

Monthly Review

FEDERAL RESERVE BANK OF SAN FRANCISCO

APRIL 1945

The San Francisco Conference and Coordinate International Agreements

THE United Nations Conference on International Organization in San Francisco is one of a continuing series of inter-Allied conferences and discussions. The objectives of these discussions have been two-fold: to seek agreement on broad principles in a number of fields, and to set up the machinery for continuing consultation and agreement among national governments and for international action when that is desirable. The proposed agreements and organizations outlined below do not cover the complete list of problems calling for international action, nor are all of these proposals in final form. No attempt is made here to discuss or evaluate the numerous issues which have arisen in connection with them, but merely to indicate the forms which joint discussions and actions have taken so far.

The Organization to be drawn up at the San Francisco Conference is to serve two basic purposes. It would, first, deal specifically with the problems of maintaining peace and security. It would constitute an agreement among the participating nations to settle disputes peacefully among themselves and to take diplomatic, economic, and if necessary military action against nations threatening war. It would provide an organization to study disputes between nations, to propose peaceful solutions, and to prescribe measures necessary to preserve peace. Secondly, in recognition of the interdependence of political, social, and economic problems, the Organization is to act as a coordinating agency for the activities of various other bodies which are proposed to deal with specific problems in these fields.

The structure of the world Organization proposed by four nations at Dumbarton Oaks and which forms the basis for present consideration by all the United Nations at San Francisco reflects this two-fold purpose. Its two chief organs would be the Security Council and the General Assembly: the former is charged with the maintenance of international peace and security, while the latter would be primarily concerned with defining the underlying political, economic, and social prerequisites for a peaceful world. The General Assembly is intended to meet annually to study and discuss constantly all aspects of international problems, to coordinate the activities of various specialized agencies, and to recommend to member nations policies in the common interest. All members

would be represented in the General Assembly and would have an equal voice in its decisions; most decisions would require only a simple majority. The Assembly would be empowered only to recommend action and not to take measures to enforce it.

The Security Council would meet continuously to recommend and encourage the peaceful settlement of disputes between nations; to determine when a threat to peace exists; and to prescribe measures, in which members would be obligated to assist, to meet such a threat. In recognition of the primary responsibility of the major powers to enforce the decisions of the Council, they would have a predominant voice in the Council. Of the eleven seats on the Security Council, five would be held permanently by representatives of the five major nations, and the remaining six would be filled by representatives of other nations, elected for two-year terms by the Assembly.

The Economic and Social Council would be composed of the representatives of 18 countries, elected for three-year terms. It would meet continuously. Its work would be carried on through expert commissions, which would collect and analyze information, make special studies under direction of the Economic and Social Council, and act as advisory agencies to it and to the Assembly. A further important function of the Economic and Social Council would be to coordinate the activities of various specialized organizations set up in accordance with specially negotiated international agreements in a number of fields. These organizations differ widely in scope and powers, and their relation to the general international Organization would therefore be determined by agreement between each such agency and the Economic and Social Council.

International agreements on a variety of subjects have been or are now being negotiated. They have not come as parts of an integrated and symmetrical program, but rather as attempts to reach agreement on certain limited aspects of the economic and social relations between nations that are generally admitted to require cooperative action. Relief and rehabilitation of war-devastated countries, common action to raise standards of living and promote the welfare of labor and rural populations, the regulation of international civil aviation, and international monetary stabilization are some of the subjects on which

★ For Victory ★ Buy War Bonds ★ Keep Them ★

agreement has been reached or proposed agreements have been drafted.

Relief and rehabilitation in liberated areas have been recognized as responsibilities not only from a humanitarian viewpoint, but as a pressing military necessity. The United Nations Relief and Rehabilitation Administration was established by 44 United and Associated Nations in an Agreement signed November 9, 1943. It is a temporary organization which provides for the contribution of supplies and assistance by countries not invaded by the enemy to peoples in liberated areas. UNRRA is composed of a Council, with one representative for each of the 44 member governments, which meets not less than twice a year; a Central Committee of representatives of China, Russia, United States, and the United Kingdom, which is empowered to make emergency decisions if necessary, subject to later review by the Council; a number of standing committees, which advise the Council and the Central Committee; and a staff under the Director General.

