

# MONTHLY REVIEW OF BUSINESS AND INDUSTRIAL CONDITIONS

## IN THE ELEVENTH FEDERAL RESERVE DISTRICT FEDERAL RESERVE BANK OF DALLAS

W. F. RAMSEY, Chairman and Federal Reserve Agent

CHAS. C. HALL, Assistant Federal Reserve Agent

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### GENERAL SUMMARY.

The improved market position of cotton seems to overshadow in importance all other factors which have contributed to changes in the business situation of the Eleventh District during the past thirty days. Aside from the enhancement in the value of cotton carried over from previous crops (a factor of no small economic importance to the South) the recent swing which carried the price of cotton from around eleven cents to approximately twenty cents per pound produced an important psychological effect upon the cotton industry, the extent of which can hardly be estimated. Farmers who until recently were deeply dejected and in some sections hopelessly discouraged by the outlook presented by the price of cotton are now expressing renewed hope and manifesting a stronger confidence in the value of their product than has been in evidence since the spring of 1920. That this confidence is communicating itself to other industries and channels of commerce is obvious from the reports of revived wholesale trade activity which closely followed the sharp advance in the cotton market.

The slight improvement in general conditions described in our last report assumed somewhat more distinct outlines during the month of August. All branches of wholesale trade reported larger sales and collections. Increased bank clearings, building permits and charges to depositors' accounts were among the month's favorable developments. The demand for lumber and oil—two of the district's important products—displayed more strength than had been exhibited for several months. The live-

stock markets, however, failed to reflect the increased demand for meat animals that was reported to be in evidence in other districts.

A significant feature of reports from member banks quoted elsewhere in these pages is the fact that despite a formidable increase in unemployment during the past twelve months savings accounts in this district have shown a 17 per cent increase in number and a 5 per cent increase in aggregate amount since August 31st, 1920. Further evidence that the district is accumulating surplus funds is afforded by the fact that it has just oversubscribed, by more than \$5,000,000.00, its \$14,000,000.00 allotment of the August offerings of Treasury Certificates. The credit situation in general, however, shows only a slight improvement in contrast with conditions existing a month ago. Liquidation of member banks' borrowings during the past thirty days, while only nominal in amount, included a number of payments made in advance of maturity dates,—many more, in fact, than have been tendered us in any similar period for more than a year. These prepayments seem indicative of an easing up of financial conditions in certain sections of the district and serve to emphasize the unevenness of the distribution of this year's crop income, an unevenness which in all probability will become more and more pronounced as the harvest season develops the full extent and distribution of the destruction inflicted upon the district's cotton crop by weather and insect damage.



## CROP CONDITIONS.

A drouth which began more than two months ago in the eastern end of the district has gradually extended its area of influence westward, until it now covers practically the entire state of Texas with the exception of about twenty counties in Central and Southwest Texas, which were recently visited by torrential rainstorms. While rain is needed in that part of New Mexico east of the Pecos Valley, the western portion of the state, as well as all of southern Arizona, have had splendid rains and are in excellent condition from an agricultural standpoint.

By far the most important development in the crop situation during the past thirty days was the heavy deterioration suffered by cotton, due almost entirely to the ravages of the boll weevil. The condition of the Texas crop on August 25th, 42 per cent, was the lowest ever recorded in this state. It represents a decline of thirty points since June 25th, and indicates a total production of only 1,930,000 bales, which compares with the July 1st estimate of 2,666,000 bales, and the 1920 production of 4,100,000 bales. Although a moderate amount of the injury to the crop was inflicted by the extremely high temperatures and drouth, by far the greater portion of the damage was chargeable to the boll weevil. As a general rule the farmers, discouraged by the low price of cotton, were disinclined to spend money for insect poisons with which to combat the weevils, with the result that the operations of the latter went practically unchecked except by the influence of the high temperatures and dry weather. Damage to cotton from drouth and heat is confined largely to the replanted areas, where weather conditions had not been propitious for the growth of a tap root of sufficient length to reach the subsoil moisture.

