

MONTHLY BUSINESS REVIEW

Covering financial, industrial, and agricultural conditions

in the

Fourth Federal Reserve District

Federal Reserve Bank of Cleveland

Vol. 9

Cleveland, Ohio, February 1, 1927

No. 2

The feeling among business men in the Fourth District seems to be one of some uncertainty. The general decline of a month ago has slackened, and some improvement over December is reported here and there; but in many lines, business is rather dull, and no definite trend either way is apparent.

The prosperity of this District depends in no small degree upon the iron and steel trade, and reports from that source have not been particularly encouraging recently. Operations continue at about the 75 per cent level, well below a year ago. The trade was, of course, considerably affected by the severe slump in automobile production during the last quarter of 1926, as the automobile industry is one of the best buyers of steel. One bright spot is found in the heavy volume of railroad orders for freight cars in January, orders for the second week exceeding those of the entire month in 1926.

Final statistics for December show clearly what caused to a large extent the downward trend of business during that month. Automobile production dropped for the fifth successive month, being the smallest since February, 1922, and only a little more than half that of December, 1925. Output for the fourth quarter was about 30 per cent under the preceding year. Steel ingot production in December was the lowest since August, 1925, and that of pig iron was the lowest in 1926 except February. Building held up fairly well, but Bradstreet's record of permits in 187 cities was 3 per cent under December of 1925.

Financial Conditions

The usual after-holiday decline in bills discounted by the Cleveland Federal Reserve Bank took place in the first

two weeks in January. On December 1, this bank's holdings of discounted bills amounted to about \$75,000,000; by the 22nd they had increased to almost \$100,000,000; while on January 12 they were only \$71,000,000. The latter figure is \$5,000,000 greater than a year ago.

Holdings of acceptances also declined seasonally during early January, while Government securities held remained virtually unchanged. Note circulation showed the usual decline. Cash reserves finally turned upward, after a decline beginning September 1, but are considerably under 1925.

Interest rates in the principal cities have eased slightly. On December 15, the prevailing rate charged on prime commercial paper was 6 per cent, while on January 15

it ranged from 5 to 6 per cent in Cleveland, Pittsburgh, and Cincinnati. On the latter date Cleveland banks were charging 6 per cent on loans secured by stock exchange or other collateral; in Cincinnati, the prevailing range was from 5½ to 6 per cent, and in Pittsburgh, 5 to 6 per cent.

Debits to individual accounts at banks in 13 large cities in the District amounted to 2786 millions in December, as compared with 2387 millions in November and 2653 a year ago. In 140 cities in the United States excluding New York City, the figures were 23,640—21,568—and 23,224 millions respectively.

Commercial failures in the Fourth District as reported by Dun's numbered 132 in December, as compared with 134 in November, and 194 last year. Liabilities were \$3,263,000 in December, \$2,775,000 in November and \$4,339,000 a year ago. In the United States, there were 2069 failures in December, 1830 in November, and 1878 in December, 1925.

Savings deposits of 70 large banks in Ohio and Western Pennsylvania were \$927,674,389 on December 31, a gain of 0.4 per cent over November 30 and of 5.8 per cent over December 31, 1925.

Changes in the main items in the balance sheets of Federal Reserve and reporting member banks are as follows:

	Federal Reserve Bank of Cleveland (In Millions)			Federal Reserve System (In Millions)		
	Jan. 12, 1927	Jan. 13, 1926	Dec. 15, 1926	Jan. 12, 1927	Jan. 13, 1926	Dec. 15, 1926
Gold reserves	268	294	259	2,916	2,799	2,830
Discounts	71	66	89	490	506	562
Acceptances	31	8	35	838	327	384
U. S. Securities	85	36	85	811	869	478
Total bills and securities	137	111	159	1,148	1,212	1,427
Federal Reserve notes in circulation	212	219	224	1,750	1,733	1,840
Total deposits	184	180	188	2,324	2,325	2,392

	Reporting Member Banks Fourth District (In Millions)			United States (In Millions)		
	Jan. 12, 1927	Jan. 13, 1926	Dec. 15, 1926	Jan. 12, 1927	Jan. 13, 1926	Dec. 15, 1926
Loans secured by stocks and bonds	551	492	552	5,591	5,567	5,474
All other	811	767	818	8,828	8,487	8,905
Total loans	1,362	1,258	1,365	14,419	14,054	14,379
Investments	621	624	639	5,548	5,435	5,554
Demand deposits	1,009	986	1,028	13,191	13,247	13,214
Time deposits	822	748	811	5,878	5,363	5,782

Iron and Steel

January failed to live up to its promise in iron and steel. A large proportion of December new business having been specified for delivery early in January, considerable ma-

material was shipped in the first few days of the month. While inquiry and new business both stepped up to a rate slightly higher than the December level, still the expected rebound after the holiday and inventory season was absent.

This condition resulted in spite of the presence of a number of favorable factors and the lack of any severely bad spots. The comeback in the automotive industry was much slower than had been anticipated and the industry exerted considerable pressure on the price structure, yet this maneuvering differed little from that of last January. In the second week of January freight car orders exceeded 10,000, compared with a total of only 8,830 in all of last January. Demand for tin plate, steel pipe, rails and track fastenings in January was at least equal to that of January a year ago.

Last January consumers were ordering more freely in spite of their hand-to-mouth policies; this year short buying has been accentuated and consumers have been more disposed to wait out the price situation. Mid-January saw a weakening in practically the entire finished steel price structure. Beginning with sharp competition for freight car steel, producers sought business much more actively and the \$2.00 (Pittsburgh) quotation on steel bars and structural shapes gave way to \$1.90 for attractive business. The plate quotation of \$1.90 (Pittsburgh) also suffered. Absence of automotive buying in particular so depressed sheets that at times prices had a range as great as \$7.00 per ton and No. 24 black sheets went to a minimum of \$2.90 (Pittsburgh), No. 24 galvanized to \$3.75 and No. 10 blue annealed to \$2.20, with occasional concessions under even these low levels reported. Hot strip prices also became unsteady.

