

X-3083

REPORTS OF MEMBERS
of
FEDERAL ADVISORY COUNCIL
at the
STATUTORY MEETING
held at
Washington, D. C.
February 21 and 22, 1921.

District No. 2 (New York)

The Federal Reserve Banks' monthly, and in some cases even weekly, reports concerning financial and economic conditions in their districts have been so admirably perfected during the last two years that it would seem impossible for individual members of the Federal Advisory Council to prepare any statement that could match these very complete reports or could add to the material furnished by them. In complying with the Board's request to submit a report, I presume that it is the object of the the Board to secure the individual expression of the members concerning the general situation, rather than to have them attempt to give a detailed statistical report. Approaching the matter from this angle, I beg to submit my thoughts as follows:

Business currents in the Second District have followed very much the same course in the last three months as in the country at large. There has been a continuous decline in speculative activity and a very marked curtailment of production in the factories; but, on the other hand, retail trade has continued at a high level and the purchasing power of the public seems to be fairly unimpaired.

Our foreign trade statistics for October, November and December do ~~not~~ show any notable decline; (The figures being as follows:

	<u>Exports</u>	<u>Imports</u>	<u>Exports over Imports Balance</u>
OCTOBER	751,728,570	334,263,803	417,464,767
NOVEMBER	676,706,011	321,181,080	355,524,931
DECEMBER	720,493,266	266,105,972	454,387,294)

the reduced volume of forward dealings in foreign exchange might presage, however, a considerable decline in our exports and imports during the

first quarter of the current year.

Retail domestic trade is generally reported as good; especially by the large department stores, both in the metropolitan district and outside. And this is true equally of the holiday trade and of trade since the first of the year. I am informed that careful inquiry among the department stores of New York, a comparison of reports in Boston and elsewhere, indicate that the retail drygoods dealers intend to standardize their spring sales as far as possible on a basis of 16 per cent. below that of the same season last year. This is in the face of cuts in cottons, woolens, knit goods, men's clothing, and the great variety of other merchandise at wholesale, that have reached a full 40 to 50 per cent. The fact that the retailers do not intend further to reduce is fairly good proof that they take a rather hopeful view of the situation.

Wholesale trade, on the other hand, has been almost at a standstill, so far as large forward buying is concerned. And the trade is largely of a hand to mouth character, as in the past six months. Even at the present extraordinarily low level of prices, there still appears to be little disposition on the part of large buyers to make any heavy commitments.

This is readily understood when one bears in mind that a large number of important corporations and firms, caught with a very heavy load of accumulated and unsold raw materials or finished articles, have been practically taken over by their creditors. The holdings of these concerns, and others that have still managed to keep above water, will be liquidated as soon as a demand will arise, at prices that will enable the creditors to collect their debts without sacrifice, or even at a loss. It is only

when these large accumulations will begin actually to move that the new level of prices will be established and that the real condition of the debtors will definitely be ascertained. This may ultimately lead to quite a number of failures, but it is generally believed that the large profits made by the banks in the past have enabled them to provide for impending losses in this regard.

Up to February 15th the index of the great basic commodities compiled by the Federal Reserve Bank of New York showed a decline of 47 per cent. from the peak of last May. The curtailment in manufacturing has run very high in some lines, and in the textiles as high as 40 to 50 per cent. Imports of basic commodities, like tin, silk and rubber, have fallen to very low levels, and if the volume of bank clearings be any index of general volume of trade, this curtailment, if continued, would lead us to expect a marked shortage of goods in some lines by the summer or early fall.

While the fall in wholesale prices is said to go beyond any precedent known in a century, which might lead us to assume that they have gone to a level below the line that we might envisage as our future normal, it is impossible to foretell how much further down they may go, or when and how far they may rise until we know what the European settlement will involve with regard to the future standard of living of the world, and with that, with regard to the volume of its foreign trade.

We cannot at this time assess with any degree of confidence when and how far the crippled buying power of Europe may be restored. As far as our own home consumption is concerned, we may not overlook the fact that the purchasing power of the farming community has been very drastically reduced and that at present it is little more than one-half what it was last year.

Striking a balance in trying to weigh the many puzzling factors at play, one would hardly be inclined to reach the conclusion that there is a strong probability of an early business boom.

