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FEDERAL RESERVE BANK of CLEVELAND
D. C. Wills, Chairman of the Board
(COMPILED MARCH 20, 1923)

An Editorial

THE past month has witnessed a further advance of industry and trade. Business growth has now reached that stage where those who up to this time have been "looking on" are now beginning to get some tangible results.

In our judgment business at present is following a course which is charted largely by the present industrial expansion. Certain important lines, it is true, are setting a pace which appears to be out of keeping with industry as a whole.

It is not the use but the misuse of opportunities brought about by the present business expansion which may lay the foundation for future difficulties. It is the latter which provokes inquiry as to whether business is sound or whether we might possibly be on the edge of another inflation period.

Business in many lines at the present time is highly competitive and it seems that this will act as a balancing factor in preventing us from going too fast.

Then, too, there does not appear to be that tendency to let price advances lead to abnormal buying policies such as were experienced a few years ago.

Considering these facts we feel that business at the present time is reasonably healthy. "The makings" of prosperity are here. We are entitled to them. How long they last will depend largely upon how we use them.

There is one phase of the present business situation which we feel should be studied very carefully at this time. It is the placing of orders in three or four different places in order to insure the delivery of goods. Production was led astray by this practice a few years ago, but we believe it will be on the lookout for any repetition of this sort of thing.

Member Bank Borrowings Show Upward Trend; Acceptance Market In Improved Condition

For the past several months and until near the latter part of February of this year, member bank borrowings showed a practically continuous downward tendency. One of the most noticeable declines occurred during the month ending January 20 when loans showed a drop of approximately $29,500,000.

The low point of city bank borrowings for the month ending March 20 was reached on February 24 and for the country banks, on March 5. From February 24 until March 20, accommodations extended to city banks have shown an increase of approximately $18,000,000. The gain in country bank borrowings from March 5 until March 20 amounted to about $2,000,000. The present upward tendency is attributable to the general expansion of business, income tax payments, and also to the fact that the farmers are making preparations for spring activities.

The reserve ratio of the Federal Reserve System showed little change during the past month. On February 21 it stood at 75.8 per cent and on March 21 at 75.7 per cent. The increased demand for accommodations, however is reflected in the reserve ratio of this bank. On the twenty-first of last month it was 78.9 per cent while on March 21 it had decreased to 73.9 per cent.

The savings deposits of representative banks reporting to us this month show a decided increase when compared with the same month for last year. Deposits for the month of February as compared with February, 1921, showed a gain of 10.1 per cent. The increase for February over the previous month amounted to .4 per cent.

The acceptance market showed a generally improved condition during the month. There has been a fair demand for bills in this market during the past month, but the supply has been somewhat limited. Member banks are showing more interest in the market, both as buyers and sellers.

Operations of Iron and Steel Industry Near Ninety Per Cent of Capacity; Ruhr Situation Brings Orders and Inquiries to American Producers

IN CONSEQUENCE of the continued high pressure of demand, iron and steel production is rapidly reaching a level which promises to establish new tonnage records for the industry. February output of pig iron was the greatest of any February in the history of the country. As compiled by *Iron Trade Review* it amounted to 2,989,819 tons at the average daily rate of 106,779 tons compared with 3,228,226 tons in total and 104,136 tons in daily average in January. The number of furnaces in blast on the last day of February was 278, a net gain of 17 over the corresponding date the previous month. Steel ingot production in February is estimated at the rate of 43,230,000 tons annually, compared with an annual rate of 42,800,000 tons in January. The annual rate of steel ingot output in February was more than 98 per cent of the production for the full calendar year of 1917, which established the high record of all time for this country.

General operations of the iron and steel industry have been pushed up to about 90 per cent of capacity, which, in the face of shortages of common labor and irregular transportation facilities, is notable. A large steel company at present has 50 out of 59 blast furnaces in commission and with three additional stacks now under orders to resume, it may soon surpass all previous records of pig iron activity. At least 41 of 46 furnaces in the Youngstown district will be producing by April 1, representing the best record in three years. Sheet mill operations in the Mahoning Valley are up to the highest record point of production which was established during the war.

In the face of the high-tide output of the mills and furnaces, free supplies of steel have been almost unobtainable owing to the filled-up condition of producers. The larger mills on the common lines of products are sold up for from four to six months and their position on deliveries, instead of growing better has been becoming worse, due to the fact that incoming specifications and orders have been in excess of shipments. Many producers, as far as possible, are refusing new business. Some of the smaller mills which have been specializing on comparatively early deliveries are readily obtaining premiums ranging from $7 to $10 per ton above the schedules of the larger makers. Demand upon the jobbers is heavy, and orders of the size which customarily go direct to the mills, are being placed through this channel at correspondingly higher prices.

Steel prices during the past month have advanced on the average $3 to $5 per ton and are still buoyant although there is a disposition among the more influential producers to stand out against further rapid elevations in an endeavor to keep conditions fundamentally sound. The *Iron Trade Review* composite of 14 leading iron and steel products for the week of March 14 stood at $44.95 as against $42.24 one month previously. The composite now is at the highest point for any weekly period since March 16, 1921, when the market was in the general decline following the high market of 1920.

New buying of steel for building, railroad, automotive and general manufacturing purposes has been keeping to a large volume. Here and there some contemplated new work has been deferred, but these instances have not been many, and they have been largely attributable to the uncertainty of getting steel and to the higher prices of other materials. Railroad car buying in February fell back to a total of 7,800 but this has now revived and the total already placed the present month is well in excess of the former figure. Motive power buying has been heavy, with builders so loaded with orders that they are unable to accept new business at present except for delivery in the latter part of the year. Extensive building activity continues to direct a large tonnage of new requirements to the mills. According to the Bureau of the Census, the fabricated steel awards in January were approximately 188,000 tons or at the rate of 75.2 per cent of shop capacity. February figures have not yet been issued.

Under a broad expansion of melt by the special and jobbing foundries, steelworks, etc., the pig iron market has turned more sharply upward. The advance of the general market during the past month has averaged from $2 to $3 per ton. Consumers are endeavoring to buy for more extended periods of delivery or through the third quarter of the year. Furnaces, however, are selling more cautiously because of the uncertainty of future costs and prices.

The Ruhr situation with its consequent closing of much French and Germany iron and steel capacity, has diverted a heavy export inquiry for iron and steel and related products to American producers. Such business as has been accepted has been taken at attractive prices. French and German buyers have placed orders for from 40,000 to 50,000 tons of Connellsville furnace coke. The foreign pig iron market has reversed itself. Whereas, the United States over a period of some months past had imported approximately 400,000 tons of pig iron from Great Britain and continental Europe, the latter now is bidding for tonnage on this side. Some sales of American iron have already been made to Great Britain and other European destinations.

Reports From Manufacturers This Month Show That Business Is Moving Rapidly

Automobiles—February was a surprising month in the automobile industry. The output of 275,769 cars and trucks is regarded by the industry as indicative of a big year, as February is usually a light period. This output is 32,687 greater than the previous month of January. The February production figure has been surpassed on only one previous month—that of June of last year.

The following table, furnished by the Department of Commerce, gives the total production for each of the last eight months, with the corresponding figures for the same months of the previous year.

AUTOMOBILE PRODUCTION

(Number of Machines)

	Passenger Cars		Trucks	
	1922	1921	1922	1921
July	224,770	165,574	21,739	10,766
August	248,118	167,705	*24,466	13,080
September	187,637	144,669	*19,212	13,648
October	216,099	134,734	*21,512	12,813
November	215,297	106,042	*21,683	10,010
December	206,372	70,690	*20,050	8,307
	1923	1922	1923	1922
January	*223,706	81,693	*19,376	9,416
February	254,415	109,171	21,354	13,195

*Revised.

