

FEDERAL RESERVE BOARD

STATEMENT FOR THE PRESS.

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For Release in Morning Newspapers
of Sunday, March 9, 1919.

The Federal Reserve Bulletin for March was completed and sent to the printer to-day.

The leading feature of the Bulletin, the "Review of the Month," is predominantly a discussion of readjustment to a peace basis, while the Bulletin as a whole has been designed to furnish as much information as possible with reference to the progress that is being made in connection with readjustment throughout the country. After a brief discussion of public finance during the month of February and a sketch of the new legislation adopted by Congress, the Review of the Month calls attention to Secretary Glass's statement of the readjustment problem in his letter to Chairman Kitchin, in which he said, "Upon the enactment of appropriate legislation to enable the Food Administration to protect the guaranties given by the United States, I am hopeful that it will prove possible to restore the operation of the law of supply and demand with respect to foodstuffs with, as I believe, a consequent reduction in the cost of living. A period of rising prices and of intense industrial activity such as we have experienced during the past four years is always a period of great apparent prosperity, and a period of falling prices and of the contraction of credits is always a period of depression. The retardation of the process of readjustment by artificial means can only increase the evils inherent in the situation. Buying will not begin and activity will not set in until the community at large is satisfied that prices have reached bedrock." Enlarging further upon the ideas thus suggested by the Secretary of the Treasury, the Review of the Month then calls attention to the problem of restoring prices to a stable basis, and after expressing agreement with the view of the Secretary of the

Treasury that reduction in costs of living is much to be desired, it says,

" 'Readjustment' thus becomes a problem which involves the effective transfer of labor from war work back to peace employment at stable and satisfactory remuneration, the curtailment of costs of production to a point that will enable our manufacturers to satisfy domestic demand and compete favorably with foreigners for the export trade, and the adjustment of values generally to one another upon the new basis created by normalization of prices and wages. It would be unreasonable for any factor in production to assert that it would not bear its share in this general process of readjustment. Such readjustment is designed for the common benefit of all participants in industry and the public at large. If it be equitably carried out, its effects will not tend to favor any particular class or group in the community, but will operate, while leaving all in the same relative position, or at all events in an admittedly equitable relationship one to another, to increase the general volume of business and the regularity and smoothness with which the industrial mechanism moves and functions."

The Review then takes up various special phases of readjustment and deals first with the question of labor, quoting recent figures to show the extent of unemployment. Of industrial readjustment it says that substantial progress has been made through the reduction of transportation rates and the modification of war prices in a number of fundamental lines. A necessity for special care in the investment of capital during the readjustment period is noted, and attention is called to the bill recommended by the Capital Issues Committee for the purpose of protecting investors who might otherwise be induced to commit themselves to undesirable or inopportune enterprises. Of foreign trade the Review says that "It is now becoming more and more evident that an important phase of readjustment must be sought in connection with our foreign trade. Opinion as to this branch of business has undergone some change during the past month. Up to the opening of February it had still been hoped by many that there would be a swift revival of activity and that our manufactured products would be exported in something

approaching the volume developed during the war. Several influences have intervened to prevent such a development. Important among these is the unsatisfactory position of the exchanges, making it imperatively necessary for some foreign countries to devote their efforts to improving the exchanges by keeping down the amount of their current foreign indebtedness. Moreover, it has appeared that no inconsiderable part of the foreign-trade activity of the year 1918 was directly due to the fact that the United States was financing this export movement at low rates of interest through the advances made by the Treasury Department to the several foreign Governments. That these will not be continued upon their former level is, of course, an inevitable incident of our change from a war to a peace basis, and with this change in Treasury policy some change in the activity of those branches of export trade which were dependent upon assistance of this kind is unavoidable."

Considerable attention is also given to the price situation and the question of relations between wages, profits and prices of goods. With reference to banking, attention is called to the steady movement toward the development of banking strength in foreign institutions, the slight tendency toward higher rates of discount in the domestic commercial loan market and to the evidence that liquidation is in process. With reference to liquidation the Review says: "This is entirely due to natural causes and not to a change in the discount policy of Federal Reserve Banks. There have been no noteworthy changes in Federal Reserve Bank rates. Such liquidation as has taken place at Federal Reserve Banks is not to be regarded as resulting from change in the Board's discount policy, being what it has been throughout the recent period of heavy Government financing."

"The heavy return movement of Federal Reserve notes occurring during January and amounting in the aggregate to about \$235,000,000 has given way to a slight outflow in the month of February, indicating the self-regulating character of Federal Reserve note circulation in the existing circumstances. The heavy return

flow noted above is in part to be explained by the natural liquidation which

normally occurs at the turn of the year but in larger measure was probably occasioned by the return to banking channels of the considerable volume of notes that there is reason to believe were hoarded during the war," The Review of the Month further furnishes detailed information concerning the changes in the portfolios of Federal Reserve banks during the month of February, as well as in the condition of selected member banks. In closing, the Review cites some interesting changes which have occurred during the month of January in the personnel of the Federal Reserve system, summarizing these as follows:

"In the Advisory Council Mr. J.P. Morgan has been succeeded by Mr. A.B. Hepburn for the second district; Mr. J. W. Norwood has been succeeded by Mr. Jos. G. Brown for the fifth district; Mr. J.R. Mitchell has been succeeded by Mr. C.T. Jaffray for the ninth district; and Mr. Herbert Fleishhacker has been succeeded by Mr. A.L. Mills for the twelfth district. Governor Rolla Wells, of the Federal Reserve Bank of St. Louis, has been succeeded by Mr. David C. Biggs. In the Atlanta district, Federal Reserve Agent M.P. Wellborn has succeeded Mr. Jos. A. McCord as governor of the Federal Reserve Bank of Atlanta, while Mr. McCord has become Federal Reserve agent in place of Mr. Wellborn. Mr. Louis C. Adelson, formerly assistant secretary of the Federal Reserve Board, has become deputy governor of the Federal Reserve Bank of Atlanta. In the New York district, Mr. R. M. Gidney, formerly assistant Federal Reserve agent, has become manager of the new branch of the Federal Reserve Bank of New York at Buffalo. Mr. George L. Harrison, formerly assistant counsel of the Federal Reserve Board, has been appointed general counsel of the Board in place of General Counsel Milton C. Elliott, who has resigned to enter private practice. Mr. Elliott continues as consulting counsel to the Federal Reserve Board."

The Bulletin contains an elaborate study which has been prepared under the direction of the Division of Analysis and Research by Mr. Alexander Wall of Detroit, Michigan, on the subject of "Credit Barometrics." Mr. Wall proposes an entirely new method for the purpose of testing the credit strength of commercial concerns which are applicants for credit at banks. The study is based upon and supported by a compilation of statistics derived from the statements of condition furnished by commercial houses. The Bulletin also presents the essential data relating to the fifth Government loan, the text of the amendments to the Federal

Reserve
/ Act, and a number of other important official documents. Among special features there are furnished the results of an extensive inquiry into the progress made in business readjustment in the several Federal Reserve districts. The usual statistical material is printed and included with it is further enlargement of the Board's system of business indexes.

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