

**Fourth Federal Reserve District
Federal Reserve Bank of Cleveland**

No. 8

crop enterprises. From
<http://fraser.stlouisfed.org/>
 Federal Reserve Bank of St. Louis

receipts from crop marketings in the future is a subject of much discussion. Opinion of county agricultural agents over the state is that so long as the price continues to remain favorable a substantial acreage will be grown despite the fact this crop apparently does not fit into crop rotation as well as oats or wheat, two of Ohio's most common small-grain crops. Typical of the comment on this subject is the following from a county where soybean acreage increased from 9 percent in 1940 to 22 percent in 1945 while sod crops declined from 35 percent to 19 percent of total acreage: "Soybean acreage increased considerably during the war, and at the expense of the sod crops. Though this change is not considered permanent, it seems quite probable that as long as the current demand for soybeans continues there will be no substantial decrease in soybean acreage."

Another factor that enters into the situation currently is that soybean culture fits into the seasonal work pattern well and can be readily carried on with mechanized equipment. Hence it is possible for a farmer to cultivate a given acreage with a smaller amount of manpower. So long as farm labor remains relatively scarce and costly there will be a tendency for many farm operators to think in terms of crop enterprises that return a high per-acre income with a minimum expenditure for labor.

The decline in percentage of cash receipts from potatoes apparently was due to the scarcity of hand labor at harvest time. This type of labor was practically unobtainable by commercial potato growers during the war years, and by 1945 Ohio growers had adjusted their plantings downward to 62,000 acres from a former 128,000 acres.

The percent of total receipts from corn and fruit was lower in 1945 than in the prewar years. In the case of corn this was probably due to the fact that much corn was being marketed through increased livestock production whereas in the case of fruit it was a matter of crop failures which reduced cash receipts from that source by nearly one-half.

Although truck crop receipts nearly doubled they represented a smaller percent of the total in 1945 than in the earlier period. This is ascribable to a recent leveling off of truck crop prices as the acreage devoted to truck crops was actually six percent greater than prewar and yields were good. Receipts from truck crops for processing were nearly three times the prewar figure and represented a slightly higher percent of the total receipts from farm marketings. This increase confirms observations from various parts of the state to the effect that canning crops have become a more important factor in farm income.

Slight changes were evidenced in the proportion of the total income represented by dairy products, and cattle and calves. Even though the return from each of these enterprises during the past year was more than double that of the five years prior to 1940 as a result of advancing prices and increased volume of production, the income therefrom varied but little

from the proportion that prevailed prior to the War.

The slight gain which tobacco showed in the percent of total income produced in the past year over the prewar years was due principally to higher prices (160 percent increase), for the acreage of tobacco in the state declined by 28 percent, largely because of a lack of sufficient farm labor.

With regard to oats and hay, which are primarily feed crops, the ratio to total income was quite constant between the two periods. A decline of twelve percent in hay acreage was offset by a price level 130 percent above prewar. In the case of oats the price advanced by 110 percent with the acreage remaining about the same.

Although the price of sugar beets in 1945 was approximately double that of the period before the War, the acreage was 47 percent less. Scarcity of labor and alternative opportunities were important factors in this change. As a result the income from sugar beets represented a slightly smaller percent of the total than in the earlier period.

That unit price increases were a major element in the record gross income in Ohio in 1945 is indicated in the following tabulation:

Prices of Agricultural Products in Ohio

	Average Annual Price 1945	1935-39	Percentage Increases
Livestock Products:			
Beef Cattle.....per cwt.	\$13.35	\$7.32	+82%
Fluid Milk.....per cwt.	3.27	1.83	+79%
Eggs.....per doz.	.39	.22	+77%
Lambs.....per cwt.	13.78	8.24	+67%
Wool.....per lb.	.44	.27	+65%
Chickens.....per lb.	.27	.16	+63%
Hogs.....per cwt.	14.38	8.90	+62%
Crops:			
Apples.....per bu.	\$ 3.06	\$1.02	200%
Tobacco (Burley) .per lb.	.44*	.17*	161%
Potatoes.....per bu.	2.08	.82	154%
Hay.....per ton	18.85	8.19	130%
Soybeans.....per bu.	2.08	.94	121%
Oats.....per bu.	.73	.35	110%
Wheat.....per bu.	1.63	.87	87%
Corn.....per bu.	1.13	.67	69%

* U. S. Average Farm Price.

Source: Department of Rural Economics,
Ohio State University.

Farm crops showed a relatively wider price advance than livestock. The level of prices among crops ranged from 69 to 200 percent higher, whereas the rise in livestock and livestock products prices was limited to a 62 to 82 percent range.

The greatest price increases among crops occurred in apples and tobacco. Within the livestock group, beef cattle and fluid milk prices recorded the widest gains.

With respect to production, and acreage under cultivation, the figures for 1945 differ considerably in certain lines from the prewar period:

Agricultural Production in Ohio

	Average Number on Farms Jan. 1 1945 1935-39 ... (000 omitted) ...		Percentage Change
Livestock:			
Hogs.....	3,267	2,512	+30%
Other Cattle.....	1,111	935	+19%
Milk Cows.....	1,172	1,028	+14%
Chickens.....	23,062	21,011	+10%
Stock Sheep.....	1,476	2,085	-29%
Horses & Mules.....	326	502	-35%
*Grain Consuming Animal Units.....	5,011	4,345	+15%
Hay Consuming Animal Units.....	2,508	2,481	+ 1%
Acreage ... (000 omitted) ...			
Crops:			
Soybeans.....	1,261	237	+432%
Truck Crops.....	71	67	+ 6%
Wheat.....	2,259	2,206	+ 2%
**Other Grains.....	1,304	1,313	- 0.6%
Corn.....	3,574	3,625	- 1%
All Hay.....	2,316	2,641	- 12%
Tobacco.....	20	28	- 28%
Sugar Beets.....	21	40	- 47%
Potatoes.....	62	128	- 52%
Land in crops.....	10,888	10,285	+ 6%
* Excludes poultry.			
** Includes oats, barley, rye, and buckwheat.			
Source: Department of Rural Economics, Ohio State University.			

Most significant perhaps is the fact that except for sheep and work stock the quantity of all livestock on farms was substantially higher in 1945. There were increases of 30 percent in hogs, 19 percent in cattle, 14 percent in dairy cows, and 10 percent in chickens. The number of stock sheep and horses and mules was smaller by 29 percent and 35 percent, respectively. Even with this shifting in livestock enterprises the total number of grain-consuming animal units was 15 percent higher, and of hay-consuming animal units was one percent greater.

Increased acreages devoted to crop production in 1945 were confined principally to three crops — soybeans, truck crops and wheat. Acreages of most of the other crops in the state were below the 1935-1939 average. Soybeans were outstanding among the three expanding crops with an acreage increase of 432 percent. Truck crop acreage was up six percent, and wheat only two percent. Acreages of the other principal crops were below the average of the earlier period. Despite the fact that many of the principal crops registered a decline in acreage, the total land in crops in 1945 was six percent greater than in the five years preceding the outbreak of World War II.