UNRRA, in cooperation with the combined boards,¹ recommends distribution of supplies and services in accordance with its determination of need and in relation to available shipping and transportation facilities. It cooperates with the Army in balancing essential civilian needs and demands for military supplies. Available supplies are then allocated according to urgency of need; resources contributed by non-invaded countries are drawn upon to supply countries without the foreign exchange to pay for their requirements. The basic emergency relief needs supplied by UNRRA are for food, clothing, and medical supplies. Qualified professional service in helping to establish public health agencies and for emergency relief work are provided. Relief and repatriation of displaced persons is a vital necessity in which UNRRA assists military authorities and member governments. Lastly, some agricultural rehabilitation and a limited amount of industrial rehabilitation must be undertaken to help the destitute peoples of invaded areas to provide for themselves as speedily and efficiently as possible. UNRRA is to help provide essential materials and equipment and to organize practical immediate programs in accordance with available resources.

The proposed Food and Agriculture Organization of the United Nations is the outgrowth of discussions initiated at a Conference held at Hot Springs, Virginia, in May-June, 1943. The purpose of the Organization is to promote separate and collective action of member nations to raise levels of nutrition and standards of living, to secure more efficient production and distribution of agricultural products, and to better the condition of rural populations. In pursuance of this objective, the Organization would be authorized to collect, analyze, and disseminate information, to recommend national and international action on specific problems, to furnish technical assistance

to member governments, and to require reports from members on progress toward achieving the general purposes of the Organization and on action recommended by it. The Organization would be composed of a Conference which would meet at least annually and in which each member nation would have one representative; an Executive Committee, with from 9 to 15 members, which would exercise powers delegated to it by the Conference; and a permanent staff which would carry on the day-to-day work of the Organization under the supervision of a Director-General. The proposed Constitution has been accepted by 18 nations and is now before the United States Congress. Acceptance by 20 nations would enable it to begin functioning.

The International Labor Conference met in Philadelphia in April-May, 1944, with representatives of 41 nations in attendance. The Conference is the policy-making body of the International Labor Organization which was established in 1919 to study problems affecting the welfare of labor and to make recommendations to member nations. This meeting, the first since 1941, was to consider the organization policies and program of the ILO in relation to post-war needs for economic and social planning. The Declaration of aims and purposes adopted at this meeting of the Conference envisaged an extension of the Organization's function to include study of the whole range of social, economic and financial conditions bearing on social welfare. Among the specific tasks within the scope of the Organization were listed the promotion of full employment and of rising standards of living, the study and application of policies with regard to wages, hours and conditions of work, the promotion of labor-management cooperation and recognition of the principles of collective bargaining, and the fostering of programs for the extension of social security measures.

A committee to study the structure and practices of the ILO and its relation to other international agencies was authorized by the Conference. Each nation is represented in the Conference by four delegates, two representing the Government, one representing management and one representing labor. Each of the three sections speaks and votes independently. The Governing Body or executive council of the Organization is made up of 16 Government representatives, 8 representatives of management and 8 representatives of labor, and exercises general supervision over the work of the International Labor Office, which is the permanent expert staff.

The International Civil Aviation Conference, held in Chicago during November-December 1944, was attended by representatives of over 50 nations. The convention drafted by the Conference provides for an International Civil Aviation Organization, consisting of an assembly of all participating nations and a 21-member council which is to have advisory and technical functions but is not empowered to regulate the economic phases of air transport. An interim organization is to begin functioning when it has been accepted by 26 nations. Technical annexes drafted by the Conference provide for common

¹The Combined Food and Production and Resources Board—United States, Great Britain, and Canada; and the Combined Raw Materials Board—United States and Great Britain.

rules and practices regarding communications, traffic control, aircraft registration, airworthiness requirements, et cetera. These are to receive further study. Two separate agreements were drafted by the Conference respecting rights of transit and commercial entry. The International Air Services Transit Agreement is a multilateral agreement among nations to grant, for private or commercial airline operations, the right of innocent passage and the right to land for non-traffic purposes (refueling, repair, emergency). The International Air Transport Agreement provides for the extension of these two rights, plus three others: the right to carry traffic from the country whose nationality the aircraft possesses to other countries; the right to carry traffic from such other countries back to the country whose nationality the aircraft possesses; and the right of international airlines to carry traffic between intermediate countries. Countries accepting the Transport Agreement may accept or reject the multilateral extension of the latter right. At present the Transit Agreement has been adopted by 37 countries and the Transport Agreement by 23.

