

(The article on the last page describes currency defects before the Federal Reserve Act)

MONTHLY REVIEW

Of Credit and Business Conditions

In the Second Federal Reserve District

By the Federal Reserve Agent, Federal Reserve Bank, New York

New York, June 1, 1922

Credit Conditions

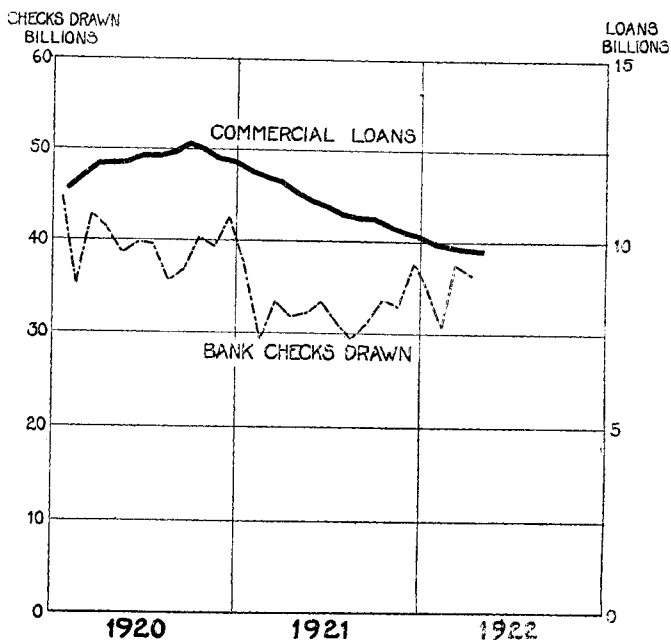
REVIVAL in many lines of business, which has become increasingly well-defined in recent months, is not yet reflected in an increased demand for bank loans for commercial purposes. On the contrary, the volume of commercial loans in New York City banks still has a tendency to decline, though at a moderate rate, and the demands of member banks upon the Federal Reserve Banks are at a minimum.

These small requirements for commercial credit are entirely in accord with experience during previous periods of recovery from business inactivity. The situation in respect of bank credit is precisely the reverse of the conditions which prevailed during the latter half of 1920. Then, business men in protecting themselves during the early stages of business reaction, borrowed not only for current needs but were obliged in many cases to grant extensions of loans owing to them by their customers, and to ask for extensions of loans owing by them to their banks. In consequence bank loans throughout the country did not reach maximum until about nine months after the tide of business activity had turned.

Now, on the other hand, reviving business has made possible the further liquidation of slow loans, thereby tending to reduce the volume of commercial credit outstanding. Moreover, many business concerns, through the period of inaction, have accumulated readily available funds which have remained on deposit in the banks or have been invested in the most liquid form of credit instruments, such as bankers acceptances and Treasury certificates of indebtedness. Such investments, because of their very liquid character, will enable business concerns immediately to obtain cash for use as their needs expand, and so postpone the time when borrowing becomes necessary. It is true also that at present the rate of turnover of deposits in New York City banks is more rapid than a year ago, and instead of showing a seasonal decline since January 1, as occurred in each of the three preceding years, it has shown a considerable increase. Thus it appears that bank deposits are carrying an increasing load of business without requiring an added volume of loans.

Just as the maximum demand for commercial credit came some months after business activity had started to decline, so a limited demand for commercial credit now

prevails some months after business conditions have started to improve. The diagram on this page which compares business activity with the volume of commercial loans, illustrates these relationships. The measure taken to show business activity is the volume of debits to individual account—that is, the total amount of checks drawn on the accounts of individual depositors—reported by 141 clearing house centers throughout the United States. In the line showing business activity the effect of the seasons is plainly marked; in the spring of each year the tendency of the line is downward and in the autumn upward, and the incidental dips and rises occur at very nearly the same relative periods of each year. The high point since 1919 was reached in the early part of 1920, and if allowance is made for the effect of the seasons, it will be seen that there was a decline until the late summer of 1921. Since then the tendency has been upward. Contrasted with the line for business activity is a line showing the commercial loans of about 800 member banks in principal cities representing about 45 per cent.



The Course of Commercial Loans of Reporting Banks in the United States Compared with Changes in the Volume of Checks Drawn on Banks in Clearing House Centers

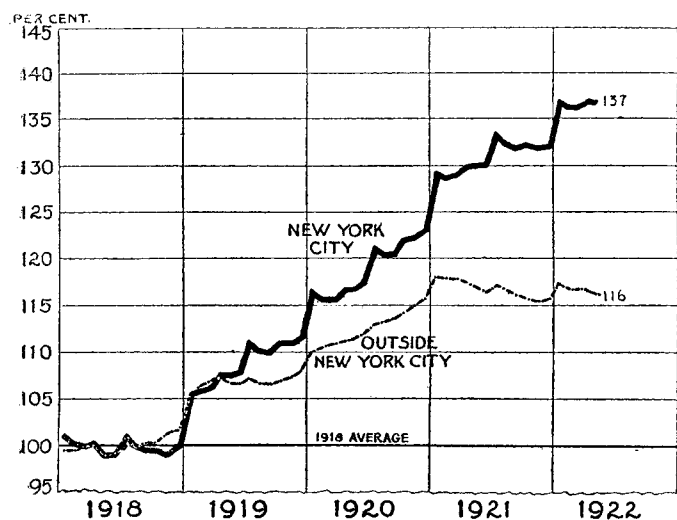
of the total banking resources of the country. This line reached its maximum in the early autumn of 1920 and then declined consistently until the latter part of 1921, since when the rate of decline has been somewhat smaller.

As an indication of present tendencies in commercial borrowing, it will be of interest to note that the amount of commercial paper outstanding, as shown by reports made to this bank by principal dealers, has been increasing since last December and is now over \$100,000,000 above the amount outstanding at that time. A diagram illustrating these figures is given on this page of the REVIEW. The increase reflects to some extent the usual tendency in periods of easier money for commercial concerns to borrow in the open market rather than to take advantage of lines of credit at the banks, and also the tendency on the part of some such concerns to borrow in the open market for the purpose of paying bank loans.

In New York City, the course taken in recent months by the commercial loans of member banks, has been in general the same as that in the country as a whole. Since the high point of \$4,154,000,000 reached on October 8, 1920, these loans have declined to \$2,734,000,000 on May 17, 1922. In sharp contrast with them is the increase in the volume of loans on stocks and bonds. Since last September the increase has been \$412,000,000, reaching a point on May 17 of \$1,452,000,000. This large rise is owing not only to the activity of the stock and bond markets, but to the large volume of new securities which have been issued in recent months. The loans are higher now than at any time since the active period of Stock Exchange trading in the autumn of 1919.

Savings Bank Deposits

Withdrawals exceeded new deposits between April 10 and May 10 in twenty-five of the thirty reporting savings banks in the Second Federal Reserve District. The decrease in deposits is normal for this period of the year and probably reflects spring and Easter buying.



Deposits of 15 Savings Banks in New York City and 15 Savings Banks in the Second District Outside New York City. (Average Deposits in 1918=100 per cent.)

Bill Market

Offering rates for bankers bills declined an additional $\frac{1}{8}$ of 1 per cent. early in May to $3\frac{1}{8}$ per cent. and remained at that figure throughout the month in spite of slightly firmer conditions in other money markets. Bills sold somewhat more slowly than during previous months this year, due to the coincidence of low bill rates with firmer Stock Exchange call money rates, and to the continued better yield offered by Treasury certificates.