Evidence that farming was carried on more efficiently during the past year than in the period before the war is indicated by the greater volume of production per unit. For example, the total number of milk cows in Ohio was only 14 percent greater, but the quantity of milk produced was 23 percent larger in 1945. Likewise egg production was up 33 percent, from only about 10 percent more chickens on farms. Greater use of hybrid corn and more adequate fertilization undoubtedly contributed to a 14 percent larger corn yield on an acreage that was no larger than the

five year prewar average. An exceptionally favorable wheat harvest a year ago produced 41 percent more grain than was harvested from a comparable acreage before the war. Although the potato acreage declined by 52 percent the number of bushels harvested this past year was only 46 percent below average.

Higher prices, more extensive operations, and greater efficiency combined to produce a gross cash income in Ohio in 1945 which was 123 percent greater than the average annual income in the prewar years 1935-39. As might be expected this increase in income did not occur uniformly over the state. Some counties experienced a much greater percentage increase in income than others because of the types of farm enterprises that predominated before the war and the changes that took place in these enterprises during the war years. The county-by-county variations are indicated on the accompanying map.

Aside from Cuyahoga and Summit Counties where the return from greenhouse products caused a sharp rise in gross income, and Crawford County where a combination of dairy, poultry, wheat, and cattle operations enhanced income, most of the counties showing a high percentage rise are located in Southern and Southeastern Ohio. Reports from local county agricultural agents indicate that there was a substantial increase in the dairy enterprise in that area during the war years. Most of the agents are of the opinion that this is not a temporary wartime phenomenon, but that it will continue and may increase as hay and pastures are improved under the conservation programs now under way in many of the counties.

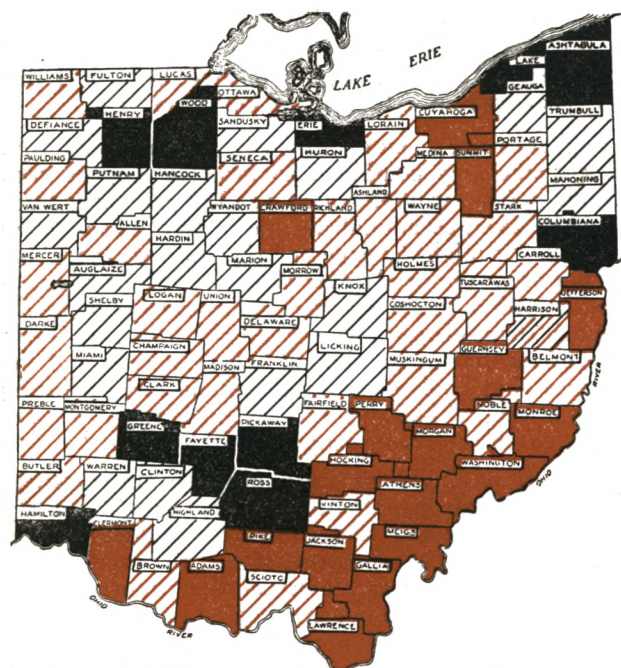
In eleven counties, the increase over 1935-39 was less than 110 percent for reasons which are somewhat obscure. It may be observed, however, that in all cases a substantial portion of the gross income from farm products came from hogs or fruit or a combination of both. A decline in hog marketings and a 50 percent fruit crop in 1945 sharply reduced the receipts from these two enterprises.

Although gross cash income per acre varies widely within any county, on the whole it is two to three times greater than in the period just prior to 1940, as indicated in the table on the back cover.

The present (1945) per acre gross income by counties is shown on an accompanying map. Of the six counties showing a gross income of over \$50 per acre in 1945, five of them are large-city counties, namely Cuyahoga, Lucas, Summit, Hamilton, and Montgomery counties, where for the most part specialized types of agriculture predominate, such as greenhouse, truck crops, and dairy. In the sixth county (Lake) nursery and fruit production accounts for over 60 percent of the annual income. These counties had a high per acre income before the war and that situation will probably continue because only the best land remains in cultivation and only in high value crops.

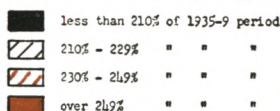
It may be observed that the counties with a relatively high income per acre are located principally in the glaciated area of the state where a higher percentage of the land is suited to crop production. The

Increases in Gross Cash Income by Counties*



* Farm Marketing and Government Payments.

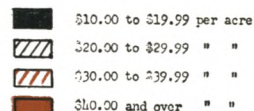
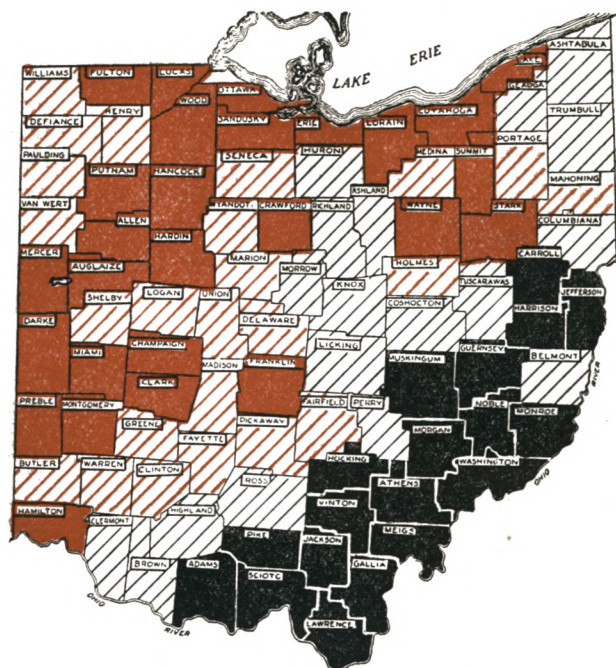
Counties in which 1945 Income was



counties of lower income per acre are in the unglaciated Southeastern portion of the state where the topography limits the amount of land suited to cultivated crops. However, there is considerable evidence that as better land-use practices are more widely adopted, (using each acre for the purpose to which it is best suited) a higher per-acre income may be realized. The agricultural agents in this section of the state report not only widespread interest but definite progress in effecting the application of better land-use practices. As indicated on the map showing percentage change in income, farms in this area returned a greater increase in income to their operators over the war years than was true in some of the more level land areas of the state. There is much evidence to support the belief that permanent improvement can accrue if this increased income can be wisely used to develop the farms in this area according to their land-use capabilities. Many farmers as well as bankers in this area are convinced of this fact and with the assistance of the agricultural agents and other appropriate agencies are working to this end.

Nevertheless the record rise in per-acre income during the past several years merits careful consideration in any long time commitments in the purchase of farm land, in the acquisition of substantial amounts of farm equipment, or in incurring any other long-term indebtedness.

Gross Cash Income Per Acre—1945



CURRENT EVENTS

On June 27, Mr. Neil H. McElroy was appointed to the board of directors of the Cincinnati branch to fill the unexpired term of Frederick V. Geier, president of the Cincinnati Milling Machine Company who was reappointed in January to a three-year term. Mr. Geier resigned as a director because of pressure of other business. Mr. McElroy is vice president and director of the Proctor & Gamble Company of Cincinnati.

On June 27, Mr. Donald S. Thompson was appointed vice president of the Federal Reserve Bank of Cleveland, effective August 16, 1946. His duties will include supervision of research and statistical activities.

Mr. Thompson was associated with the Research Department of the Federal Reserve Bank of San Francisco for approximately six years, and was a Research Assistant with the Board of Governors of the Federal Reserve System for a period of four years.