Pig iron buying in January was relatively light and furnaces received many holdups, due largely to low schedules of foundries on automotive work. A \$2.00 reduction at Birmingham, to \$18, brought about a condition whereby the lake furnaces took considerable business in Southern Ohio. Quotations at Cleveland softened and went to \$19, furnace. Weakness in the Mahoning Valley was arrested in the middle of January when Connellsville coke operators decided not to cut wages and some blast furnace interests began asking \$19, or an advance of 50 cents.

December steel ingot production fell to 3,472,000 tons, the lowest in all 1926, yet the year's output was 47,133,517 tons or a record for all time. Pig iron production in December dropped to 3,094,629 tons, the lowest since February but the year's total of 39,106,395 tons was second only to the record 40,025,850 tons in 1923.

The decline in the IRON TRADE REVIEW composite of fourteen leading iron and steel products which set in early in December continued through January, owing to the weakness in pig iron, sheets and heavy finished steel. This barometer by the end of January was below \$37.40, while in early December when the slide started it was \$38.46.

Coal With the price flurry caused by the British strike definitely over, the soft coal industry has returned to its pre-strike basis. The Coal Age average price, which rose from \$2.27 on October 8 to \$3.61 on November 8, has

fallen steadily since the latter date, and on January 7 stood at \$2.33. Production held up longer than prices, making a new record in the week ending December 4; but a rapid decline followed, bringing production down almost to the levels of preceding years. Wages in the non-union fields are being reduced to their pre-strike levels, and union fields operating under the Jacksonville agreement are again experiencing great difficulty in making operations profitable. Eliminating the period of activity during the British strike, the most noticeable change in the last six months has been the steady rise of storage stocks in the hands of industrial consumers.

In the Fourth District, operators characterize the situation as only fair, with sales being made at prices too low in comparison with production costs. Cleveland dealers report a heavy surplus of coal on the market. Operators in the Ohio union fields have had several meetings recently to determine upon the policy to be pursued in connection with the expiration of the Jacksonville wage agreement on March 31.

Rubber and Tires

Shipments of tires by Akron manufacturers under the spring dating plan have been going steadily forward. This plan has resulted in larger sales than a year ago, when it was not in operation; but after allowing for the effect of spring dating, business has hardly equaled that of last year—a natural consequence of the pronounced decline in automobile output during recent months.

Crude rubber prices were stable during December and early January, fluctuating between 37 and 40 cents a pound.

Automobiles

December was a very poor month in the matter of automobile production, the total output of cars and trucks in this country being only 165,663, a decline of 90,000 from November and of 146,000 from a year ago. The December figure was the smallest for any month since February, 1922. In spite of the falling-off in fourth quarter production, the number of automobiles made in the United States during the entire year 1926 exceeded 1925 by 85,000, setting a new yearly record. The figures were 4,259,000 and 4,174,000 respectively. Output of Canadian plants would add 205,000 to the 1926 total and 161,000 to that of 1925.

The slump in fourth quarter production is all the more marked when compared with last year, since production in the same quarter in 1925 was considerably above what might have been expected at that season. The record of production by quarters for the past three years is as follows:

	1924 (In thousands of cars)	1925	1926	Per cent change 1926 over 1924	Per cent change 1926 over 1925
First Quarter	1,066	872	1,086	+ 1.9	+24.5
Second Quarter	932	1,224	1,289	+32.9	+ 1.2
Third Quarter	830	962	1,180	+42.2	+22.7
Fourth Quarter	712	1,116	754	+ 5.9	-32.4
Year	3,540	4,174	4,259	+20.8	+ 2.0

The total registration of cars in the United States in 1926 increased 10 per cent over 1925, according to a report compiled by the Goodrich Company. The figures are 22,273,643 and 20,229,025 respectively. In number of

cars, New York ranks first and California second; in cars per person, Florida leads with one for every 2.2 persons, and California is second with one for every 2.4. Ohio ranks third in number, Pennsylvania fourth, Kentucky twenty-fourth and West Virginia thirtieth.

Clothing

So far, 1927 has proved to be as good or better than 1926 in various clothing lines, according to reports from manufacturers in this District, and the outlook is described as "good". In knit goods, spring orders are stated to be larger than last year. In worsteds, mills have been running at full capacity, orders being greater than anticipated. The usual Easter trade to date is at least as heavy as in 1925. Bookings of women's dresses compare favorably with a year ago. Underwear manufacturers report 1926 as having been an unusually prosperous year; at present, the fall selling season is getting under way following fall openings early in January. Satisfactory business is reported by makers of men's suits.

Cotton prices have picked up slightly, advancing from .119 cents a pound on December 10 to .132 on January 14. Cotton goods, however, declined steadily from the middle of November to January 7, but rose slightly the following week. Silk has also weakened, standing at \$5.55½ a pound on January 14 as compared with \$5.65 on December 10 and \$5.70 on November 19. Raw wool dropped from .674 cents a pound on November 19 to .653 on December 17, remaining at the latter figure for the next four weeks. Woolen goods have not changed.

Sales of 17 reporting wholesale dry goods firms in this District in December were 7.3 per cent less than a year ago, and 15.2 per cent under November. The entire year 1926 showed a loss of 4.7 per cent from 1925.

Preliminary reports from 33 department and apparel firms for December indicate a fair increase over last year. Men's clothing gained 2.2 per cent; women's ready-to-wear, 1.8 per cent; house dresses, 14.0; infants' wear, 7.0; knit underwear, 14.3; muslin and silk underwear, 9.1; hosiery, 12.4; and furs, 8.9.

Shoes

Business in this line was rather slow in December, according to Cincinnati manufacturers, but since the first of the year a considerable increase in orders placed has occurred, factory operations have picked up, and the outlook is good.