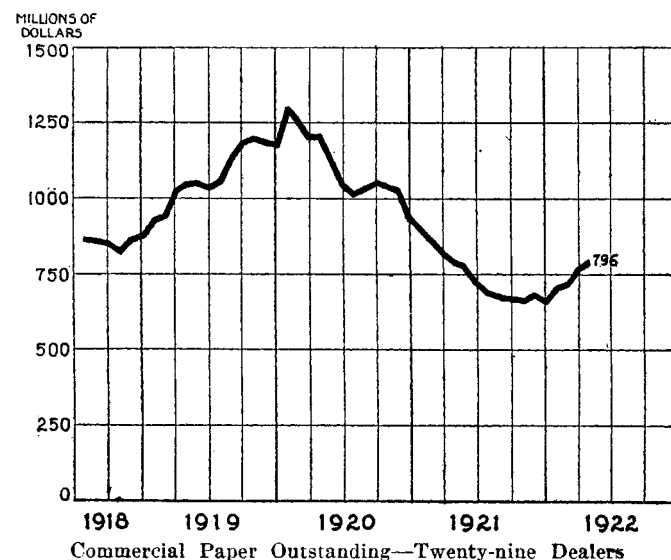
As a result of generally firmer money conditions in the first week of May many short bills and bills approaching maturity were offered by commercial banks and dealers' portfolios increased substantially. This increase in holdings combined with slack demand led to a temporary advance in bid rates by $\frac{1}{8}$ to $3\frac{3}{8}$ per cent., which soon reverted to $3\frac{1}{4}$.

Bills drawn to finance the export of cotton were most numerous of new offerings with those drawn against sugar imports next in importance.

Commercial Paper

Competition among dealers for the limited amount of paper available resulted in late April and early May in the offering of a considerable volume of high grade paper at 4 per cent., and some sales were made both in New York City and in the outside market. At this rate, however, there was little demand, and later in May practically no business was done below $4\frac{1}{4}$ per cent., the prevailing rate.

In New York City, the demand for paper, while in moderate volume, was sporadic, as there were seldom more than a few of the larger buyers in the market at the same time. With rates on customers' loans at banks prevailing 5 per cent., and with tax exempt Government notes and municipal short term securities available on a $4\frac{1}{2}$ per cent. or slightly higher basis, after allowing for tax exemptions, many buyers showed reluctance to buy commercial paper in volume. In the interior, the prevailing rate was $\frac{1}{4}$ of one per cent. higher than in New York City and on the Pacific Coast.



Commercial Paper Outstanding—Twenty-nine Dealers

Notwithstanding more active business conditions in many lines, dealers report no appreciable general increase in the demand for money and attribute the increase in the volume of commercial paper outstanding largely to sales of commercial paper for the purpose of liquidating bank loans. The accompanying diagram, carries through April the record of outstanding paper of dealers who report regularly to this bank. In part, the increase shown by the April total was due to consolidation with a reporting dealer of two firms which heretofore were not reporting to this bank.

Stock Market Money Rates

Except for a period early in May, money was offered on the Stock Exchange in heavy volume during the thirty days ended May 20, and rates showed no reflection of the growing demand from borrowers. For a time after the first of the month, call loans averaged 4 to 4½ per cent., apparently influenced on the one hand by the usual May 1 payments, and heavy new financing, and on the other hand by a temporary interruption of the movement of funds towards New York. By the third week, however, the rate was again 3½ per cent., as in the latter part of April, and on May 19 touched 3 per cent. for a few loans for the first time since March 17.

Time money likewise became firmer for a time after May 1, and rates for the longer maturities rose by ¼ to 4½ per cent. However, accompanying the later decline in call loan rates, heavy time money offerings caused rates for the nearer maturities to fall below 4 per cent. for the first time since 1917, and established a new range at 3¾ to 4¼ per cent., according to maturities.

Stock Market

In late April and early May, the stock market passed through a period of hesitation, following the rapid advance of preceding months. Prices lost temporarily their forward impetus, and there was a diminution in the volume of trading. Selling pressure resulted, however, in no general price reaction, and in the third week of May pronounced ease in money was accompanied by a resumption of heavy trading at rising prices. Representative stock price averages reached again new high levels for the year.

April trading involved 30,000,000 shares, the largest volume since October 1919. On no full trading day during the month did transactions fall below a million shares, and on April 17 they exceeded 2,000,000 shares. After a temporary recession early in May the daily rate of trading has again nearly equaled the April average.

Stock Clearing Operations

On two occasions in the past, attention has been called in the REVIEW to the extent by which the operations of the Stock Clearing Corporation have reduced the volume of bank clearings and certifications arising out of Stock Exchange transactions. As previously explained, these savings have been accomplished partly by a perfected method of settling balances of cleared securities, and partly by a plan for the clearance of loan transactions between lenders and borrowers.

The following figures supplied to this bank by the Stock Clearing Corporation for April, when stock trading was exceptionally heavy, show the reduction effected in the volume of checks and certifications required for settling stock exchange transactions. The table shows for April, exclusive of the 28th and 29th, transactions for which were cleared May 1, the total amount of checks and certifications that would have been required under the old system, compared with the actual figures.

	Former Method	Present Method	Reduction
Certifications required.	\$1,214,966,840	\$304,614,980	\$910,351,860
No. checks required. . .	96,711	4,657	92,054

The clearing of security balances has been in progress since April 1920, and the clearing of loans since March 1921.

Bond Market

Heavy as was the volume of bond trading in March, the trading in April was even larger. Transactions in bonds other than United States Government securities on the New York Stock Exchange in April amounted to \$287,000,000, the largest ever reported and more than three times as large as in April 1921. Transactions in corporation and foreign issues exceeded transactions in Liberty bonds.

In the first part of May, slightly firmer money conditions, irregularity in stocks, and some congestion of new issues caused trading to diminish somewhat, and likewise checked temporarily the rise in prices. A representative average of high grade corporation issues reacted about half a point from the high levels previously reached, and issues of more speculative character showed sharper declines. However, accompanying the higher stock prices and lower money rates of the third week, prices steadied and again showed a forward tendency, and trading became more active.

Foreign issues, which had advanced rapidly since the first of the year, were subjected with corporation bonds to some profit taking, probably due in the case of some issues largely to developments at the Genoa financial conference. Practically all issues showed losses of a point or more. Among European issues French bonds reacted most sharply and generally showed declines of about 3 points from the April high mark.

United States Government Securities

After four active Liberty issues reached par or slightly above about the middle of April, prices settled back to an average of approximately a quarter of a point under par, and trading became less active. During the first three weeks of May, prices varied at the extreme not more than 50 points and the range was generally within still narrower limits. Victory notes shared in moderate declines from the highest levels.

April transactions in Liberty and Victory issues on the New York Stock Exchange amounted to \$183,000,000, considerably less than in previous active periods, but there was also heavy trading outside of the Stock Ex-

change. In May, trading both on the Exchange and in the outside market became quieter.

Outstanding issues of Treasury certificates and notes were also in quieter demand during May, and offering rates rose slightly above the lowest levels reached in April. In the third week, an easier tendency was again apparent, particularly in the issues maturing June 15, which fell to a 2.88 per cent. yield. The six-months 3½ per cent. issue, which was offered last April at the lowest rate since 1917, continued to be quoted at a slight premium.