Electrical Goods—The heavy demand for large electrical machinery which has not changed materially in the last two months, is coming from public utilities. The call for all kinds of electric products, especially current-consuming devices, imposed a more rapid growth of demand upon the central electric power stations than they anticipated or could provide for during the stress of the war period; consequently, they are now forced to provide extra machinery rather freely.

Small Tools—For some months the number of orders in the manufacturing of small tools has shown a steady increase over the preceding month. While this gain has not been spectacular from one month to the next, the combined gain has been marked. It is the belief of the manufacturers that this steady climb in orders and sales is evidence of a normal demand that promises good business over a considerable period.

Hardware—The manufacture of hardware is progressing nicely. The manufacturers report that there is a more general demand, that is, the demand is more generally distributed throughout the country, and the orders are more generally distributed through the various departments. The production is being severely handicapped because of the lack of laborers.

Brushes and Supplies—A large brush and supply manufacturer states that business continues to come in in excellent volume. Bookings for February were larger than any month since August, 1920, and about 16 per cent greater than the average for the last quarter of 1922.

Molding Machines—The volume of business for February was greater than for any month since March, 1922, and about 60 per cent greater than the average for the last quarter of 1922. January and February combined, however, were only about 20 per cent greater than the average for the last quarter of 1922. Many active inquiries are coming in for foundry equipment which seems to indicate that both gray iron and malleable plants are having much better volume than for many months past.

Paint—The paint industry for February showed no letting up in the gains registered for January and the outlook for March is equally promising. There is a noticeable picking up in the demand as soon as nice days come on and, of course, the spring season is already well advanced in the Southern and Pacific Coast sections. The demand seems to be quite general about the country, the best market, however, coming from the average size town and from the farms.

Pottery—The pottery industry seems to be well supplied with orders and the prospects assured for at least a few months. There is considerable contemplated building expansion by several of the large pottery plants. A new kiln is being introduced, and seemingly successfully operated, which will greatly minimize the quantity of fuel, provide a better quality of finished products, and continuous operation.

Glass—The plate glass business was very active during both January and February, and March is on a par with those months. The spring demand has not yet developed in full force at the time of this writing, but doubtless will have by the time this *Review* reaches you. The best market at the present is the automobile trade.

Pulp and Paper—The paper industry continues to proceed at a fairly rapid pace. Statistics available indicate that distribution is proceeding fairly uniformly down through the various distributing agencies which handle the product before it reaches the hands of the final consumer. In addition, the indications are that the ultimate consumer is in turn using up the product. There has been some tendency toward both cost and price advances. Just at the moment, however, it seems as if the raw materials were stabilizing and the changes in the cost of the finished product working out to a proper differential to show a reasonable, but not excessive profit.

The spring season is always one of considerable activity in the paper business, this being largely due to increased advertising.

It does not seem, as indicated above, that production is at present exceeding demands. In fact, there has been a slight falling behind of the paper mills, when production is compared with orders on hand. On the whole the condition seems to be fairly well balanced.

Bags—Business in the manufacturing of bags is fully as good as last month, with demand and prices continuing firm. At the present time, perhaps the strongest demand is from the building, grain, plaster, cement, soda ash, and fertilizer trades. There is comparatively little anticipation of future requirements.

Though there are some indications of softer values in the late summer and fall, the majority of evidence at the present writing seems to point to a continuance of good business and good values for several months to come.

Cork—There is a large demand for cork for insulation at prices which are not greatly in excess of those which prevailed prior to the war.

The European conditions in the cork trade were greatly disturbed by the war. The middle European countries and Russia were formerly very large consumers of cork but are now very small factors. This has resulted in a large accumulation of low grade cork which sells at low prices compared with the prewar standards, while on the other hand, there is a scarcity of fine cork which is now selling on a very high basis. The growers of cork are compelled to recast their prices, putting higher values on the finer qualities and lower values on the inferior grades. There will probably be no marked change in cork products for the next two or three months.

The demand for linoleum is very brisk and the increased cost of production will force some advance in the price of this commodity.

Stoves and Ranges—The stove industry is experiencing very good business. One large manufacturer says that they have enjoyed an increase in sales of 86 per cent for the month of February over last year, while another says that their February sales showed a very satisfactory improvement, and that March thus far has been an exceptional month.

Paper Box Board—The paper box board business is increasing steadily each month. Even the short month of February was better than any month since the adverse market conditions engulfed the market two and one-half years ago. Prices are very firm. Quite a number of mills are from six to eight weeks behind on orders, but the average is perhaps two to three weeks, for the reason that most board mills will not take any chances in quoting on orders that are for deferred deliveries.

Undoubtedly the strike in Sweden will begin to affect the American market from now on.

Cans—Orders for cans are coming in in good volume. The purchasers are insisting on prompt deliveries, indicating that stocks are small, and that purchases are required for immediate consumption.

The railroad embargoes to the east are causing both the manufacturers and consumers considerable inconvenience. In fact, orders packed for shipment have been held in warehouses for over thirty days.

Expanding Business Causes Increased Demand For Coal; Part-Time Work Causes Miners to Seek Other Employment

The increasing consumption of coal and coke, due to improved business conditions, is tending to equalize the present supply and demand. New furnaces are being placed in blast in the steel districts and shipments of coal to the head of the lakes are now getting under way.

The industry is still confronted by the problem of transportation shortage, although some reports would seem to indicate that the past few weeks have witnessed a slight improvement in certain sections of the country. The improvement is most noticeable in the middle Appalachian districts and in the states immediately west of the Mississippi River. In western Pennsylvania, Kentucky, West Virginia, and part of Ohio, transportation disability is causing considerable trouble.

While union coal miners in the bituminous fields appear to be pretty well satisfied with their wages, many of them are leaving the pits at this time in search of other employment. This is due largely to the part-time employment conditions which now exist.

The week ending March 10 showed a slight drop in the production of bituminous coal. According to a recent report of the United States Geological Survey, production for that week was estimated at 10,609,000 net tons. This is a decrease of 337,000 tons as compared with the revised estimate of 10,946,000 tons for the week preceding.

The production of anthracite coal in the week ended March 10 is estimated, on the basis of 39,170 cars loaded, at 2,048,000 net tons including coal shipped, mine fuel, local sales, and dredge and washery output. This is a little less than the output during the week preceding. The cumulative production for the coal year, now nearly closed, stands at 49,365,000 net tons as compared with 83,409,000 tons a year ago, thus bearing out early estimates of 40 per cent deficiency.

The production of beehive coke in the week ended March 10 showed a sharp decline. The total output, estimated from reports of cars loaded by the principal coke carriers, and in part on reports of producers, was 366,000 net tons, against 402,000 tons in the preceding week. The decrease was principally in the Pennsylvania and West Virginia districts.

Railroads Gradually Strengthen Their Position; Congestion a Serious Problem in Certain Districts

The volume of traffic being handled by the railroads of the country continues to be very heavy, operating results have shown further improvement, and the work of repairing old equipment and adding new equipment is being pushed forward. Revenue freight loadings for the week ending February 24, however, show a noticeable reduction when compared with the week of January 27.

During the week ending February 24 the railroads received for transportation 830,223 cars of revenue freight, this being a reduction of 40,941 cars when compared with the week ending January 27, when 871,164 cars were received. It is, however, an increase of over 100,000 cars when comparison is made with the corresponding week in 1922 and over 150,000 cars compared with 1921.

In some parts of the country rail movements are being seriously hampered by congestion, but the indications are that this situation is being gradually corrected. With reference to this matter it is necessary to remember that the customary increase in traffic which comes with the arrival of spring is not very far advanced.

The shortage of freight cars has increased so that on February 28 it amounted to 80,633 as compared with 76,900 for the week preceding.