Foreign exchanges have generally shown greater strength during this last month. The reduced volume of our exports and the shrinkage of prices of our goods are likely to have played an important part in the development of this trend. It is probably safe, however, to say that in addition psychology has exercised an important influence in this regard. Hopes that the indemnity question will be settled and that after such a settlement, countries may be able to find ways and means to balance their budgets and also adjust their indebtedness to us, are no doubt at the root of the present rise. Stating this fact is pointing out the unsafe ground on which the movement is bottomed. A settlement of the indemnity alone will not avail unless it is a settlement that will result in a balanced Europe; unless it will result in creating conditions in which budgets can be met without further increase in national debts and in which exchanges can be stabilized. The next weeks will show whether our hopes for a satisfactory settlement in the near future may be fulfilled, or whether the business world must adjust its gait once more to a prolonged period of uncertainty and disorganization.

Rates for commercial paper have remained practically unchanged, though the volume of borrowing has been materially decreased owing to shrinkage of prices and business stagnation. However, with the banks so heavily indebted to the Federal Reserve System, a liquidation

of commercial borrowing should involve liquidation of bank borrowings with Federal Reserve Banks, but should not result in easier money rates. Commercial liquidation would also mean a greater supply of idle funds for investment. The investment market has shown a good deal of life recently; large volumes of securities have been offered and placed. While the first and most attractive issues have been actively absorbed, the weaker offerings and the recent issues have shown a greater tendency to stick in the hands of the dealers, so that a good deal of secondary distribution remains to be done. On the whole, it is reasonable to expect that the investment market will take this course from time to time. As long as the banks remain so heavily indebted to the Federal Reserve Banks, and as long as the desire must naturally prevail on the part of both the Federal Reserve Banks and the member banks to liquidate these loans, waves of plentiful money supply will be comparatively short-lived and available funds are likely to be fairly rapidly exhausted from time to time.

Large foreign loans are reported in prospect and awaiting only a somewhat more favorable turn of the market.

Brokers report that their loans are at a very low level, and some of them at the lowest levels known in years. The street loans of the larger New York banks reflect this great decrease in brokerage commitments and show a decline of about 50 per cent. from the high level of October and November 1919.

The liquidation in stocks has probably been as complete this last year as that following any of our recent and most severe financial crises. If our own situation were not so closely intertwined with the

European tangle, one might be inclined to say that, judging from the analogies of the aftermaths following the panics and crises of the past, that conditions should now indicate a gradual upward tendency. In present conditions, however, he would be a bold man who would judge the present situation from past analogies.

Summing it up, one might say that in the second Federal Reserve District conditions, financial and commercial, have been greatly consolidated. Given a favorable development in Europe, all factors would point towards a marked improvement. Failing a real settlement in Europe, recuperation, in so far as it would have to rest inclusively on the awakening of our own local buying power, would seem likely to prove slow. Decidedly unfavorable developments in Europe might indeed have in store for us a period of renewed liquidation with consequent further recession in prices.

P. M. WARBURG.

District No. 4 (Cleveland)

Business generally in the Fourth Federal Reserve District is facing the problems of deflation with courage and a sincere desire to get back to a stable basis as rapidly as possible. Inventories generally have been taken at the first of the year on the basis of wishing to know the worst, and with a desire to get a fresh start from a point as low in value as could be substantiated, even by bankrupt values.

The result has been that many of the statements which are now coming into the banks show large losses as the result of 1920 operations, to such an extent that the paper of many of our generally considered strong corporations will not be eligible under present rulings of our Federal Reserve Bank.

While the business situation is so marked by cross currents and contradictory movements that a general characterization is impossible, still the preponderance of opinion certainly is that in a vast majority of lines, values can not go much lower, and the belief is that as the public gradually realizes this fact, the future will show a gradual increase in volume. The recent paralysis of trade has partially resulted from the mere fact of rapidly changing values, and stability of prices - even at lower levels - would be a matter of importance to all markets.

While there is some unemployment there is no problem as yet of taking care of ^{any} large number of people to avoid suffering. Wages have not been reduced in any big way, but in spots where the subject has been considered, labor has shown a disposition to take its share of the burden of reducing ^{and} prices /has of course shown greatly increased efficiency.

Manufacturing, iron and steel and the coal industries are all operating at not more than half time. All manufacturers are beginning to eat into their accumulation of inventories, and orders - even back to raw materials are in prospect for the immediate future. This general situation is better than thirty days ago.

The movement of freight, principally ore and coal on the Great Lakes which normally starts in April will begin on a very low basis.