New Financing

Offerings of new securities during most of April were exceptionally heavy, exceeding \$658,000,000. Domestic corporation issues, amounting to over \$309,000,000, were the leading group in point of volume, but other groups were likewise unusually active. Foreign issues, totaling over \$210,000,000, were larger even than the March total, while domestic State, county, and municipal offerings, at \$139,000,000, were next to the largest ever reported for a single month.

Activity continued undiminished through the first week of May, but thereafter slackened perceptibly in conjunction with a moderate reaction in outstanding bonds and other evidences that the flow of new issues had been

somewhat too rapid for complete absorption. That no serious congestion had occurred, however, was indicated by a quickened demand for issues in the third week of the month.

A feature of the market recently has been the reappearance in volume of large scale corporation financing. Between April 1 and May 20, six corporation issues were sold for sums of \$20,000,000 or over. A further notable offering of early May was \$75,000,000 Federal Land Bank 10-20 year 4½s at par, compared with a yield of 4.70 to 5 per cent. on a similar issue sold in February. Not only was this entire amount quickly sold, but an additional \$42,000,000 was taken and disposed of by the distributing syndicate.

Foreign financing decreased in May, and totaled about \$25,000,000 during the first three weeks. The largest offering was £2,000,000 United States of Brazil Coffee Security Loan, part of a £9,000,000 issue sold jointly in New York and London.

The accompanying diagram brings into comparison by four months' periods the volume of foreign securities sold in the New York and London markets since the beginning of 1921. The figures for the New York market were compiled by this bank, while those for London were compiled by the London Joint City & Midland Bank, Ltd., and have been converted into dollars at current monthly averages of exchange rates.

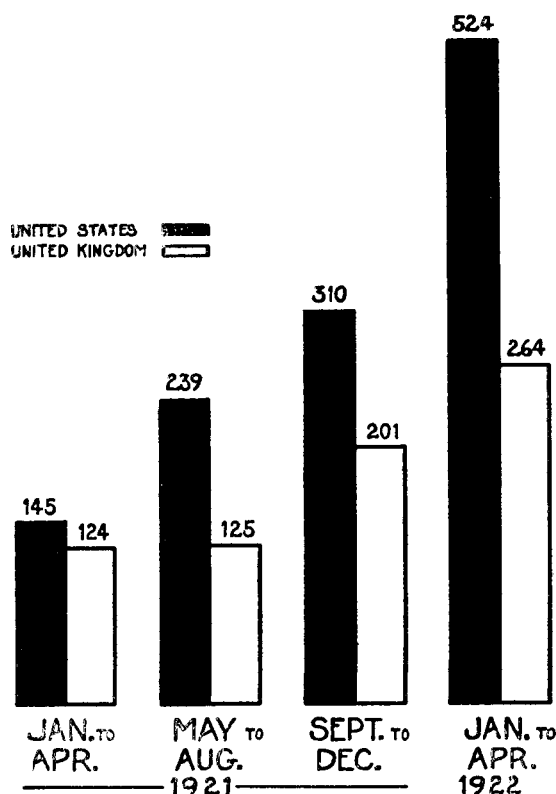
Gold Movement

Gold imports during April amounted to \$12,244,000, the smallest monthly figure since February 1920 when \$4,473,000 was received. Imports for the first four months of 1922 totaled \$101,004,000, compared with \$244,195,000 for the same period of 1921.

Exports of gold were \$1,579,000, of which \$777,000 was shipped to British India. The sources of imports are shown in the following table.

(000 omitted)

Country	Monthly Average 1921	First Quarter 1922	April 1922	Total 1922
England.....	\$16,841	\$18,799	\$1,855	\$20,654
Sweden.....	5,530	28,035	1,538	29,623
Canada.....	3,071	5,294	1,955	7,249
Australia.....	1,168	2,676	2,676
France.....	15,891	9,951	1,161	11,112
Denmark.....	453	10,310	10,310
Norway.....	128	4,802	1,945	6,747
All Other.....	14,524	8,893	3,740	12,633
Total.....	\$57,606	\$88,760	\$12,244	\$101,004



Volume of Foreign Financing in the United States and in the United Kingdom, in Millions of Dollars (Pounds converted at Current Rates of Exchange).

Foreign Exchange

The major European exchanges, with the exception of sterling, declined slightly during the past month. Sterling maintained its strength and advanced four cents to \$4.45, a new high quotation since July 1919. In sympathy with the strength in sterling and more directly as a result of the recent sale of Canadian bonds in this market Canadian exchange advanced to within 1 per cent. of par value.

Heavy purchases of bar silver for Chinese and Indian account caused an advance of five cents an ounce in the price of foreign bar silver and exchange rates on India and China made further gains. Chinese demand for silver was reported to be due to purchases by banks to replenish silver holdings depleted by withdrawals on account of the civil war. The foreign trade figures of India showed a favorable balance in March for the first time in practically a year and recent importations of silver have reflected this favorable balance.

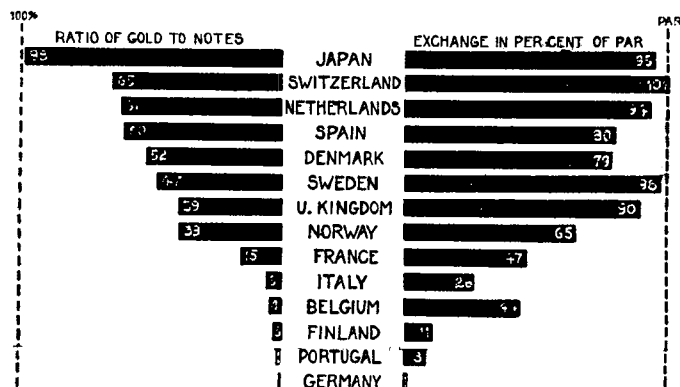
The following table shows the changes of the month in the principal exchanges.

Country	May 20 Last	Change from April 20	Per Cent. Depreciation from Par
England.....	4.4475	+ .0375	8.6
France.....	.0906	- .0021	53.1
Italy.....	.0511	- .0025	73.5
Germany.....	.0033	- .0001	98.6
Belgium.....	.0830	- .0026	57.0
Holland.....	.3876	+ .0094	3.6
Switzerland.....	.1904	- .0039	1.3
Spain.....	.1585	+ .0032	17.9
Sweden (Stockholm)....	.2570	- .0028	4.1
Argentina.....	.3607	+ .0079	15.0
Brazil.....	.1368	+ .0013	57.8
Japan (Yokohama).....	.4740	- .0005	4.9
China (Hong Kong)....	.5938	+ .0300	*
China (Shanghai).....	.8138	+ .0575	*
India.....	.2919	+ .0131	40.0
Canada.....	.9913	+ .0138	0.9
Bar Silver in New York.	.7325	+ .0525

* Silver Exchange Basis.

Gold Reserves and Exchange Rates

While there are a great many influences which determine the rates of exchange between different countries, one of the fundamental factors is the extent to which paper currency is supported by gold reserves. The accompanying diagram has been drawn to show for the countries for which figures are available, the ratio of the gold reserves held by central banks to the currency in circulation, and the rates of exchange of the currency of those countries in New York. The figures shown are for



Ratio of Gold Reserves of Central Banks to Paper Currency in Circulation compared with the Relation of Exchange Rates to Par Value (March 1922)

March, since that is the latest date for which comparable figures are available for all of the countries.

It is clear that there is a close correspondence between the ratio of gold reserves to note circulation and exchange rates. The correspondence is particularly noticeable in countries where the gold reserve has fallen below 35 per cent. of the face value of paper currency. The figures shown for the ratio of gold to notes are subject to the qualification that no account has been taken of variation in deposit liabilities, against which gold reserves may in part be held.