Wholesale firms continue to report sales far ahead of last year. The gain in December was 19.7 per cent, bringing the increase for the entire year 1926 up to 11.7 per cent. This is the largest yearly gain made by any reporting wholesale line in this District since 1920 with the exception of 1923 over 1922, when drugs, dry goods, and hardware showed larger gains.

Retail sales in December also held up very well. Early reports from 33 department stores in this District show a gain of 14.3 per cent over last year in women's and children's shoes, and of 12.3 per cent in men's and boys' shoes.

General Manufacturing

Reports from representative manufacturers in this District reflect wide variations in conditions as between different industries. Taken as a whole, the general downward

trend reported a month ago is not so noticeable now, and in fact several changes for the better have taken place. With January two-thirds over, there was no clear movement either way; the first half of the month appeared to be a period of uncertainty as to the future trend, but with a somewhat more confident feeling evident in certain lines.

Several paint manufacturers commented on the fact that this is ordinarily a rather slow time of year for them, but stated that December was normal, business at present is about up to last year, and the outlook encouraging. Agricultural implement makers are somewhat uncertain as to the effect of the rather poor 1926 crops upon the farmer's purchases in 1927. The point is made, however, that many farmers have delayed so long in purchasing implements that they will be forced to do so this year. Business so far is about up to last year. Electrical supply manufacturers have experienced an improvement in sales and are more optimistic than a month ago. There has been a decided decrease in the demand for glass, caused by large imports of both plate and window glass and a slump in automobile buying. The paper trade, which has been rather backward for some time, reports a pick-up, with factories operating well up to capacity. The stove trade shows no great change from last month. Inventory-taking and holiday-closing has brought the usual lull in boxboard manufacturing; prices have stiffened, but overproductive capacity is still an adverse factor.

Agriculture, Canning

The following table gives the final crop figures for 1926 as estimated by the Department of Agriculture.

	Fourth District		United States	
	1926	1925	1926	1925
Corn (bu.)	197,887	229,678	2,648,081	2,914,961
Wheat (bu.)	46,354	29,629	832,805	676,429
Oats (bu.)	92,130	101,218	1,235,789	1,487,550
Tobacco (lbs.)	143,155	159,382	1,323,388	1,376,628
Potatoes (bu.)	18,183	19,648	367,800	323,466

It will be noted that all of the above crops in the Fourth District except wheat were smaller than in 1925, and all in the country except wheat and potatoes.

The last three months have not been particularly good for the canning industry. An overproduction of both corn and peas, combined with a more restricted buying policy on the part of wholesale grocers, has created a buyers' market, with low prices on these items. But an improved tone is noticeable recently, as the low prices have brought heavy purchases. The outlook for next season is considered promising.

Tobacco

The Burley Tobacco Growers' Association has sold some additional tobacco privately during the past month as well as at public auction, and during January was preparing to distribute checks to its members on the 1925 crop totaling \$6,000,000. The price situation continues rather unsatisfactory;—the Kentucky Commissioner of Agriculture states that the average received by growers during December was \$13.81 a pound, this being lower than last year and also the 5-year average, 1921-25. The United States Department of Agriculture's annual crop summary for Kentucky puts the 1926 price of all types of Kentucky tobacco at 11.4 cents a pound, as compared with 16 cents a year ago. As stated in

last month's Review, however, a good part of the price slump may be blamed on the poor quality of most of the crop. Low prices appear to be quite general throughout the tobacco regions of the South.

Final production of all types of tobacco in Kentucky is put at 374,880,000 pounds in the United States Department of Agriculture's report, as compared with 387,990,000 in 1925. Burley production in Kentucky in 1926 was approximately 223,125,000 pounds, or over half of the total. Most of the burley is produced in eastern Kentucky, which is in the Fourth District, while most of the other tobacco,—dark-fired, ome-sucker, etc.—is raised in that part of the state not included in the District.

Stocks of unsold burley tobacco in the hands of the Association are stated to be about 95,000,000 pounds, approximating last year's figures. The greater part of this is from the 1925 crop.

Building For the ninth successive month, the value of building permits in the United States during November was less than for the corresponding month in the previous year, according to Bradstreet's. Permits in 187 cities totaled \$270,224,839 in December, a decline of 3 per cent from a year ago but a gain of 5 per cent over November. The fourth quarter showed a decrease of 6 per cent from 1925, and the year 1926 a decrease of 5.9 per cent.

In the Fourth District, the value of permits in 28 cities in 1926 was 10.5 per cent less than in 1925. December, however, made a gain of 33.6 per cent over last year, which is rather surprising in view of the losses shown by nearly every month of 1926. An analysis of the individual city figures shows that 14 cities gained and 14 lost, but very large increases in Akron (134.7 per cent), Cincinnati (94.6), Dayton (317.3) and Pittsburgh (50.4) account for the District gain, as the other 24 cities combined experienced a slight loss.

Building Operations

December, 1926

(Valuation of Permits)