In 1934, Mr. Thompson became associated with the Federal Deposit Insurance Corporation, and was Chief of the Division of Research and Statistics from 1936 to 1944. Since 1944, he has been Director of the Urban Real Estate Finance Project of the National Bureau of Economic Research.

NEW MEMBER BANKS

The Custer State Bank Company, Custer, Ohio.
The Peoples Bank of Dayton, Dayton, Ohio.
The Bank of Glassport, Glassport, Pennsylvania.

INDUSTRIAL SUMMARY

CHANGES IN BASIC COMMODITY PRICES

The United States Department of Labor's daily index of 28 basic commodities in primary markets has been watched with a great deal of interest especially since the end of June when subsidies on a wide range of consumer and industrial products were suddenly terminated. On June 28 the index stood at 199.4 (August 1939 = 100) and by July 19 it had risen to 248.7. The components of this index are listed below showing price changes in individual items since the suspension of subsidies and price ceilings.

Wholesale Price Index
28 Basic Commodities

Commodity	Unit	Prices on		Increase in Dollars
		June 28	July 19	
* Wheat:				
Kansas City.....	bu.	\$1.871	\$2.010	\$.139
Minneapolis.....	bu.	1.885	2.325	.440
*† Flaxseed.....	bu.	3.350	3.800	.450
* Barley.....	bu.	1.440	1.710	.270
* Corn.....	bu.	1.448	2.222	.774
* Butter.....	lb.	.560	.688	.128
* Tallow.....	lb.	.086	.128	.042
* Hogs.....	100 lbs.	14.850	19.250	4.400
* Steers.....	100 lbs.	17.000	19.000	2.000
* Lard.....	lb.	.140	.240	.100
*† Sugar.....	lb.	.042	.042	None
* Coffee.....	lb.	.158	.220	.062
Cocoa beans.....	lb.	.090	.151	.061
† Shellac.....	lb.	.365	.680	.315
*† Rubber.....	lb.	.225	.225	None
*† Hides.....	lb.	.155	.260	.105
Rosin.....	100 lbs.	6.760	7.050	.290
Cottonseed oil.....	lb.	.143	.178	.035
Print cloth.....	yd.	.114	.135	.021
*† Silk.....	lb.	3.080	7.460	4.380
* Wool tops.....	lb.	1.330	1.450	.120
*† Burlap.....	yd.	.118	.118	None
Steel scrap:				
Chicago.....	ton	18.750	18.750	None
Philadelphia.....	ton	18.750	18.750	None
*† Tin.....	lb.	.520	.520	None
*† Copper.....	lb.	.142	.142	None
* Lead.....	lb.	.082	.095	.013
* Zinc.....	lb.	.087	.099	.012
* Cotton.....	lb.	.310	.357	.047
General Index Number		199.4	248.7	+49.3

* Received direct or indirect subsidies.

† Imported by Government agencies and resold at fixed prices.

Source: Bureau of Labor Statistics.

In appraising the movement of this wholesale price index, it is necessary to have full knowledge of the extent to which it is influenced by the suspension of the subsidy programs and other Government activities of similar effect.

It should be noted that the greatest increases in prices have taken place in agricultural commodities. Since 17 out of 28 articles are farm products, the index is heavily weighted in this direction. Because most of the agricultural items were substantially subsidized, the termination of the subsidy program on July 1 caused considerable upward adjustment in selling prices.

Official information with regard to the details of the entire subsidy program is very difficult to compile. Blanket appropriations for individual commodities were made by Congress whereby various agencies such as the Office of Price Administration, Reconstruction Finance Corporation, Commodity Credit Corporation, and Metals Reserve Company were charged with the task of determining the levels of payment and the unit amounts to be paid producers and processors. Furthermore, many products were bought in world markets at world prices which were substantially above domestic levels and subsequently were resold in this country at a loss in order to hold ceiling prices down.

Wheat Subsidies

At the close of May, cash wheat was selling in Kansas City at \$1.87 a bushel.

No supplies were available, however, to domestic consumers since the Government was offering 30 cents a bushel premium in order to obtain sufficient supplies for its export and relief program. This program terminated in May and was replaced with a certificate plan which required each farmer to sell half of all wheat delivered to elevators to the Government. This latter program was abandoned in July.

The important factor to be noted is that formerly the Government was paying \$2.17 a bushel for wheat while the official price held at \$1.87. More recently under free prices, Kansas City wheat was quoted at \$2.01 a bushel on July 19 or 16 cents a bushel less than the price paid by the Government to obtain the quantities needed. It could be logically argued that wheat prices have actually declined since May.

The situation is rendered more complex, however, when it is realized that flour millers were being paid a subsidy of 68 cents a hundred pounds for flour ground in order to enable them to pay ceiling prices for wheat without increasing the selling price of flour to industry and consumers. Higher cash wheat costs plus loss of subsidies will presumably force flour and all wheat products to higher levels.

The sharp advance in the retail price of butter has evoked much criticism. The wholesale price on June 28 was 56 cents a pound and farmers were being paid a subsidy of about 15 cents per pound which made the combined cost 71 cents. On July 19, the wholesale price was about 69 cents. It is evident that processors as distinguished from some retailers have exercised a commendable restraint in adjusting selling-prices when proper consideration is given to the acute shortage of this item. *In fact the rise in price is less than the full subsidy*, probably due to consumer resistance to the higher prices.

Meat and Other Food Subsidies

Subsidies have also been a substantial factor in meat prices. The subsidy on steers, for example, ranged from \$1.25 to \$3.00 per hundred, the exact amount depending upon grade. In addition cattle feeders were paid 50 cents a hundred on cattle fed more than 30 days. The hog subsidy amounted to \$1.70 per hundred pounds. These subsidies not only held down meat prices, but also were reflected in the cost of hides, tallow, lard, and the thousand-and-one by-products of the meat packers.

A packer received a subsidy of \$30 when purchasing a 1000 pound choice steer, provided the price was within the compliance range established by OPA. Since such a steer would yield only about 600 pounds of dressed meat, it is apparent that the subsidy amounted to about five cents per pound on finished meat. Loss of subsidy alone would therefore bring a rise in selling price of at least five cents per pound.

Free cattle markets have not only returned the distribution of meat to normal and legitimate channels of trade, but have also increased the supplies of hides, fats, and other by-products that were wasted when animals were handled in the black market.

The sugar subsidy program was very complicated. Beet sugar growers were paid a subsidy of \$3.00 per ton for beets and the refiners received an additional payment of 20 cents per hundred pounds of refined sugar. A separate program was in effect for domestic cane sugar, and imported sugar has been handled as a Government monopoly, with the Government buying the entire crop of important producing areas and reselling at varying losses to refiners at fixed prices.

Other agricultural products which received subsidies of varying amounts include cheddar cheese, cooking and salad oil, fluid milk, dried beans, peanuts and peanut butter, potatoes, prunes, raisins, soy beans, miscellaneous truck crops for canning, citrus juices, corn, and coffee.

Subsidies for Non-ferrous Metals

Of the five metals used in the wholesale price index (zinc, lead, copper, tin, and steel scrap) all have been subsidized in varying amounts with the exception of steel scrap. The purpose of the subsidies was to maintain prewar prices and at the same time to keep in business marginal high cost producers who were caught between rising costs and rigid price ceilings, as well as to encourage the mining of inferior grade ores.