Since the issuance of the government condition report as of August 25th, the cotton crop in this district has suffered further damages as a result of the tropical storm which on September 9th swept twenty counties in Central and Southwest Texas, as well as the continued activity of the boll weevil in North and East Texas. The extent of these further losses will not be definitely known until the October 1st condition report is made public. While the Texas cotton crop is already conceded to be the smallest on record, the state's prospective production might be still further cut down in the event of an unusually early frost in West Texas, where the crop is late and pickers are scarce. Picking is being conducted over most of the district under ideal conditions, and is being pushed with more than usual vigor by the growers, partly for the purpose of getting as much

of the crop under cover as possible before the fall rains begin, and partly because they are anxious to take advantage of the higher price level prevailing just now.

A bumper corn crop has been made in the Eleventh District, and farmers generally are now provided with an abundance of feedstuffs of all kinds sufficient to supply their needs until another crop is made. For this reason the district should be able to produce its 1922 crops upon a much more economical basis than those of 1921, since many farmers during the past season have been compelled to purchase feed for their stock.

Fall plowing has begun in Texas and Oklahoma, and the weather, although a little too dry for ideal preparation of the soil, has permitted the farmers to make good progress in this work.

**Cotton Movements.** Stocks of export cotton increased materially at the port of Galveston during the past month, when receipts recorded a gain of 31,000 bales over July, while exports showed a decrease of 103,000 bales. However, by comparison with the month of August, 1920, last month's movement of cotton through this port registered a gain of more than 100 per cent, the total for the month being 188,297 as compared with 76,602 for August, 1920.

The following tables contain comparative statistics of cotton receipts, shipments, and stocks at Galveston.

COTTON MOVEMENTS THROUGH THE PORT OF GALVESTON

	August, 1921	July, 1921	August, 1920
Gross Receipts .....	199,885	168,843	90,811
Exports .....	188,297	291,085	76,602
Stocks at Close of Month....	254,275	242,792	123,295

GALVESTON STOCK STATEMENT

	August, 1921	August, 1920
For Great Britain .....	7,034	10,441
For France .....	4,517	5,000
For other foreign ports.....	35,223	14,235
For coastwise ports .....	500	1,500
In compresses .....	207,001	92,119
Total .....	254,275	123,295

**Grain Movements.** Wheat continued to move in record-breaking volume through the port of Galveston during the past month, when a total of 15,265,476 bushels were shipped from that port, as against 11,000,000 bushels in July and only 6,000,000 in August, 1920. Wheat exports from Galveston since July 1, 1921, have amounted to 26,277,572 bushels, as against the previous season's total of 11,667,403 bushels for the same period, an increase of more than 14,000,000 bushels.



Grain arrivals at Dallas, Fort Worth, Wichita Falls, Waco and Galveston are shown in the following table.

COMPARATIVE GRAIN RECEIPTS		
	August (Cars)	July (Cars)
Wheat .....	12,653	12,562
Corn .....	119	251
Oats .....	451	553

### LIVESTOCK.

**Range Conditions.** Drouth and heat have adversely affected West Texas ranges and those in the eastern part of New Mexico since the date of our last report, although the effects of this deterioration have not yet been reflected in the condition of livestock in those areas, which ranges from fair to good. Throughout Southern Arizona and that portion of New Mexico east of the Pecos Valley the ranges have continued to improve under a generous rainfall. Arizona ranges in particular have responded splendidly to the unusually frequent rains that have fallen in that state since early in July. In fact, conditions there have made such progress that some stock is now being brought back from neighboring states for grazing on Arizona ranges. Observers report that cattle on these ranges are rapidly taking on flesh and that many of them would be ready for the market several weeks before the advent of the regular shipping season, which usually begins the latter part of September.

Ranges in the southern counties of the Texas Panhandle, the South Plains and Southwest Texas are reported to have suffered last month from a lack of moisture and a shortage of stock water, the precipitation occurring in those sections during the latter part of August being far below the average recorded in the corresponding period last year. September brought rains, however, to certain counties in Southwest Texas, and conditions there are improving at this time.

