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Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

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FINANCIAL

Fifth War Loan The wide margin by which the fourth district exceeded its Fifth War Loan goal reflects credit upon organizations and individuals charged with the management of the Drive. Over $1,500,000,000 was raised as against a quota of slightly under $1,200,000,000. This 25 percent oversubscription compares favorably with national results.

Developments during the Drive, however, demonstrated more clearly than ever the difficulty of effectively insulating against the pressure of idle funds in the commercial banking system, so long as the offerings include marketable securities eligible for commercial bank purchase in unlimited quantities following the Drive.

Collectively, bankers recognize the danger of unrestricted use of bank credit in war finance and approve in theory any reasonable measure designed to minimize inflationary trends. The practical application of such restrictions, however, against each one of a host of banking institutions engaged in a highly competitive business, has been accompanied by rather unsatisfactory developments.

The problem of confining subscriptions to noncommercial bank purchasers, in fact as well as in name, as the Treasury desired, became particularly acute during the most recent Drive. Of the six issues offered during the Drive, three were of such a nature as to be quite attractive to investors technically ineligible to subscribe.

The ⅞ percent certificates of indebtedness appealed strongly to banks, partly because the yield on this eleven-month paper was somewhat higher than that currently obtainable on similar securities available in the open market, and partly because the due date (June 1, 1945) filled a gap in the maturity schedule of short-term securities which many banks endeavor to maintain.

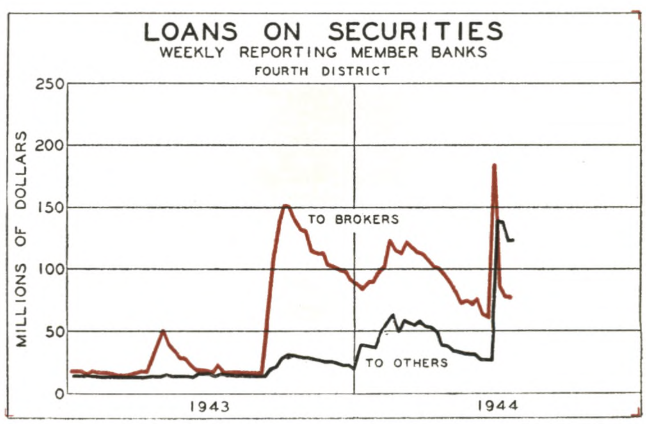
The three-year 1¼ percent notes (due March 15, 1947) were attractive for similar reasons. Comparable securities commanded a premium in the open market, which reduced their yield somewhat below 1.25 percent.

The eight-year 2 percent bonds offered at par to all eligible investors likewise appealed to commercial banks, especially because the 2's offered in the Third Drive were only available at a half-point premium.

In view of such pecuniary incentives and the fact that banks are hard-pressed to keep funds invested, it was probably to be expected that devious ways and means of evading the spirit, if not the actual letter, of the campaign would be evolved in one quarter or another. Actually this was accomplished in several ways.

First to come to the attention of fiscal authorities was the sudden and sharp increase in subscriptions by dealers and brokers on and shortly after the date (June 26) when most of the offerings began to accrue interest. It had been estimated, in advance of the Fifth Drive, that legitimate needs of brokers and dealers—for investment of their own idle funds, and for their genuine customers during the period between the Fifth and Sixth Drives—would be around $30,000,000 in the fourth district. Yet, within a very few days at the end of June, applications of brokers and dealers for various issues suddenly mounted to roughly $150,000,000.

It became incumbent upon those charged with the responsibility of passing upon the validity of all bond subscriptions to investigate this extraordinary demand. That most of the securities requested in this buying wave did not represent investment of idle funds, or the desire to acquire securities to be sold to private investors following the close of the Drive, was revealed later by the fact that loans on securities to brokers and dealers made by reporting member banks in leading cities of the fourth district increased $124,000,000 in the week ended



June 28, as shown on the accompanying chart. Subsequent developments clearly demonstrated that, in many cases, prompt resale in the open market at an expected premium was clearly intended, for very few applications which were returned to dealers because they were felt by the reserve bank to be speculative in character, and therefore in violation of Treasury policy, were resubmitted with supporting evidence that such applications were bona fide purchases. In other cases, it was later ascertained that the applying broker or dealer was acting in conjunction with or on behalf of a commercial bank wishing to obtain securities denied it while the Drive was on, without paying the premium to which similar offerings in previous drives rose as soon as trading began.

Such attempts to acquire Fifth War Loan securities were comparatively easy to identify. Infractions of Treasury regulations by individuals presented a more difficult problem. The condition statement of reporting member banks for the week ended June 28 showed an expansion of $110,000,000, or approximately 700 percent, in loans to others than brokers and dealers for the purpose of purchasing securities. This sharp expansion in bank credit strongly suggested speculative security purchases by individuals and corporations, despite the Treasury's request that loan applications for such purposes be scrutinized carefully by each potential lender and that the amount involved be limited to what could be repaid within six months. In some instances, subscribers arranged such loans on their own initiative to finance bond purchases for a quick turnover. In other instances, individual or corporate firm names were used merely as a shield for the acquisition of securities by banks at the close of the Drive. By the very nature of such applications, it is impossible to determine the volume of this activity.

For the country as a whole, the dollar volume of war bond purchases described above was not large enough to affect final results substantially. Nevertheless, the presence of such subscriptions and the acquisition of large blocks of securities with funds obtained from the sale of previously-purchased securities, chiefly to banks, tended seriously to overstate the actual progress of the current Drive, thereby presumably discouraging many potential small subscribers from buying an extra $25 bond. Moreover, acquisition of Drive securities by some banks through these oblique methods imposed a deeply-felt penalty upon the many banks which adhered strictly to the Treasury's request.