Preliminary figures which have been made public by the Interstate Commerce Commission show a net revenue for the railroads during the past year of 4.11 per cent. This figure was reached notwithstanding the fact that the coal strike of last spring and summer resulted in a heavy loss of revenue, and the shopmen's strike, which began on July 1, increased costs very materially for some roads, and curtailed operations on most lines.

Preliminary figures show that the railroads earned during January a sufficient net revenue to equal 5.54 per cent if the same rate of earning is continued throughout the year. This is the highest net earning reported for more than six years, for the country as a whole.

The improved condition of the carriers is further borne out by the figures as to operating revenue; that is to say, the ratio of operating cost to operating revenue. In 1920 the ratio was 93.65 per cent; in 1921, 82.61 per cent; and in 1922, 79.32 per cent. The ratios for December and January last are better than for the year 1922.

Crude Oil Shipments From California to the East Show Marked Increase; United States Production Gains 16.7 Per Cent in 1922

The outstanding development in the oil industry during March was the increasing extent to which California crude became a factor in the oil business east of the Rocky Mountains. Practically ever since the beginning of the oil industry in California, its operations and activities have been confined to the Pacific Coast states and exports through various Asiatic ports. With the steady decline of production in Mexico, upon which the big refineries along the eastern seaboard depended for a large part of their crude supply, the climax was reached about two months ago which made it necessary for these refining companies to seek a substitute for the Mexican oil they had been using.

California has been for some time producing an excess of oil for the needs of its marketing territory, and it was to the California fields that the eastern refineries turned for a new source of crude supply. For some months large shipments of California crude have been moving by tanker through the Panama Canal to the East Coast. It was not until March, however, that these shipments assumed really great proportions. There are now estimated to be at least 50 tank steamers engaged exclusively in this trade.

The large shipments of California crude to the East began to have their effect on the general crude market in March. The price of Mid Continent crude, which up to that time had been advancing steadily, has remained stationary since March 1, due largely to the influx of Pacific Coast crude. Production is so large in California that it appears likely that a very much larger amount of crude than is at present being exported can be shipped if needed. Shipments of California crude to the East are now estimated at from 140,000 to 180,000 barrels a day. The only increase in crude prices marked up during March was on Gulf Coast Crude, due largely to local conditions—a number of refineries on the Gulf Coast bidding actively for this oil.

February and March were good months from the standpoint of the refiner. Gasoline retail business was better than that of a year ago because of the fact that more and more cars are being operated throughout the winter. Fuel oil was in fairly good demand, although the present status of the coal miners and operators and the increasing output of coal, together with improvements in shipping conditions are an adverse influence on the fuel oil market.

Reserves of gasoline in storage at present are large, but present indications are that the demand for gasoline during the summer of 1923 will be very heavy. Tabulations made by *National Petroleum News* show an indicated consumption for 1923 of 6,302,000,000 gallons, an increase of almost a billion gallons over consumption in 1922.

As against the adverse influence on fuel oil exerted by the favorable conditions in the coal industry, a stimulating influence is the extensive erection of cracking plants that is now going on over the country which, while it increases the supply of gasoline by some 15 to 20 per cent, will also reduce the supply of fuel oil by about the same amount.

The American Petroleum Institute estimates the world's petroleum production in 1922 at 851,540,000 barrels, compared with 765,065,000 barrels reported by the U. S. Geological Survey for 1921. The increase in 1922 amounted to 84,475,000 barrels, or 11.3 per cent.

The United States produced 551,197,000 barrels in 1922, or 64.7 per cent of the total world production. In 1921 the United States produced 472,183,000 barrels or 61.7 per cent of the world's production in that year. The increase in the United States production in 1922 amounted to 79,014,000 barrels, or 16.7 per cent.

Mexico produced 185,057,000 barrels in 1922 amounting to 21.7 per cent of the world's production. In 1921 Mexico produced 193,397,587 barrels, or 25.3 per cent of the total production that year. The decrease for Mexico in 1922 amounted to 8,340,587 barrels, or 4.3 per cent.

Approach of Spring Creates Demand For New Clothes; Knit Goods Business Shows Marked Improvement

The textile and ready-to-wear clothing industries continue to enjoy a favorable amount of business. New styles are causing a demand for spring and summer goods, but retail sales have been delayed somewhat on account of the continuation of cold weather well into the month of March. The approach of Easter is also stimulating the interest in new clothes to some extent but authorities say this period does not have the effect which it formerly had.

The men's ready-to-wear industry is active. Business reflected by mail orders is reported by a large manufacturer as showing a considerable advance over last month.

Business in the women's garment industry during the month of February is reported to have declined somewhat owing to the fact that it was the period between early buying and the retail selling season.

In the knit underwear line business is exceptionally active. An unusual number of re-orders for spring is being received and also a large amount of re-orders for next fall delivery. Fall re-orders are usually not received this early. Buyers are ordering in large volume and are paying in advance.

There has been quite an improvement in the knitted goods business during the past year and a constantly growing demand in practically all branches of the trade has been in evidence. Owing to the advance in the prices of raw materials, quite a lot of fall business has been placed and most of the knit goods factories have sufficient orders booked to enable them to operate at capacity.

Cooperative Associations Fast Becoming Part of Our Business Fabric; Report of Progress Made by Cooperative Tobacco Associations; Ohio is Sixth Wool Producing State; Deflation in Farm Land Prices Has Proceeded Far

It is probably true that most people do not fully appreciate the development of cooperative marketing which has come among the farmers of this country during recent years. The large scale movements among growers of cotton, tobacco, dairy products, grain, fruits and vegetables and other farm products show that the farmer is making more and more use of business methods in the sale of his products. The growing of farm products is mainly a matter of production on the individual farm. We have not reached a stage where the corporate organization has been found generally adapted to producing farm products. The organized method, however, is adapted to the selling of these products in the same way as it is suited to the distribution and sale of manufactured products.

The end of the season for the delivery of the 1922 crop of Burley tobacco is now drawing near. The loose leaf sales probably will be completed some time during March and most, if not all, of the association's tobacco will have been delivered by the first of April. According to the reports which have been given out, the Burley Tobacco Growers' Cooperative Association had sold in the neighborhood of 125 million pounds of the 1922 crop up to the middle of March. It is expected that it will handle in the neighborhood of 180 million pounds of this crop. While no definite prices are given out by the association until all of the season's tobacco has been sold, it has been indicated that the average will probably be somewhere near $30 a hundred. According to the reports compiled by the Commissioner of Agriculture, the independent sales for growers up to the first of March totalled about 49 million pounds.

The association in the Burley district appears to be meeting with continued success. Naturally among 77 thousand growers there are some who have broken their contracts and have sold tobacco outside of the organization, but they are a very small proportion of the membership, as the rank and file are active in support of their association. The contract of the association has been upheld in the cases which have been brought into court, indicating that it will have no difficulty on that score.

The growers no doubt are beginning to appreciate more and more the fact that their marketing association is a large business enterprise which is engaged in the performing of certain real and specific services for the members in the marketing of their crop. At first the idea seemed to be prevalent among the members that this organization offered possibilities for improvement through price fixing powers which it might exercise. As time goes on, this conception of the organization will probably be supplanted more and more with the understanding of the fact that while the organization cannot hope to exact arbitrary prices, that by the employment of business methods it can merchandise the products which it handles in the same manner as that of other sales organizations.

The Dark Tobacco Growers' Co-operative Association which is organized on the same plan as the Burley association to serve the growers of the dark types of tobacco in Western Kentucky, appears to be making very satisfactory headway in the sale of the 1922 crop of those types.

The 1922 wool clip in Ohio amounted to 13,596,000 pounds, a three per cent increase over last year. Ohio ranks sixth in the production of wool. Wyoming is first in the 1922 clip, Texas second; Montana, Idaho, and Utah also exceed Ohio in the size of last year's clip.