Foreign Trade

As far as can be judged from reports of individual manufacturers and exporters in this district, the tendency towards a gradual increase and broadening in the foreign demand for American products continued during May. This was particularly true of demand from South America and Australia. In the Far East, on the other hand, buying was somewhat less active, especially in Japan, where prices have recently been somewhat unstable.

The situation in several leading export commodities may be summarized as follows:

Foreign steel demand is quieter, due to decreased buying by China and Japan, where business heretofore has been active. Lessened activity in these quarters is partly offset by larger demand from Mexico and South America, particularly Argentina, Brazil, and Chile.

Automobile exports have been increasing rapidly. Manufacturers of several of the less expensive well known makes report demands beyond capacity to fill. England is an active market, and other countries of Europe and South America are buying more generally than a few months ago.

Copper has continued to sell actively abroad, with the Orient, Germany, and France as leading purchasers.

Cotton goods are in good demand in South America. The Levant, however, is a quiet market, due to Greek financial difficulties, and China and the Philippines have bought only sparingly.

Demand for raw cotton became more active in Europe, but buying in Japan was slow. April cotton exports were 598,000 bales, an increase of 137,000 bales compared with the March total, and the largest total since December.

Foodstuffs exports were generally smaller in April than in March. Wheat exports, at 4,855,000 bushels, were the smallest since April 1920. In the past ten months, wheat exports were 23 per cent. less than in the corresponding period of last year. Corn, rice, flour, oats, lard, meats, and condensed milk were also shipped in smaller volume in April.

The total value of all exports from the United States during April, according to the preliminary statement of the Department of Commerce, was \$11,000,000 less than in March. Exclusive of the total for March, however, exports were the largest since last October.

Accompanying the small decrease in exports was a larger decrease in the value of imports. In consequence, the excess of exports rose to \$104,000,000, the largest

since October. Factors in the lower import total were smaller arrivals of sugar, rubber, and petroleum. Silk and coffee imports were larger.

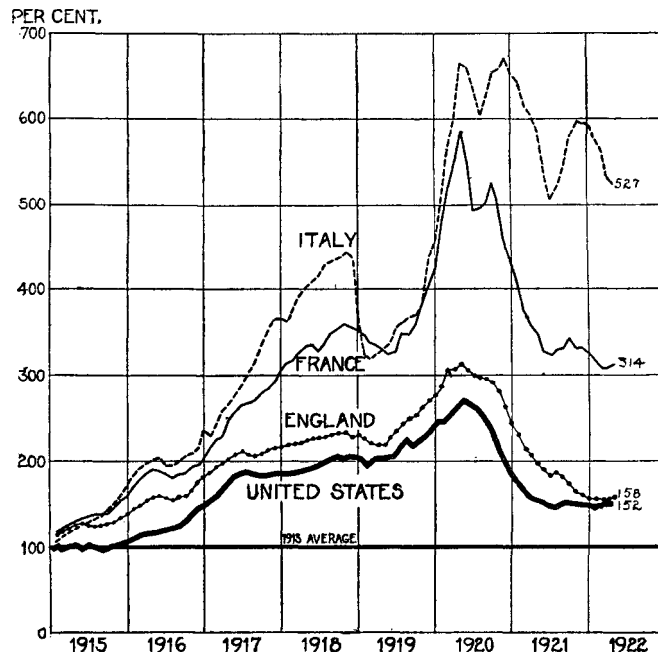
The following table shows by months the totals of exports and imports and the excess of exports since January.

Month	Exports	Imports	Excess Exports
January.....	\$279,000,000	\$217,000,000	\$62,000,000
February.....	251,000,000	216,000,000	35,000,000
March.....	330,000,000	256,000,000	74,000,000
April.....	321,000,000	217,000,000	104,000,000
Total.....	\$1,181,000,000	\$906,000,000	\$275,000,000

World Wholesale Prices

With each succeeding month, the downward movement in the general level of world wholesale prices has become less definite, and during April further declines in some countries were accompanied by a number of gains in others. In the United States, Great Britain, France, Canada, and Sweden, price indices were unchanged or showed advances. In Japan, Italy, and Norway, the downward tendency continued, and there were renewed recessions in Denmark and Peru.

With the exception of Germany, where prices again advanced, though at a somewhat slower pace than in preceding months, the changes in either direction in most countries were of moderate character. The following table shows the recent changes from month to month in price indices of the various countries.



Wholesale Commodity Prices in Four Countries (Average Prices in 1913=100 per cent.)

Domestic Wholesale Prices

In the United States, prices tended upward during April and May. The average of prices for the whole month of April, however, was nearly identical with the average for March according to the Department of Labor

(Base 1913 = 100 unless otherwise noted)

Country	Latest Quotation	PER CENT. CHANGE DURING			Per Cent. Decline From High	Date of High
		February	March	April		
United States:						
20 basic commodities ¹	138 (May 20)	+ 2.5	- 0.7	+ 0.2	53	July 1920
Department of Labor.....	152 (April av.)	+ 2.0	+ 0.7	0	44	May 1920
Dun's.....	139 (May 1)	+ 2.9	- 2.1	+ 1.2	36	May 1, 1920
Bradstreet's.....	127 (May 1)	+ 1.5	- 0.6	+ 1.5	44	Feb. 1, 1920
Great Britain:						
Economist.....	159 (May 1)	- 0.6	+ 0.9	- 0.3	49	April 1, 1920
Statist.....	158 (May 1)	- 0.2	+ 0.8	+ 1.1	49	May 1, 1920
20 basic commodities ¹	134 (May 20)	+ 0.2	+ 0.3	+ 0.2	61	May 21, 1920
France.....	314 (May 1)	- 2.3	+ 0.3r	+ 2.0	47	May 1, 1920
Italy.....	527 (May 1)	- 2.5	- 5.2	- 1.2	23	Dec. 1, 1920
Japan.....	197 (April av.)	- 1.1	- 1.6r	- 1.5	39	March 1920
Canada.....	166 (April 15)	+ 0.8	- 1.7	0	37	May 15, 1920
Sweden ²	165 (April 15)	- 2.4	- 1.2	+ 0.6	56	Dec. 15, 1918
Australia ³	146 (March av.)	0	- 0.7		38	Aug. 1920
Calcutta ⁴	182 (April 1)	+ 0.6	+ 1.7		17	Feb. 1, 1920
Norway ⁵	236 (May 1)	- 2.7	- 5.1	- 1.7	45	Oct. 1, 1920
Germany ⁶	6429 (May 1)	+23.6	+20.7	+11.4	0	May 1, 1922
Denmark ⁷	177 (May 1)	+ 2.8	- 2.2	- 0.6	56	Nov. 1, 1920
Holland.....	162 (April 1)	+ 0.6	0		59	Year 1918
Peru.....	187 (April 15)	+ 0.5	- 0.5	- 1.6	25	April 1920

¹Computed by this bank. ²July 1, 1913—June 30, 1914=100. ³July 1914=100. ⁴End of July 1914=100. ⁵December 31, 1913—June 30, 1914=100. ⁶Middle of 1914=100. ⁷July 1912—June 1914=100. r-Revised

index. The detailed movements in the various groups are given in the following table.