The farmers are much inclined to hold their products, with the result that there is considerable borrowing by country state banks (not members of the Federal Reserve System) from the city banks. They are, however, going ahead with preparations for planting the usual sized crops.

While the tobacco situation in our District is not what we would like to have it, nevertheless, it is by no means as bad as it has been pictured. It is true that there have been night riders' threats against placing the leaf on the market, and also threats to intimidate the planters against planting full new crops, yet this action is naturally of the kind which receives the most publicity. While the price of tobacco is very low, nevertheless the farmers are marketing it very rapidly, and while in many cases the prices are causing distress, at the same time the money coming in is giving relief to the money market and is helping materially to pay off debts owed by the farmers .

The retail trade appears to be holding up well in volume at, of course, considerably reduced prices, but the desire to reduce inventories has not progressed far enough and the conviction that we have reached a stabilization of prices has not become sufficiently settled to encourage buying in volume from the wholesalers.

Considerable interest has been manifested in the Foreign Trade Financing Corporation. This has not, and will not carry through, however, to a point where many of our people will purchase stock without a great deal more education, especially in the volume necessary to complete the District's normal share of the contemplated capitalization.

It is hoped that the impending legislation permitting the Government to settle with the railroads, in part at least, for the balances due them as the result of Government Administration will be passed quickly, as this will enable them to take care of their much delayed obligations, and may permit of increased buying of iron and steel, and thus allow them to play their part in the increased operation of these basic industries.

The market for new issues of securities appears to be surprisingly good. The sale of foreign government bonds is considerably better than we had any reason to expect. The very high rates are attracting capital to a degree which was not considered possible by us.

Commercial deposits in 89 selected banks in the cities in the District have remained stationary during the past thirty days, while savings deposits have increased slightly.

Member banks were on January 10th borrowing from the Federal Reserve Bank - \$122,561,440.40; on February 16th, their borrowings had decreased - \$8,799,225.53. The highest point of borrowing during 1921 - \$128,122,233.80. Bank clearings have decreased slightly.

The feeling of the business and bank people toward the Federal Reserve Bank and System is one of great respect and admiration. A spirit of desiring to cooperate with what is recognized as the first real banking system which the country has had, prevails very generally.

It would appear that liquidation in our District started rather early. Many of our important industries control their own raw material and are engaged in a line, which, because of its very nature, is

calculated to suffer less than most others in any depression. Declines in business activity affect industries using raw material which does not grow but is merely produced by the activities of men in a way that differs widely from that in which it affects industries using raw materials which do grow. The production of iron ore and coal can be shut off over-night, but it takes some time to slow down the production of cotton, wool, leather, and kindred things.

We realize that the only permanent cure for ills of the kind we are now suffering is in the healing power of natural forces and comes slowly.

Business generally is on the upgrade but with a rather long pull ahead, and we can not expect immunity from some further business casualties, as the sins of over-extended credit and over-expansion will exact their toll.

In conclusion I would say that the general feeling is hopeful, and conservatively optimistic.

C. E. SULLIVAN

District No. 6 (Atlanta)

The sum and substance of recent developments is that there is a more cheerful feeling in the Sixth Federal Reserve District, but without much actual increase in business. The holiday trade was much better than was expected but since then the buyers seem to have gone on a strike again. The commodity markets are in a narrow, reactionary groove, and retail merchants are gradually lowering prices. Buyers are holding off pending further reductions as there is more or less distrust of the stability of present prices. Meanwhile unemployment is still very large throughout the District incident to decreased production, resulting in a lowering of wages. In the lumber and naval stores industries wages have been reduced from 25% to 40%. Reports coming in from different sections of the District as to general conditions are about the same in tone, with the exception of Florida which seems to be in a more enviable position.

The demand for money is steady but it does not seem to be as great as it was a few months ago. There is a slight falling off in loans, and on an average about 75% of those maturing are being renewed. The average rate with the larger banks is about $7\frac{1}{2}$ %.

General deposits show a falling off in the entire District of about 30%, with the exception of Savings Deposits which seem to be on the increase. In this connection, the writer knows of one large national bank in the Sixth District whose savings deposits increased 25% during the past year, which indicates that the small depositor is heading the abundant advice put out on this subject. Of course, at some points where business conditions are particularly bad savings deposits have decreased, but this is the exception to the rule.