	December 1926	% change from 1925	Jan.-Dec. 1926	Jan.-Dec. 1925	% change from 1925
Akron.....	1,420,595	+134.7	16,068,106	14,504,742	+10.8
Ashtabula.....	12,210	-82.2	941,626	909,599	+3.5
Barberton.....	25,365	-33.3	986,299	873,029	+13.0
Canton.....	134,497	-63.2	5,343,767	8,033,923	-33.5
Cincinnati.....	4,736,465	+94.6	33,241,099	31,113,555	+6.8
Cleveland.....	3,548,100	+7.5	61,776,575	69,254,400	-10.8
suburbs					
Cleve. Heights..	270,480	-19.7	7,080,307	9,017,480	-21.5
East Cleveland..	333,891	+29.1	1,584,771	4,042,513	-60.8
Euclid.....	79,230	+13.3	1,703,988	1,841,946	-7.5
Garfield Heights	95,300	-5.0	2,203,050	3,170,300	-30.5
Lakewood.....	330,810	-20.4	4,362,823	6,488,155	-32.8
Parma*.....	177,420	+222.0	1,783,853	1,491,006	+19.6
Rocky River.....	80,900	+22.9	978,004	897,177	+9.0
Shaker Heights..	343,430	-2.9	7,528,950	9,122,530	-17.5
Columbus.....	1,054,300	-37.7	25,250,700	29,353,300	-14.0
Covington, Ky....	92,300	+142.9	2,165,300	2,231,450	-3.0
Dayton.....	2,534,525	+317.3	11,076,109	12,483,526	-11.3
Erie, Pa.....	252,560	-10.2	6,132,251	8,695,673	-29.5
Hamilton.....	135,795	+21.3	2,550,712	2,207,516	+15.5
Lexington, Ky....	503,810	+1213.0	2,186,201	1,966,470	+11.2
Lima.....	60,375	+888.9	1,231,954	2,256,206	-45.4
Mansfield.....	45,908	-10.6	2,929,674	3,120,025	-6.1
Newark.....	4,600	-87.8	377,125	641,570	-41.2
Pittsburgh, Pa....	3,781,727	+50.4	43,790,103	41,512,222	+5.5
Springfield.....	60,100	-43.3	1,383,788	1,672,323	-17.3
Toledo.....	513,394	-46.4	13,041,090	17,754,587	-26.5
Wheeling, W. Va..	87,399	+53.4	1,810,537	3,294,232	-45.0
Youngstown.....	617,620	-38.5	9,168,282	12,324,895	-25.6
Totals.....	21,333,106	+33.6	268,677,044	300,274,350	-10.5

*January omitted.

Building Materials Lumber production of about 330 mills in the country in the first week in January was slightly greater than last year, but both orders and shipments were less—17 and 16 per cent, respectively. According to the National Lumber Manufacturers' Association, lumber sales in 1926 were larger than in any of the three preceding years.

In the Fourth District, lumber manufacturers and dealers are starting the new year with about the same volume of business as a year ago, the market being rather dull in both years. Retailers did not buy to any great extent early in January, preferring to await price developments. Softwood prices have weakened during the past two months, but hardwoods have been firm. Reports indicate that the year 1926 was not particularly prosperous for lumber concerns in this section, and while the outlook for the next few months is stated to be fair to good, a conservative spirit is apparent.

The common brick industry reports conditions as being satisfactory. Government figures put consumption of common brick in 1926 at 5.7 per cent over 1924, and private reports indicate a similar gain in 1926 over 1925.

Cement stocks in producers' hands made their usual seasonal rise during November and December, and on January 1 were somewhat greater than a year previously. Production in Ohio, Western Pennsylvania and West Virginia in December was 851,000 barrels, as compared with 955,000 in December, 1925; shipments, 543,000 as against 545,000; and stocks, 2,460,000 as against 2,314,000. Fourth District production was almost 10 per cent of that of the United States.

December business in hollow building tile was excellent, being the largest for that period in many years.

The Aberthaw index of industrial building costs declined one point to 196 on January 1.

Retail Trade The holiday trade in December slightly exceeded that of 1925, measured by sales of 66 department stores in this District. The gain for all firms was 2.3 per cent, the only cities to show decreases being Cleveland and Canton.

For the year 1926, the District gained 1.4 per cent over 1925. Dayton, with 12.6 per cent, showed the largest increase, while gains also took place in Cincinnati, Columbus, Toledo, and Youngstown. Both Cleveland and Pittsburgh showed slight decreases, as did Akron and Wheeling. Canton reported a decline of 5 per cent.

Thirty-one out of 52 separate departments showed gains in sales over December, 1925. The largest increases were in neckwear (13.5%), women's skirts (21.7), women's and children's hosiery (10.1), knit underwear (13.1), silk underwear (11.8), women's and children's shoes (13.3), men's and boys' shoes (10.5) and musical instruments (10.5). Decreases of 10 per cent or more took place in woolen dress goods (19.8), laces, trimmings and embroideries (12.7), women's suits (57.7), and sweaters (10.6).

Figures for the departments doing the largest business in December are as follows:

	Per cent gain or loss Dec., 1926 over Dec., 1925
Silks and Velvets	- 8.7
Toilet Articles, Drugs	+ 2.2
Silverware, Jewelry	+ 0.6
Leather Goods	+ 8.9
Men's Clothing	- 7.6
Men's Furnishings	+ 5.8
Boys' Wear	+ 4.5
Women's Coats	- 7.8
Women's Dresses	+ 6.2
Furs	+ 2.5
Gloves	+ 6.7
Hosiery	+ 10.1
Silk and Muslin Underwear	+ 6.2
Shoes	+ 11.2
Furniture	+ 2.1
Draperies, Lamps, Shades	- 1.6
Toys, Sport Goods	- 2.8

Wholesale Trade This bank's index number of sales of 102 wholesale firms in the Fourth District stood at 87 in December as compared with 90 a year ago, 89 in 1924, 83 in 1923, and 89 in 1922. For December, shoes made a big gain over last year, drugs and hardware showed smaller gains, and groceries and dry goods experienced decreases. For the year 1926, shoe sales increased 11.7 per cent over 1925, and drugs, 5.7 per cent. Groceries declined 2.7 per cent, hardware 0.3, and dry goods 4.7.

Types of Money in Circulation The chart below illustrates the changes in circulation since 1900 of the main types of money used in the United States (as of June 30). Money "in circulation" is here defined as that which is outside the vaults of the Treasury and the Federal reserve banks. It therefore includes coin and currency held by other banks, as well as that actually in public circulation at any given time. The kinds of money in the United States are:

(A) Gold coin, now minted in denominations of \$5, \$10, and \$20. The gold dollar was made the standard of value in this country by the Gold Standard Act of 1900, and has, of course, full legal tender privileges. As shown on the chart, the circulation of gold has been gradually declining, paper currency taking its place, despite the tremendous increase of some 330 per cent in our gold holdings since 1900. As a matter of fact, only 9 per cent of the total stock of gold is now "in circulation," and the greater part of this is doubtless in the vaults of the commercial and savings banks of the country, as almost no gold actually passes from hand to hand. Following the establishment of the Federal Reserve System and the strain of war financing, the idea has become generally accepted that gold better serves its purpose when it is concentrated and serves as a reserve against currency circulation, rather than when it is scattered and in general circulation itself.