Success of war loan drives should be measured, not only in terms of the total amount of money raised, but also in terms of the source of funds and the manner in which they are obtained.

Current Financial Developments After a period of comparative inactivity which set in at the close of the Fourth War Loan Drive, investment accounts of commercial banks suddenly came to life as plans for the Fifth War Loan Drive were completed. Although, with minor exceptions, banks were denied immediate access to those securities offered in the Drive, within a seven-week period starting June 1, weekly reporting member banks increased their holdings of Treasury obligations by more than 13 percent.

In the fourth district, the following changes in holdings of Government securities by weekly reporting member banks occurred between June 1 and July 26:

Treasury Bills	Increase	$ 91,000,000
Certificates of Indebtedness	Increase	170,000,000
Treasury Notes	Decrease	10,000,000
Treasury Bonds	Increase	66,000,000
Total Increase		$317,000,000

Since this development was nation-wide in scope, the possibility that any sizable share of these acquisitions resulted from an interbank shift must be ruled out. All reporting member banks combined increased their holdings by well over $5 billions. The source of supply came from outside the commercial banking system.

The increase in Treasury bill holdings was an expected and routine consequence of the war finance program. Reserve requirements diminished as qualified banks made extensive use of war loan deposit credit. Thus, funds were released for short-term investment in 91-day bills of which new offerings by the Treasury of $1,200,000,000 appeared every week.

The origin of the $224,000,000 newly-acquired certificates and bonds, increasing such holdings by nearly ten percent, is not so easily explained, although it is apparent that these securities came largely from nonbank investors. Such pronounced liquidation by corporations and individuals, with no noticeable effect on prices, is only explainable when considered in conjunction with the sellers' interest in similar securities offered concurrently in the Fifth Drive. Latest reports indicate that subscriptions, exclusive of Series E bonds and Series C savings (tax) notes, totaled around $650,000,000 for the fourth district. Eligible investors were able to absorb new securities in such volume, after an intermission of only four months, chiefly because a substantial portion of their previously acquired holdings was shifted to commercial banks as delivery was taken on the new securities.

The significant aspect of this financial relay system is that it tends to disguise and obscure the degree to which bank credit is being relied upon to finance the war. The exclusion of commercial banks during drives is only nominal. Insofar as basic inflationary influences are concerned, it is irrelevant whether the commercial banking system buys $5 billions of securities directly from the Treasury, as was permitted in the Second War Loan, or whether the $5 billions are purchased from temporary investors wishing to clear the decks for a new offering.

It is quite impossible to finance a military effort such as the present one entirely out of personal and business savings and taxes. The use of bank credit in some degree is inevitable. In World War I, the extensive use of collateral loans, which enabled many subscribers to meet their quotas, tended to obscure the true picture by technically keeping the war issues out of the banks. The current effort to avoid that form of credit inflation is very commendable, but there is danger in raising funds in unprecedented volume needed to finance the war, but at the same time creating the impression that Government securities are not finding their way into banks in considerable volume.

New Member Bank

The Ottoville Bank Company, Ottoville, Ohio

MANUFACTURING, MINING

Manpower Consistent and persistent reports from industry sources reflect the acute manpower shortage responsible for production declines or inability to achieve set goals. Part of the continued emphasis on manpower shortage is to deter the movement of people from industry or from an essential occupation to what might be felt to be a more secure field of post-war employment. A more serious part, however, exists in actual shortage—particularly in foundries, steel mills, among skilled rubber workers, and in textile mills. Offsetting this is the remarkable manner in which production has been maintained—in no instance is the military seriously short of goals of production. This can be attributed to increased skill of workmen, improved management, and the smoother synchronization in the movement of parts, subassemblies, and materials.

Effective July 1, the War Manpower Commission introduced its priority referral system. This centralized employment through the United States Employment Service and was expected to channel workers to essential occupations and to emphasize further that workers could not move freely from occupation to occupation or job to job. It is still too early to appraise the success of this program, but it is generally believed to be achieving its purpose.

One of the interesting outgrowths of the increased control by USES is that it permits the regional War Manpower offices to coordinate their functions better with the War Production Board in the reconversion process. Under the newly-established partial reconversion program (WPB—Nelson Order Number 4, effective August 15), civilian production can only be expanded with the pronouncement of the regional War Manpower offices that such production will not interfere with the war effort.

Steel With the production of 7,217,232 net tons of steel ingots in June, the steel industry turned in a new all-time high with a total production of 45,061,874 net tons for the first half of 1944. The percentage capacity of the industry engaged in production has declined slightly from a high of 98.5 percent early in June to 96.5 percent in mid-July. The decline can be partially attributed to the hot weather, necessary repairs in equipment made during the period, and the manpower shortage. Production of pig iron for June totaled 5,056,627 net tons. The number of furnaces in blast in the United States and Canada totaled 196 at the end of June, another all-time high for the industry.

Steel plate production continues to hold at high levels and totaled 1,111,561 tons in June, compared with 1,132,000 tons in May and 1,056,100 tons in June 1943. Production in this line for the first half year is also above the total for the same period last year. By reverse lend-lease, Great Britain is to supply 10,000 tons of plates per month in the future. This additional tonnage, although small in comparison to our monthly output, will afford some relief to this market long hard-pressed by the demands of war.

The over-all production picture in steel for the first half of 1944 is excellent, despite many predictions of threatening decline in production rate due to acute manpower shortages. Declines in the number employed in the steel industry have been partially offset by increased efficiency and by expanded production capacity.