In the upland cotton belt it is reported that about 41% of the crop is being held by the producers and 38% by the factors. In order to present to your minds a composite picture of the Georgia situation I have only to say that in 1919-20 that State produced 1,678,758 bales of cotton which netted about \$335,000,000, and in addition thereto the seed sold for about \$75,000,000, whereas, in 1920-21 the crop was only 1,387,000 bales, which at present prices will net only about \$85,000,000, or just a little more than the amount received for the seed last season.

Ginning reports for the year 1920-21 show less than 2,000 bales of sea island cotton. This is used principally in the manufacture of automobile tires, and since the extreme depression in that industry the price of staple ranges from 25¢ to 40¢ per pound, and it is doubtful if it could be sold for even that price, while last season the best grades sold as high as \$1.00 per pound. The boll weevil has practically put an end to this industry, therefore, it is hardly worth discussing. This cotton is grown in Florida and Mississippi in this District.

Tennessee is carrying large quantities of cotton, tobacco and other commodities and their condition is not altogether unlike that of the other States in the Sixth District.

The naval stores situation in Georgia and Florida is about on a par with the cotton situation and the indications are that there will be no improvement within the next twelve months. The banks in France have called their loans on rosin and such concerns as Colgate & Co., soap manufacturers, are importing rosin from France paying about \$4.75 per barrel f. o. b. American ports, which is much below the lowest grades of rosin held in America.

The market on this commodity has been closed since November 12, 1920, at which time the average grades were quoted at \$11.30 per barrel.

The lumber industry is about the same in all sections of the Sixth District. Present prices average about \$25.00 per 1,000 feet against approximately \$50.00 at the same a year ago. The principal demand is coming from railroads and home builders. About 50% of the mills are closed and the others are operating at about 75% of their capacity.

It is reported that the coal industry in Alabama has been very active during the past few months, however, the demand for steam coal has dropped heavily during the past thirty days. A number of the furnaces are closing on account of repairs and a lack of orders.

Rice is one of Louisiana's principal crops and it is reported that 85% of the crop is still held by the producers. Warehouses are filled to capacity.

Even the tourist business in Florida has suffered in sympathy with the depression in other lines, however, under the circumstances, as a whole the result is satisfactory. The decline in travel has been mainly among the richer class which has never been of any great value to this State. The citrus fruit crop has been the largest in the history of Florida, but prices have receded in proportion to the increased production.

The Federal International Banking Company of New Orleans, which was recently organized by the member banks in this District is ready to function, indeed it is reported that the first transaction of this company involved the shipment of 15,000 bales of Mississippi cotton to Europe.

The Directors of the Federal Reserve Bank of Atlanta, including the Branches at New Orleans, Birmingham, Nashville and the Savannah Agency, met with the Directors of the Jacksonville Branch, February 11th and 12th, at which time an opportunity was given each representative to express his views regarding the situation in his immediate territory. Their reports as a whole were pessimistic, but with one accord they predicted a brighter future.

E. W. LANE.

District No. 7 (Chicago)

X-3053

The general condition of business in the Seventh Federal Reserve District may be reported as fairly satisfactory. Considerable grain has been shipped from the north-west for export, and this has proved a great relief to the banks in the north-west and particularly in Iowa, which state has been more sorely pressed for funds than any other in our District. This is evidenced by the steady reduction of Iowa bank borrowings of the Federal Reserve Bank of Chicago. The peak of this item was attained early in December, when these borrowings stood at \$98,636,000. At the end of the year they had declined a little more than \$3,000,000, and on February 16th they had been reduced to \$77,772,000, showing liquidation of \$20,864,000 of the borrowings at the Federal Reserve Bank. This liquidation of loans from the agricultural sections, is also reflected in the statement of the correspondent banks in reserve and central reserve cities of this District. At the present time the reduction of loans by commercial and industrial borrowers has slowed up somewhat. The marketing of live stock and grain apparently is affording relief to the banks, but taking the District as a whole, this relief is not as great as had been hoped for.