Non-ferrous subsidy payments were paid upon an individual mine basis. The per pound subsidy was determined by unit costs and a quota system. For example, copper subsidies ranged up to 15 cents per pound as compared to a ceiling price in 1945 of 12 cents per pound. During the first six months of 1945, about 28 percent of all copper mined in the United States received subsidies which averaged about 6 cents per pound, while the remaining 72 percent was produced without subsidy payments.

On the other hand, about two-thirds of all zinc produced was subsidized. With a ceiling price of 8¼ cents per pound in the first six months of 1945, about 38 percent of the tonnage produced received a subsidy

of 2¾ cents per pound, 15 percent a subsidy of 5½ cents, and 11 percent a subsidy of 8¼ cents. About 96 percent of all zinc produced in the Tri-State district was subsidized since this is an old and high cost producing area.

Over the same period, about 60 percent of all lead produced received subsidies up to 5½ cents per pound as compared to a ceiling price of 6½ cents per pound. Seventeen percent of total production received the top subsidy of 5½ cents and about 44 percent received 2¾ cents. As in the case of zinc, 94 percent of the lead produced in the Tri-State area was subsidized with about one-third receiving the maximum subsidy.

On the basis of available information, it is apparent that the proportion of non-ferrous metals produced without subsidies up to the early part of 1946 was steadily shrinking. Overall production in the United States of copper, lead, and zinc declined during the war and has continued the same trend since the cessation of hostilities, while the demand for these metals has been constantly rising.

Effect of Subsidies

The subsidy program has been successful in holding the price index for non-ferrous metals stable, and in obscuring the true cost of the metals. Continuation of the program, however, can be criticized on several important grounds. Admittedly, a free market would result in considerably higher prices, but such an event would have several advantages. First, it would encourage exploratory work to locate new sources of supply and develop new mines whereas low prices coupled with subsidies, which may or may not be continued, discourage efforts in this direction. At the same time higher prices also make possible the development of lower grade ore bodies and stimulate engineering research to reduce extraction and smelting costs. Second, high prices perform a definite rationing function and encourage consumers to use or develop substitute products, whereas low prices stimulate the demand and uneconomic use of these scarce metals. And third, higher domestic prices will stimulate the import of foreign supplies to supplement domestic production which is, at present, inadequate to meet the demands of industry.

The veto of the subsidy and price control programs had little effect upon metal prices. The principal result was to close down many subsidized mines as both operators and consumers marked time and awaited for clarification of the future.

Of the remaining commodities in the index, nearly all are imported from abroad and are subject to rigid Government controls with respect to both quantities and prices. These include natural rubber, silk, burlap, cocoa beans, and shellac. The price of wool is also largely determined by the price-supporting activities of the Commodity Credit Corporation and the price has been sustained at a relatively high level throughout the war with the result that only about 10 percent of wool currently consumed in the United States is of domestic origin. The bulk of domestic wool goes into storage, and foreign wool is used despite the existence of a high tariff.

Iron and Steel The national rate of steel ingot production has been maintained during the past month at a rate close to 90 percent of capacity, which is practically full operation under peacetime conditions. According to *Steel*, District rates near the close of July were: Pittsburgh 98 percent, Youngstown 87 percent, Wheeling 82 percent, Cincinnati 77 percent, and Cleveland 87 percent.

The greatest obstacle to continued production at these rates is the alarming shortage of scrap. Some mills are on a day-to-day basis and supplies as a whole are less than 50 percent of normal. Shortage of pig iron has increased the pressure on scrap supplies in an effort to make up the difference. Suspension of OPA during July complicated the situation. Steel mills held their offering prices for scrap at the old ceiling prices and obtained very limited quantities as a result. The scrap trade apparently gambled that suspension of ceiling prices is permanent, rather than temporary, and that higher offering prices will be forthcoming.

The only important price break in the scrap market has been in cast scrap which is used in place of pig iron by foundries. This grade is selling from \$2 to \$5 above former ceiling prices. Pig iron supply has been increased as a result of blowing in additional furnaces, but producers are unable to meet current demand. Two southern pig iron producers advanced prices \$3 and \$4 per ton, but other suppliers are holding to former prices. Steel prices held firm during the month.

The Civilian Production Administration inaugurated during July a preference system for manufacturers that use iron castings in the production of specified farm machinery, housing products, and railroad brake shoes. Under this new procedure, manufacturers of these items certify to foundries that castings will be used to produce the specified items, and the foundries in turn apply to CPA for the necessary pig iron. The system will be in effect during August and September. A large volume of these preference orders has already appeared and foundries are rearranging schedules and pushing back delivery dates for nonpreference products.

Demand for all forms of steel continues heavy, and although shipments to consumers are rising, slow progress is being made in reducing the heavy backlog of orders. In the event that the scrap and pig iron situations do not improve, production will be reduced and the carryover of orders into 1947 will be still greater.

The accompanying table compares first six months steel production this year with the comparable 1945 period:

Steel Ingot Production—U. S.

Millions of net tons

	Open Hearth		Bessemer		Electric		Total	
	Tons	% of Cap.	Tons	% of Cap.	Tons	% of Cap.	Tons	% of Cap.
1946								
First Quarter	10.8	53.8	.6	47.0	.4	29.4	11.8	51.9
Second Quarter	14.2	70.1	.7	53.7	.7	50.0	15.6	68.0
First 6 months	25.0	62.0	1.3	50.4	1.1	39.8	27.4	60.0
1945								
First Quarter	19.4	93.3	1.1	77.6	1.1	80.0	21.6	91.5
Second Quarter	19.3	92.1	1.2	78.8	1.1	80.0	21.6	90.9
First 6 months	38.7	92.7	2.3	78.2	2.2	80.0	43.2	91.0

Source: American Iron & Steel Institute.

Steel ingot production this year is thus about one-third below the 1945 level and reflects the strikes in both the coal and steel industries.

The consumption of steel for steel forgings for the first five months of this year has dropped 74 percent as compared to last year as indicated in the following table:

Type of Forging	Cumulative Steel Consumption January-May (short tons)		
	1946	1945	Decrease
Drop and upset.....	591,681	1,662,249	64%
Carbon Steel.....	400,440	1,006,830	60%
Alloy Steel.....	191,241	655,419	71%
Open hammer and press...	254,627	1,649,988	85%
Carbon Steel.....	160,046	1,088,981	85%
Alloy Steel.....	94,581	561,007	83%
Steel forging, Total.....	846,308	3,312,237	74%

Source: Bureau of the Census, Facts for Industry.

This substantial decline in consumption of steel for forgings is probably due in part to work stoppages (in addition to the coal and steel strikes) in the shops of fabricators as well as their customers. There has also been a sharp change in the demand for steel products from heavy armament products to the lighter products demanded by a civilian economy.

Malleable iron castings shipments have declined to 272,000 short tons in the first five months of 1946 as compared to 395,000 tons in the comparable 1945 period, or a decline of 31 percent.

