....	\$11,588,709	\$11,703,592	\$12,534,829	- 1.0 "	- 7.5 "
Boots and shoes (14 firms).....	\$390,761	\$561,951	\$509,066	- 30.5 "	- 23.2 "
Drugs (15 firms).....	\$1,459,673	\$1,531,689	\$1,471,566	- 4.7 "	- 0.8 "
Drygoods (19 firms).....	\$991,841	\$1,023,697	\$1,193,820	- 3.1 "	- 16.9 "
Electrical supplies (7 firms).....	\$545,621	\$636,672	\$623,239	- 14.3 "	- 12.5 "
Groceries (59 firms).....	\$4,282,476	\$4,014,401	\$4,378,047	+ 6.7 "	- 2.2 "
Hardware (33 firms).....	\$2,411,323	\$2,400,667	\$2,630,268	+ 0.4 "	- 8.3 "
Jewelry (16 firms).....	\$397,169	\$381,098	\$460,461	+ 4.2 "	- 13.7 "
Paper (13 firms).....	\$1,109,850	\$1,153,417	\$1,268,362	- 3.8 "	- 12.5 "
Production:					
Shoes* (117 factories).....	1,618,598 prs.	1,765,148 prs.	.....	- 8.3 "	.....
Pig iron.....	188,246 tons	211,975 tons	281,163 tons	- 11.2 "	- 33.0 "
Hosiery* (116 mills).....	1,007,894 doz. prs.	1,058,790 doz. prs.	.....	- 4.8 "	.....
Iron castings (45 foundries).....	6,851 tons	7,612 tons	.....	- 10.0 "	.....
Steel castings (5 foundries).....	2,373 tons	2,356 tons	.....	+ 0.7 "	.....
Cement.....	3,463,000 bbls.	3,024,000 bbls.	3,347,000 bbls.	+ 14.5 "	+ 3.5 "
Anthracite.....	7,745,000 tons	6,811,000 tons	8,573,000 tons	+ 13.7 "	- 9.7 "
Bituminous coal (Central district—percentage of fulltime output).....	42.3%	38.1%	57.1%	+ 11.0 "	- 25.9 "
Wool consumption* (79 mills).....	5,242,370 lbs.	6,617,744 lbs.	.....	- 20.8 "	.....
Active cotton spindles (Pennsylvania and New Jersey).....	556,593	567,700	584,647	- 2.0 "	- 4.8 "
Distribution:					
Freight car loadings (Allegheny district—weekly average).....	184,020	182,000	218,152	+ 1.1 "	- 15.6 "
Tonnage of vessels (port of Philadelphia).....	1,394,000 tons	2,904,000 tons	1,555,000 tons	- 52.0 "	- 10.4 "
Exports of wheat (from port of Philadelphia).....	2,722,000 bus.	3,865,000 bus.	2,149,000 bus.	- 29.6 "	+ 26.7 "
Exports of flour (from port of Philadelphia).....	3,667,000 lbs.	5,866,000 lbs.	12,046,000 lbs.	- 37.5 "	- 69.6 "
Imports of crude oil (into port of Philadelphia).....	11,068,000 gals.	14,322,000 gals.	15,931,000 gals.	- 22.7 "	- 30.5 "
Financial:					
Loans, discounts and investments of member banks (weekly average).....	\$947,400,000	\$938,600,000	\$937,500,000	+ 0.9 "	+ 1.1 "
Bills discounted held by Federal Reserve Bank of Philadelphia (daily average).....	\$32,900,000	\$40,500,000	\$46,200,000	- 18.8 "	- 28.8 "
Acceptances executed (12 banks for month ended 10th of following month).....	\$2,827,000	\$3,108,000	\$3,743,000	- 9.0 "	- 24.5 "
Bankers' acceptances sales (5 dealers—weekly average for period ended middle following month).....	\$324,000	\$556,000	\$1,749,000	- 41.7 "	- 81.5 "
Commercial paper sales (5 dealers).....	\$9,835,000	\$6,500,000	\$5,467,000	+ 51.3 "	+ 79.9 "
Savings deposits (97 banks).....	\$528,272,000	\$528,435,000	\$492,252,000	- .03 "	+ 7.3 "
General:					
Debits (18 cities).....	\$1,894,928,000	\$1,942,353,000	\$1,973,625,000	- 2.4 "	- 4.0 "
Commercial failures.....	55	63	79	- 12.7 "	- 30.4 "
Commercial failures—liabilities.....	\$1,283,641	\$1,548,342	\$1,814,176	- 17.1 "	- 29.2 "
Building permits (15 cities).....	\$16,363,575	\$28,225,173	\$18,917,274	- 42.0 "	- 13.5 "
Building contracts awarded (Philadelphia district).....	\$68,521,100	\$38,875,174	\$33,350,000	+ 76.3 "	+ 105.5 "
Employment—number of wage earners (1,041 plants in Pennsylvania, New Jersey and Delaware).....	384,315	399,077	.....	- 3.7 "	.....
Average weekly earnings (384,000 wage earners in Pennsylvania, New Jersey and Delaware).....	\$26.20	\$26.59	.....	- 1.5 "	.....
Sales of life insurance (Pennsylvania, New Jersey and Delaware).....	\$74,322,000	\$81,989,000	\$73,394,000	- 9.4 "	+ 1.3 "