(1913 average = 100)

Commodity Group	March 1922	April 1922	Per Cent. Change
Farm products	128	127	-0.8
Metals	114	117	+2.6
Foods, etc	138	137	-0.7
Chemicals and drugs	159	160	+0.6
Cloths and clothing	182	181	-0.5
Fuel and lighting	183	187	+2.2
Building materials	202	201	-0.5
House furnishings	213	211	-0.9
Miscellaneous	153	152	-0.7
All Groups	152	152	0

Higher averages for the fuel and lighting and metal groups are partly explained by advances in coal and iron and steel, due to the coal strike. A feature of May prices was a rapid rise in cotton, which reached 21.65 cents a pound in the New York market, the highest price since November 1920.

Cost of Living

A fractional advance in the cost of clothing was the only change between March 15 and April 15 in the cost of living index for a wage earner's family, computed by the National Industrial Conference Board. The weighted average for all items of the cost of living is now 154.8, when figures for July 1914 are taken as a base of 100 per cent.

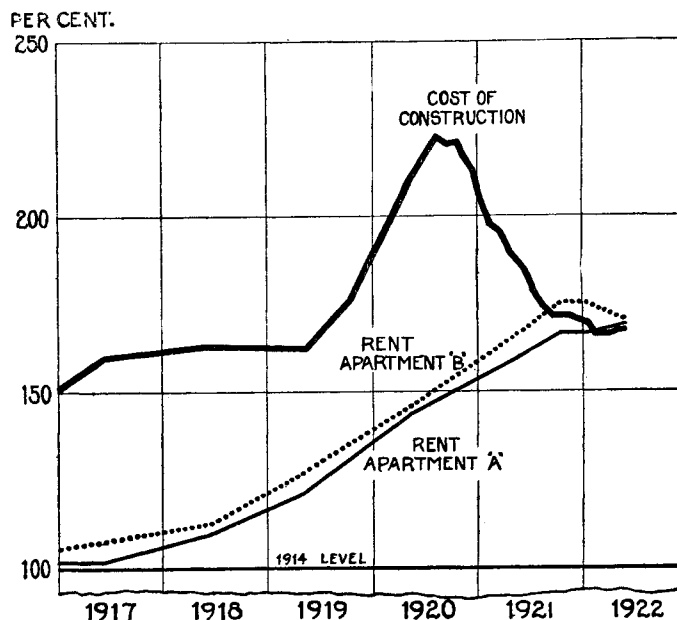
The index number for the retail price of food issued by the United States Bureau of Labor Statistics shows no change in April as compared with March. Decreases in the price of dairy products and vegetables were offset by increases in the price of meat. Food costs for the country are 36 per cent. higher than in 1914.

Apartment Rents and Construction Costs

The following diagram brings up to date a study of apartment rents and building costs made by this bank and first presented in the March 1 issue of the REVIEW. A continued upward trend in rentals of apartments of the cheaper type but a definite recession in the somewhat more expensive apartments is shown for the period January to May 1922. As a result the curves for rents of the two types of apartments have tended to come together. The erection of new apartments at present costs for construction has done more to relieve pressure for moderate priced apartments than for the least expensive. The indices of rents are based upon reports from eighteen representative apartment house owners and operators.

The index of building costs has shown a slight upward trend since February after sixteen months of practically unchecked decline. Heavy new construction here this year has practically exhausted stocks of many building materials and caused an advance in the prices of certain basic building supplies such as brick, structural steel, cement, and lumber. The index of costs used in the diagram was computed by the George A. Fuller Company

and is based on the cost of erection at different periods of a representative hotel building constructed by them some years ago.



Rents of Apartments in New York City compared with changes in the Cost of Building Construction. Apartment A is the Typical Apartment renting for less than \$15 per room in 1920. Apartment B is the Typical Apartment renting for between \$15 and \$30 per room in 1920.

Employment and Wages

Both the New York and the United States Departments of Labor report minor declines between March and April in the number of workers employed in representative industrial establishments, due mainly to seasonal reductions in the working forces in a number of industries, including clothing, shoes, certain branches of the textile industry and some food products; and to labor disputes in cotton, silk, and paper mills.

These reports do not include the building trades, agriculture, commerce, trade and transportation, in all of which there have recently been increases in the number of employees. In the building trades in many localities there is a shortage of skilled artisans because of the large amount of new construction now under way. Similarly an increase in the number employed on farms has followed the more favorable outlook due to somewhat higher prices commanded by farm products.

Reports from employment agencies indicate that recently there has been a decrease in the number applying for work, and a corresponding increase in the number of positions available. The number of help wanted advertisements in the daily papers has shown a substantial increase recently.

There have been no important changes in wage rates during the past month. Coal and textile strikes continue. In New York City no new agreement has been made between the building trades employers and workers and the old scale of wages is being continued temporarily.

Average weekly earnings in New York State factories, as reported by the State Department of Labor, were

\$24.15 in April, 42 cents less than in March, due to part time work rather than to declines in the rates of pay. Average weekly earnings in this State are now 8 per cent. below those of April 1921 and 90 per cent. higher than in 1914.

Production in Basic Industries

The marked increases in February and March in the rate of production in basic industries were not generally continued in April, due in considerable measure to strikes in several industries.

The output of iron and steel was increased slightly in spite of the coal strike. Bookings of forward business by the United States Steel Corporation amounted on April 30 to 5,097,000 tons, an increase of 603,000 tons over the March 31 figures.

Conditions in the fuel industry are little changed. Production of anthracite coal is confined to washings. Production of bituminous coal by non-union and other labor is maintaining a level of 4,200,000 tons per week, as compared with a total output, union and non-union, of 11,500,000 tons immediately prior to the inception of the strike. Demand is somewhat stronger and the index of spot prices at the mine for the week ended May 13 stands at 261 as compared with 171 for the final week of March. The market, however, is not yet sufficiently active to call forth capacity production from the mines in operation. Draft upon coal in storage, the amount of which on April 1 was estimated at 63,000,000 tons, continues in the neighborhood of 4,000,000 tons per week. Production of beehive coke which has been declining is showing a slight increase. Reports indicate a current daily output of 16,000 tons, as compared with 32,000 tons at the close of March. Total production, beehive and by-product, for the month of April was, however, only 100,000 tons less than for the month of March.

The output of Portland cement was distinctly larger than in March, reflecting an unusually large demand for building construction.

The following table shows monthly production as percentages of estimated normal production. In the calculation of the normals, allowance has been made both for year to year growth and for seasonal variation.

(Normal monthly production = 100)

Commodity	1921		1922			
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
Anthracite coal mined	82	74	78	99	105	...
Bituminous coal mined	67	59	64	82	89	...
Pig iron production	39	45	44	46	53	54
Steel ingot production	53	48	50	58	71	73
Copper production (mine)	19	15	22	33	46	...
Tin deliveries	76	74	85	58	103	100
Crude petroleum production	102	112	108	111†	111†	...
Portland cement production	102	98	97	82	104	111
Wheat flour production	78	74	85	105	114	95
Meat slaughtered	83	77	89	98	112	...
Sugar meltings	125	144	140	129	142	124
Wool consumption*	99	94	91	92	91	80
Cotton consumption†	121	113	111	115	128	95
Lumber production	73	89	78	83	93	75
Wood pulp production	83	92	85	90	100	...
Tobacco consumption	90	78	80	77	83	...
Paper (total) production*	93	88	86	85	100	...

* Seasonal variation not allowed for.