The states exceeding Ohio are all western or range states. The wool from these states is called "territory" wool as distinguished from the "fine" wool of Ohio and other eastern states. Ohio is the largest wool producing state east of the Mississippi River. Michigan, the second largest, produces a little more than half as much as Ohio.

Sales of farm land in Ohio during recent months average $105 per acre according to a compilation made by the State-Federal Crop Reporting Service, from reports of 360 sales of farms distributed over the state. When compared with the high prices of four and five years ago, these figures show that much of the inflation in farm land values has been eliminated.

Almost 40 per cent of the reported sales were foreclosures, settlement of estates, or were made under other forced conditions. For these forced sales the average price was $82 per acre as compared with $118 for the free and open sales. Sales on improved lands averaged $117 as compared with $70 for unimproved farms. The average number of acres in the sales reported was 102 with the forced sales averaging 118 acres and free sales 93 acres.

Of the farms 100 acres or more in size, no sales were reported at a greater price than $200, and less than 10 per cent of the farms of this size sold for more than $150 per acre. The figures for these larger farms are interesting because the greater part of the speculation a few years ago was in farms of this class. At that time sales of $300 per acre were reported and from $200 to $250 was a frequent price.

The average selling price in the western and central corn belt counties was around $120 an acre. In the southwestern part of the state, the average was not far from $60 per acre. In the counties around the larger cities a number of sales at high figures were reported.

The average rental per acre for farms rented for cash in Ohio is not far from $6.00 per acre.

The reports indicate a decline on the average of around 50 cents an acre over last year. It is quite possible that the number of farms rented for cash is materially less this year than formerly, with a corresponding increase in share rentals.

Farm Implement Trade Heavier as Spring Work Gets Under Way; Farmers Want Labor Saving Machinery

With a month of spring farm work in the south and a general opening of agricultural activity throughout the entire country, the manufacturers in the implement and tractor industries, the former especially, are finding the trade heavier than had been expected. Re-orders are beginning to convince factory sales departments that preliminary estimates of 1923 business were conservative. Manufacturing activities are being extended to meet the increasing demand. Notwithstanding the continued advances in material prices, notably an advance of $3 a ton on steel bars used extensively in implement manufacture, manufacturers are expecting for the time being at least to keep prices within the limits of the 10 per cent advance made six weeks ago. The increased prices are strengthening retail trade, and present sales activity indicates that advancing prices, up to this time, are not effective in retarding the buying of actual requirements.

Some plants are running at full capacity, but a conservative estimate of manufacturing activity at the present time would place it at about 70 per cent of capacity. The heaviest production seems to be in lines which will be required by the farmer later in the season such as haying and harvesting machinery, etc., practically all the plants making such implements now being operated at quite close to maximum capacity. The implement manufacturers are now taking more steel than at any previous time since 1920. Farmers have bought very little harvesting machinery during the past few years, a fact which is contributing to the present manufacturing activity in these lines.

Some manufacturers are experiencing a strong demand for improved machines, and especially machines of larger capacity than they formerly used, such as mowers and binders with longer cutting bars. The labor shortage which is confronting various manufacturers is being felt on the farm. Northern Europeans adapt themselves most readily to American farming, and the natives of these countries are not coming to this country as they did when the Middle West was being developed agriculturally.

There is considerable increased activity among the tractor manufacturers even with those generally considered very conservative. For instance one company which has not been in production for two years is now making tractors and reducing its supply of tractor engines carried for two years. This supply is almost equal to a full year's production.

One full-line implement manufacturer has placed in effect a list-and-discount method of pricing goods to the dealer and farmer. This company includes every tool in its line in its new price schedule which, however, instead of applying nationally, applies by zones supplied from each of its branch houses. This is the first answer to the requests of numerous associations of implement dealers, and the dealers' reaction seems to be quite favorable inasmuch as the discounts permit an adequate profit for them.

Annual reports of the leading companies which are now appearing in the daily press reflect the condition of the industry during the last two years. Nearly all the 1922 statements show that the industry operated at a loss in 1922, but the losses were quite generally reduced to about 60 per cent of what they were in 1921. The largest company in the industry reports net profits of approximately five million dollars, but makes the candid statement that no profits were made on domestic sales in 1922. Manufacturers at present are making an effort to wipe out a large portion of the losses of the two previous years, and believe that the outlook for business in 1923 is bright.

Rubber Factories Operating Near Peak Production; Many Leading Companies Announce Price Advances

Rubber factories are operating at practically peak capacity, and some plants report tire production at the highest point it has ever been. Spring dating business is also heavier than usual.

The mechanical goods end of the industry is in very good shape and the general expansion of industrial activities is causing a brisk demand for articles such as hose, belting, and supplies for manufacturers. When mills are running at top speed they consume large quantities of these materials. The past winter has been most favorable for the sale of footwear in several years; consequently sales have increased and collections are very good.

Several of the larger rubber companies recently announced a tire price increase of 10 per cent and this move has been followed by many of the smaller concerns. A few companies, however, have not yet made any announcement of new price schedules.

The labor shortage which has been evident in certain industries for some time has extended to the rubber industry. *India Rubber Review* states that the cost of labor in Akron, Ohio, has advanced 10 per cent and yet there is a shortage of labor of the proper type. A few of the rubber companies have recently introduced a 10 per cent bonus for factory workers.

The rapid pace which the rubber industry is setting at the present time naturally causes a general feeling of optimism throughout the trade. Manufacturers, however, see in the rush for business the danger of over-stocking the dealers. But on the other hand, and counteracting this to some extent, are those smaller rubber factories which in the aggregate are capable of producing a great many tires and which are shut down; the increased number of cars; and the present heavy consumption of gasoline.

Opinions with reference to the British export tax on rubber vary considerably, but there appears to be a growing conviction that the situation will gradually adjust itself through the law of supply and demand.

The rapid advance in the price of crude rubber from 15 to 37 cents in a ninety-day period influenced the government to investigate the possibility of solving the problem through American-grown rubber.

The prevailing price of crude rubber prior to last fall was due to an over-supply. The low-priced rubber of 1921 and 1922 represented distress sales. They also represented heavy losses on the part of the plantation owners.

Authorities now believe that American-grown rubber is only a partial solution to the problem and that such a plan will not bring the price back to the 16-cent level. Rather, they say, a price level sufficient to provide a reasonable return for the growers, one which induces production sufficient to insure a supply for future needs, but at the same time prevents a runaway market which would add to the price the public pays for the finished goods, is the situation which they hope will eventually come about.

High Costs Handicap Construction Work; Workers Are Given General Wage Increase

Building statistics continue to make a favorable showing. Operations during the winter months were unusually heavy considering the season of the year, and at present building activities are getting under way for the spring season.

But it is doubtful whether this industry is making as good a showing as it did a month ago. Building costs have now reached the stage where prospective buyers are studying them very closely before undertaking new developments, and reports of sidetracked building prospects, due to high costs, are becoming quite numerous.

Spring wage adjustments have been carried to conclusion in nearly all of the skilled trades in Cleveland, the settlement in most cases dating from March 1, the new starting date for agreements established last year. Although wages were considered high before these adjustments, a still further addition has been made in practically all of the trades, amounting in some cases to as much as 15 cents per hour, or $1.20 per day for each man employed. There are those who believe this increase in wages being reflected in the total cost of buildings will have a deterrent effect upon new operations. The first two months of the year have kept workers in the building trades well occupied and there has been a steady demand for materials.

The Secretary of Commerce has recommended that no new government construction work be initiated except that which is absolutely necessary, and that work now in progress be slowed down to the extent compatible with economy. This is for the purpose of releasing the labor which would be required for this work, to relieve transportation facilities of this extra load, and to give private construction programs more freedom.