Lake Shipping Heavy shipment of ore down the lakes is building up stocks for next winter. Accumulations of ore at furnaces and on Lake Erie docks as of July 1 totaled 26,655,414 tons, compared with 21,473,619 tons a month earlier and 26,098,245 tons a year ago. Consumption of Lake Superior ore continues at a high rate, 7,112,060 gross tons being smelted in June, compared with 6,939,998 tons in June 1943. For the year to July 1, total consumption was 44,290,230 tons, approximately 197,510 tons more than was consumed in the same period last year.

Shipments of coal on the lakes continue at a high rate, totaling 7,293,162 net tons in June. The requirement that coal shipped west move on the lakes as largely as possible accounts for the record movement of 20,785,239 net tons during the first half of this year.

Coal Bituminous coal production in the fourth district totaled 20,502,000 net tons in June 1944, bringing the total production for the district for the first half of the year to 130,073,000 net tons. National production during the same period totaled 321,000,000 tons, considerably in excess of bituminous production for the same period of any previous year, despite complaints of manpower shortages and high rates of absenteeism. The Solid Fuels Administration has scaled downward its predictions of an anticipated fuel deficit from 30,000,000 tons to 16,000,000 tons. Mine operators in this district predict ample production for domestic needs during the coming winter, with easing in supply after December 1.

A factor in this record production of coal has been the production and marketing of low-grade coals which formerly would not have been used by industrial consumers. An additional factor has been the rapid increase in strip mining and the mechanization of mines. In 1943, strip mining accounted for 11.9 percent of all bituminous coal mined, compared with 8.7 percent in 1938. The percentage of such operations in the fourth district is probably higher than national totals since, under the stimulus of war, many new fields have been opened in Ohio and Pennsylvania. Restrictions on the production of mechanical mining equipment were lifted last October and the mines are now receiving new and replacement cutting and loading machines. One of the country's largest mining machinery manufacturers reports a backlog of orders that will keep production lines busy well through 1945.

Miscellaneous Manufacturing The china and pottery industry of the fourth district continues to report an increase in demand for dinnerware along with a steady drop in production due to lack of skilled labor. One of the large manufacturers reports total shipments for the first six months of this year to be 20 percent under shipments for the same period last year. Raw materials are in plentiful supply and the shortage of natural gas which plagued the industry last winter is expected to be in more plentiful supply this coming winter, with the completion of the new pipe line from Texas promised for October of this year.

Paper and paperboard manufacturers continue to operate under the same problems that have beset them for the past year—lack of adequate manpower and raw materials. Production has held at high levels, but the industry is operating on an uncomfortably small margin of stock, both in scrap paper and pulp.

Construction Construction awards for the fourth district, as reported by the *F. W. Dodge Corporation,* totaled $11,948,000 in June. This is a decline of 18.3 percent from the total for the month previous. Residential construction accounted for $3,012,000 of the total awards for June.

The Ohio Unemployment Fund in the Post-War Period In the March 31, 1944, issue of the Monthly Business Review it was stated that "Unemployment in Ohio reached its wartime low (to date) last November, judging by reports of the number of individuals receiving compensation from the Ohio Bureau of Unemployment Compensation. Since that time there has been a moderate increase in the number receiving benefits and the dollar amount of benefits paid out." As of the end of July, this statement remained correct and the continuing low level of compensation payments has been an enabling factor in the steady increase in the trust fund for payment of future benefits. The changing condition of this fund is portrayed in the accompanying chart which shows the contributions and interest in the fund, the benefit payments made, and the balance in the fund. It is primarily with the ability of the balance in the fund to cope with the military and industrial demobilization that we are presently concerned.

Final responsibility of the Ohio fund to the recently enacted "Servicemen's Readjustment Act of 1944" (the GI Bill of Rights) has not been definitely determined at this writing. Ohio is at present operating under the 1943 amendment to the Ohio Unemployment Compensation Law, which included discharged veterans of the armed services in terms of their status at entry into the armed forces, except that they do not serve the customary two-weeks' waiting period.

According to the 1943 *Annual Report,* State Advisory Council, Ohio Bureau of Unemployment Compensation, the number of workers, the amount of payroll covered by unemployment compensation, and the net benefit payments for the years 1939-1943 were as follows:

Year	Number of Workers Covered (in millions)	Annual Payroll of Covered Workers (in billions of dollars)	Net Benefit Payments (in millions of dollars)
1939	1.3	2.0	23.7
1940	1.5	2.3	24.6
1941	1.8	3.1	12.1
1942	2.0	4.0	14.4
1943	2.1 (estimate)	5.0	1.5

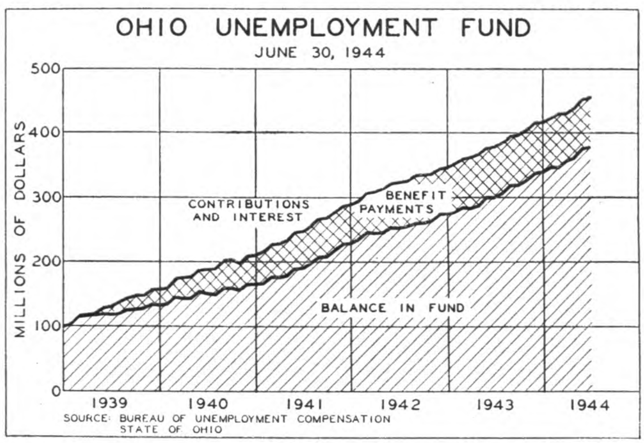
Although the expansion of employment and payrolls indicated in the table resulted in increased contributions to the unemployment insurance fund during a time when unemployment compensation payments were decreasing rapidly, the potential liabilities of the unemployment insurance system have increased drastically because of the great number of persons covered and upward revisions of the amount and duration of benefit payments.