**Livestock Movements and Prices.** Values of all classes of livestock underwent a sharp depreciation at the Fort Worth market during August, and while the early trading in September was marked by a reaction and better demand in the steer and calf trade, other classes of stock continued a downward trend up to September 15th. Steers lost \$1.50 between August 1st and 31st; yearlings declined \$1.00, and hogs depreciated \$2.50. The decline in sheep and lamb prices was only 50 cents. Apparently the cause of these declines was the excessively heavy volume of receipts, practically all divisions of the livestock market being crowded during the month, with receipts much larger than the average for this season of the year. The supply of calves and sheep was by far the largest ever re-

corded in August, while the August cattle receipts exceeded those of any previous month in 1921.

A feature of the month was the steadiness of the calf market despite the fact that offerings broke all August records and registered an increase of 15,000 head over the previous month's supply. In the face of this enormous movement the net gain of 25 to 50 cents recorded in the market during the month of August spoke well for the demand and was due largely to the competition of outside buyers and shippers.

In the stocker market feeders of the better class met with a fairly broad demand, and the price of both steers and cows showed an upward trend as compared with the previous month, steers commanding a top price of \$5.50 and cows \$3.50, or 50 cents above the best quotations in July.

### FORT WORTH LIVE STOCK RECEIPTS

	August 1921	July 1921	Loss or Gain	August 1920	Loss or Gain
Cattle .....	74,509	45,861	G 28,648	67,387	G 7,122
Calves .....	55,096	41,144	G 13,952	36,713	G 18,383
Hogs .....	33,749	25,734	G 8,015	16,214	G 17,535
Sheep .....	35,475	30,817	G 4,658	16,392	G 19,083

### COMPARATIVE TOP LIVESTOCK PRICES

	August 1921	July 1921	August 1920
Beef steers .....	\$ 7.00	\$ 7.25	\$12.25
Stocker steers .....	5.50	5.00	8.60
Butcher cows .....	5.00	5.50	8.75
Stocker cows .....	3.50	3.00	7.75
Calves .....	7.00	7.00	11.25
Hogs .....	11.35	11.40	16.60
Sheep .....	4.85	4.85	9.50
Lambs .....	8.00	8.00	13.60

### LUMBER.

An improved demand for pine lumber is apparently reflected by the statistics for the month of August submitted us by 36 pine mills operating in the Eleventh District. These reports indicate that the average volume of weekly orders received during that month amounted to 17,305,583 feet, which was 88 per cent of the normal monthly production of these mills; while during the previous month the reporting mills booked orders equivalent to only 66 per cent of their normal monthly output. While the gain in new orders, amounting to 3,500,000 feet, was partly accounted for by the fact that only 35 mills reported for the month of July, the increase, after allowing for this fact, was such as to indicate a substantial growth in the demand.

Lumber authorities say that the principal factor in the improved showing for the month of August was the orders received from railroads for car repair materials.

Unfilled orders on August 26th amounted to 39,766,938 feet, as compared with 35,174,400 feet reported July 29th by 35 mills.



## AUGUST PINE MILL STATISTICS

Number of reporting mills.....	36
Average weekly production.....	13,412,117 feet
Average weekly shipments.....	15,824,737 feet
Average weekly orders received.....	17,303,583 feet
Unfilled orders August 26th.....	39,766,938 feet
Average weekly normal produc- tion .....	19,677,819 feet
Production below shipments.....	2,412,620 feet=15%
Actual production below normal....	6,265,702 feet=32%
Orders below normal production....	2,374,236 feet=12%

## PETROLEUM.

**Further Decline in Production.** There was a sufficient shrinkage in the output of oil wells in North Louisiana during the month of August to slightly more than counterbalance the increased yield of the Texas fields, the net result for the month being a decrease for the district of 127,453 barrels. Of the district's total production, 10,538,893 barrels, Texas wells contributed 8,568,316. Both North Texas and Central-West Texas fell short of their July record, but the Coastal field more than made up for these shrinkages by its increase of 291,000 barrels.

The month of August witnessed the completing of only 223 new wells in the district, having a combined initial production of 27,302 barrels, which compares with the July record of 251 completed wells with an initial flow of 60,810 barrels. Considering this heavy curtailment in drilling activities, the district's oil production in August held up remarkably well.

The Mexia field has been the center of the most active exploitation during the past month. This field is said to have twenty-five wells ready to be drilled in, but temporarily held up by the lack of pipe line facilities, no pipe line having been laid to the Mexia field as yet.