The total value of permits issued in the suburbs of Cleveland, which includes Cleveland Heights, Lakewood, East Cleveland, Shaker Heights, and Garfield Heights, showed a marked increase for the first two months of the present year as compared with the same period last year. The total value was $6,076,012 as compared with a valuation of $2,701,892 for the same period of 1922 and $1,651,555 in 1921. This aggregate sum indicates the widespread interest in home and apartment house building which characterizes most of the construction in the outlying districts.

In the city proper the total value of permits issued for the first two months of the year was $8,910,125 as compared with $2,554,615 for the first two months of 1922.

Common Brick—On March 1 nearly one-third of the common brick plants were shut down, due to seasonal conditions. Those plants which are equipped for winter operations have been producing in larger volume than usual. This, however, has not resulted in built-up stock for the demand has also been unusually large. The industry is going into the spring building season with a rather short supply of brick in the yards and with a strong demand. In the larger centers an unusual amount of winter building has been going on and the plants which have been taking care of this business have had practically no cessation of activities through the cold months.

Reports From Wholesale Grocers Reflect Healthy Trade Conditions; Sugar Prices Show Further Advance

The wholesale grocery business is in very good shape, and with the possible exception of the present sugar situation, reports this month reflect a generally healthy condition. There seems to be little delay in securing goods when ordered, but there is room for further improvement in the transportation situation.

The following report on various wholesale grovery lines shows no particular change over last month and does not yet reflect the higher price of sugar to any great extent.

Sugar—Prices still advancing; demand slow due to season.

Cigars and Cigarettes—Sales very satisfactory. Market steady.

Cheese—No particular change since last month when sales were reported to be very good with a steady market.

Coffee and Tea—Prices very firm and advancing. Sales good.

Crushed Fruits and Syrups—Sales good with prices showing an advancing tendency.

Canned Goods—Prices in standard brands very firm with good demand. Fancy brands practically off the market and difficult to get.

Tobaccos—Sales normal. Prices unsteady due to competition.

Pickles—Demand good. Market active. Prices on sweet pickles advancing.

Cereals—Demand light. Prices firm.

Sauerkraut—Normal demand. Prices firm.

Fish—Good demand.

Bakers' Supplies—March sales show improvement. Markets maintain stronger prices.

Candy—Sales good. Prices show an upward trend.

Olives—Sales good. Production oversold. Market firm.

Condiments—Sales good. Prices firm.

Preserves—Little demand.

Soap—Sales good. Prices advancing.

The fact that practically all labor throughout the country is now employed is one of the principal reasons back of the increasing demand for canned goods.

Packers in some sections have reduced their opening prices on tomatoes. A 50 per cent gain in tomato shipments in 1922 compared with the movement of the previous year, as reported by the United States Department of Agriculture shows the increasing demand for this product. Average shipments have been less than 18,000 cars per year, but during the past season 26,000 cars were forwarded.

The general scarcity of farm labor and the advancing tendency of prices for other farm products are causing the packers to have some difficulty in securing their usual allotment of acreage from the grower.

Better Banking Under the Federal Reserve System

The Strength of Organization

It is usually better to work with other people than to work alone. We have clubs, associations, societies for the purpose of multiplying the strength or effectiveness or resources of the individual members. A regiment is stronger than the strength of all the men who make it up. An army is stronger than a mob.

What a Bank Does

Just so with money. Men work and save, and deposit in banks their savings or the ready money needed for business use. In every bank there are many deposits, none of which may be large in itself; but taken together they become much more useful than if they had been kept separately. Taken together they enable a bank to lend its customers the money they need for carrying on their business. Thus the money of many individuals serves the business needs of city and town and the farming needs of the country.

What the Federal Reserve Bank Does

A Federal Reserve Bank does for banks almost exactly what banks do for their customers. It receives money on deposit from such banks as have become members of the Federal Reserve system, and lends to them. All National banks are members of the Federal Reserve system, and many State banks and trust companies have become members also. Every member bank is obliged by law to keep with its Federal Reserve Bank an amount of money which bears a certain proportion to the deposits it has received from its customers. This is called a "reserve," and as the Federal Reserve Banks keep the reserves of their members they are called "Reserve" Banks. At times, member banks borrow from their Federal Reserve Bank just as individuals borrow from their own bank. Individuals can not deposit money with a Federal Reserve Bank, or borrow from it; their relation with it is through the member banks.

Before the Federal Reserve System

Before the Federal Reserve system was in operation, each individual bank stood virtually alone. This was safe enough as long as things went well in the business world, but even then the machinery of banking was so cumbersome that it often worked badly.

In order to meet the requirements of law and to pay depositors, all banks used to keep large amounts of gold and currency on hand and most of them also kept money on deposit with other banks in the larger cities. When all went well, the money on deposit with the city banks could be withdrawn in currency whenever it was wanted. But when, as sometimes happened, business or banking conditions were disturbed and suspicion was in the air, the banks were anxious to increase the amount of cash on hand lest an unusual number of depositors might want to withdraw their money. And it was at those times that the city banks were least able to furnish cash. For the available supply of currency was limited, and there was no quick way of increasing it.

Defenses Weakest When Needed Most

This limited supply of currency led to the panic of 1907. For, moved by apprehension, almost every one of the twenty-four thousand banks sought, for its own protection, to withdraw such currency as it could from other banks and pay out as little as possible to its depositors. Though emergency measures were finally taken, they were too late to prevent the coming of trouble, and the existing banking machinery fell apart into thousands of separate units.

Each bank had to trust largely to its own cash resources, because, however willing, the other banks felt they could not give up much of their cash, for by doing so they might impar their ability to meet the possible needs of their own customers. Each bank, in seeking to protect itself, necessarily weakened the entire banking structure. The defenses were weakest when the danger was greatest.

The result was that every few years a money panic occurred, bringing disaster and depression. These money panics from which the United States suffered, and which the organization of the Federal Reserve system now prevents, were, of course, quite different from the commercial crises from which every country occasionally suffers.

Under the Federal Reserve System

Under the Federal Reserve system there is a quick, certain, automatic way by which the banks that are members of the system help one another, in good times and bad. This is important to every business man, every farmer, every working man, every citizen. It is the result of organization—the kind of organization that makes a system of reservoirs in a community better than many separate wells.

It is appropriate to think of the Federal Reserve system as exactly that—a system of reservoirs. There are twelve of these reservoirs, the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas and San Francisco—each serving the needs of the member banks in its own Federal Reserve district. In each of these reservoirs credit is stored up, and from it, as the need arises, credit is supplied to the member banks and through them to their customers, including not only business men and farmers, but other banks as well. The process is much like the storing up of water in a city reservoir, from which it is supplied to houses and their occupants.

A Reservoir of Credit

It may be thought strange that such a thing as credit, which in this sense is the power to make loans, can be stored up. But the fact is, a great deal of it is stored up in the Federal Reserve reservoirs. For, as we have seen, the member banks deposit in the Federal Reserve Banks most of the gold they formerly kept in their own vaults and some of the money they used to keep on deposit with other banks. And it is the gold which Federal Reserve Banks acquire in this and other ways that gives them the ability to make loans and issue currency.

The provisions of the law are such that the Federal Reserve Banks can make loans to an amount between two and three times as much as the gold they have. So, having a supply of gold in storage, they have a lending power in storage also. As this lending power is used, the level in the reservoirs falls. In 1920 the reservoirs ran very low, because the farmers and business men made unusually heavy demands upon them at a time when they had already been drawn down by the war needs of the Government.

The supply of water in a reservoir becomes useful when it is distributed through the water mains. The supply of credit in a Federal Reserve reservoir becomes useful when it is distributed through the member banks. But just as it is the individual and not the reservoir that draws the water, so it is the business man or the farmer who takes the first step which may result in drawing upon the reservoir of credit.