\* Bureau of Census preliminary figures.  
† Estimated.

### SHOULD THE FEDERAL RESERVE BANKS PAY INTEREST?

At the present time there is a bill before the House of Representatives which would require Federal Reserve Banks to pay interest to their member banks on balances which the member banks must keep with them. Many questions naturally arise. Why isn't interest paid now? Why didn't the authors of the Federal Reserve System provide for such payment of interest? Does the present law work an injustice to member banks? And wouldn't the proposed amendment be a wise one?

#### *Banking Sentiment Against Measure*

A superficial observer might expect bankers to be united in favor of such an amendment, for their banks would be the benefactors, getting 2% interest where they now get nothing, but such is not the case. A majority of America's ablest bankers is unqualifiedly opposed to the measure on the ground that it is fundamentally unsound in principle. The amendment, in their judgment, would lead to disturbing banking conditions affecting the whole country, which would be a very high price to pay in exchange for a mere 2% interest. This opposition is based on a thorough understanding of the genius of the System. It is of the most vital importance in considering the proposed amendment, to keep constantly in mind the undisputed fact that The Federal Reserve Banks were never intended to be primarily money making institutions. After paying 6% dividends to stockholders banks and building up a surplus equal to 100% of their capital stock, the Federal Reserve Banks must, under the law, pay the balance, if there is any, into the United States Treasury as a franchise tax except 10% which shall be paid into the surplus. The system is not in existence to make a profit for itself, the government, or for any one class, including the banks, but such excess profits as it may ever make will go to the government. It was created and put into effect to "furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States and for other purposes," including the mobilization of the banking reserves of the country.

Two years ago Mr. James B. Forgan, Chairman of the Board of the First National Bank of Chicago, in *The Annals of the American Academy of Political and Social Science*, urged in no uncertain terms that the System "limit itself to the purposes for which it was created," adding that the reason for the establishment of the Federal Reserve Banks was "to prevent losses to the business and banking communities of the country." Mr. Forgan apparently foresaw just such measures as the one now proposed and wisely warned the country. If the amendment now in question is adopted,

the Federal Reserve System will find it much more difficult, if not impossible, to limit its operations "to the purposes for which it was created." And that is the very reason why so many bankers are opposed to the suggested amendment. What good is 2% interest which the banks would receive on their balances in their respective Federal Reserve Banks if at the same time irreparable harm is done to the banking system upon whose stability and power to serve, the member banks and the nation depend?

#### *Public Good, Not Earnings, Primary Consideration of Federal Reserve Banks*

The harm would come through a change of policy in the management of the various Federal Reserve Banks which the payment of interest would force upon them. It is estimated that the Federal Reserve Banks would have to pay approximately \$40,000,000 a year in interest (2% on \$2,000,000,000) to their member banks if the amendment is carried. This enormous sum is almost as large as the present gross income of the banks from lending and investing operations. Is it not apparent that if the law demanded the Federal Reserve Banks to pay interest on balances, they would have to shape their policies with a primary reference to earnings rather than to the public good? This policy if carried out would defeat the very aims of the Federal Reserve System.

The Federal Reserve System is just what its name implies—a system of reserve banks to which the member banks go whenever necessary. Unwise administration of a Federal Reserve Bank could very conceivably impair its ability to serve its member banks when they most needed assistance and had a right to get it, in the interest of legitimate industrial and agricultural demands. Drain the reservoir of its water in times of abundant rain, and then suffer the consequences when the drought comes. Under the present law there is no such temptation for the Federal Reserve Banks—their concern is primarily that of the public good. Add an annual interest burden of \$40,000,000 and you force the Federal Reserve Banks to think more of earnings and less of what is best for the public welfare—a very unsound principle. If they had to pay this interest, they would be obliged to expand greatly their loans and compete with all member banks for such loans to get the money with which to pay the interest. To earn \$40,000,000 out of which to pay 2% on balances would necessitate the investment, on a 4% basis, of one billion dollars. Any provision in the law which would encourage the Federal Reserve Banks to expand unduly their reserve credits is dangerous.