## Oil Prices Firm.

Reports from the North and West Texas fields during the early part of September were to the effect that sharp competition for the production of those fields has resulted in the reappearance of premiums in recent sales of oil, the average amount of premiums allowed being about 40 cents per barrel. With these exceptions, there have been no changes in the price situation since our last report.

## OIL PRODUCTION

Field	August		July		Increase or Decrease	
	Total	Daily Avg.	Total	Daily Avg.	Total	Daily Avg.
North Texas .....	2,347,335	75,720	2,399,855	77,415	D 52,520	D 1,695
Central-West Texas .....	3,103,762	100,122	3,294,070	106,260	D 190,308	D 6,138
Texas Coastal .....	3,117,219	100,555	2,825,429	91,143	I 291,790	I 9,412
Totals, Texas .....	8,568,316	276,397	8,519,354	274,818	I 48,962	I 1,579
North Louisiana .....	1,970,577	63,567	2,146,992	69,257	D 176,415	D 5,690
Totals, 11th District .....	10,538,893	339,964	10,666,346	344,075	D 127,453	D 4,111

## AUGUST DRILLING RESULTS

Field	Completions	Producers	Failures	Initial Production
Central-West Texas .....	68	55	13	7,190
North Texas .....	86	53	33	5,972
Texas Coastal .....	24	16	8	12,682
Texas Wildcats .....	24	5	19	68
Totals, Texas .....	202	129	73	25,912
North Louisiana .....	21	12	9	1,390
August Totals, District.....	223	141	82	27,302
July Totals, District.....	251	163	88	60,810

## CRUDE OIL PRICES

TEXAS		Aug. 31, 1921	Aug. 31, 1920	LOUISIANA (38 Gravity and Above)		Aug. 31, 1921	Aug. 31, 1920
Corsicana light .....		\$.85	\$3.50	Caddo .....		\$1.25	\$3.50
Corsicana heavy .....		.50	1.75	Homer .....		1.00	2.50
Texas Coastal fields.....		.80	3.00	Bull Bayou .....		.90	3.15
All other Texas fields.....		1.00	3.50	De Soto .....		1.15	3.40



## WHOLESALE TRADE

The upturn in the cotton market caused by the government condition report of September 1st was promptly followed by a quickening of the buying demand in practically all lines of wholesale trade. The enhanced value of cotton—particularly the hold-over from the 1920 crop—placed an entirely new and more promising aspect upon the public's purchasing power for the coming fall and winter months. Collections have improved, sales have increased, and a feeling of greater confidence in the business outlook generally is now in evidence. Previous to the rise in the cotton market there had been a slow but steady improvement in wholesale trade throughout the month of August, due partly to the usual seasonal acceleration of the buying movement and partly to the fact that the district had finally been assured a feed crop sufficient to place its farmers beyond the necessity of purchasing feed during the coming twelve months.

The growth in wholesale grocery sales, which began in July, continued during August. The net sales of twelve firms reflected an increase of 1.8 per cent over the previous month, but were still 33.7 per cent less than those of August, 1920. The general tendency of prices has been upward, and material advances have occurred in some staples, but decreases were noted in such articles as sugar, syrup and soap. The buying demand has shown some improvement, and in some instances sales for future delivery have shown an appreciable increase. The general outlook may be characterized as favorable.

After showing a decrease from the previous month for every month since August, 1920 (with the excep-

tion of February, 1921, when a slight increase was registered) the net sales of seven reporting drug firms showed an average increase of 12.7 per cent over the sales during July. Prices have remained practically at a standstill for the past two or three months, there being slight declines on some articles, while others showed advances. Dealers have not as yet shown any disposition to place orders for future delivery, and are buying only for their immediate requirements.

The business of eight wholesale dry goods firms during August exceeded that of the previous month by 54.2 per cent, buying being stimulated by the formal opening of the fall buying season in several large centers. The buyers have visited the market in larger numbers than usual, but they have been buying in small quantities. This season the retailers have to a large extent patronized the local markets, and in this way they can allow the jobber to carry their stocks by placing small orders and then sending in repeat orders as the necessity demands it. The conservative buying of strictly staple goods continues to be the characteristic feature of the present season, and wholesalers are still urging the retailers to adhere to a cautious buying policy. Prices are now showing some advances, especially on cotton goods.