The International Monetary Fund was proposed, together with the International Bank for Reconstruction and Development, by the representatives of 44 nations meeting at Bretton Woods during July, 1944. The Fund proposal represents, first, an agreement by adhering nations to establish as soon as possible and to maintain free and stable currency systems. It provides, second, a pool of foreign exchange reserves available, under certain specified conditions, to members whose trade relations with other countries are temporarily unbalanced. Subscriptions totaling \$8,800,000,000 would be made by each member nation in its own currency and in gold in accordance with established quotas. Each nation would be entitled to draw upon the Fund, for specific purposes, in amounts not exceeding 25 percent of its quota in any one year and not exceeding in total the amount of its quota plus its gold contribution. In return for its privilege of drawing on the resources of the Fund, each member would agree to maintain the exchange value of its currency, agreed upon on admission to the Fund, within narrow limits (changes totaling more than 10 percent would not be permitted without the approval of the management of the Fund). It would agree also not to impose new restrictions on the making of payments and transfers for the settlement of current international transactions and to remove existing

restrictions as rapidly as conditions permit such action. The management of the Fund would consist of a Board of Governors, which would meet at least annually, on which each member would be represented by one governor. The votes which the governor representing each nation is entitled to cast would be determined roughly in accordance with the quota of that country. The Executive Directors, who would be responsible for the general management of the Fund and for the appointment of the Managing Director, would meet in continuous session. There would be 12 directors of which the five members having the largest quotas would each appoint one and the remainder would be elected by the other members. The management of the Fund would have important powers in collecting information and in advising and consulting with members on any aspect of their economic situations. It would have considerable discretionary power to determine whether a country's use of the Fund's resources was in accordance with the purposes of the Fund.

The International Monetary Fund is not intended to provide funds for long-term reconstruction and development purposes. To meet these needs, the International Bank was proposed as a companion agency to the Fund. Members of the Bank would be required to be members of the Fund. The Bank would, in general, supply funds only to meet foreign exchange requirements growing out of projects for reconstruction and development and only such requirements as cannot be met on reasonable terms through regular investment channels. It would act, in the first instance, to promote and facilitate the flow of private capital. It could do this in two ways: by guaranteeing privately made loans or by borrowing on its own account and relending the proceeds to other countries. Of the Bank's authorized capital of ten billion dollars, 80 percent would be subject to call only to meet losses on its guarantees or on loans made from funds borrowed by it. If funds were not available from private sources, however, the Bank could use the remaining 20 percent of its capital directly for making or participating in loans. This 20 percent could also be used if necessary for meeting losses incurred in its other operations. As in the case of the Fund, voting rights in the Bank would be determined roughly in accordance with the subscription of each member. The Bank's management would consist of a Board of Governors, Executive Directors, a President and staff, organized along lines similar to the Fund.

Retail Credit Survey—1944

NEARLY 1,000 retail firms in nine lines of business submitted reports to the Federal Reserve Bank of San Francisco in connection with the third annual Retail Credit Survey conducted on a nationwide basis by the Federal Reserve System. Figures furnished by retailers participating in the Survey covered 1944 and, for purposes of comparison, 1943 sales, receivables, and selected balance sheet items. Sales and receivables were segregated by type of payment.

Since concerns participating in the Survey are confined to credit-granting stores, changes in their total sales do not necessarily measure changes in the combined sales of all firms, including retailers selling for cash only, in the same and in other lines of trade. This applies particularly to recent years, during which expansion in credit sales has been discouraged, and during which cash purchases have been stimulated by unprecedentedly high average incomes. Most retail credit outstanding origi-

nates in the nine lines covered by the Survey, however, and figures of these businesses offer satisfactory measures of changes in retail credit sales and outstandings by type of payment.

With the exception of household appliance stores, in which a moderate increase in cash sales was not sufficient to offset a further substantial reduction in credit sales, total Twelfth District sales of the nine lines included in the Survey advanced generally in 1944. The average increase was about 10 percent. Available information indicates that total retail trade, including sales of stores not covered by the Survey, advanced by about the same proportion to a new high level. The upturn reflected primarily a larger volume of merchandise sold and a further shift on the part of consumers to higher-priced and higher-grade merchandise. Unit price increases contributed far less to the rising dollar volume of sales than was the case earlier in the war.