The balance available for benefits in the Ohio fund at the end of 1939 amounted to $132,000,000; in 1940, to $162,000,000; in 1941, to $227,000,000; in 1942, to $272,000,000; and in 1943, to $339,000,000. The funds available at the end of June 1944 amounted to $379,000,000 and were large enough to pay an average weekly benefit of $15 (actual average payment to June 1944 "total unemployment" beneficiaries was $14.89) for the maximum period of 18 weeks to 66.8 percent of the average number of 2.1 million workers covered during 1943. The corresponding figure for the United States is approximately 61 percent. Funds available for benefit payments in Ohio at the end of June 1944 were approximately 15 times higher than the amount paid out in the year of largest benefit payments.

Benefit payments during 1940, the high year in the five-year history in the State, were made to some 262,000 people. This was approximately 17.5 percent of the workers covered by the Law in that year. With this figure as a starting point, consideration might well be given to the increase from 1939 to 1943 of 800,000 workers covered by the Law—much of which can be attributed to what might be regarded as temporary war employment; the more than 500,000 Ohio members of the armed services, many of whom have job protection which will cause displacement of present workers; and the great number of women and over-age male workers who may secure some benefit from the fund in the reconversion period. This statement of the problem is oversimplified but only tends to emphasize that the imponderables in estimating the unemployment burden to the fund are of such magnitude as to discourage anything but the most general estimates. An attempt at an appraisal will be made, however, in an early issue of the Monthly Business Review. At the present time, it seems safe to say that the unemployment compensation funds of Ohio are capable of covering any probable demands placed upon them. Much will depend on the nature of demobilization and the rapidity and skill with which we meet the reconversion challenge.

TRADE

Retail Despite reduced stocks of many types of merchandise, lack of adequate personnel, and the curtailment of many services to which shoppers had become accustomed, dollar sales at fourth district department stores during the first half of this year were the largest for any similar period on record. With salary and wage payments at a very high level, consumers bought an unprecedented volume of women's wear and yard goods. Sales of the latter were up 16 percent from the first half of 1943, and women's ready-to-wear and accessories departments sold seven percent more merchandise. In contrast to these gains, sales of men's and boys' ap-



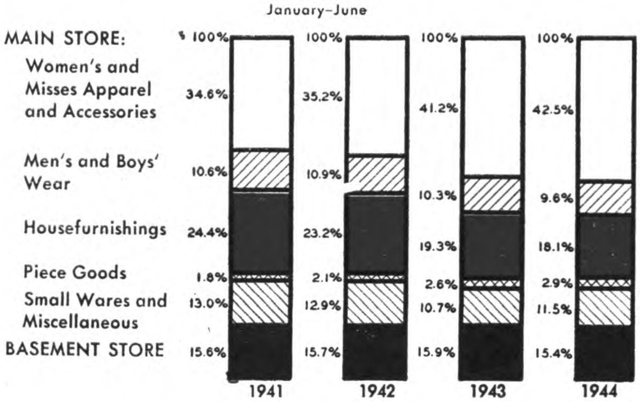
parel and housefurnishings were slightly smaller compared with those of the first six months of 1943. Total store sales were up four percent from last year and 14 percent from January-June 1942. Basement store departments reported a year-to-year increase of only one percent, indicating that the tendency to purchase higher-priced merchandise was continuing.

Sales in Akron were slightly smaller during the first half of this year compared with the same period of 1943, and Cleveland sales were at the level of a year ago. Stores in all other reporting centers of the fourth district experienced year-to-year increases, ranging up to 14 percent in Wheeling. Canton, Springfield, and Erie sales were only slightly larger this year than last, while sales in Cincinnati and Pittsburgh were up six percent, Toledo nine percent, and Columbus eleven percent.

The composition of January-June department store sales, as shown on the accompanying chart, has changed during the past several years. While the importance of sales transacted by certain divisions of stores in this district remained practically the same, that of others was altered considerably. The greatest change occurred in women's wear sales. Whereas these accounted for a little over one-third of total business during the first six months of 1941, the proportion had increased to 42.5 percent during the early part of this year. It is clearly evident that the greater number of women among the wage-earning group than ever before were using a good part of their new-found purchasing power to satisfy personal desires. In contrast, the importance of housefurnishings sales declined from 24.4 percent to approximately 18 percent. One of the principal factors contributing to this difference between the women's apparel and homefurnishings departments was the availability of merchandise. Stores generally found it less difficult to obtain clothing and other textile products than articles for the home. As a result, their apparel departments were usually better stocked and customers disposed of their increased earnings in clothing, furs, jewelry, and accessories, when they could not obtain other types of merchandise that were less plentiful. Then, too, many consumers were reluctant to buy some articles for the home because of their inferior quality.

The ratio of men's and boys' wear sales to total showed only a small decline—from 10.6 percent in 1941 to 9.6 percent this year—despite the inroads that the armed forces have made on the stores' male customers. Apparently this loss of business was offset to a large degree by the increased purchasing power of many war workers. Although piece goods sales accounted for only slightly less than three percent of total dollar volume, their importance has increased steadily since 1941, as shortages or deterioration in quality prompted some women to make their own clothing.

COMPOSITION OF DEPARTMENT STORE SALES
Fourth District
January-June



Total sales last month were up one percent from June a year ago. This small increase, compared with the year-to-year gain of 19 percent reported for May, resulted from the fact that sales were unusually large in June last year prior to the date that the first coupon for shoe rationing became invalid. At that time, practically all clothing departments experienced a mild buying wave, the effects of which were reflected especially in the decreases in business experienced by all shoe departments last month. Sales of men's and boys' shoes were down 46 percent from June 1943, women's and children's 22 percent, and basement shoe departments 28 percent.