The situation in the wholesale hardware trade showed considerable improvement during the month. August sales increased 18.4 per cent over those of the previous month, whereas July sales decreased 8.5 per cent from June sales. It is evident that dealers are now making purchases which are generally made earlier in the season. Prices have shown further recessions during the month, and the present outlook is more favorable.

CONDITION OF WHOLESALE TRADE DURING AUGUST, 1921  
Percentage of Increase or Decrease in

	NET SALES August, 1921, compared with		NET SALES July 1st to date compared with same period 1920	STOCKS August, 1921, compared with		PRICES August, 1921, compared with	
	August, 1920	July, 1921		August, 1920	July, 1921	August, 1920	July, 1921
Groceries .....	-33.7	+ 1.8	-34.7	-35.3	+ 4.0	-35.1	- 3.0
Dry Goods .....	-55.7	+54.2	-58.7	-43.4	- 2.2	-36.3	-10.0
Farm Implements .....	-75.0	+ 9.8	-73.3	.....	.....	-12.5	Same
Hardware .....	-36.7	+18.4	-43.4	-16.4	- 3.9	-29.9	- 7.5
Drugs .....	-24.2	+12.7	-28.6	-15.2	+ 8.1	-10.0	Same
Furniture .....	-55.7	+12.3	-55.0	.....	- 7.4	-40.0	- 5.0

## RETAIL TRADE

The net sales of twenty department stores of this district reflected a very slight decrease of .9 per cent from the low point reached last month. The decrease is not unusual at this time of the year, however, as the public does not generally make fall purchases during that month. The merchants increased their stocks 16.9 per cent during the month, which indicates that they are now receiving a considerable amount of their fall stocks preparatory to the opening of the usual fall season. The ratio of

stocks to sales was naturally expected to show an increase in view of the large receipts of fall stocks. The percentage of outstanding orders at the close of August to last year's purchases remained at approximately the same figure as last month, which indicates that the merchants are placing future orders for about the same amount of goods as they are receiving. The general public is still showing a tendency toward conservatism in buying, and is demanding mostly good staple merchandise at popular prices.



## BUSINESS OF DEPARTMENT STORES

Net Sales—	Increase or Decrease
August, 1921, compared with August, 1920	— 23.2%
August, 1921, compared with July, 1921	— .9%
Net Sales July 1st to date compared with same period last year	— 22.7%
Stocks at end of August, 1921—	
Compared with same month 1920	— 25.5%
Compared with stocks at end of July, 1921	+ 16.9%
Ratio of stocks to sales	594.8%
Ratio of outstanding orders to last year's pur- chases	8.7%
Ratio of August collections to Accounts Re- ceivable, due and outstanding August 1, 1921	43.3%

## FINANCIAL.

The volume of our outstanding loans to member banks remained practically stationary during the past month, the total on August 31st being \$78,393,409.87, which represents an increase since July 30th of only \$210,535.38. Collateral notes secured by government obligations decreased about \$6,000,000.00, which was offset by an increase of practically the same amount in the volume of rediscounts.

The distribution of our loans at the end of the month is shown in the appended table:

Rediscounts: on hand	\$45,258,669.79	
With other F. R. Banks	24,609,979.23	\$69,868,649.02
Member banks collateral notes		8,454,920.85
Open market purchases (Bankers' acceptances)		69,840.00
		\$78,393,409.87

Outstanding Federal Reserve notes as of August 31st amounted to \$39,105,688.00, which represents a contraction of \$44,000,000.00 in our Federal Reserve note circulation since August 31, 1920. Member banks' reserve deposits at the close of last month aggregated \$38,573,863.27.

Acceptance  
Market.

Outstanding acceptances originating in the Eleventh District amounted to \$956,751.39 on August 31st, a slight increase over the close of the previous month. The transactions against which these acceptances were drawn were practically evenly divided between foreign and domestic trade. There is still very little demand in this district for acceptances as an investment medium. It is believed, however, the coming winter will see a material broadening in the local demand for this class of paper, especially if the recent improvement in the cotton market is maintained.

Condition of  
Reserve City  
Banks.