(B) Gold certificates, issued in denominations of \$10, \$20, \$50, \$100, \$500, \$1000, \$5000 and \$10,000. These are backed dollar for dollar by gold held by the Treasury Department, are redeemable in gold, and are legal tender in payment of all debts. They are used as a substitute for gold coin, being considered more convenient and permitting the gold itself to remain in vaults, thus saving abrasion. In appearance, they are easily distinguished from other forms of currency by the yellow back, hence the term "yellowbacks". They showed a marked increase in circulation between 1900 and our

entrance into the war, but then declined rapidly until 1922 because of the fact that they were held in large quantities by Federal reserve banks as reserve against Federal reserve notes. They have since increased practically to their pre-war level.

(C) Silver coin, consisting of standard silver dollars and subsidiary coins. Silver dollars are legal tender for all debts in any amount; subsidiary silver, up to \$10 for any one payment. The public circulation of silver dollars has been much reduced in recent years, owing to popular dislike, but that of minor coins has grown with the population of the country, and the total amount of silver coin in circulation has shown a very gradual increase since 1900.

(D) Silver certificates. These are backed dollar for dollar by silver dollars held by the Treasury, and are now issued mostly in one dollar denominations, although certificates of \$2, \$5, \$10, \$20, \$50, and \$100 may also be issued. They are redeemable only in standard silver dollars, and are not legal tender, but are receivable in payment of all public dues. Like gold certificates, they are used because they are a convenient substitute for coin. Their circulation gradually increased until the war period, when they almost disappeared as a result of the melting-up and shipping to India of large amounts of silver dollars formerly used as a reserve against the silver certificates. With the passing of this temporary condition, silver certificates are again approaching their pre-war circulation.

(E) United States notes. The total stock of these notes is now fixed by law at \$346,681,016, and a gold reserve of \$153,000,000 is held against them at all times by the Treasury. They are the so-called "greenbacks", first issued during the Civil War. They are full legal tender for all debts except import duties and interest on the public debt, and are redeemable in gold coin. They are issued in denominations of \$1, \$2, \$5, \$10, and \$20, the one dollar denomination being the most common. As the total amount of these notes has been fixed since 1878, the amount in actual circulation varies but little from year to year.

(F) National bank notes. The National Bank Act, passed during the Civil War, authorizes any national bank to deposit certain Government bonds with the Treasury and to issue National bank notes against these bonds having the "circulation privilege", up to the par value of the bonds. A redemption fund of 5 per cent of its note circulation must be maintained by each issuing bank with the Treasury. The notes are obligations of the issuing bank, but are redeemable in lawful money either at the Treasury or at the issuing bank. They are not legal tender, but are receivable for public dues except import duties. At present, these notes are issued in denominations of \$5, \$10, \$20, \$50, and \$100; denominations of \$1, \$2, \$500, and \$1000 are also authorized. Their circulation more than doubled between 1900 and 1915, but since the latter date have declined somewhat. Their potential circulation is limited by the total amount of bonds bearing the "circulation privilege", and when these bonds have all matured, national bank notes will disappear unless additional bonds bearing the circulation privilege are issued, or unless the present law is changed.

(G) Federal reserve notes. These notes, authorized by the Federal Reserve Act of 1913, may be issued by any Federal reserve bank upon application to the Federal Reserve Agent together with collateral equal to the amount of the notes desired. This collateral may consist either of gold or gold certificates, or of commercial paper, etc., already purchased or rediscounted by the Federal reserve bank. The bank must maintain at all times a gold reserve of at least 40 per cent against its notes in circulation, partly in the form of a 5 per cent redemption fund deposited with the Treasury. The notes are obligations of the Government, redeemable either at the Treasury (in gold), or at any Federal reserve bank (in gold or lawful money); they are receivable for all public dues; and they are issued in denominations of \$5, \$10, \$20, \$50, \$100, \$500, \$1000, \$5000, and \$10,000. They are primarily intended to help supply the currency requirements of the member banks, and in normal times the supply tends to expand or contract in accordance with the needs of business. The circulation of these notes grew rapidly after our entrance into the war, and by the end of 1920 was greater than that of all other forms of money put together. After the passing of the depression period, with the reduction of member bank borrowings and the consequent reduction in the amount of Federal reserve notes, their circulation declined to a little over one-half of the 1920 total, where it remained during 1925 and 1926 with a slight upward trend.

(H) Two other forms of money whose circulation at present is negligible are (1) Federal reserve bank notes, and (2) Treasury notes of 1890. The former are issued by the Federal reserve banks in the same way as National bank notes are issued by National banks, and may be issued in the same denominations. In the years 1919-1921, when silver certificates were greatly reduced, a considerable amount of Federal reserve bank notes were put out, mostly in one dollar denominations, to increase the supply of small bills. The increase in silver certificate circulation during the past few years has resulted in the practical disappearance of Federal reserve bank notes (which should not be confused with Federal reserve notes). Treasury notes of 1890 were originally issued to pay for silver bullion purchased under the Sherman Silver Purchase Act of that year. The Act of 1900 provided for their retirement when received for redemption, and only a very small amount remain in circulation. They are redeemable at the holder's option in either gold coin or silver dollars, and are legal tender for all debts.