At the present time there is generally a strong demand for extension of loans, although in some localities there is a slight easing of the demand. Speculative tendency is no longer very noticeable. Bankers prominent in their localities, generally report that people seem to have finally reached the conclusion that economy is highly desirable. The more progressive merchants report a very considerable reduction in stocks of merchandise compared with a few months ago, and manufacturers are making persistent effort to reduce inventories. While there has been liquidation of inventories by manufacturers, many are still carrying considerable quantities of raw material, partly finished goods, and products ready for

shipment, This accounts, to some extent at least, for the slowness in the liquidation of loans in commercial and industrial centers. There is a large amount of agricultural loans, both direct and indirect, yet to be liquidated, and bankers report from many sections that it will take the proceeds of a new crop to repay these borrowings. In Wisconsin there has been quite a liquidation of country bank loans, especially in the tobacco growing sections. In one section this reduction has reached ten per cent in the last thirty days. The condition of the country roads is also a feature accounting for the slow movement of corn, and quite an old supply of same remains in the country. While there has been some disposition of farmers in the southwest to move their wheat in considerable quantities, going to gulf ports for export, it is not so marked in this District, yet it has a bearing on the bank situation here because of loans by larger banks to correspondent banks in other districts. The material decline in market values has also been a factor of retarding liquidation of loans, as borrowers are finding it difficult to realize sufficient cash from grain and live stock to meet obligations incurred when prices were inflated. Land values are beginning to recede from the high levels attained. Farm mortgage bankers report they are making considerable loans, almost entirely to the best class of farmers, the money being used to pay debts already contracted and now carried by banks. They report little or no liquidation of mortgage loans on farms this season.

The labor situation remains practically unchanged since last month. The best that can be said of it is that a slight improvement is noticeable. This is confirmed by answers to labor questionnaires from thirty prominent manufacturing concerns in Chicago, which give the number of employed as compared with December, 6.8% increase, and as compared

with the same month a year ago, a decrease of 22.8%. The amount of pay roll for December shows 7.1% decrease, and as compared with the same month a year ago, 23% decrease. The percentage of capacity of these plants operating in January 1920 was 87.4%; in December 62.2%, and in January 1921, 61.8%. The Employers Association of Detroit states that the number of men employed by the seventy-nine firms reporting to them, was 51,745 on February 8th. This is about 25% of a year ago. Three weeks previous the report was 36,000 men. At the end of December less than 14% of the 176,000 employed in the latter part of September, were working, while 29% were working on February 8th. There were forty-one shops working on reduced schedule, an average of thirty-six hours per man per week. In many instances where the production has been curtailed and men laid off, there are signs of increased efficiency on the part of those remaining. Some of these report a reduction in wages and a shortening of hours. The coal mines, while operating at fifty per cent capacity, made no change in the mine workers wage scale or hours. The lumber mills report a reduction in wages, but not in hours. The building trades of Chicago show the greatest amount of unemployment, and they are followed closely by metal and machinery workers. It is estimated there are about one hundred thousand unemployed in Chicago at the present time. While building operations are being widely discussed because of the housing problem, nothing so far has been done in an organized way for starting work in the spring. The plans are held in abeyance by high costs. Rentals are again being increased in Chicago. Compared with the peak price of 1920, most of the building materials have come down. Lumber has had a big decline; stocks on hand at most of the mills are below normal. Manufacturing operations have been curtailed and all logging operations this

winter have been below normal.

The Federal Reserve Bank of Chicago gives the following report by States of borrowings and their percentage above their basic line, which may prove of interest.

<u>State of</u>	<u>Borrowings</u>	<u>Basic Line</u>	<u>Per Cent</u>
Illinois	\$157,375,000	\$253,593,000	62.0
Indiana	27,020,000	28,143,000	96.0
Iowa	78,317,000	34,039,000	230.0
Michigan	82,282,000	73,190,000	112.4
Wisconsin	<u>26,056,000</u>	<u>32,015,000</u>	<u>81.1</u>
	<u>\$371,050,000</u>	<u>\$420,980,000</u>	88.1

It also may be of interest to know the number of Member Banks and number of banks borrowing, which follows:

<u>Number of Member Banks in State</u>	<u>Number of Banks Borrowing</u>	<u>Number of Banks Bor- rowing in Excess of Basic Discount Line for the 10 day period</u>
Illinois	391	182
Indiana	215	119
Iowa	461	396
Michigan Chicago Branch	106	58
Michigan Detroit Branch	120	83
Wisconsin	<u>133</u>	<u>67</u>
	<u>1,426</u>	<u>905</u>
		<u>574</u>

J. J. MITCHELL.

District No. 8 (St. Louis)

Our present banking and credit structure continues to show its value over the old one. Longer time liquidation, under our present system, replaces short time bankruptcy under the old system. While actual business has not decidedly improved during the last three months as measured by volume of business and net profits, yet there is a better underlying tone. It is a time of "watchful waiting" but not with the anxiety of three months ago. Even in normal years, the first three months of a new year are, in this district, rather dull. There is now more of a disposition to be patient, to expect no great industrial activities soon but to work gradually back to normal conditions.