Banks in the eight reserve cities of the District reduced their borrowings from the Federal Reserve Bank by \$2,000,000 during the past month. The ratio of loans to deposits, however, showed no change, standing at 113 per cent on August 31st.

Savings  
Accounts.

Reports rendered by one hundred banks in this district show that their savings deposits on August 31st aggregated \$45,456,364.44, due to 122,425 depositors. By comparison with August 31, 1920, these figures represent a gain of 5.5 per cent in amount of deposits, and a gain of 17.2 per cent in number of depositors, the per capita, or average deposit, being \$371.30 at the present time as against \$412.36 last year.

## CONDITION STATISTICS OF MEMBER BANKS IN SELECTED CITIES

	Aug. 31, 1921	July 27, 1921	Aug. 26, 1920
Number of reporting banks	52	52%	51
U. S. Securities owned	\$ 38,600,000	\$ 37,080,000	\$ 49,973,000
Loans secured by U. S. War Obligations	7,089,000	6,321,000	8,496,000
All other loans and investments	197,858,000	201,026,000	234,604,000
Net demand deposits	181,128,000	184,053,000	224,602,000
Reserve with Federal Reserve Bank	18,572,000	20,292,000	25,631,000
Bills payable with Federal Reserve Bank	22,070,000	24,353,000	43,563,000
Percentage of loans to deposits	113%	113%	108%

## BANK CLEARINGS

	August, 1921	July, 1921	Inc. or Dec.	August, 1920	Inc. or Dec.	Since Jan. 1st, 1921	Since Jan. 1st, 1920	Inc. or Dec.
Austin	\$ 5,655,036	\$ 4,703,622	+20.2	\$ 5,693,702	— 0.7	\$ 44,725,284	\$ 54,342,645	—17.9
Beaumont	3,912,613	3,912,412	—	6,003,126	—34.8	36,721,819	52,041,082	—29.4
Dallas	77,715,317	83,403,931	— 6.8	123,091,965	—36.9	802,179,451	1,246,184,673	—35.6
El Paso	19,000,000	20,558,306	— 7.6	24,844,318	—23.5	179,091,465	232,892,036	—23.1
Fort Worth	46,058,615	46,270,085	— 0.5	84,865,476	—45.7	399,222,882	687,026,296	—41.9
Galveston	37,171,208	27,997,661	+32.8	27,911,256	+33.2	250,711,895	236,473,007	+ 6.0
Houston	87,021,445	85,000,000	+ 2.4	121,162,794	—28.2	758,013,697	932,399,414	—18.7
San Antonio	30,803,563	26,329,299	+16.0	33,661,878	— 8.5	239,953,391	280,838,386	—14.6
Shreveport	13,881,360	13,650,000	+ 1.7	18,229,477	—23.8	128,597,087	176,978,645	—27.3
Waco	9,031,859	8,660,224	+ 4.3	10,302,295	—12.3	77,421,703	105,276,684	—26.5
Wichita Falls	6,590,300	7,692,000	—14.3	15,764,291	—58.2	75,736,640	170,024,362	—55.5
Totals	\$336,841,316	\$328,177,540	+ 2.6	\$471,530,578	—28.6	\$2,992,375,314	\$4,174,477,230	—28.3



**Public  
Spending.**

Individual expenditures reported in the form of debits to individual bank accounts for the week ending August 31st amounted to \$97,495,000.00, which was an in-

crease of \$4,000,000 over the total for the week ending July 27th. For the corresponding weeks, the totals for all reporting cities in the United States showed a decrease of \$400,000,000.00.

**CHARGES TO DEPOSITORS' ACCOUNTS**

	WEEK ENDING		
	Aug. 31, 1921	July 27, 1921	Sept. 1, 1920
Albuquerque .....	\$ 2,329,000	\$ 1,398,000	\$ 1,402,000
Austin .....	2,293,000	2,163,000	3,057,000
Beaumont .....	4,424,000	2,482,000	4,522,000
Dallas .....	25,542,000	25,022,000	36,714,000
El Paso .....	5,919,000	5,695,000	8,304,000
Fort Worth .....	20,250,000	21,420,000	26,002,000
Houston .....	21,640,000	20,500,000	46,566,000
San Antonio .....	6,403,000	5,559,000	7,644,000
Shreveport .....	4,544,000	5,299,000	5,708,000
Texarkana, Texas .....	1,341,000	975,000	1,882,000
Waco .....	2,810,000	2,785,000	2,479,000
Totals, Eleventh District .....	97,495,000	93,298,000	144,280,000
Totals, all reporting cities in United States .....	\$6,287,178,000	\$6,695,241,000	\$8,420,759,000

**FAILURES.**

There were 137 commercial failures in the district during August, in which liabilities were listed aggregating \$1,991,284.00. In number this record exceeds

all previous months in 1921 except January, while measured by liabilities the August total was the smallest of any month except May.