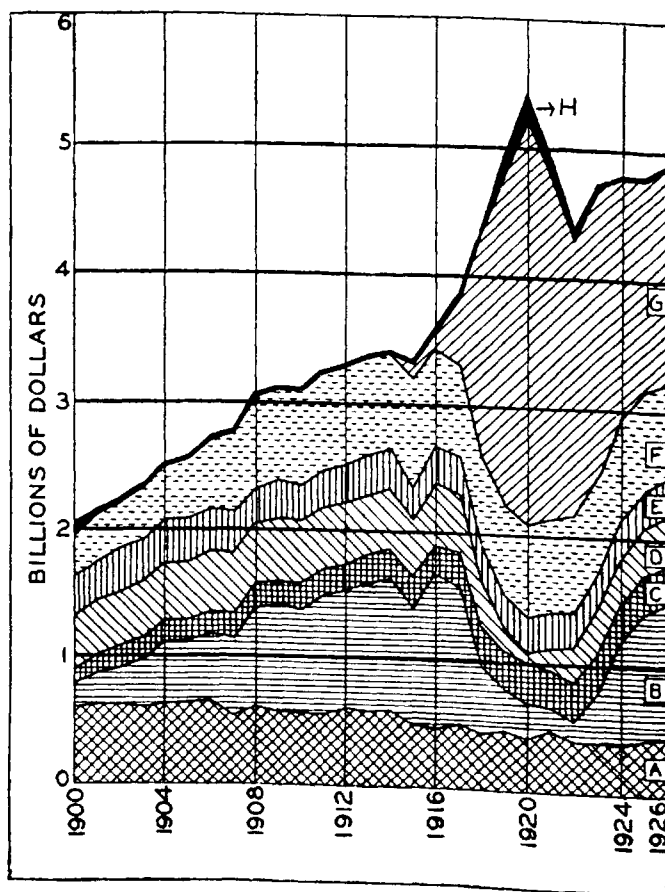
The average individual probably makes no distinction between the various types of money passing through

his hands except as between gold, silver, and paper. The various forms of paper are accepted as money with equal readiness, are uniform in size, quite similar in color (except the gold certificate), and present no particularly distinguishing features to the casual observer. It may safely be stated that few people realize that there are today seven distinct kinds of paper money in use in the United States.

The circulation of the various types on June 30, 1900, and June 30, 1926, was as follows:

	1900	1926
Gold Coin	\$ 610,806,000	\$ 445,068,000
Gold Certificates	200,733,000	1,057,364,000
Silver Coin	142,050,000	321,952,000
Silver Certificates	408,466,000	377,741,000
United States Notes	308,000,000	294,916,000
National Bank Notes	309,640,000	702,669,000
Federal Reserve Notes		1,679,384,000
Federal Reserve Bank Notes		5,453,000
Treasury Notes of 1890	76,027,000	1,356,000
Total	\$2,055,722,000	\$4,885,903,000

Kinds of Money in Circulation in the United States (as of June 30).



A. Gold Coin
 B. Gold Certificates
 C. Silver Coin
 D. Silver Certificates
 E. United States Notes
 F. National Bank Notes
 G. Federal Reserve Notes
 H. Federal reserve bank notes and Treasury notes of 1890.

Fourth District Business Statistics

(All figures are for Fourth District unless otherwise specified)

		December 1926	December 1925	% change	Jan.-Dec. 1926	Jan.-Dec. 1925	% change
Bank Debits (23 cities)	Millions of dollars	3,246	3,105	+ 4.5	35,921	34,481	+ 4.2
Savings Deposits (end of month)							
Ohio (43 banks)	Thous. of dollars	681,246	643,116	+ 5.9	661,925 ¹	619,444 ¹	+ 6.9 ¹
Western Pennsylvania (27 banks)	" " "	246,428	233,637	+ 5.5	239,510 ¹	230,861 ¹	+ 3.7 ¹
Total (70 banks)	" " "	927,674	876,753	+ 5.8	901,431 ¹	850,305 ¹	+ 6.0 ¹
Commercial Failures—Number	Actual Number	132	194	-32.0	2,008	1,960	+ 2.4
" —Liabilities	Thous. of dollars	3,263	4,339	-24.8	40,498	43,977	- 7.9
Postal Receipts—9 cities	" " "	3,826	3,645	+ 5.0	36,668	34,217	+ 7.2
Sales—Life Insurance—Ohio and Pa.	" " "	122,611	103,763	+18.2	1,151,979	1,098,244	+ 4.9
" —Dept. Stores—(50 firms)	" " "	41,285	40,714	+ 1.4	294,420	292,793	+ 0.6
" —Wholesale Grocery (51 firms)	" " "	7,101	7,477	- 5.0	85,054	87,816	- 3.1
" — " Dry Goods (17 ")	" " "	3,202	3,453	- 7.3	38,770	40,698	- 4.7
" — " Hardware (16 ")	" " "	1,966	1,911	+ 2.9	25,407	25,487	- 0.3
" — " Drugs (16 ")	" " "	1,924	1,864	+ 3.2	22,368	21,171	+ 5.7
Building Permits, Valuation—28 cities	" " "	21,333	15,973	+33.6	268,677	300,274	-10.5
Production — Pig Iron, U. S.	Thous. of Tons	3,091	3,250	- 4.9	39,070	36,403	+ 7.3
" — Steel Ingots, U. S.	" " "	3,472	3,971	-12.6	47,134	44,141	+ 6.8
" — Automobiles, U. S.	" " "						
Passenger Cars	Actual Number	137,361	278,643	-50.7	3,764,950	3,696,490	+ 1.9
Trucks	" " "	28,302	32,757	-13.6	493,567	478,396	+ 3.2
" — Bituminous Coal, 4th Dist.	Thous. of Tons	24,517 ²	19,811 ²	+23.8 ²	219,912 ²	193,546 ²	+13.6 ²
" — Cement: Ohio, W. Va., Wn. Pa.	" " barrels	851	955	-10.9	15,597	15,563	+ 0.2
" — Petroleum: Ohio, Pa., Ky.	" " "	1,868 ³	1,723 ³	+ 8.4 ³	20,655 ³	20,273 ³	+ 1.9 ³
" — Shoes, 4th Dist.	" " pairs	"	"	+19.5 ⁴	"	"	- 5.7 ⁴
" — Tires, U. S.	" " casings	3,287 ⁵	3,219 ⁵	+ 2.1 ⁵	43,008 ⁵	42,761 ⁵	+ 0.6 ⁵
Bituminous Coal Shipments (from Lake Erie ports)	" " tons	507	493	+ 2.8	29,744	27,863	+ 6.8
Iron Ore Receipts (at Lake Erie ports)	" " "	88	48	+83.3	42,287	38,702	+ 9.3