Upward Pressure on Prices The last general price increase in the steel industry of about \$5.00 per ton was made in February to take care of cumulative cost increases to that date. Effective June 24, price increases were authorized for all grades of Lake Superior iron ore of 50 cents per ton to take care of higher hourly wages awarded workers in the pits as well as reduced volume of production. To offset the coal strike settlement, one of the last steps under the former price control administration was the approval of increases in coke prices ranging from \$1.25 to \$1.35 per ton. The Interstate Commerce Commission has also approved an interim three percent increase in rail freight rates for sand, rock, and slag, two cents a gross ton for iron ore, and eight cents a ton for coal and coke. The Ohio Public Utility Commission has authorized identical increases for intrastate traffic. These increases also apply to water carriers. A six percent increase has been authorized on general traffic pending a full investigation of the carriers' plea for a 25 percent rise. Higher freight rates are undoubtedly in the making. In view of these changes in raw material, transportation, and other costs there appears to be little chance that present selling prices for steel can long be maintained.

Coal Bituminous coal production in the Fourth Federal Reserve District totaled 20.2 million tons during the month of June as compared to 19.9 million tons in the same month last year. Total District production for the first six months of 1946 amounted to 88 million tons, a decline of 20.6 percent from the corresponding 1945 period.

Total United States bituminous coal production for the six months' period ending June 29, 1946 amounted to 235 million net tons, or a decrease of 21 percent from the previous year. Total stocks of soft coal in the United States at the end of May had sunk to only 32 million net tons, a decrease of over 18 percent from the previous month. Daily production is about two million tons and some mines are being held back by car shortages.

Prices for coal at the mines are holding steady at the increased levels authorized late in June and retroactive to May 13 on sales made under adjustable pricing provisions. On the average for all United States producers, OPA determined that the new wage contract, welfare fund contributions, increased supply costs, and strike losses would increase costs 56 cents per ton. Operators were required to absorb 15½ cents of this amount making the average allowable price increase equal to 40½ cents per ton. This estimate assumed an annual output of 550 million tons and a six day week. Under the terms of this upward adjustment the increases permitted Fourth District producers are as follows:

		Increases per Net ton in Ceiling Prices	
District			
No. 4	Ohio—Deep mines.....	\$.34	
	Strip, prepared, and blended.....	.37	
	Strip, raw.....	.11	
No. 2	Western Pennsylvania—Deep mines..	.51	
	Strip, cleaned, and prepared.....	.25	
	Strip, raw.....	none	
No. 6	West Virginia Panhandle—all.....	.35	

Effective June 25, anthracite coal ceiling prices were raised from 40 cents to \$1.15 per ton for an average of about 91 cents to meet the increased wage costs of the new anthracite labor agreement.

As yet there have been no moves by the mine operators to regain possession of the mines which were seized by the Government on May 22. During this period of Government control, the owners retain any profits earned or absorb any losses that are incurred.

Cement The cement industry in the District reflects the increased tempo of construction activity. Ohio production of finished cement in May amounted to 607,000 barrels, an increase of 71 percent over the same month a year ago. Production for the first five months of 1946 is 92 percent above last year. Shipments of finished cement are 111 percent greater for the year as compared to 1945, while stocks have shrunk 53 percent. The western Pennsylvania and West Virginia area has increased production for the first five months this year as compared to 1945 by 94 percent, shipments are up 103 percent, and stocks of finished cement are down 55 percent.

Production in Ohio is now at the rate of 59 percent of capacity as compared to 34 percent a year ago, while western Pennsylvania and West Virginia are producing at the rate of 44 percent of capacity as compared to 21 percent in 1945.

Machine Tools Machine tool shipments are estimated by the National Machine Tool Builders' Association to equal approximately \$168 million for the first half of 1946. Shipments have thus been maintained at an average monthly rate of about \$28 million as compared to a monthly rate of \$39 million in the first six months of 1945. About 24 percent of June shipments were to foreign customers. Unfilled firm orders, of which nearly 30 percent is for foreign account, amounted to \$183 million at the end of June, up about \$5 million from January. This represents a backlog of about 6½ months at current rates of production.

According to the Bureau of Labor Statistics, prices of standard or non-specialty machine tools rose approximately ten percent during the second quarter of 1946. This is the first significant price change since September 1941 and is about one-half the increase authorized in April.

The War Assets Administration estimates that a total of \$233 million (acquisition cost) of surplus machine tools had been sold up to June 30. About one-third of this amount was sold by approved machine tool dealers.

Tire Production The production of passenger car pneumatic casings increased about 3.5 percent in May over the month of April to reach a total of 5,700,000 units according to the Rubber Manufacturers Association. This is the highest monthly output since June 1929. Bus and truck casing production declined 0.6 percent during the month while inventories continued to advance. This latter development indicates that supply has caught up with requirements.

Civilian Production Administration has increased the allotment of natural rubber to rubber manufacturers by 66,000 tons for the second half of 1946. Large highway and non-highway casings may now be made with 94 percent natural rubber, small truck and bus tires, 67 percent, and passenger casings, 13 percent. Previously, passenger tires contained only 2.5 percent natural rubber. The increase in natural rubber content will alleviate many of the manufacturing and processing difficulties that have resulted from the use of synthetics.

District tire producers are maintaining previous price schedules and no change appears imminent. The supply of finished cotton goods needed by the industry appears to have improved and prices have advanced with the increased cost of raw cotton. One large district manufacturer has been strike bound since the latter part of June.

RECENT BANKING DEVELOPMENTS

The upward trend of commercial loans continues to occupy the spotlight. During the past nine months there has been an expansion of 37 percent, or \$135 million (net) in commercial, industrial, and agricultural loans of the 40 weekly reporting member banks in the Fourth District.

With respect to the ten largest banks in Cleveland, Cincinnati, and Pittsburgh, the rising trend actually antedates the termination of war with Japan by several weeks. The advance began late in July 1945 from a two-year low, and the net increase during the past twelve months has amounted to approximately 36½ percent with the result that the volume outstanding has established a series of new all-time highs at nearly weekly intervals in recent months. On July 17, total commercial loans of these ten metropolitan banks stood at \$393 million as against only \$170 million in the summer of 1939.

Commercial Loans Expanding Faster at Smaller Banks

Percentagewise, however, the postwar expansion has been more pronounced among the 30 other weekly reporting

banks, many of which are located outside the three largest cities of the District.

Commercial loans at these banks did not begin to increase until sometime in November, yet the rise during the subsequent eight months amounted to more than 52 percent as compared to only 36½ percent for the ten largest banks over a considerably longer period.

This more rapid growth of commercial loans in the second tier of banks is not necessarily indicative of more aggressive lending policies nor that the demand for bank credit was more conspicuous in those localities. It is quite conceivable that there was greater liquidation of loans of the "V" type (guaranteed loans to producers of war supplies) among the large metropolitan banks. The amount of loans outstanding is a net figure, which only indirectly reflects repayments. Possibly in terms of actual new credits extended the experiences of the two groups of banks may have been nearly comparable and proportionate. Such conjecture, however, should not detract from the remark-

able percentage gain in commercial loans among the smaller weekly reporting banks and other reporting banks located outside the three largest cities of the District.

With respect to "All Other" loans, the smaller banks likewise appear to have had a slight edge thus far in the postwar period. Dollarwise, the expansion in this type of loan (largely consumer loans to individuals) has been small—only about \$30 million—as compared with nearly \$125 million for commercial loans, as depicted on an adjoining chart. But in the scattered sample of reporting banks, the postwar rise amounts to about 27 percent as against only 20 percent for the ten largest banks in Cleveland, Cincinnati, and Pittsburgh.