**COMMERCIAL FAILURES**

	1921		1920	
	Number	Liabilities	Number	Liabilities
January .....	155	\$3,359,871	33	\$ 284,096
February .....	137	2,117,068	31	1,830,522
March .....	98	2,702,588	19	203,445
April .....	98	2,905,847	16	100,582
May .....	92	1,851,774	15	168,165
June .....	105	2,588,787	35	278,668
July .....	114	3,778,098	41	1,148,614
August .....	137	1,991,284	33	411,027
Total .....	936	\$21,295,312	223	\$4,425,119

**BUILDING.**

Building permitted in Eleventh District cities during the month of August involved valuations amounting to \$6,401,268.00, this being the largest

monthly total since April, 1920. The August total was 116 per cent above the record made in August of last year and 55 per cent larger than the total for the month of July, 1921.

**BUILDING PERMITS**

	August, 1921		August, 1920		Inc. or Dec.
	No.	Valuation	No.	Valuation	
Austin .....	51	\$ 509,264	24	\$ 38,674	+1,216.8
Beaumont .....	131	73,464	58	59,914	+ 22.6
Dallas .....	419	1,602,924	220	645,191	+ 148.4
El Paso .....	163	504,558	89	561,530	- 10.1
Fort Worth .....	219	491,521	131	451,445	+ 8.9
Galveston .....	484	305,115	378	36,665	+ 732.2
Houston .....	693	926,552	298	291,290	+ 218.1
Shreveport .....	264	427,075	161	201,680	+ 111.8
San Antonio .....	390	1,560,795	189	664,305	+ 135.0
Total .....	2,814	\$6,401,268	1,548	\$2,950,694	+ 116.0



## THE COLLECTION OF CHECKS UNDER THE FEDERAL RESERVE SYSTEM.

Prior to the establishment of the twelve Federal Reserve Banks and until these banks began to operate as clearing houses for member banks, the collection and clearance of out-of-town checks for country banks was handled largely by banks in reserve and central reserve cities, which were the depositories of the legal reserves of country banks. The service of collecting these out-of-town checks was rendered to the country banks partly to compensate them (in addition to allowing them a low rate of interest) for the use of their reserve deposits, and partly as a means of securing other business from the country banks.

A very objectionable phase of the old method of check collection was the manner in which it helped to pad legal reserves. Keen competition among the large banks in reserve centers for the accounts of country banks led to the practice of giving immediate credit for all checks deposited without regard to the time required to collect them. The country bank counted, as legal reserve, out-of-town checks sent to the reserve city banks for collection, from the day the checks were deposited in the mail. The reserve city banks, in the natural course of business, would send some of these same checks to its central reserve city correspondent and count them as legal reserve as soon as mailed, with the result that one check in transit for collection frequently counted as legal reserve for both a country bank and a reserve city bank.

Another defect of the old method, not as serious perhaps, was the manner in which checks were routed over the country in a round-about way before being presented for payment to the banks on which drawn. The practice of most of the country banks and some of the city banks of making a charge for the collection and remittance of checks was the chief cause of this indirect method of routing. These charges, better known as exchange charges, were applied at various rates, ranging from one-tenth to one-quarter of one per cent, the rate applied in many cases depending largely on the willingness of the sending bank to pay. Banks having checks to collect on points where the rate was high sent them to banks in other towns where checks were received at par or a low rate. These banks sent them on to other banks until finally, after a long and tedious journey, they were presented to the banks on which drawn. Thus, checks were sometimes routed in a direction just opposite from the point of payment, and presentation to the banks on which drawn unnecessarily delayed. This meant that the period during which the checks were in transit was unnecessarily extended, and the loss of interest on the enormous amount of fictitious balances represented by checks in transit, together with the exchange charges deducted for collecting, amounted to a considerable tax on the business of the country.