¹ 12 months' average
² November
³ Jan.-Nov.
⁴ Figures Confidential

Index Numbers of Trade in the Fourth Federal Reserve District

(Average Monthly Sales for the Five-Year Period 1919-1923 inc. = 100)

	December 1922	December 1923	December 1924	December 1925	December 1926
Department Stores (50)*	165	175	180	188	191
Wholesale Drugs (15)*	104	101	106	116	121
Wholesale Dry Goods (16)*	90	77	86	82	76
Wholesale Groceries (51)*	85	85	88	87	82
Wholesale Hardware (15)*	91	80	94	94	97
Wholesale Shoes (5)*	75	58	74	71	79
Wholesale—All (102)*	89	83	89	90	87
Chain Drugs (3)*†	125	122	106	127	129

* Number of firms.
 † Per individual unit operated.

Retail and Wholesale Trade

Percentage Increase or Decrease
 SALES SALES
 December, 1926 Jan.-Dec. 1926
 No. of compared with compared with
 Reports December, 1925 Jan.-Dec. 1925

	No. of Reports	% change	% change
DEPARTMENT STORES			
Akron.....	5	+ 1.2	- 0.5
Canton.....	3	- 3.1	- 5.0
Cincinnati.....	7	+ 1.6	+ 4.8
Cleveland.....	6	- 1.3	- 0.2
Columbus.....	7	+12.5	+ 5.5
Dayton.....	3	+ 6.5	+12.6
Pittsburgh.....	7	+ 1.5	- 0.2
Toledo.....	4	+ 6.5	+ 0.6
Wheeling.....	5	+ 3.5	- 1.8
Youngstown.....	3	+11.0	+ 5.6
Other Cities.....	16	+ 1.0	+ 3.2
District.....	66	+ 2.3	+ 1.4
WEARING APPAREL			
Cincinnati.....	6	+ 3.4	+ 5.4
Cleveland.....	3	- 1.2	+ 3.6
Other Cities.....	9	+ 0.7	+ 2.4
District.....	18	+ 0.7	+ 3.7
FURNITURE			
Canton.....	3	- 8.5
Cincinnati.....	11	- 2.6
Cleveland.....	8	+11.0
Columbus.....	16	-11.7
Dayton.....	5	- 1.4
Toledo.....	6	- 9.8
Other Cities.....	7	- 4.8
District.....	56	- 3.1
CHAIN STORES*			
Drugs—District.....	3	+ 1.7	+ 2.8
Groceries—District.....	5	- 8.6	+ 0.2
WHOLESALE GROCERIES			
Akron.....	3	-18.7	-11.5
Cincinnati.....	3	+ 2.6	+ 3.8
Cleveland.....	4	- 8.2	- 5.3
Erie.....	4	- 5.8	- 1.1
Pittsburgh.....	8	- 0.2	- 7.5
Toledo.....	3	+ 4.1	- 0.6
Other Cities.....	27	- 4.3	+ 0.7
District.....	52	- 5.4	- 2.7
WHOLESALE DRY GOODS.....			
WHOLESALE DRUGS.....			
WHOLESALE HARDWARE.....			
WHOLESALE SHOES.....			

* Sales per individual unit operated.

Debits to Individual Accounts

(In thousands of dollars)

	4 weeks ending Jan. 12, 1927	% change	1926 to date (Dec. 30, 1926)	1925 to date (Dec. 31, 1925)	% change
Akron.....	88,325	- 3.8	1,124,453	1,075,345	+ 4.6
Butler, Pa.....	12,242	+11.7	136,022	132,739	+ 2.5
Canton.....	51,979	+ 3.2	570,108	569,781	+ 0.06
Cincinnati.....	408,816	+ 6.0	4,424,725	4,203,618	+ 5.3
Cleveland.....	867,990	+12.4	9,019,632	8,300,225	+ 8.7
Columbus.....	187,243	+13.6	1,915,138	1,754,719	+ 9.1
Connellsville, Pa.....	5,611	+16.0	68,860	56,362	+22.2
Dayton.....	98,808	+17.6	1,051,020	930,017	+13.0
Erie, Pa.....	35,864	+12.2	431,443	409,978	+ 5.2
Greensburg, Pa.....	21,393	+ 2.2	248,320	249,242	- 0.4
Homestead, Pa.....	4,210	+ 3.8	56,635	55,724	+ 1.6
Lexington, Ky.....	30,637	+19.9	279,137	275,861	+ 1.2
Lima.....	17,537	+14.9	194,426	209,946	- 7.4
Lorain.....	5,671	+ 4.9	73,826	79,939	- 7.6
Oil City, Pa.....	13,773	+ 8.4	171,012	178,241	- 4.1
Pittsburgh.....	933,268	+ 2.7	11,287,723	11,262,832	+ 0.2
Springfield.....	23,231	- 6.1	287,484	263,306	+ 9.2
Steubenville.....	10,905	- 3.6	133,145	141,381	- 5.8
Toledo.....	240,362	+ 5.8	2,620,078	2,477,449	+ 5.8
Warren.....	12,142	+ 0.8	161,215	161,759	- 0.3
Wheeling, W. Va.....	49,459	- 3.8	565,093	546,186	+ 3.5
Youngstown.....	83,613	+18.5	839,010	837,646	+ 0.2
Zanesville.....	13,257	- 0.04	152,992	147,294	+ 3.9
Total.....	3,216,376	+ 7.2	35,811,497	34,319,590	+ 4.3

Summary of National Business Conditions

By The Federal Reserve Board

Volume of output of industry decreased further in December to the lowest level in more than a year, and wholesale prices continued to decline. Easier conditions in the money market in January reflected the usual seasonal liquidation after the turn of the year.