On the other hand, loans to nonbrokers for carrying U. S. Government securities have been liquidated much more rapidly during 1946 at the 30 banks than at the ten metropolitan banks. The recurring increases in this type of bank borrowing in connection with war loans, and the amount still outstanding seven months after the final drive, are depicted on the chart below. The sale of most of these securities to nonbank investors would extinguish a comparable quantity of the redundant money supply.

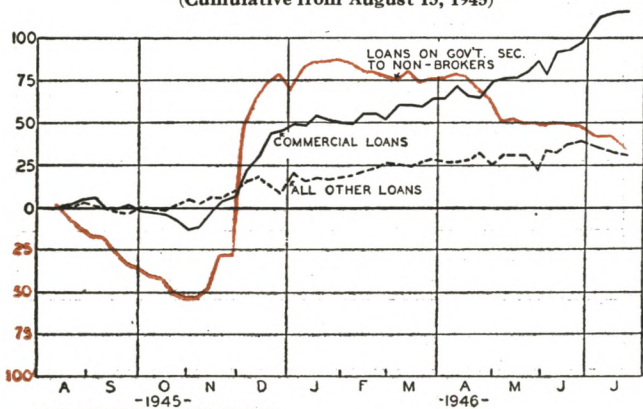
Decline in Total Investments

The Treasury's program of postwar debt reduction out of accumulated cash balances has affected the composition of the investment portfolio of weekly reporting banks.

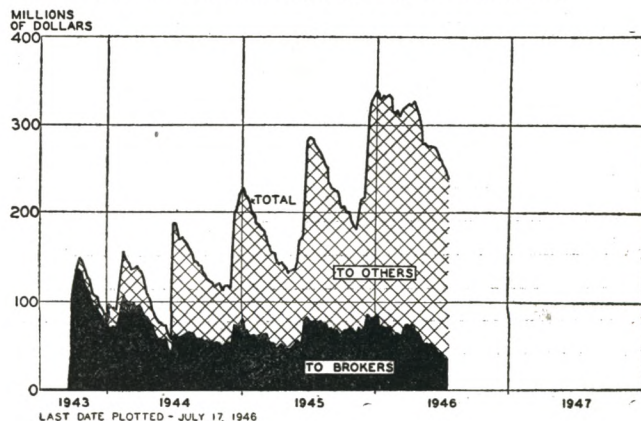
Total investments reached an all-time high for the 40 reporting banks on January 30, when such earning assets totaled \$4,298 million. By mid-July the aggregate had declined to \$3,765 million, a decrease of \$533 million, or about 12½ percent.

The extent to which this contraction was concentrated in certificate and note holdings is illustrated on an accompanying chart. By virtue of cash redemptions (also some sales and run-offs) of certificates and notes, Treasury bonds have come to constitute over 60 percent of total investments. Although

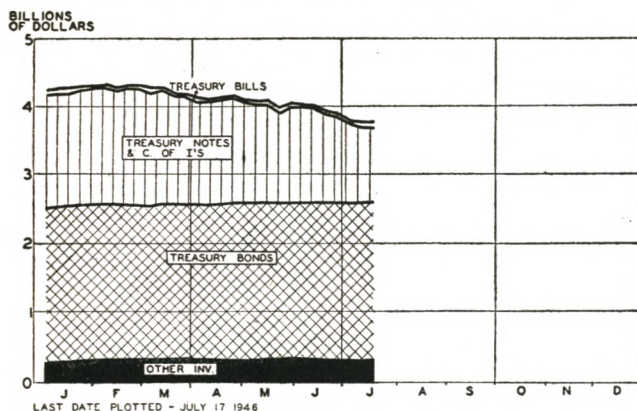
Postwar Fluctuations in Loans
Fourth District Weekly Reporting Member Banks
(Cumulative from August 15, 1945)



Loans for Purchasing or Carrying U. S. Gov't Securities
(Fourth District Weekly Reporting Member Banks)



Composition of Investment Holdings—1946 to Date (Weekly Reporting Member Banks—Fourth District)



three comparatively small Treasury bond issues were redeemed at maturity in recent months, the volume held by the reporting banks increased roughly \$100 million during the interval.

Here again there was some variation between the ten large banks and the other thirty. In terms of dollars, the acquisition of Treasury bonds looms the larger with respect to the big-city banks. But in relation to holdings at the beginning of the year, the group of smaller banks increased its holdings nearly twice as fast.

Moreover, holdings of certificates and notes did not shrink as rapidly among the 30 smaller banks presumably because the greater stability of deposits necessitated less liquidation for reserve replenishment purposes. These increases in Treasury bond holdings are not conclusive evidence that average maturities of banks' portfolios are lengthening, for the bonds purchased may have been of comparatively short term.

Contraction in Total Deposits Demand deposits of individuals, partnerships, and corporations for a time during April, May, and early June appeared to reflect the effects of cash redemptions of Government obligations held by non-

bank investors. In recent weeks, however, such balances declined again in connection with income tax payments and other transactions. Time deposits continue to rise rather generally, and banks with the largest proportion of time deposits tend to show a greater postwar growth (or a smaller contraction) than banks where commercial accounts predominate.

U. S. Government deposits at weekly reporting banks recently declined to the point reached immediately prior to the Eighth War Loan, and some further decline is in prospect as the use of such funds for Federal debt reduction continues. It is unlikely that privately-owned deposits will fully reflect this further decline because a considerable portion of the securities which may be called or redeemed in cash are held by commercial banks.

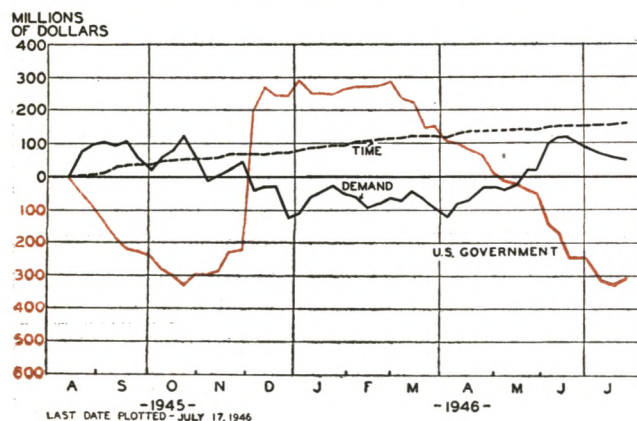
Volume of Money in Circulation Rising Again In each of the years 1943 and 1944, member banks throughout the country paid out roughly five billion of coin and currency in excess of current receipts. In 1945 the net outflow shrank to slightly over three billions, chiefly because during the latter months of the year the demand for hand-to-hand currency was less pronounced than in the two or three preceding years. (See accompanying chart.)

This prodigious outflow of currency represented the major factor in the expansion of Reserve Bank credit during the war years. Under conditions of rising reserve requirements, member banks found it necessary to liquidate security holdings (mostly bills and certificates) in order to replenish legal reserve balances.