Inventories carried by fourth district merchants were reduced one percent during June. This decrease was considerably less than usual for that month and, as a result, the seasonally adjusted stocks index advanced 13 points to 159 percent of the 1935-39 average, after declining somewhat the three previous months. This was the highest point in the adjusted index since last August and represents a gain of ten percent over June 30, 1943.

Wholesale The *Department of Commerce* reports that sales of automotive supplies, meats, farm supplies, and paints were substantially larger this June than last. The gains experienced by firms selling furniture, clothing, jewelry, and groceries were smaller, while sales of drugs, electrical goods, hardware products, and tobacco were down compared with those of June 1943. For all reporting wholesalers in the district, the gain in sales over last year was two percent. Wholesalers' inventories were reduced slightly during June, but at month-end were still 14 percent greater than those of June 30, 1943.

AGRICULTURE

District Crop Conditions According to July estimates, 1944 crop production in the fourth district may again rise to record proportions, although dry weather following the date of forecast may make it necessary to revise the estimates downward. All of the major crops of the district excepting hay and potatoes were reported likely to exceed last year's production. The wheat and oats crop estimates were especially outstanding, compared with last year's subnormal production and the 1933-42 average.

In Ohio the soybean acreage was reported to be one percent above 1943, as compared with a three percent decrease for the Nation as a whole. Reporters throughout the State regarded the soybean prospects as favorable, but qualified their reports by noting that much depends upon August weather. This year's soybean acreage in Ohio (1,513,000 acres) compared with the 1933-42 average (616,000 acres) depicts pointedly the increased importance of this crop. Corn, wheat, and oats harvests are expected to exceed their 1943 levels in Ohio, whereas hay production is predicted to be slightly under last year.

Reports from Kentucky as of the middle of July indicate that the entire State has been hard hit by drouth. Early corn was said to have been badly damaged and the later crop, which was in tassel stage, was in an extremely vulnerable condition. Bluegrass pastures were declared to be burned to a crisp. Tobacco, on the other hand, was reported to be withstanding the dry weather fairly well. Difficulties experienced early in the season in setting and resetting tobacco have resulted in a number of poor stands and some observers close to the situation believe this year's acreage is smaller than last year's despite the additional quotas allowed growers.

Corn conditions in Pennsylvania as of July were spotty; some fields had been laid by, and others were just being planted. Much of the crop is weedy and in danger of early fall frosts. Wheat improved in Pennsylvania throughout the season and heads filled exceptionally well. Early plantings of oats made excellent growth although generally the stands were thin and varied. Fruit in the northwest counties made good growth during June but the drop was heavy owing to excessive rainfall. Peaches generally set well and some orchards required heavy thinning. Growers are expecting a large crop of good quality. The outlook for grapes in the Erie belt is promising. This year's grape crop in Pennsylvania is expected to be 36 percent over last year and 17 percent over the 1933-42 average.

Frazier-Lemke Farm Debt Moratorium Act

To consider bankruptcy among farmers when farm incomes are at record-high levels may appear somewhat ill-timed from the point of view of general interest in the subject. Nevertheless, should it become necessary for the agricultural economy to adjust itself to possible lower price and income levels, a discussion of distress credit conditions should not wait until they are an actuality. The Frazier-Lemke Farm Debt Moratorium Law, which is distress credit legislation, has been extended by Congress until March 4, 1946. Thus, all loans which are outstanding to farmers today, or which may be extended to farmers before March 4, 1946, may be considered for Frazier-Lemke bankruptcy proceedings. This is true regardless of the amount of debt, the type of lender, the kind of security, or the purpose for which the funds are obtained. In essence, the Frazier-Lemke Act attaches additional conditions to every loan contract which lenders have with their farmer-borrowers. Under present circumstances, it is highly important that these provisions be understood.

Although the debt moratorium statute applies to all types of farm debts, its greatest significance has always been, and is at present, in the field of farm real estate indebtedness. Currently, farm land prices in the fourth district have reached a point in their upward trend where it becomes imperative that all who borrow or lend on farm real estate do so with a full awareness of the stipulations of the Frazier-Lemke Law. A slump in farm income of a magnitude sufficient to impair the meeting of farm debts would undoubtedly be the signal for widespread resort to the Law's debt moratorium provisions.

The major arguments which led to the Congressional extension of the Law for another two years were (1) that there still are several thousand farmers in the drouth areas of the United States who need the benefits of a debt moratorium, and that (2) by forcing conservative loans, inflated land prices may be avoided. Opponents to the extension of the Law maintained, on the other hand, that it simply adds to the factors causing higher farm land prices by assuring farmers a means of relief if they cannot meet their payments. In today's farm real estate market, it is possible to find indications of the validity of both points of view. This situation, coupled with the current high prices and rapid turnover of farms, makes a thorough understanding of the Frazier-Lemke Act a prudent necessity for buyers and sellers and even middlemen in the farm real estate market. The following outline of the major provisions of the Act has been prepared in the hope that it may serve as basis for further and more detailed study of the Law and its implications.