Production

In December, for the third consecutive month, there was a decrease in industrial production, and the Board's new index, with adjustment for seasonal variations, was 105 on the basis of the average for 1923, 1924 and 1925 as 100. This compares with 113 in September, the high point of the year, and with 108 a year ago. The decline since the recent high point has been entirely in the manufacturing industries, as the output of minerals was at a record high level in November and showed only a slight decline in December. By far the greatest recession of recent months has been in the automobile industry, output of passenger cars and trucks in the United States decreasing from 425,000 in August to 165,000 in December. Reduction in the manufacture of automobiles is usual at the end of the year when plants close for inventory-taking and repairs, but in December, 1926, the decline was considerably larger than usual. Production of iron and steel has also been sharply reduced since the middle of autumn, and activity in the woolen and worsted and silk industries has been somewhat curtailed. Production of lumber, cement, and other building materials has reflected the usual winter decrease in demand. Cotton consumption, on the other hand, was larger than in any previous December. Factory employment and payrolls declined further in December, reflecting decreases in nearly all industries except cotton goods, clothing, foundries, and machine shops and printing and publishing.

The value of building contracts awarded in December, as in November, was larger than in the corresponding period a year earlier.

Trade

Retail sales during the holiday trade in December exceeded all previous records. Sales of department stores were approximately 4 per cent larger than in December of last year and sales of mail order houses, while slightly smaller than in 1925, were larger than in the corresponding month of any other year.

Freight car loadings showed about the usual seasonal decline in December with shipments of all groups of commodities, except coal and merchandise in less than carload lots, in smaller volume than a year earlier.

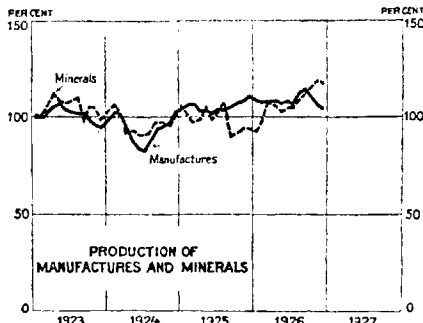
Prices

Wholesale prices declined further in December and the Bureau of Labor Statistics' index at 147 for that month was at the lowest level since the middle of 1924. Prices of agricultural products which declined considerably in October and November, increased slightly in December, owing to advances in prices of grains and cattle. Prices of non-agricultural products declined in December owing chiefly to decreases in bituminous coal, clothing materials and building materials. In January iron and steel prices were slightly reduced and there were further declines in bituminous coal and non-ferrous metals, while prices of cotton goods and coke advanced.

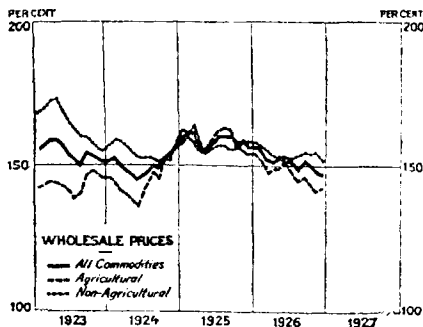
Bank Credit

At the reserve banks during the four weeks following the peak of the seasonal currency demand, there was a return flow of Federal reserve notes and other cash from circulation amounting in the aggregate to about \$400,000,000. This return flow of currency was in about the same volume as a year ago, and together with substantial gold imports, was reflected in a reduction of the volume of reserve bank credit in use to a level on January 19 lower than at any time since the summer of 1925.

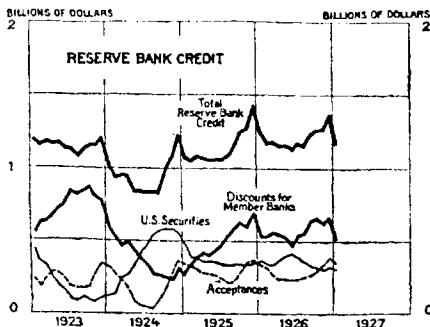
Loans and investments of member banks in leading cities, after increasing to a record level at the end of the year declined sharply in January. Commercial loans, which had reached their seasonal peak in November were in the middle of January about \$200,000,000 below the maximum figure but still more than \$300,000,000 above the level of a year ago.



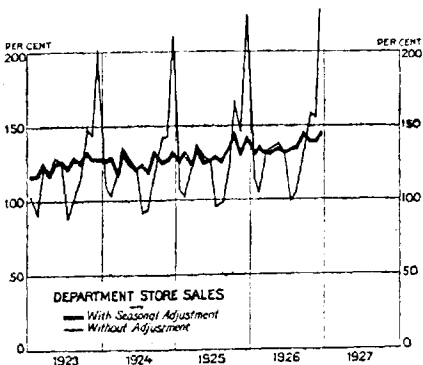
Index numbers of production of manufactures and minerals, adjusted for seasonal variations (1923-1925 = 100). Latest figures: December—manufactures, 104; minerals, 117.



Indexes of U. S. Bureau of Labor Statistics (1913 = 100, base adopted by Bureau). Latest figures: December—All commodities, 147.2; non-agricultural, 151.5; agricultural, 142.2.



Monthly averages of daily figures for the 12 Federal Reserve Banks. Latest figures are averages of first 23 days in January.



Index of sales of 359 stores (1919 = 100). Latest figures—December, adjusted, 146; unadjusted, 233.