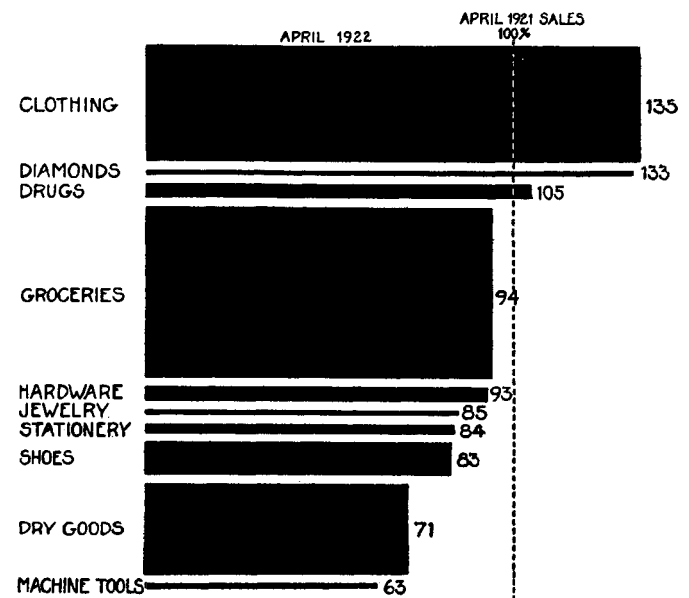
† Preliminary.

‡ Revised.

Wholesale Trade

The weighted index of wholesale trade in this district, maintained by this bank, was 1 per cent. lower last month than in April 1921. April sales show a distinct gain over March sales, which were 8 per cent. smaller than in March 1921, and over the February figures, which were 13 per cent. below those of February 1921. There was, however, considerable variation between the changes shown by different businesses, due partly to the lack of uniformity in price readjustments.

The following diagram compares April sales with those of April 1921. The width of the bars varies with the total values of the products handled in the different lines as reported in the United States Census of Manufactures.



Sales of Wholesale Concerns in the Second District in April 1922, compared with their Sales in April 1921. Width of Bars indicates Relative Amount of Goods Sold

Sales by manufacturers and wholesalers of both men's and women's clothing compared most favorably with sales last year, reflecting heavy sales by department and apparel stores. With the exception of machine tools, the chief decrease from last year is shown by dry goods houses, in coincidence with reports by department store heads that their April sales of piece goods, notions, and patterns were smaller than a year ago.

Sales by wholesale diamond dealers, which, in previous years, have proved a sensitive barometer of general purchasing power, advanced sharply, and were 33 per cent. above those of last April.

The following table shows the fluctuations in sales during the past four years. Sales during April 1921, are taken as 100 and sales during April of other years are expressed in percentages of this base.

	Number of Dealers Reporting	DOLLAR VALUE OF SALES				
		April 1919	April 1920	April 1921	April 1922	Mar. 1922*
Clothing.....	17	107	145	100	135	87
Diamonds.....	7	709	399	100	133	104
Drugs.....	6	103	105	100	105	111
Groceries.....	42	133	149	100	94	100
Hardware.....	11	113	138	100	93	98
Jewelry.....	5	208	247	100	85	87
Stationery.....	6	90	135	100	84	87
Shoes.....	9	176	193	100	83	83
Dry Goods.....	6	86	134	100	71	86
Machine Tools...	4	258	293	100	63	60
Weighted Average.	113	124	155	100	99	92

* Expressed as percentages of sales in March 1921.

Department Store Business

Sales by department stores in this district during the past month were the largest for any April for which figures are available. They were 2.3 per cent. larger than in April last year, and 1.6 per cent larger than in April 1920.

These heavy sales are largely accounted for by the lateness of Easter, which resulted in the postponement until April of spring purchases usually made in March. April sales were nearly 9 per cent. larger than those of March, whereas the normal seasonal increase between the two months is less than one per cent.

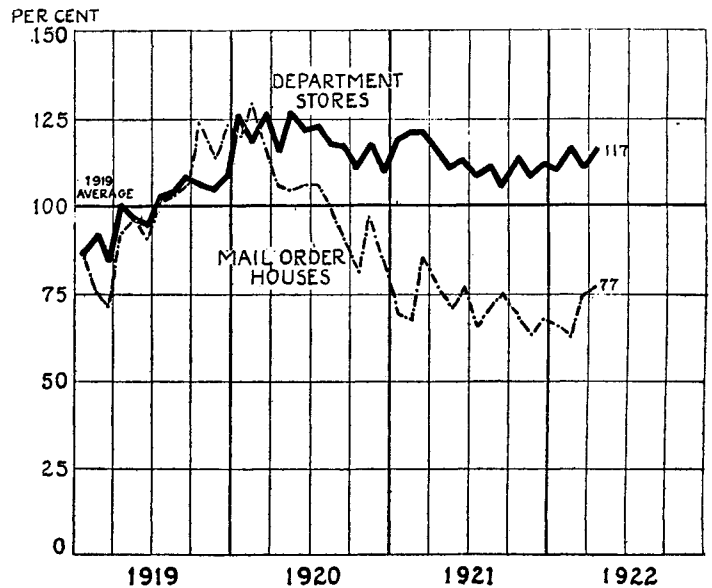
The number of individual transactions during April was 7 per cent. larger than in April 1921. The average amount of each transaction declined 5.4 per cent. from \$2.95 in April 1921, to \$2.79 in April 1922.

Sales of both men's and women's ready-to-wear clothing were substantially larger than last year. Stores that sell apparel exclusively reported an increase of more than 8 per cent. in total sales. On the other hand merchants report that sales of cotton, woolen and silk piece goods, and notions and patterns were somewhat below those of last year. This shift in sales appears to indicate that many women who made their own clothing during the period of highest prices of ready-made clothing are now purchasing finished garments more freely. Sales of house furnishings, especially furniture and rugs, are considerably larger than those of last year.

New York stores showed the largest increase in sales during April, and this was sufficient to offset decreases reported by stores in other cities. Detailed figures are shown in the table that follows.

	Dollar Value of Sales				Stock on hand (Selling Price)			
	Apr. 1919	Apr. 1920	Apr. 1921	Apr. 1922	May 1, 1919	May 1, 1920	May 1, 1921	May 1, 1922
All Dept. Stores..	87	101	100	102	77	124	100	104
New York.....	90	105	100	104	77	125	100	104
Buffalo.....	75	91	100	90	82	113	100	100
Newark.....	78	99	100	96	80	142	100	102
Rochester.....	75	89	100	98	77	132	100	93
Syracuse.....	85	99	100	93	81	122	100	86
Bridgeport.....	95	112	100	100	83	120	100	99
Elsewhere.....	79	92	100	98	85	112	100	106
Apparel Stores...	91	93	100	108	64	112	100	113
Mail Ord. Houses	119	137	100	100

Stocks held on May 1 by the reporting stores, at the selling price, amounted to \$110,171,000, an increase of nearly 4 per cent. over those held on the same date last year. When price changes are taken into consideration it is evident that the physical volume of merchandise carried by the stores is considerably larger than that held last spring. The ratio of stock to sales, however, remains lower than in 1920. In that year the amount of stocks carried by the department stores was, on the average, equivalent to four times the monthly sales, or to put it another way, stock turned over at the rate of three times a year. In 1921, on the other hand, the amount of stock carried averaged only 3 1/3 times the value of monthly sales, or the stock turned over at the rate of 3.6 times a year. The difference between these figures means a saving of more than 15 per cent. in the amount of capital required for a given volume of sales. Recent changes in the direction of larger stocks have not yet substantially changed the 1921 rate of stock turnover.