While unemployment has increased, it does not appear to be accompanied by any marked distress. The movement for readjustment of wages, especially for unskilled workers, is progressing. For unionized labor, conferences between employers and employees are in progress without promise, at the present, of any serious strikes or labor troubles.

Frozen credits are only very slowly thawing out and there is prospect that this will, under our present banking system, be a gradual process. Bank deposits do not show their accustomed tendency to increase markedly and reach a high point at this time of the year. There will be from March to March of the past twelve months less difference between the low and high points in deposits than that which usually occurs. Taking July 1st of last year as a basis of 100% for St. Louis Clearing House Banks, deposits reached a high point of 106% in the week of July 16th, then fluctuated around 100% until the week of September

24th; then began to decrease, reaching the lowest point of 91% the week of November 12th, and then began to increase and reached the highest point of 112% the week of January 14th. In all this time from July 1, 1920 to January 14, 1921, there was only a difference of 21%, which represents \$24,500,000.00 difference in deposits.

Likewise in the Bills Payable at the Federal Reserve Bank there was a general tendency to increase during July and August, reaching 121% the week of September 3rd, then suddenly decreasing for a few weeks, and then suddenly increasing to the high point of 131% the week of October 8th. A decrease then began and continued to the low point of 39% the week of January 14th.

Spring demands for funds will soon begin to come in. This will tend to retard the decrease in Federal Reserve Discounts for Member Banks.

The quiescence in the wholesale and jobbers' field, which characterized the period preceding the holidays, is somewhat improved, due to the receipt of more orders and the improved prospect for spring, summer and autumn trade. The holiday retail trade was, on the whole, satisfactory. In a number of cases the sales exceeded those of last year. The last sixty days has seen a marked reduction in the stock of goods on the shelves of wholesalers, jobbers and retailers. Further liquidation will be necessary in some lines, as for example, furniture, but it is likely that this will come about in a relatively short period, and that by the close of the spring season there will be a more normal relation between the existing supply and the promised demand for goods. In many

lines there is a feeling tending to be supported by good reasoning, that prices have reached their lowest level. The consuming public is yet, and properly so, buying carefully. Consumers are still inclined to resist any marked tendency to increase prices. While their potential buying power remains great, yet due to their acquired and forced ability to economize, resulting from the war, as well as the unemployment and reduced wages, prices must continue on an appealing level to bring and keep them in the market.

On the farms there has been somewhat of an increased disposition to move produce but farm loans will be liquidated gradually and the prevailing and promised low prices will not make the farmer an active buyer of other products in the spring.

In general, it would seem that:-

- (a) There is a greater confidence in the fundamental soundness of the business and banking situation.
- (b) A disposition to resume business enterprises cautiously and not to expect "Boom times" this year but to be satisfied with moderate returns, with little or no net profit if the business and its organization can be held intact.
- (c) A general feeling that particular prices and cost of living must be readjusted and equalized and this, perhaps, on a lower basis than that which now prevails. Some reductions may have gone too far, others not far enough, and some about far enough.
- (d) Labor in many cases may accept a readjustment of wages as living costs are readjusted and in general will be disposed to render more efficient service.

F. O. WATTS

District No. 12 (San Francisco).

This report on business and financial conditions in the Twelfth District is based on letters received from twenty-six banks located in different parts of the district:

DEMAND FOR MONEY:

Generally the larger cities report the demand for money as "active," "strong" or "excessive." One or two banks in Southern Oregon state the demand has "moderated" or is "about as usual."

PREVAILING INTEREST RATES:

In most of the large centers, rates of interest are from 6 to 8 per cent, with the ruling rate averaging 7 per cent; except in Ogden, Salt Lake and Boise the minimum is quoted at 8 per cent. In country districts the rate is from 8 to 12 per cent.

LOANS:

Throughout the district loans are liquidating slowly, except in Los Angeles where "Loans are said to be the highest in the history of the city;" and in Arizona "There is no liquidation as yet." Ogden reports loans as having been "materially liquidated;" whereas at Salt Lake it is stated "There is a marked shortage of loaning funds, but general reduction is being accomplished through pressure exerted by the banks." Boise reports loans increasing.