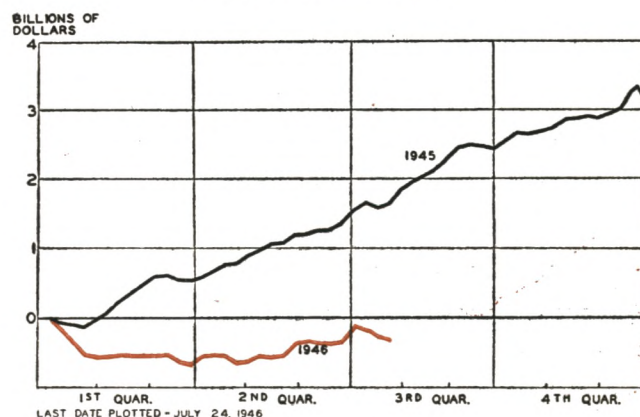
After a record-breaking return flow during January, it was considered within the realm of possibility that for the first time in years, incoming currency might become a source of reserve funds for a time, and there was some conjecture as to the ultimate effect of this turn of events upon the demand for the various types of Government securities eligible for commercial bank ownership. Some of the strength of long-term bonds last winter is probably attribut-

(Continued on back page)

Postwar Fluctuations in Deposits Fourth District Weekly Reporting Member Banks (Cumulative from August 15, 1945)



Changes in Money in Circulation—U. S. (Cumulative from January 1)



Indexes of Department Store Sales and Stocks

(Daily Average for 1935-1939 = 100)

	Adjusted for Seasonal Variation			Without Seasonal Adjustment		
	June 1946	May 1946	June 1945	June 1946	May 1946	June 1945
SALES:						
Akron (6).....	312	279	237	287	271	218
Canton (5).....	314	309	246	301	296	237
Cincinnati (9).....	301	252	215	271	257	193
Cleveland (10).....	251	241	189	231	227	174
Columbus (5).....	333	293	239	309	285	223
Erie (3).....	285	253	216	253	238	192
Pittsburgh (8).....	255	219	173	253	228	172
Springfield (3).....	266	245	228	264	254	225
Toledo (6).....	260	229	200	242	229	186
Wheeling (6).....	265	211	196	236	225	174
Youngstown (3).....	298	272	226	280	266	212
District (98).....	272	245	197	257	243	187
STOCKS:						
District.....	206	192	173	198	194	166

Bank Debits During June

(29 Fourth District Cities)

The accompanying table shows the volume of bank debits to all deposit accounts (except interbank accounts) in 29 cities of this District. Most of these debits represent transfers of funds by check although debits to savings deposits and decreases in U. S. Treasury deposits at reporting banks are also included.

LARGEST CITIES

Dayton, Toledo, and Youngstown were the only large cities wherein debits during June were approximately on a par with June 1945 when Seventh War Loan transfers swelled all debit figures. As a matter of fact, the nearly \$180 million recorded in Dayton represents an all-time high for any month. The \$524 million for the second quarter of 1946 is also a new record for Dayton. In Cleveland, Columbus, and Pittsburgh, debits were off nearly 20% in the yearly comparison.

In Toledo, debits during the second quarter established a new high for the period at \$863 million, more than 9% above the second quarter of 1945.

SMALLER CITIES

In five of the smaller cities (Mansfield, Middletown, Steubenville, Homestead, and the Covington-Newport area) debits reached a new monthly peak during June. Debits in the latter exceeded \$35 million for the first time, and in Mansfield total debits were nearly \$29 million.

Moreover, debits over the entire second quarter were at a new record high in 13 out of the 19 smaller centers. Exceptions to the trend were Zanesville, Lexington (Ky.), Sharon, and the three cities of Hamilton (Ohio), Butler (Pa.), and Wheeling where the volume was slightly below a year ago.

The largest year-to-year increase for the month appeared in Lorain where the \$12.5 million June total was 16% greater than in 1945. Homestead and Zanesville also showed substantial gains over the same month a year ago.

In Covington-Newport, three-month debits exceeded \$100 million for the first time and in Warren the total reached better than \$80 million for a new record.

(In thousands of dollars)

	June 1946	% change from year ago	3 months ended June 1946	% change from year ago
ALL 29 CENTERS.....	\$5,240,716	-14.0	\$15,455,412	- 3.5
10 LARGEST CENTERS:				
Akron.....Ohio	221,488	- 5.6	\$ 628,964	- 5.4
Canton.....Ohio	84,901	-15.4	246,954	- 9.1
Cincinnati.....Ohio	686,070	-10.9	2,013,622	- 1.4
Cleveland.....Ohio	1,408,035	-19.5	4,088,458	- 8.6
Columbus.....Ohio	373,607	-18.8	1,186,621	- 0.9
Dayton.....Ohio	178,583H	+ 2.7	524,447H	+ 9.0
Toledo.....Ohio	304,794	- 0.3	862,621H	+ 9.2
Youngstown.....Ohio	70,936	+ 1.3	289,339	+ 2.8
Erie.....Penna.	70,097	- 6.6	200,340	- 0.7
Pittsburgh.....Penna.	1,346,188	-18.7	4,048,700	- 7.2
Total.....	\$4,774,599	-15.1	\$14,090,066	- 4.6
19 OTHER CENTERS:				
Covington-Newport.....Ky.	\$ 35,386H	+ 8.0	\$ 100,348H	+18.5
Lexington.....Ky.	48,567	+ 4.7	137,341	+20.2
Hamilton.....Ohio	27,466	-12.9	78,435	- 0.3
Lima.....Ohio	31,976	+ 4.6	95,165H	+ 8.6
Lorain.....Ohio	12,516	+16.4	36,457H	+27.2
Mansfield.....Ohio	28,931H	+ 2.6	81,491H	+ 6.6
Middletown.....Ohio	25,861H	+10.3	72,423H	+11.4
Portsmouth.....Ohio	15,271	- 4.1	47,123H	+17.6
Springfield.....Ohio	35,780	- 6.2	108,856H	+ 6.3
Steubenville.....Ohio	19,188H	+ 8.2	55,274H	+ 9.5
Warren.....Ohio	26,576	- 3.5	82,956H	+ 5.8
Zanesville.....Ohio	19,013	+13.7	58,457	+31.7
Butler.....Penna.	22,730	- 5.4	69,152	- 1.6
Franklin.....Penna.	7,175	+ 0.7	21,065H	+ 9.8
Greensburg.....Penna.	16,016	- 0.3	44,873H	+ 7.9
Homestead.....Penna.	7,015H	+15.2	19,556H	+16.9
Oil City.....Penna.	17,715	- 3.1	53,944H	+ 3.8
Sharon.....Penna.	19,298	- 7.5	56,243	+ 1.2
Wheeling.....W. Va.	49,547	-11.3	146,197	- 1.4
Total.....	\$ 466,117	- 0.4	\$ 1,365,346	+ 8.8

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Federal Reserve Bank of St. Louis

Fourth District Business Statistics

(000 omitted)

	June 1946	% change from 1945	May 1946
Fourth District Unless Otherwise Specified			
Retail Sales:			
Department Stores—98 firms.....	60,506	+32	59,514
Wearing Apparel—15 firms.....	\$ 2,334	+17	2,262
Furniture—72 firms.....	4,434	+41	4,739
Building Contracts—Total.....	a	a	81,346
—Residential.....	a	a	32,117
Commercial Failures—Liabilities.....	262	+16	1,010
—Number.....	3	-25	7
Production:			
Pig Iron—U. S..... Net tons	3,682	-20	2,275
Steel Ingot—U. S..... Net tons	5,660	-17	4,072
Bituminous Coal—			
O., W. Pa., E. Ky..... Net tons	20,231	+ 1	5,500
Cement—O., W. Pa., W. Va.... Bbls.	a	a	1,122
Electric Power—			
O., Pa., Ky..... Thousand K.W.H.	a	a	2,554
a Not available.			