The Frazier-Lemke Farm Debt Moratorium Act is simply one subsection (19th) of the Agricultural Section of the General Bankruptcy Act (11 USCA 203). The preceding 18 subsections provide that any farmer who is insolvent or unable to pay his debts as they come due may file a debtor's petition with the conciliation commissioner of his county. In this petition, which immediately stops all court action against him, the farmer proposes a composition (scaling down or otherwise revising the terms and security) and extension of his debts. As soon as the conciliation commissioner has a list of all the farmer's debts, he calls the creditors together and attempts to obtain their agreement on the program of settlement offered by the farmer. If an agreement is reached with a majority in number and amount of creditors, upon confirmation by the Court it becomes binding and the farmer proceeds to work out his financial difficulties according to the stipulated plan.

However, if the farmer fails to obtain a satisfactory agreement with his creditors, then under the 19th subsection of the Act [11 USCA 203 (s)], he may amend his petition by asking to be adjudged a bankrupt under the terms of the Frazier-Lemke Law. The bankruptcy referee (the conciliation commissioner) then appoints appraisers who determine the market value of the debtor's property excluding certain items which are specifically exempted by State law. The property remaining after the withdrawal of exemptions is ordered by the referee to remain in the possession of the debtor subject to all existing mortgages, liens, pledges, or encumbrances. When the above conditions have been met, the Court stops all proceedings against the debtor for a period of three years. During this time the debtor is permitted to retain possession of the property, under the supervision and control of the Court, provided he pays a reasonable rental fixed by the Court. This rental is used, first, for the payment of taxes and upkeep, and the remainder is distributed among the creditors as their interests may appear. The Court may also require the debtor to make quarterly, semiannual, or annual payments on the principal of the debt. At the end of three years, or at any time before, the debtor may pay into the Court the full amount of the appraisal of the property less the amount paid on the principal, if any. This cancels the farmer-debtor's obligations and he is no longer bankrupt. If the debtor fails to comply, however, with any of the conditions set forth in the Farm Debt Moratorium Law, or if he is unable to refinance himself or otherwise pay his obligations at the end of three years, the Court may order the appointment of a trustee and the property sold or otherwise disposed of.

Debits to Individual Accounts

(Thousands of Dollars)

	June 1944	% change from 1943	Jan.-June 1944	Jan.-June 1943	% change from 1943
Akron	190,641	+ 6.9	1,075,990	991,796	+ 8.5
Butler	20,545	+42.1	105,315	82,700	+27.3
Canton	102,795	+36.1	488,295	427,028	+14.3
Cincinnati	730,023	+26.0	3,670,603	3,402,452	+ 7.9
Cleveland	1,566,363	+29.6	7,838,454	6,585,285	+19.0
Columbus	346,660	+25.8	1,932,005	1,681,224	+14.9
Covington-Newport	29,362	+27.2	148,789	133,799	+11.2
Dayton	154,308	+ 6.7	873,724	820,665	+ 6.5
Erie	76,640	+23.2	389,754	343,796	+13.4
Franklin	6,409	+20.0	36,647	29,695	+23.4
Greensburg	13,230	+18.3	73,271	61,220	+19.7
Hamilton	24,601	+27.7	122,782	117,832	+ 4.2
Homestead	5,737	+18.6	29,521	26,501	+11.4
Lexington	34,461	+31.4	240,851	209,722	+14.8
Lima	30,016	+30.9	160,667	140,796	+14.1
Lorain	9,544	+30.8	52,716	40,371	+30.6
Mansfield	25,433	+39.9	123,945	100,914	+22.8
Middletown	22,613	+ 6.0	122,474	117,588	+ 4.2
Oil City	17,091	+ 7.6	92,083	93,747	— 1.8
Pittsburgh	1,532,412	+10.5	8,030,395	7,198,739	+11.6
Portsmouth	12,956	+22.0	67,897	58,275	+16.5
Sharon	19,617	+26.9	102,286	86,485	+18.3
Springfield	34,363	+ 5.2	196,042	181,896	+ 7.8
Steubenville	14,955	+18.3	80,941	74,741	+ 8.3
Toledo	297,838	+23.3	1,596,661	1,394,069	+14.5
Warren	29,218	+19.4	145,170	140,683	+ 3.2
Wheeling	50,651	+24.4	250,608	226,624	+10.6
Youngstown	98,373	+16.9	511,466	470,968	+ 8.6
Zanesville	14,153	+ 0.6	76,468	75,150	+ 1.8
Total	5,511,008	+20.4	28,635,820	25,314,761	+13.1

Fourth District Business Statistics

(000 omitted)

Fourth District Unless Otherwise Specified	June 1944	% change from 1943	Jan.-June 1944	% change from 1943
Bank Debits—24 cities $	5,411,000	+20	28,120,000	+13
Savings Deposits—end of month: 39 Banks O. and W. Pa. $	1,025,732	+19		
Life Insurance Sales: Ohio and Pa. $	97,053	+16	563,637	+15
Retail Sales:				
Dept. Stores—97 firms $	38,424	+ 1	227,348	+ 4
Wearing Apparel—16 firms $	1,698	— 4	11,244	+ 5
Furniture—78 firms $	3,071	— 1	16,400	— 4
Building Contracts—Total $	11,948	—49	75,332	—47
" " —Residential $	3,012	—56	19,758	—60
Commercial Failures—Liabilities $	157	+16	906	—45
Commercial Failures—Number	8	+14	45	—59
Production:				
Pig Iron U. S. Net tons	5,057	+ 5	31,482	+ 4
Steel Ingot—U. S. Net tons	7,217	+ 2	45,062	+ 3
Bituminous Coal—O., W. Pa., E. Ky. Net tons	20,502	+66	120,073	+13
Cement—O., W. Pa., W. Va. Bbls.	472a	—55	2,311b	—52
Elec. Power—O., Pa. Ky. Thous. K.W.H.	2,968a	+ 8	14,975b	+ 9
Petroleum—O., Pa., Ky. Bbls.	2,316a	+ 1	10,816b	-0-
Shoes Pairs	c	—11	c	— 1
Bituminous Coal Shipments: Lake Erie Ports Net tons	7,293	+59	20,785	+41

a May
b January-May.
c Confidential.