The sharpest gain in total sales in the Twelfth District was reported by hardware stores (20 percent), followed by automobile tire and accessory stores (17 percent). Department, men's clothing, and women's apparel stores reported smaller gains, averaging 12 percent, and automobile, furniture, and jewelry dealers reported still smaller increases, averaging 7 percent. Sales of most of these lines of business have increased continuously since before the war. Household appliance store sales have fallen off from year to year, however, and in 1944 the value of merchandise and service sales by this group was little more than a tenth as large as in 1941. Automobile dealer sales, which also include repairs and other services, have regained a small part of the 77 percent decline experienced in 1942 but remain little more than a fourth as large as in 1941.

Both cash and credit sales increased in 1944. Cash sales, which have advanced more rapidly than credit sales since 1941, increased further in relative importance. All lines reported increases in cash sales in 1944, ranging from 10 to 24 percent, and the proportion of cash to total sales also increased in all cases. In several groups the shift to cash sales has been unusually marked during the war period. For the most part these have been stores in which cash sales were unimportant relative to total sales before the war; for example, furniture, jewelry, and

household appliance stores. More than one-half the total sales of household appliance and jewelry stores were for cash in 1944, compared with approximately one-seventh three years earlier. On the other hand, there was practically no change in the ratio (42 percent) of cash to total sales of automobile dealers over the same period. At department and men's clothing stores in which cash sales had about the same relative importance as cash sales of automobile dealers in 1941, the ratio advanced to well over 60 percent in 1944.

Increases in credit sales from 1943 to 1944 were fairly general. The largest advances in the Twelfth District were reported by hardware stores (18 percent) and automobile tire and accessory stores (14 percent). Small gains not exceeding 6 percent were reported by automobile dealers and department, furniture, and apparel stores. Jewelry store credit sales were unchanged from the 1943 level, and among household appliance dealers credit sales receded sharply.

Almost all gains in credit sales resulted from increased charge sales, since in all groups except hardware and men's clothing stores instalment sales declined, although instalment trade at furniture and jewelry stores receded only one and two percent, respectively, in 1944. Retail instalment sales at apparel and department stores, relative to total sales of those groups, are comparatively unimportant. Instalment sales are largest, with respect to total sales of the group concerned, at furniture and jewelry stores and automobile dealers.

Wartime declines in open credit receivables have been considerably smaller than in instalment receivables, which, with instalment sales, were affected to a greater degree by production limitations on consumer durable goods. Charge receivables of District firms for the nine lines combined declined by about a third in 1942, and fell off slightly further in 1943. In 1944, a 14 percent gain occurred, and by the year end charge receivables were above the level of two years earlier, although remaining substantially lower than in 1941. The gain in charge receivables during 1944 was fairly general, although at furniture and jewelry stores this item was unchanged. Increases reported by stores in other lines of business ranged from 5 percent at hardware stores to 23 percent at department stores.

SALES BY TYPE OF PAYMENT, ACCOUNTS RECEIVABLE, AND INVENTORIES

Kind of store	No. of stores reporting sales ¹	Percent change in sales 1944 compared with 1943					Ratios of cash and credit sales to total sales (in percent)								Percent change 1944 compared with 1943 (year end)		
		Total sales	Cash sales	Credit sales			Cash sales 1944	Total				Regular charge				Accounts receivable	Inventories (at retail)
				Total	Reg. charge	Instalment		1944	1943	1944	1943	1944	1943	1944	1943		
Automobile	234	+ 7	+12	+ 4	+16	- 8	4.2	4.1	58	59	32	29	26	30	+15	-16	
Auto tire and accessory	90	+17	+24	+14	+16	- 9	3.3	3.2	67	68	62	62	5	6	+11	0	
Department	91	+12	+16	+ 6	+ 9	-16	6.4	6.2	36	38	33	34	3	4	+17	- 9	
Furniture	217	+ 6	+18	+ 2	+ 6	- 1	2.8	2.5	72	75	31	31	41	44	- 1	-14	
Hardware	63	+20	+22	+18	+16	+65	4.2	4.1	58	59	54	56	4	3	+ 7	+12	
Household appliance	100	-12	+10	-29	-26	-40	5.4	4.3	46	57	37	43	9	14	-30	- 5	
Jewelry	59	+ 7	+15	0	+ 7	- 2	3.1	4.8	49	52	14	14	35	38	- 1	+ 9	
Men's clothing	71	+13	+17	+ 6	+ 6	+ 1	6.7	6.4	33	36	31	33	2	3	+15	-11	
Women's apparel	46	+10	+19	+ 1	+ 3	- 7	5.5	5.1	45	49	36	38	9	11	- 1	+ 1	
Total	971	+10	+17	+ 4	+ 7	- 5	5.0	4.8	50	52	34	34	16	18	+ 6	- 8	