For example:

The Grocer of Austin, Texas

A grocer in Austin, Texas, wishes to buy fifty barrels of flour. He has not enough money in the bank with which to pay for it so he asks his local Austin bank for a loan. This is the first step just referred to.

The Austin bank, satisfied with the grocer's credit, makes him a ninety-day loan on his note. The grocer buys the flour, and proceeds to sell it barrel by barrel to his customers. As his customers pay their bills, the grocer accumulates money with which he pays off his note.

When a Bank Borrows

In ordinary times and in slack seasons, a bank's own resources are sufficient for its customers' needs. But perhaps the Austin bank, which is a member of the Federal Reserve System, is asked to make the loan to the grocer at a time when many people are asking for loans to carry on their business. Or perhaps its depositors for one reason or another are having to draw down their deposits. If the Austin bank is to continue to lend money and pay its depositors, it in turn will have to borrow.

Before the Federal Reserve system was in operation, the Austin bank would have had to ask for a loan from some larger bank with which it had an account. Ordinarily the loan could be obtained. But if money happened to be scarce, the larger bank might be compelled to refuse to lend, because its own resources were running below what it might need to meet all the demands of its customers.

Now, however, as a member of the Federal Reserve System, the Austin bank is in a quite different position. It has a bank of its own, the Federal Reserve Bank of Dallas, to which it goes as a matter of right given it by law. It sends to the Federal Reserve Bank of Dallas the grocer's note and other notes upon which it has already made loans. With these as security, the Austin bank asks the Federal Reserve Bank for a loan.

This is the second step in drawing upon the reservoir of credit, and follows the first step which the individual took when he borrowed from his bank. Both steps must be taken before the Federal Reserve Bank lends a dollar.

Into the Channels of the Federal Reserve

The Dallas Federal Reserve Bank examines the notes to see whether they are sound and acceptable, and of the kind the law permits it to lend upon. Being satisfied, it makes the loan to the Austin member bank. This is called "rediscounting"; and the rate of interest the Federal Reserve Bank charges is called the "discount rate." This is a published rate, applying uniformly to all member banks in its district, and is often quite different from the rate the member bank charges its own customers. The rate a member bank charges its customers is determined, subject to State law, largely by local business conditions and local banking custom. The rate a Federal Reserve Bank charges its member banks is determined, from time to time, largely by the amount of credit-making power it has in its reservoir, and also, to some extent, by credit conditions generally throughout the United States.

Later, when the grocer's note falls due, the Federal Reserve Bank sends it back to the Austin member bank and receives payment for it. The Austin bank in turn receives payment from the grocer and gives him back his note. Thus the circle is completed. Meanwhile, the grocer has been able to carry on his business, and the Austin member bank, with the money it borrowed from the Federal Reserve Bank, has been able to make more loans to its customers than if it had had no reservoir to draw upon.

The Kinds of Loans Federal Reserve Banks Make

Loans to Commerce and Industry

The simple transaction of the Austin grocer is typical of the vast mass of loans which enter into the operations of the Federal Reserve System. Suppose, for instance, that instead of the grocer, the borrower is a dry goods merchant in Butte, a hardware dealer in Chicago, a steelmaker in Birmingham, a lumberman in Seattle, or an exporter in New York—each a responsible business man in good financial standing locally. Their borrowings from member banks, whether large or small, can in turn be borrowed upon by the member banks at their Federal Reserve Banks, provided they arose out of the production, sale or marketing of goods, and are within ninety days of falling due.

Loans to Agriculture

Suppose, again, that instead of the grocer of Austin, the borrowers are farmers, or planters, or cattle men, likewise in good financial standing locally. Their borrowings from member banks, whether large or small, can be borrowed upon by the member banks at their Federal Reserve Banks, provided they were for agricultural purposes, including the raising or marketing of livestock, and are within six months of falling due.

(To be Continued)

Debits to Individual Accounts

	Week Ending Mar. 14, 1923 (326 Banks)	Week Ending Feb. 14, 1923 (327 Banks)	Increase or Decrease Amount	Per Cent	Week Ending Mar. 15, 1922 (326 Banks)	Increase or Decrease Amount	Per Cent
Akron	$ 16,263,000	$ 16,420,000	$—157,000	—1.0	$ 10,858,000	$ 5,405,000	49.8
Butler, Pa	2,648,000	2,320,000	328,000	14.1	1,833,000	815,000	44.5
Canton	12,208,000	9,296,000	2,912,000	31.3	5,819,000	6,389,000	109.8
Cincinnati	76,423,000	63,192,000	13,231,000	20.9	65,404,000	11,019,000	16.8
Cleveland	133,208,000	123,748,000	9,460,000	7.6	107,572,000	25,636,000	23.8
Columbus	31,325,000	29,507,000	1,818,000	6.2	28,849,000	2,476,000	8.6
Connellsville	1,759,000	1,322,000	437,000	33.1	995,000	764,000	76.8
Dayton	15,877,000	13,251,000	2,626,000	19.8	11,610,000	4,267,000	36.8
Erie	7,218,000	6,426,000	792,000	12.3	6,737,000	481,000	7.1
Greensburg	4,795,000	4,702,000	93,000	2.0	4,047,000	748,000	18.5
Homestead	704,000	547,000	157,000	28.7	597,000	107,000	17.9
Lexington	8,643,000	8,779,000	—136,000	—1.5	8,246,000	397,000	4.8
Lima	3,494,000	3,059,000	435,000	14.2	3,280,000	214,000	6.5
Lorain	1,216,000	1,042,000	174,000	16.7	1,032,000	184,000	17.8
Middletown*	2,303,000	1,657,000	646,000	39.0	....	....	....
New Brighton	2,327,000	2,234,000	93,000	4.2	1,885,000	442,000	23.4
Oil City	2,902,000	2,536,000	366,000	14.4	2,591,000	311,000	12.0
Pittsburgh	193,697,000	177,993,000	15,704,000	8.8	135,431,000	58,266,000	43.0
Springfield	5,497,000	4,381,000	1,116,000	25.5	4,012,000	1,485,000	37.0
Toledo	42,907,000	31,047,000	11,860,000	38.2	27,492,000	15,415,000	56.1
Warren, O	4,103,000	2,705,000	1,398,000	51.7	3,295,000	808,000	24.5
Wheeling	11,153,000	8,474,000	2,679,000	31.6	7,300,000	3,853,000	52.8
Youngstown	12,183,000	12,166,000	17,000	0.1	10,642,000	1,541,000	14.5
Zanesville	3,003,000	2,375,000	628,000	26.4	2,638,000	365,000	13.8
Total	$595,856,000	$529,179,000	$66,677,000	12.6	$452,165,000	$141,388,000	31.3

*Debits for corresponding period 1922 not available.

Comparative Statement of Selected Member Banks in Fourth District

	Mar. 14, 1923 (84 Banks)	Feb. 14, 1923 (84 Banks)	Increase	Decrease
Loans and Discounts secured by U. S. Government obligations	$ 32,746,000	$ 31,807,000	$ 939,000	$........
Loans and Discounts secured by other stocks and bonds	379,172,000	369,598,000	9,574,000	....
Loans and Discounts, all other	668,809,000	657,876,000	10,933,000	....
U. S. Pre-War Bonds	48,001,000	48,128,000	....	127,000
U. S. Liberty Bonds	121,585,000	121,163,000	422,000	....
U. S. Treasury Bonds	8,816,000	9,279,000	....	463,000
U. S. Victory Notes and Treasury Notes	58,131,000	55,670,000	2,461,000	....
U. S. Certificates of Indebtedness	9,683,000	11,890,000	....	2,207,000
Other Bonds, Stocks, and Securities	287,014,000	290,407,000	....	3,393,000
Total Loans, Discounts, and Investments	1,613,957,000	1,595,818,000	18,139,000	....
Reserve with Federal Reserve Bank	112,109,000	114,863,000	....	2,754,000
Cash in Vault	30,572,000	31,526,000	....	954,000
Net Demand Deposits	935,499,000	933,893,000	1,606,000	....
Time Deposits	551,839,000	548,677,000	3,162,000	....
Government Deposits	4,892,000	5,893,000	....	1,001,000
Total Resources at date of this report	2,051,699,000	2,035,574,000	16,125,000	....