Wholesale and Retail Trade

(1944 compared with 1943)

Percentage Increase or Decrease

	SALES June 1944	SALES first 6 months	STOCKS June 1944
DEPARTMENT STORES (97)			
Akron	— 3	— 2	— 6
Canton	— 3	+ 1	a
Cincinnati	-0-	+ 6	+12
Cleveland	— 1	-0-	+ 8
Columbus	+ 3	+11	+20
Erie	-0-	+ 3	+ 8
Pittsburgh	+ 4	+ 6	+14
Springfield	— 3	+ 2	a
Toledo	+ 4	+ 9	+16
Wheeling	+ 9	+14	+27
Youngstown	+ 6	+ 9	a
Other Cities	— 5	— 5	+ 8
District	+ 1	+ 4	+10
WEARING APPAREL (16)			
Canton	+ 2	+10	— 8
Cincinnati	—10	— 4	a
Cleveland	— 7	+ 5	+19
Pittsburgh	+19	+27	+35
Other Cities	—11	— 4	— 4
District	— 4	+ 5	+13
FURNITURE (78)			
Canton	+ 2	+13	—24
Cincinnati	— 4	— 9	—18
Cleveland	— 1	— 7	—28
Columbus	+ 4	+ 1	—21
Dayton	—26	—29	a
Pittsburgh	+ 3	-0-	—31
Toledo	— 8	— 4	—17
Other Cities	— 3	— 6	— 6
District	— 1	— 4	—20
CHAIN STORES*			
Drugs—District (5)	— 2	+ 1	a
Groceries—District (4)	+ 7	+ 6	a
WHOLESALE TRADE**			
Automotive Supplies (10)	+34	+25	+ 5
Beer (6)	— 3	+ 4	—29
Clothing and Furnishings (3)	+12	a	a
Confectionery (3)	— 6	+11	a
Drugs and Drug Sundries (8)	— 1	+ 8	+12
Electrical Goods (13)	— 2	— 7	+15
Fresh Fruits and Vegetables (9)	—13	— 5	+20
Furniture & House Furnishings (3)	+13	a	a
Grocery Group (40)	+ 1	+ 8	+17
Total Hardware Group (29)	— 2	— 4	+ 3
General Hardware (8)	— 5	+ 3	— 2
Industrial Supplies (9)	—15	—13	+15
Plumbing & Heating Supplies (12)	+13	— 5	+30
Jewelry (4)	+ 6	+ 3	a
Lumber and Building Materials (4)	— 3	a	—18
Machinery, Equip. & Sup. (exc. Elect.) (5)	+14	a	— 3
Meats and Meat Products (4)	+35	+22	+89
Metals (3)	-0-	a	a
Paints and Varnishes (5)	+18	+18	a
Paper and its Products (6)	+16	+17	a
Tobacco and its Products (17)	— 7	— 1	+ 9
Miscellaneous (12)	+10	+ 8	+20
District—All Wholesale Trade (187)	+ 2	+ 5	+14

* Per individual unit operated.
** Wholesale data compiled by U. S. Department of Commerce, Bureau of the Census.
a Not available.
Figures in parentheses indicate number of firms reporting sales.

Fourth District Business Indexes

(1935-39 = 100)

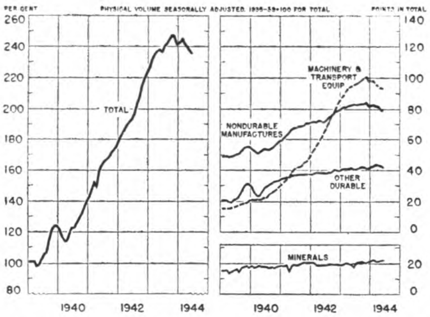
	June 1944	June 1943	June 1942	June 1941	June 1940
Bank Debits (24 cities)	244	203	171	147	110
Commercial Failures (Number)	12	10	56	61	62
" " (Liabilities)	11	9	37	24	60
Sales—Life Insurance (O. and Pa.)	115	99	79	101	92
" —Wholesale Drugs (8 firms)	161	162	124	110	97
" — " Dry Goods	a	179	140	117	93
" — " Groceries (40 firms)	153	152	124	113	103
" — " Hardware (29 firms)	228	233	229	180	125
" — " All (77 firms)	179	179	154	132	106
" —Chain Drugs (5 firms)*	162	165	143	123	114
" —Chain Groceries (4 firms)	156	151	141	121	111
Building Contracts (Total)	49	97	469	211	152
" " (Residential)	39	88	336	281	246
Production—Coal (O., W. Pa., E. Ky.)	163	98	156	140	109
" —Cement (O., W. Pa., E. Ky.)**	57	128	187	171	137
" —Electric Power (O., Pa., Ky.)**	195	181	162	144	119
" —Petroleum (O., Pa., Ky.)**	105	103	98	95	104
" —Shoes	82	92	110	101	87

* Per individual unit operated.
** May.
a Not available.