The provision of the Federal Reserve Act authorizing the Federal Reserve Banks to exercise the function of clearing houses for their members, as well as the authority granted the Federal Reserve Board to exercise such function for Federal Reserve Banks, was the natural and obvious result of the requirement of the Act which did away with the system of pyramiding legal reserves. With the passage of the Federal Reserve Act requiring the gradual withdrawal of legal reserve balances from reserve and central reserve city banks and the depositing of these balances with the Federal Reserve Banks, the need for a better system of check collection became more and more apparent, since it was to be expected that banks in reserve and central reserve cities after being denied the use of the reserve deposits of country banks would be reluctant to collect their out-of-town checks without charge.

The Federal Reserve Act seeks to correct the defects of the old method of check collection by eliminating exchange charges on checks presented through the Federal Reserve Banks, thereby permitting and encouraging direct routing. Member banks may now send to the Federal Reserve Banks of their districts, for collection and credit (when paid) at par, checks drawn on all member banks in the United States and on about 95 per cent of all non-member banks.

A Federal Reserve Bank when it receives checks for collec-

tion from its members or clearing members sends the items drawn on banks in its own district in most cases to the bank on which the items are drawn, and always directly to the point of payment. A member bank receiving checks for collection from a Federal Reserve Bank settles for them by remitting a draft the proceeds of which are immediately available to the Federal Reserve Bank, or it may if it elects ship currency, the Federal Reserve Bank absorbing the transportation charges on all such shipments.

Daily telegraphic settlements by and between the twelve Federal Reserve Banks are made through the Gold Settlement Fund located in the city of Washington and administered by the Federal Reserve Board under the provisions of the Federal Reserve Act.

The system by which transactions between Federal Reserve Banks are settled daily over private telegraph wires has greatly facilitated the collection of checks between banks in different Federal Reserve Districts, and has operated more than any other one thing, perhaps, toward reducing to a minimum the time required for completing transactions of this kind. Another factor in cutting down collection time has been the free exercise of the privilege granted by Federal Reserve Banks to their member banks of routing checks payable in other Federal Reserve districts direct to the Federal Reserve Banks of such district for collection and credit with the Federal Reserve Bank of their own district.

The element of time, so long an obstacle in the way of expeditious check collection under the old method, although not eliminated entirely by these changes brought about under the Federal Reserve System, has been greatly reduced. For instance, a bank in San Antonio having checks to collect on San Francisco can now, by sending them direct to the San Francisco Reserve Bank for credit of its reserve account with the Dallas Reserve Bank, effect collection in four days; whereas under the old system it would have required not less than eight days. Altogether, the new system has reduced by about one-half the time required for collecting the country's checks. This saving in time alone, to say nothing of the advantages of par collections, of the eliminating of transit department expenses, should be sufficient to merit the approval and co-operation of every banking and business institution in the country having checks to collect.

That the new system has met with general approval on the part of the banks in the Eleventh Federal District is evidenced by the rapid growth of the system, as reflected by the figures in the following table which show the increase in volume of checks handled by the Federal Reserve Bank of Dallas, its El Paso and Houston branches:

Date	Average Number of Items Handled Per Month	Average Amount of Items Handled Per Month
1916 July to December.....	223,844	\$ 44,612,026.00
1917 .....	309,768	82,516,858.00
1918 .....	554,200	229,719,083.00
1919 .....	1,117,710	390,497,333.00
1920 .....	2,357,544	589,115,500.00
1921 January to August.....	2,337,865	363,720,701.00

To carry on the work of handling this large volume of checks required a force of about 175 people in the Transit Department of the Dallas Federal Reserve Bank and its branches. The work goes on all day and part of the night, with two shifts of employees working. The checks are received from the banks through a special station of the Dallas Post Office, located in the Federal Reserve Bank Building, and are then sorted, recorded and sent on to their destinations. As the increase in volume has been gradual it has been possible to perfect an organization which can handle the checks received each day with but little confusion and no delay. These services are performed by the Federal Reserve Bank for its members without charge.