Sales of Representative Department Stores in the Second District and of Three Mail Order Houses doing a Country Wide Business. Figures adjusted to eliminate Seasonal Fluctuations. (Average Sales in 1919=100 per cent.)

Chain Store Sales

The largest increase in sales of chain stores in April was made by the five and ten cent stores, sales of which were 21 per cent. larger than a year ago and the largest ever made in April. The average sales per store increased 16 per cent.

Sales by chain grocery stores were 20 per cent. larger than last year, due largely to an increase in the number of stores owned by the reporting systems. Average sales per store showed a decline of 0.3 per cent. Detailed figures are shown in the table on page 10. The column showing change in sales per store is to be interpreted in connection with the fact that the new stores established tend to be smaller in size than old stores and hence tend to pull down average sales per store.

Type of Store	Number of Stores		Dollar Value of Sales				Per cent. Change in Sales per Store Apr. 1921 to Apr. 1922
	Apr. 1921	Apr. 1922	Apr. 1919	Apr. 1920	Apr. 1921	Apr. 1922	
Ten Cent.....	1,598	1,660	84	99	100	121	+16.1
Grocery.....	5,749	6,935	83	140	100	120	- 0.3
Shoe.....	199	202	74	96	100	111	+ 9.5
Apparel.....	368	373	60	77	100	108	+ 6.6
Cigar.....	2,196	2,253	68	92	100	92	- 9.9
Drug.....	250	253	84	94	100	97	- 4.6
Total.....	10,360	11,676	79	110	100	114	+ 1.0

and pairs of shoes sold coincided in December, January and February, and less noticeably in July, of practically every year is a reflection of special sales at low prices in those months.

The seasonal demand is marked and consistently regular from year to year. The spring months—March, April and May—and the late fall and early winter months—October, November and December—are the most active months of the year, while sales are smallest in mid-summer and mid-winter.

The following table shows the fluctuations in dollar sales and in the number of pairs sold since January 1919. It also shows the average price per pair. Average monthly sales during 1919 were taken as 100 per cent. and sales during each month are expressed as percentages of this base.

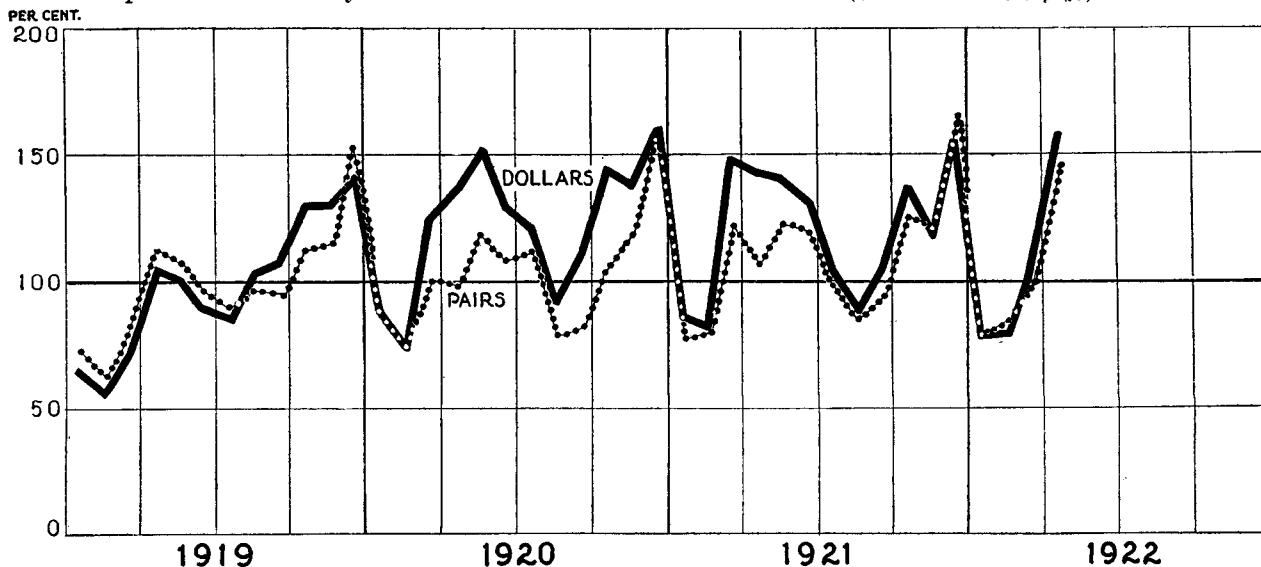
Chain Shoe Stores

Reports of the number of pairs of shoes sold each month, which this bank has received from four corporations operating 202 chain shoe stores throughout the United States make it possible for the first time to check against the figures for the dollar value of sales which have been presented currently, figures showing the physical volume of goods sold. The figures are illustrated in the accompanying diagram.

The diagram shows in the first place that sales in April 1922, were larger than for any previous April, both in dollar value and number of pairs sold. It also shows that in general there has been less deviation between the lines representing dollar value of sales and the pairs sold than might have been expected, and the dollar value of sales has been a fairly good index of the volume of sales except at three periods: the spring and fall of 1920 and the spring of 1921. At these periods the prices of shoes were so far above the 1919 level that the dollar value was considerably above the line showing the number of pairs sold. The total decrease in average price per pair from April and October 1920, when the highest points were reached, to April 1922, was about 22 per cent. The way in which dollar sales

	Number of Stores Operated	Dollar Sales	Sales (in pairs)	Average Price per Pair
1919				
January.....	66	73	\$3.19
February.....	57	62	3.27
March.....	74	80	3.27
April.....	121	106	113	3.30
May.....	102	108	3.32
June.....	91	97	3.32
July.....	87	90	3.40
August.....	104	98	3.77
September.....	109	96	4.02
October.....	131	113	4.10
November.....	131	116	3.98
December.....	142	152	3.31
1920				
January.....	89	89	3.53
February.....	75	74	3.61
March.....	125	100	4.41
April.....	135	137	98	4.92
May.....	151	118	4.52
June.....	130	109	4.23
July.....	122	112	3.83
August.....	92	79	4.13

(Continued on next page)



Sales (in Dollar Value and in Number of Pairs sold) of Four Corporations Operating 202 Chain Shoe Stores (Average Sales in 1919 =100 per cent.)

	Number of Stores Operated	Dollar Sales	Sales (in pairs)	Average Price per Pair
September.....	112	82	4.81
October.....	145	103	4.95
November.....	139	118	4.17
December.....	161	156	3.64
1921				
January.....	86	78	3.88
February.....	83	80	3.65
March.....	148	122	4.30
April.....	199	143	117	4.32
May.....	140	122	4.03
June.....	131	120	3.87
July.....	102	100	3.63
August.....	87	86	3.59
September.....	104	95	3.87
October.....	138	126	3.87
November.....	121	121	3.56
December.....	155	164	3.36
1922				
January.....	78	79	3.50
February.....	79	84	3.34
March.....	103	100	3.64
April.....	202	159	145	3.88

Railway Freight Traffic

Freight car loadings declined sharply in the first week of April at the beginning of the coal strike, and thereafter increased slightly from week to week. The increase was due partly to the ore movement on the Great Lakes and partly to increasing production of coal by non-union mines, but the most notable gain was in shipments of merchandise and miscellaneous freight. The rate of movement of merchandise and miscellaneous freight was larger than at any time since October 1921 and has increased steadily during the past five months.