Wholesale Trade

Percentage Increase (or Decrease) in Net Sales During February, 1923, as Compared with January, 1923, and February 1922

	Dry Goods	Hardware	Drugs	Groceries
Net Sales (selling price) during February, 1923, compared with January, 1923	2.0	11.1	— 7.4	—4.9
Net Sales (selling price) during February, 1923, compared with February, 1922	32.1	51.1	17.2	12.4

Department Store Sales

	Cleveland	Pittsburgh	Cincinnati	Akron	Canton	Columbus	Dayton	Toledo	Youngstown	District
Percentage of net sales (selling price) during February, 1923, over net sales (selling price) during same month last year.	16.4	25.1	9.5	12.7	15.1	15.2	9.9	13.9	41.3	18.9
Percentage of net sales (selling price) from January 1, 1923, to February 28, 1923, over net sales (selling price) during same period last year....................	19.3	22.3	6.2	15.4	17.3	14.0	11.7	9.8	38.0	17.9
Percentage of stocks at close of February, 1923, over stocks at close of same month last year..........................	14.8	5.3	—8.3	13.5	3.6	29.9	15.4	6.9	9.3	8.3
Percentage of stocks at close of February, 1923, over stocks at close of January, 1923............................	23.3	19.2	7.5	8.2	6.7	18.3	13.1	14.1	17.5	17.3
Percentage of average stocks at close of each month this season (commencing with January 1, 1923) to average monthly net sales during the same period....	379.7	359.1	493.7	412.3	783.3	423.0	427.5	402.8	277.2	394.5
Percentage of outstanding orders (cost) at close of February, 1923, to total purchases (cost) during the calendar year, 1922............................	10.4	10.4	11.9	11.2	17.5	12.4	12.8	8.8	10.6	10.7

Building Operations for Month of February, 1923-1922

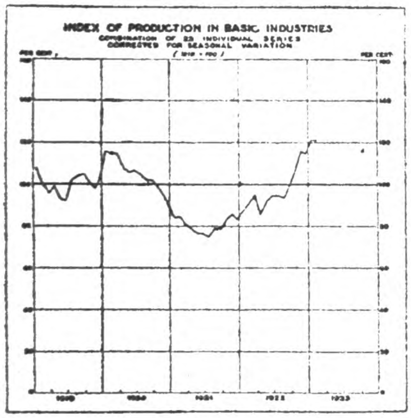
	Permits Issued				Valuation					
	New Construction		Alterations		New Construction		Alterations		Increase or Decrease	
	1923	1922	1923	1922	1923	1922	1923	1922	Amount	Per Cent
Akron......	96	71	20	30	$ 561,401	$ 100,205	$ 11,285	$ 43,900	$ 428,581	297.4
Canton.....	87	55	27	27	1,007,493	120,558	22,340	13,375	895,900	668.9
Cincinnati...	185	200	185	179	1,671,175	886,525	503,325	153,770	1,134,205	109.0
Cleveland*..	615	383	477	488	5,627,467	2,900,140	724,550	442,190	3,009,687	90.0
Columbus...	247	228	72	103	1,146,765	668,615	109,735	75,285	512,600	68.9
Dayton.....	111	65	37	85	483,064	164,049	95,047	46,267	367,795	174.9
Erie........	45	37	20	35	68,815	74,475	52,895	40,910	6,325	5.5
Lexington...	20	29	13	31	14,525	367,550	8,200	46,831	—391,656	—94.5
Pittsburgh...	250	276	86	83	1,590,524	1,625,836	207,720	180,088	—7,680	—0.4
Springfield...	18	43	8	15	31,500	60,280	11,250	6,845	—24,375	—36.3
Toledo......	139	73	100	118	772,700	200,980	145,715	102,415	615,020	202.7
Wheeling....	53	34	22	31	154,870	135,740	34,250	20,884	32,496	20.7
Youngstown.	50	35	12	27	119,990	43,425	18,200	62,535	32,230	30.4
Total...	1,916	1,529	1,099	1,252	$13,250,289	$7,348,378	$1,944,512	$1,235,295	$6,611,128	77.0

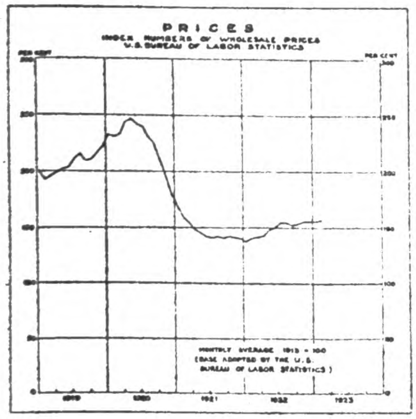
* Includes figures for East Cleveland, Lakewood, Cleveland Heights, and Shaker Heights.

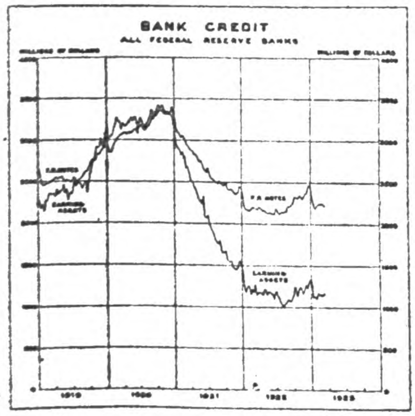
Movement of Livestock at Principal Centers in Fourth Federal Reserve District for Month of February, 1923-1922

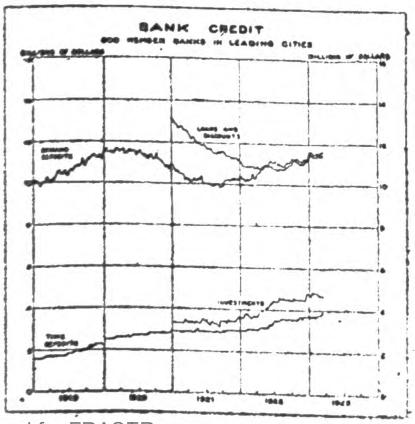
	Cattle		Hogs		Sheep		Calves		Cars Unloaded	
	1923	1922	1923	1922	1923	1922	1923	1922	1923	1922
Cincinnati...........	17,255	17,342	105,623	100,827	2,319	5,076	11,165	11,747	1,576	1,552
Cleveland...........	9,017	9,184	75,417	68,020	14,406	19,596	8,398	9,954	1,413	1,334
Columbus...........	98	140	2,806	3,482	258	224	93	166	4	14
Dayton.............	1,568	1,118	11,144	11,663	138	191	680	541	....	....
Fostoria............	226	126	6,011	5,587	702	445	396	447	2	8
Marion.............	22	21	2,621	3,057	70	270	99	108	....	....
Pittsburgh..........	25,662	30,918	237,644	190,269	54,563	67,111	24,822	20,296	3,844	3,517
Springfield..........	123	169	2,992	3,304	990	489	112	128	....	....
Toledo..............	561	845	10,216	6,047	1,266	486	578	451	118	97
Wheeling...........	197	234	2,014	2,248	1	99	592	656	23	21
Purchases for Local Slaughter										
Cincinnati...........	11,891	14,111	58,407	62,255	1,931	4,578	4,720	7,169	....	....
Cleveland...........	8,675	8,905	54,268	49,624	12,502	12,356	8,345	9,022	....	....
Columbus...........	19	68	372	590	18	175	58	73	....	....
Fostoria............	25	30	200	510	5	5	25	72	....	....
Marion.............	22	19	2,032	2,831	4	42	84	66	....	....
Pittsburgh..........	4,647	5,567	42,668	35,789	5,626	8,260	5,159	5,596	....	....
Springfield..........	20	32	651	433	......	12	34	9	....	....
Wheeling...........	197	234	2,014	2,248	1	99	592	656	....	....