Wholesale and Retail Trade

(1946 compared with 1945)

	June 1946	Percentage Increase or Decrease first 6 months 1946	June 1946
DEPARTMENT STORES (98)			
Akron.....	+27	+17	+14
Canton.....	+22	+19	a
Cincinnati.....	+35	+31	+14
Cleveland.....	+27	+25	+21
Columbus.....	+34	+27	+15
Erie.....	+27	+17	+15
Pittsburgh.....	+42	+33	+21
Springfield.....	+13	+13	a
Toledo.....	+25	+18	+24
Wheeling.....	+32	+27	+32
Youngstown.....	+27	+22	a
Other Cities.....	+30	+30	+ 5
District.....	+32	+27	+18
WEARING APPAREL (15)			
Cincinnati.....	+13	+ 9	- 2
Cleveland.....	+28	+30	+ 3
Pittsburgh.....	+25	+24	+10
Other Cities.....	+ 7	+ 6	+ 5
District.....	+18	+16	+ 5
FURNITURE (72)			
Canton.....	+19	+36	+15
Cincinnati.....	+45	+54	-10
Cleveland.....	+39	+40	+35
Columbus.....	+50	+50	+37
Dayton.....	+61	+68	a
Pittsburgh.....	+47	+48	+35
Allegheny County.....	+53	+52	a
Toledo.....	+27	+58	a
Other Cities.....	+38	+56	+41
District.....	+41	+49	+30
WHOLESALE TRADE**			
Automotive Supplies (5).....	+64	+57	a
Beer (5).....	-24	- 2	-0-
Drugs and Drug Sundries (3).....	+19	+19	a
Electrical Goods (3).....	+83	a	a
Fresh Fruits and Vegetables (10).....	- 8	+ 2	- 3
Grocery Group (36).....	+13	+22	+15
Total Hardware Group (21).....	+44	+31	+33
General Hardware (7).....	+55	+50	+33
Industrial Supplies (6).....	+18	+ 2	a
Plumbing and Heating Supplies (8).....	+35	+25	a
Jewelry (9).....	+10	+40	+19
Lumber and Building Materials (4).....	+17	a	-66
Machinery, Equip. & Sup. (exc. Elect.) (4).....	+ 5	a	a
Meats and Meat Products (4).....	+60	a	+43
Paints and Varnishes (4).....	+45	+38	a
Paper and Its Products (6).....	+13	+11	a
Tobacco and its Products (12).....	+29	+37	+57
Miscellaneous (20).....	+18	+18	+35
District—All Wholesale Trade (149).....	+17	+23	+26

** 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.

Gross Cash Income Per Acre in Ohio by Counties*

County	1945	1938-1939 Average	County	1945	1938-1939 Average
Entire State	\$34.78	\$13.93	Lawrence.....	19.76	7.81
Adams.....	19.85	7.24	Licking.....	28.78	13.05
Allen.....	45.22	17.50	Logan.....	33.26	14.66
Ashland.....	27.49	10.87	Lorain.....	41.75	17.03
Ashtabula.....	27.07	14.58	Lucas.....	73.04	29.51
Athens.....	16.90	5.75	Madison.....	39.58	17.71
Auglaize.....	42.99	19.21	Mahoning.....	34.18	14.07
Belmont.....	23.09	9.13	Marion.....	38.36	17.75
Brown.....	23.93	9.97	Medina.....	39.50	15.78
Butler.....	36.43	14.98	Meigs.....	18.58	5.64
Carroll.....	18.26	7.14	Mercer.....	43.79	16.85
Champaign.....	44.90	18.00	Miami.....	46.16	19.57
Clark.....	49.46	19.89	Monroe.....	15.31	6.03
Clermont.....	25.88	9.91	Montgomery.....	50.58	20.14
Clinton.....	38.71	17.14	Morgan.....	15.56	5.66
Columbiana.....	28.72	13.25	Morrow.....	28.47	11.75
Coshocton.....	20.16	8.22	Muskingum.....	19.73	7.10
Crawford.....	44.28	16.92	Noble.....	16.03	5.94
Cuyahoga.....	115.36	40.22	Ottawa.....	44.54	17.10
Darke.....	48.83	19.39	Paulding.....	30.61	12.36
Defiance.....	34.05	14.22	Perry.....	21.64	17.51
Delaware.....	34.28	15.32	Pickaway.....	36.93	19.83
Erie.....	42.90	21.12	Pike.....	13.89	4.85
Fairfield.....	39.31	16.03	Portage.....	34.43	13.60
Fayette.....	36.15	18.69	Preble.....	43.63	18.17
Franklin.....	47.60	22.11	Putnam.....	44.51	19.42
Fulton.....	46.94	21.64	Richland.....	29.54	12.01
Gallia.....	16.87	6.07	Ross.....	25.36	11.23
Geauga.....	28.21	12.69	Sandusky.....	42.14	18.07
Greene.....	35.85	19.47	Scioto.....	17.88	6.50
Guernsey.....	17.04	5.98	Seneca.....	38.50	15.36
Hamilton.....	52.41	27.90	Shelby.....	39.23	16.96
Hancock.....	41.13	17.32	Stark.....	42.20	17.70
Hardin.....	40.76	18.30	Summit.....	54.14	14.84
Harrison.....	15.00	6.29	Trumbull.....	26.62	12.52
Henry.....	39.37	18.57	Tuscarawas.....	24.48	10.22
Highland.....	25.91	11.05	Union.....	38.15	16.17
Hocking.....	12.98	3.93	Van Wert.....	38.77	17.68
Holmes.....	31.18	12.24	Vinton.....	10.33	3.08
Huron.....	29.73	12.48	Warren.....	34.55	15.32
Jackson.....	15.84	4.84	Washington.....	18.73	6.76
Jefferson.....	17.61	6.29	Wayne.....	45.72	19.90
Knox.....	27.38	11.90	Williams.....	36.18	14.80
Lake.....	60.14	35.12	Wood.....	43.53	21.86
			Wyandot.....	38.18	16.23

*Total gross cash income divided by number of acres of all land in farms.

Source: Compiled from Department of Rural Economics data, Ohio State University.

Recent Banking Developments

(Continued from Page 10)

able, at least indirectly, to the unprecedented inflow of currency from trade and personal holdings.

In recent weeks, however, a mild version of the wartime trend manifested itself. Currency in circulation has been on the rise again since April and the probability emerges that, with the traditional increase in the fall months, currency movements may constitute a minor drain upon reserves rather than a supplement. Although followed by some contraction, the

outflow during the week of July 3 was the largest for a single week in nearly two years.

Under present conditions of low interest rates wherein banks are not eager to attract new deposits, and individuals are deterred by service charges on commercial accounts, the volume of money in circulation may be more closely related to national income paid out than to such considerations as the reappearance of consumer goods. The wartime expansion of currency may have been a more permanent development than was considered likely earlier this year.