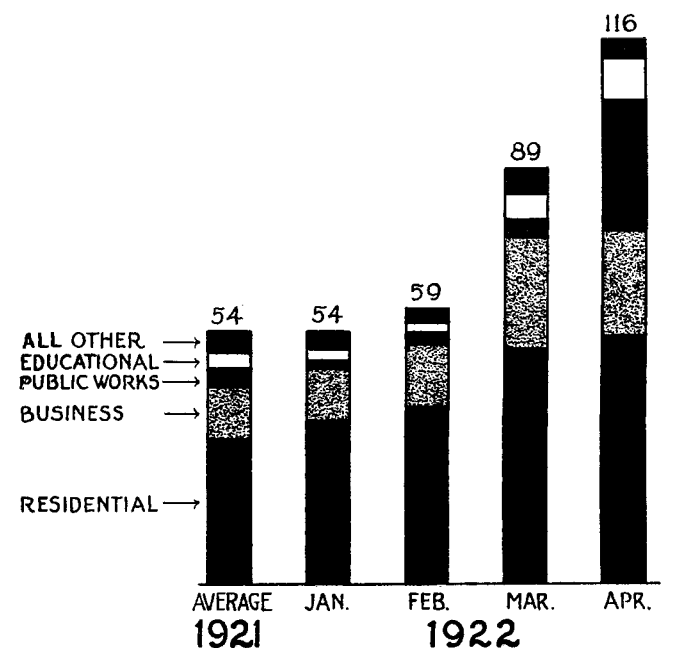
Volume of Building

More new building construction was started in April than in any previous month for which reports are available. April building contract awards in New York State and Northern New Jersey were 30 per cent. larger than those of September 1921 and March 1922, the previous maximum months. In the twenty-seven northeastern States April awards were 20 per cent. larger than in March, and 11 per cent. larger than in July 1919, the previous high month.

April awards for residential and business construction in the New York district, though larger than in previous months, were a much smaller proportion of total awards than for some months past, due to a rapid increase in the construction of public works and educational build-

ings. Contracts for these types constituted 32 per cent. of total awards in April as compared with 7 per cent. in January.

The following diagram, based on the F. W. Dodge Company reports for New York and Northern New Jersey, shows by types the contract awards for the first four months of 1922, compared with the monthly average in 1921.



Value of Contracts Awarded for Building Construction in the Second Federal Reserve District (Millions of Dollars)

Business Failures

The number of business failures reported during April in the United States was about 12 per cent. under the March total, a normal seasonal decrease. This bank's index of failures for April which makes allowance for seasonal changes was slightly lower than for March although still considerably above normal. Weekly reports for May indicate a continued reduction in the number of failures. Average liabilities involved in failures have been about the same as in the early months of the year.

Crop Conditions

The May 1 report of the United States Bureau of Markets and Crop Estimates for the country's principal crops indicated that substantially larger acreages of practically all crops would be planted than in 1921. Recent advances in the prices of many farm products have been a factor in increasing the acreage. Large crops of fruit are indicated except in a few States where there has been some damage from frost. Crops of grapes, cherries, plums, and peaches in the fruit growing sections of New York State were seriously damaged by frosts late in April.

Currency Defects Before the Federal Reserve Act

THE following is taken from an address delivered by W. P. G. Harding, Governor of the Federal Reserve Board, before the Southern Wholesale Dry Goods Association at Birmingham, Alabama, on May 10, 1922. The subject of the address was "Credit, Currency and Business."

THE RECURRENT DEMAND FOR "SOFT MONEY"

There has always existed in this country some latent sentiment in favor of a paper currency based not upon gold but upon the faith and credit of the Government. This sentiment in favor of fiat money, that is, paper currency issued by the Government as such but not based on coin or bullion and containing no promise to pay in coin, has always become more intensified in the periods of reaction and depression which have followed those of extreme activity and prosperity. Before the panic of 1873 there was much agitation for paper money. Later on, however, the soft money advocates were divided; some favored a repeal of the Resumption Act and the issue of more Treasury notes, or greenbacks, while others clamored for the free and unlimited coinage of silver dollars. The greenback idea was defeated, but in 1878 the compulsory coinage of a limited amount of silver dollars began and continued until shortly after the panic of 1893.

Following that panic, soft money advocates united substantially in favor of the free and unlimited coinage of silver at the ratio of 16 to 1, although there was some sentiment in favor of state bank notes in addition. In due time the economic forces of the country asserted themselves, and there was gradual and continued improvement in commerce and industry. In the course of a few years the free silver doctrine ceased to be an issue.

WHAT LED TO THE 1907 PANIC

It was realized, however, even during the good times which preceded the panic of 1907, that there were grave defects in the banking and currency system of the country. There were more than 25,000 banks in the United States, each standing virtually alone. In accordance with the requirements of law and in order to be able to pay their depositors, all banks kept certain amounts of gold and currency on hand and most of them maintained credit balances with other banks in the larger cities, these balances being in most cases part of their required reserves. In ordinary circumstances, the funds on deposit with the city banks could be withdrawn in currency by the country banks whenever they desired, but when business and credit conditions were disturbed, and a spirit of mistrust and suspicion pervaded the country, many banks would seek to increase the amount of actual cash on hand in order to reassure depositors who might otherwise wish to withdraw their money.

It was in those times that the large city banks were least able to supply the currency, for the available supply was limited and there was no quick way of increasing

it. A large part of the circulating medium in those days consisted of national bank notes which were secured by Government bonds. Under the law no national bank notes could be issued by any bank in an amount in excess of its own capital stock and as many national banks had already issued their maximum quota in order to realize the small profit obtainable thereby, while others found it impracticable to acquire the bonds which were necessary to secure additional circulation, it was impossible to increase the supply of national bank notes rapidly or to any great extent.

DEFENSES WEAKEST WHEN DANGER WAS GREATEST

Our inflexible currency system had much to do with the money panic of 1907. Fearing trouble, many of the 25,000 banks sought, each for its own protection, to withdraw such currency as it could from other banks and pay out as little as possible to depositors. Emergency measures could not be resorted to in advance of actual panic, for they would, in themselves, have produced a panic, and while steps were taken finally to conserve the cash resources of the banks they came too late to prevent trouble and the existing banking machinery fell apart into thousands of separate units. Each bank was obliged to rely largely upon its own cash resources, because, however willing, other banks felt that they could not surrender much of their own cash, for by doing so they might impair their ability to meet the possible demands of their own customers. Thus each bank, in seeking to protect itself, weakened the banking structure as a whole. The defenses were weakest when the danger was greatest.

The panic of 1907 convinced the country that something must be done to prevent similar occurrences in the future. In the following year Congress created a Monetary Commission which after a long and thorough study of the banking systems of the world submitted an elaborate report, and a draft of a new banking and currency bill. During the year 1912 a committee of the House of Representatives investigated banking methods in this country and in its report pointed out the fundamental defects in the system then existing. Early in the year 1913 Congress took up the matter of banking reform in earnest and the Federal Reserve Act was put upon the statute books before the close of that year.

NO MONEY PANIC SINCE FEDERAL RESERVE ACT PASSED

There has been no money panic in this country since the Federal Reserve Act became a law. This statement, in itself, has no particular significance, for less than nine years have elapsed since the passage of the Act, and there have frequently been periods of more than nine years when the banks of the country have been able at all times to supply the currency demanded of them. But when we consider the events which have taken place during the past nine years and what has been accomplished and prevented by reason of the operation of the Federal Reserve system, the conclusion is inescapable that the enactment of the Federal Reserve law was a most conspicuous example of valuable constructive legislation.