DEPOSITS:

Deposits are decreasing everywhere except in Los Angeles where they are "maintaining a high level;" in Ogden "They are holding their own;" whereas at Salt Lake "Deposits have decreased on an average during the year 20 to 25%."

LUMBER:

The lumber industry is in an unsatisfactory condition. Most of the mills are shut down and there are but few logging camps operating. Many lumbermen believe the industry will show some improvement within the next ninety days, but this improvement will not be marked until: first, there is an adjustment of freight rates that will permit the Fir of the Northwest to compete in the Middle West with the Yellow Pine of the South: second, until the cost of production is lowered by a material reduction of wages; third, until there is more money in the country available for building construction.

LIVESTOCK:

This industry at present is in a deplorable state due, to the long Winter of 1919-1920 when it was necessary to purchase large amounts of feed at high prices (in Montana it was necessary to feed cattle six months); to the marked decline in prices which has caused many herds to be sacrificed in an effort to satisfy the holders of mortgage loans; and to the increased freight charges. However, livestock went into this Winter fat and in excellent condition, with cheap feed, \$6. to \$8. a ton for Alfalfa and even as low as \$3. a ton in some sections, as against \$20. to \$40. last year. These conditions, together with ideal Winter weather give promise to the sheep men of a lamb crop of one hundred per cent as compared to an average lamb crop last year of fifty per cent. Should there be a market for wool at fair prices those sheep men

who have not had to sell their breeding stock in order to pay their debts will be able to recoup themselves on their heavy losses in the next two or three years, even though prices for wool, lambs and wethers remain at the present low level. Both cattle and sheep men report that wages of herders have fallen from a maximum of \$125. to as low as \$30. and \$40. per month, with a considerable reduction in the cost of supplies; and they state further that the efficiency of labor has increased in a marked degree.

CROPS:

Crop prospects throughout the District generally are reported as "good." There is evidence however of discouragement on the part of the farmers due to their inability to move last year's crops even at prevailing low prices. This probably will result in a reduced acreage. In Arizona it is stated that many farmers will give up raising cotton and return to diversified farming. In the Northwest there will be about the same acreage in wheat. There is more than the usual amount of moisture in the soil and Fall sown wheat never looked better.

TRADE:

Wholesale trade was good throughout the district until late in the Fall when there was a decided falling off in volume; in January there has been an even more marked decrease. Inventories taken at the close of the year reflect the marked decline in prices of most commodities. Wholesalers, fearing further declines, are still buying sparingly except in cases where they feel that goods are well

below the cost of production.

Retailers everywhere report an excellent year in 1920, and although there is considerable price cutting, nevertheless retailers are prospering (at least for the present); but like the wholesalers they are buying sparingly.

Until the late Fall collections were good with both wholesalers and retailers but for the last two months they are reported as "fair", "slow" and "poor." In the livestock districts much stress is laid on the fact that collections are "very slow."

LABOR:

Unemployment is increasing throughout the entire district but esp ecially in the Northwest due to the closing down of the mills and logging camps. There has been no great amount of suffering as yet from this cause.

WAGES:

Throughout the District wages are falling although as yet there has been no material reduction in the building trades. It is expected when the logging camps open up that there will be a reduction in wages of about 15 to 20 per cent. In the agricultural districts wages for farm hands have been reduced in many cases as much as 50 per cent and in some cases even more. No city reports any reduction in wages paid for clerical help.

REMARKS:

Although conditions today in the Twelfth District generally are unsatisfactory, nevertheless there is a feeling of optimism on the

part of all correspondents. It is thought that by April or May conditions will be fairly well stabilized and that the products of the fields, forest and rivers will move faster with a resultant liquidation of existing heavy indebtedness. It is very generally believed that the worst has passed, but that there may be a number of business failures as the outcome of present unsettled conditions. In almost every part of the District banks are overloaned, and the country banks are not only using the Federal Reserve Bank freely, but also are leaning heavily on their city correspondents. As an illustration ~~The~~ Portland Branch of the Federal Reserve Bank advises that its total loans to member banks are \$9,490,000 whereas four banks alone in Portland report a total of loans to country banks of \$7,978,646.49.

If our basic products move freely in the Spring the present situation will improve materially. Should however the market for cotton, rice, wool, livestock, salmon, lumber, canned goods and our other products not be better than it is today, there will be difficulty in financing the farmers and producers during the coming Summer and Fall.

A. L. MILLS.