Summary of National Business Conditions

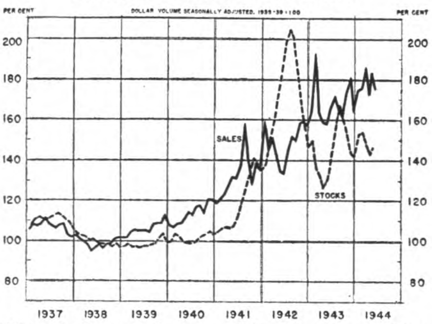
By the Board of Governors of the Federal Reserve System

INDUSTRIAL PRODUCTION



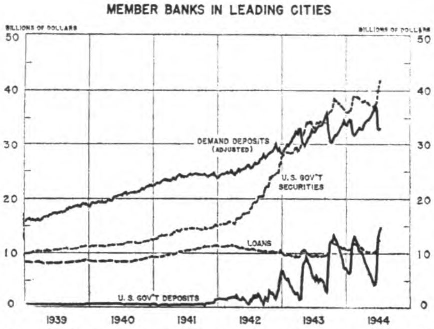
Federal Reserve indexes. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for June 1944.

DEPARTMENT STORE SALES AND STOCKS



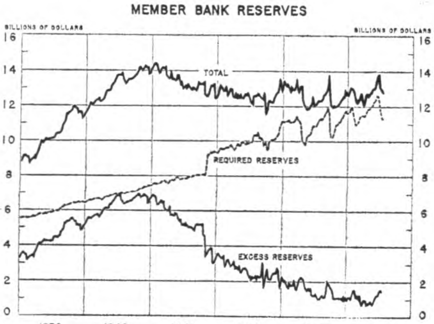
Federal Reserve indexes. Monthly figures, latest shown are for June for sales, and May for stocks.

MEMBER BANKS IN LEADING CITIES



Demand deposits (adjusted) exclude U. S. Government and interbank deposits and collection items. Government securities include direct and guaranteed issues. Wednesday figures, latest shown are for July 12, 1944.

MEMBER BANK RESERVES



Breakdown between required and excess reserves partly estimated. Wednesday figures, latest shown are for July 19, 1944.

Employment and production at factories continued to decline slightly in June; output of minerals was maintained in record volume. Retail trade and commodity prices showed little change in June and the early part of July.

Industrial production

The Board's seasonally adjusted index of industrial production was 235 per cent of the 1935-39 average in June as compared with 237 in May and 243 in the first quarter.

Steel production declined 4 per cent from the rate in May, reflecting partly manpower shortages. Output of nonferrous metals dropped 8 per cent, largely owing to the continued planned curtailment of aluminum and magnesium production. The lifting on July 15 of some of the restrictions on use of these metals was the initial step in a program to prepare for limited reconversion to peacetime output. Activity in the machinery and transportation equipment industries in June was maintained at the level of the preceding month. Increasing emphasis was reported on output of heavy artillery and artillery shells and of tanks. Lumber production continued to decline and was approximately 10 per cent below June 1943.

Production of nondurable goods was maintained in June. Meat-packing activity declined further from the exceptionally high level in the first quarter, but output of most other food products continued to rise seasonally. Refinery output of gasoline advanced further and reached the earlier record level of December 1941. Activity in cotton textile mills and in the chemical and rubber industries showed little change in June.

Mine production of metals and coal was maintained in large volume and crude petroleum production continued to rise to new record levels.

Distribution

Department store sales declined more than seasonally in June, following a considerable increase in May, and the Board's index was 175 per cent of the 1935-39 average as compared with 183 in May and an average of 177 in the first four months of this year. Value of sales in the first half of 1944 was 7 per cent greater than in the first half of 1943. In the early part of July sales were 9 per cent larger than a year ago.

Railroad freight carloadings showed little change in June and the first three weeks of July after allowance for seasonal movements.

Commodity prices

Legislation extending Federal price controls for one year was enacted June 30; certain restrictive provisions were relaxed, especially those relating to prices of cotton products. Prices of most commodities in wholesale and retail markets have recently shown little change.

Agriculture

Well over a billion bushels of wheat and almost 3 billion bushels of corn were in prospect on July 1. This is an improvement over June 1 prospects and aggregate crop production in 1944 may be about the same as in 1943 and larger than any year prior to 1942.

The number of chickens raised this year was 19 per cent smaller than last year; the spring pig crop was 24 per cent smaller and the fall crop may be a third smaller than in 1943. Marketings of cattle, however, have been normal in relationship to the numbers and unless marketings are increased during the rest of this year no material reduction of the large numbers of cattle on farms will occur.

Bank credit

As payments for securities purchased during the Fifth Drive transferred funds from private deposits to reserve-exempt Government accounts, the average level of required reserves at all member banks declined by close to 1¼ billion dollars. Reserve balances were reduced by about 800 million dollars and excess reserves rose by around 400 million. Reserve funds were absorbed through declines in Reserve Bank holdings of Government securities, by a moderate increase in currency, and by temporary increases in Treasury deposits at the Reserve Banks. Over the four weeks ending July 12, money in circulation rose by 230 million dollars, which is a smaller rate of growth than prevailed in recent months, reflecting the influence of the war loan drive.

During the Fifth Drive, between June 14 and July 12, Government security holdings at reporting member banks in 101 leading cities increased by 4.7 billion dollars. Additions to bank holdings resulted from purchases of securities from investors who were adjusting their positions prior to subscriptions during the drive, from increased purchases of Treasury bills, and from subscriptions to new securities in limited amounts.

Loans for purchasing and carrying Government securities increased by 1.8 billion dollars over the Fifth War Loan, an increase larger than that of any other drive. Of the total amount advanced by banks in 101 cities, loans to brokers and dealers accounted for 500 million and loans to others for 1.3 billion.

Accompanying purchases of securities during the Fifth Drive, adjusted demand deposits declined by 4.7 billion dollars at banks in 101 cities. Government deposits at these same banks increased by 10.5 billion dollars. The difference reflected the effect of the increase in bank loans and investments.