¹ Stores reporting inventories and stores reporting accounts receivable are not entirely the same as those reporting sales but the differences are small in almost all cases.

Instalment receivables declined by nearly one-half in 1942, were halved again in 1943, and receded 6 percent further in 1944. The largest declines in instalment receivables since 1941 were reported, as would be expected, by automobile, furniture, and other stores featuring durable consumer goods. Changes during 1944 in instalment receivables showed mixed tendencies. In contrast with the overall decline of 6 percent, instalment receivables of automobile dealers, and hardware and men's clothing stores advanced from 11 to 15 percent. These changes reflected, in the case of automobile dealers, a substantial decline in the volume of instalment paper sold; in the case of hardware and men's clothing stores, an upturn in instalment sales during 1944. Instalment receivables of other businesses declined in that year, in degrees roughly proportionate to the respective declines in instalment sales.

Inventories were reduced in several lines of trade during 1944, continuing, in some instances, a process of liquidation in effect since 1941. In general, the most rapid wartime declines took place in lines where merchandise scarcities could not adequately be met by saleable "victory model" substitutes. Automobile dealers' stocks are a case in point. These declined 48 percent between the end of 1942, the first date for which Twelfth District figures are available, and the end of 1944. Stocks of automobile tire and accessory, furniture, and household appliance stores likewise receded markedly. In other lines of business small declines or even increases were reported over the war period. Businesses in which inventories increased include department, hardware, and jewelry stores. Department store stocks, which are considerably larger than those of any other business classification covered by the Survey, attained a record high in mid-1942, and despite increasingly severe shortages of many standard

items of merchandise, have subsequently remained above prewar levels.

With the exception of hardware and jewelry stores, business firms generally increased their cash holdings in 1944, and all groups increased their holdings of U. S. Government securities substantially. Increased liquidity has been characteristic of most retail operations during the past two years, owing in large part to the freeing of working capital as retailers found themselves unable to replace inventories. In 1944, reductions of cash holdings at hardware and jewelry stores were accompanied by inventory gains.

Notes payable to banks, which had declined sharply in all business classifications in 1943, rose somewhat in 1944 owing entirely to substantial increases at hardware, household appliance, and women's apparel stores. Other current liabilities including trade payables also increased in 1944 after a decline in 1943, but the increase was spread more widely among the various lines.

In the United States as a whole, total consumer credit arising out of retail sales amounted to 2.6 billion dollars at the end of 1944, compared with 5.5 billion at the end of 1941, and an average of 4.3 billion during the five-year period 1936-40. A shrinkage in instalment credit has accounted for the bulk of the contraction in short-term consumer credit since 1941, in large part because of wartime production limitations on automobiles and other durable goods and the restrictions of Regulation W. Although the importance of consumer credit in the national economy is currently much less than before the war, a relaxation of Government controls after the end of hostilities will be conducive to a marked expansion in consumer credit.

Note: More detailed tabulations based upon the 1944 Retail Credit Survey are available upon request.

Changes in Twelfth District Banking Structure—1944

THE number of banks in the Twelfth District declined during 1944 from 534 to 525, but the number of banking offices, including branches and facilities, increased from 1,667 to 1,691. Further expansion of Government security holdings raised total assets of Twelfth District banks to 16 billion dollars at the end of 1944 from 13 billion a year earlier. The number of member banks was reduced from 273 to 270, but member banks held about the same share of total assets at the end of the year, just over 90 percent, that they held in 1943.

During 1944, eight banks, six of which were member banks, were absorbed by other banks and one nonmember institution liquidated voluntarily. Six previously independent nonmember banks in Washington were combined to form a new branch system. Five new banks, all but one in the Pacific Northwest, were established. Three institutions, including one new bank, became members of the Federal Reserve System.