Summary of Business and Credit Conditions in the United States By the Federal Reserve Board









Continued active business is indicated by the maintenance of a high rate of industrial production, increases in freight traffic and employment, and a large volume of retail and wholesale trade.

PRODUCTION

The Federal Reserve Board's index of production in basic industries for February was at the same high level as in January. The index number for these industries is now approximately equal to the highest point reached in the past. Since the low point in July, 1921, there has been an increase of 61 per cent. The volume of new building projected in February was exceptionally large for the season, particularly in western districts. Railroad freight shipments have been increasing and the car shortage, which was somewhat relieved in December and January, became more marked in recent weeks.

A continued increase in industrial employment has been accompanied by further advances in wage rates in a number of industries. Many New England woolen mills announced a wage increase of 12½ per cent effective April 30. A shortage of women workers has been reported in the textile, rubber, and garment industries, and there is a shortage of unskilled labor in many industrial centers.

TRADE

Wholesale and retail distribution of goods continued at a high level during February. Sales of both wholesale and retail concerns reporting to the Federal Reserve banks were well above those of a year ago, but the increase was relatively more pronounced in wholesale trade. Mail order and chain store business was almost as large in February as in January despite the shorter month, and sales of five and ten cent stores were actually larger than in January.

WHOLESALE PRICES

The Bureau of Labor Statistics index of wholesale prices advanced slightly during February. Prices of metals, building materials, and clothing increased, while prices of fuels and farm products declined. Building materials and metals during the past year have advanced more than any other groups of commodities and are now about 25 per cent higher than in March, 1922.

BANK CREDIT

Recent increases in industrial and commercial activity have been reflected in a larger volume of loans by member banks for commercial purposes, especially in the New York, Chicago, and San Francisco districts. Loans of this character by reporting member banks are now approximately $500,000,000 larger than at the end of December. This increase has been accompanied by a reduction in holdings of investments, so that there has been only a moderate net increase in total loans and investments.

The larger demand for funds has not led to any increase during the past month in the total volume of credit extended by the Reserve banks.

Total earning assets and loans to member banks on March 21 were approximately the same as four weeks earlier. Borrowings by member banks in the interior increased, particularly in the Chicago district, but borrowings by member banks in the New York district decreased. Since the end of February, there has been a small decline in the volume of Federal Reserve Note circulation which is now at approximately the same level as six months ago. Other forms of currency in circulation, however, have recently increased.

The market rates on commercial paper advanced further to a range of 5 to 5¼ per cent and the rate on bankers' acceptances remained steady at about 4 per cent. There has been a slight increase in the yield of short term treasury certificates as well as of government and other high grade bonds.

Credit Expansion Outside The Federal Reserve Banks

The loans and investments of all member banks throughout the country, which measure the current public demand for credit, are not much below what they were at the height of credit expansion in 1920. The recent statement of the Comptroller of the Currency covering all member banks, both city and country, permits the following comparisons:

Total loans and investments

November 15, 1920	$26,108,000,000
December 31, 1921	23,630,000,000
December 29, 1922	25,749,000,000

Demand and time deposits

November 15, 1920	$20,924,000,000
December 31, 1921	19,627,000,000
December 29, 1922	22,460,000,000

In 1920 Reserve Bank Credit was Largely Used

In 1920, the lending power of the Reserve Banks was used almost to the legal limit of possibility, and on November 12 of that year the reserve ratio of all twelve Federal Reserve Banks stood at 43.6 per cent. On December 27, 1922, when the volume of member bank credit was practically the same as in the autumn of 1920, the reserve ratio was 72 per cent. Indeed, during the whole of 1922 the reserve ratio was very high and varied little from week to week.

In 1923 Reserve Bank Credit is Little Used

It will be seen from the foregoing that the reserve ratio is not under present conditions an accurate measure of the amount of bank credit in use. Its steadiness at a high level during 1922 was mainly the result of large imports of gold. In 1920 the gold in the country was about a billion dollars less than it is at present, and in order to supply the demands for credit and currency prevailing in that period the member banks drew heavily upon the Federal Reserve Banks. The immense volume of gold which has since come here from foreign countries has enabled the banks during the past year to satisfy the increased credit demands without increasing the amount of Reserve Bank credit in use.

Present Credit Increase Based on Increased Gold

Almost all of the gold which comes in finds its way in natural course into the reserves of the Federal Reserve Banks, and thereupon becomes the basis for potential increase of bank deposits. This is because the banks are obliged by law to hold in reserve only a portion of their deposits. Member banks keep all of their reserves with the Federal Reserve Banks, on the average about one dollar of reserve to every ten dollars of deposits.

When additional gold is lodged with a reserve bank and is not used to pay debt owing to the reserve bank, it becomes the potential reserve for bank deposits of several times its face amount. The banks create these additional deposits when they make loans to customers or buy securities, the proceeds of which are deposited with them or with other banks. In 1922 gold imports amounted to $238,000,000; while the loans and investments of all member banks throughout the country increased $2,100,000,000, and their deposits increased $2,800,000,000, or roughly, ten times the amount of the additional gold.

The Extent of Present Increase of Credit

The volume of bank deposits is now larger than ever before and the volume of bank loans and investments not much if any below the former maximum. The productive and distributing activity of the country is very near its capacity; it has already overtaxed our ordinary transportation facilities and in many departments of industry has caused a shortage of labor. Also, the general level of commodity prices has risen about 11 per cent in a year.

That this activity could have developed to such an extent without placing a strain upon the credit facilities of the whole banking system is in itself an indication of the ample supply of credit available for use.

Absences of the Natural Corrective: Free Gold Movements

One of the natural regulators or correctives to a too rapid increase of bank credit is not now in operation. The United States is the only great nation of the world which is on a free gold basis. In ordinary times there is a delicate adjustment in international economic relations which causes the tide of gold to ebb and flow and so prevents an excessive accumulation in any one country. At such times a rapid increase of credit in any country, coupled with a rise in commodity prices, results in a falling off in its exports, an increase in its imports, and ultimately in an outward flow of gold. Such an outward flow tends to reduce the amount of credit available for use, and is ordinarily followed by a decline in prices and ultimately by a stimulation of export trade. At this time and for many months past this corrective has been absent because of financial disorganization abroad, and on monthly balance the gold flow has been only one way, namely to the United States, to purchase goods and pay debts, and for other purposes.

In the absence of this automatic international corrective, moderation of the volume of bank credit called into use in this country is effected largely as a result of domestic influences of which the economical use of bank credit by borrowers may be one of the most important in preventing a too rapid increase in the credit volume. In 1918-1920 the use of bank credit was not only uneconomical but excessive and was accompanied by a speculative bidding up of prices without corresponding increases in the production and consumption of goods as well as by an increase in the cost of living without a corresponding increase in the general standard of living.

The Accommodation of Credit to Commerce and Business

It is clear that commerce and business are best accommodated as the Federal Reserve Act contemplates, by a volume of credit responsive to the changes in the physical volume of production and trade. It is also clear that nothing accommodates commerce and business less than a volume of credit fluctuating without reference to the needs of industry and agriculture. The more nearly the volume of credit, by economical use, remains commensurate with the legitimate needs of business, the better are accommodated not only commerce and business, but the welfare of every citizen is protected.