Sixteen branch offices were opened last year, but only four represented additional banking offices, as eleven

branches replaced unit banks, and one branch office was discontinued.

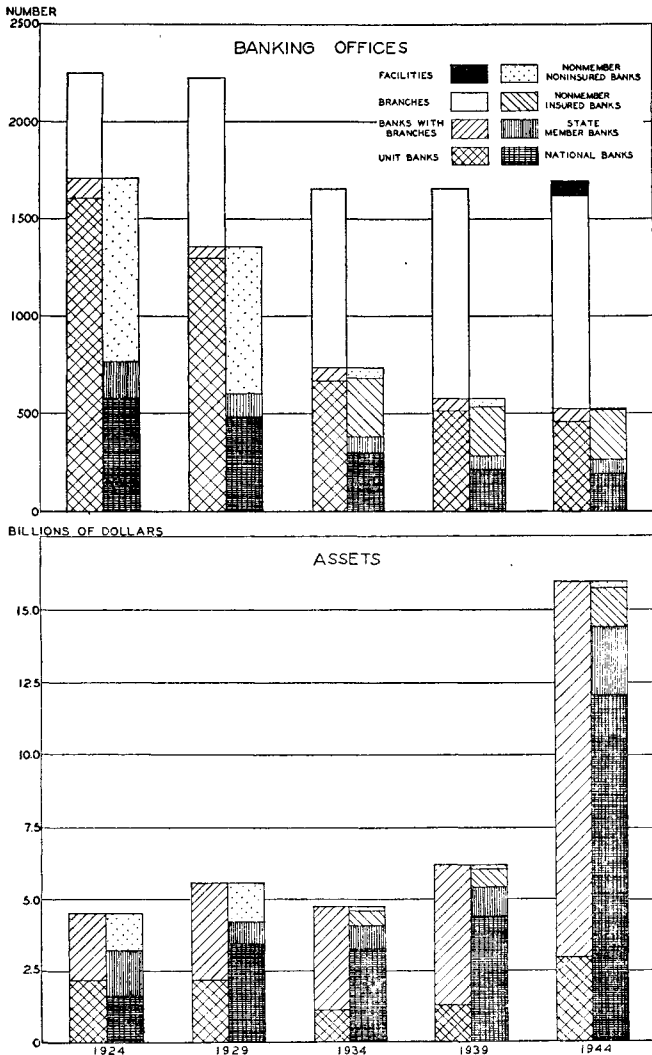
Banking services at military and naval posts in the Twelfth District were further increased. In addition to six branches of District banks at military installations, 73 facilities were in operation at the end of the year, compared with 55 a year earlier. During 1944, 22 facilities were established and four discontinued. The Twelfth District, with its many army and navy establishments, has more such banking offices than any other Federal Reserve District. These facilities, all established in 1943 and 1944, are temporary offices that accept deposits and extend other banking services, such as delivering funds for payrolls, cashing pay checks, providing cashiers' and travelers' checks, and handling United States savings bonds and stamps. Banks operating military banking facilities are permitted to invest, within specific limits, in special 2 percent depositary bonds of the United States redeemable by the Treasury upon short notice at the option of either the depositary bank or the Treasury.

The accompanying chart shows changes over the past 20 years not only in unit and branch banks but also in member, both state and national, and nonmember banks and, in 1934 and subsequent years, in insured and non-

member banks are insured banks. At the year-end, there were 15 noninsured banks in the District and only eight of these accepted deposits.

All but about 20 of all Twelfth District banks accept deposits. Virtually all of those not accepting deposits are trust companies or branch agencies of foreign banks. Of the more than 500 banks accepting deposits, 23 are savings banks, which do not accept demand deposits, and three of these are mutual savings banks located in Oregon and Washington.

NUMBER OF BANKING OFFICES AND TOTAL ASSETS OF BANKS, BY CLASSES—Twelfth District



Year-end figures.

insured banks. Little more than half of all Twelfth District banks are member banks, but they hold nine-tenths of all bank assets. Most nonmember banks as well as all

members of banks accepting demand deposits are of much greater importance here than elsewhere. This is shown by the fact that at the end of 1944 member banks in the Twelfth District had 12 percent of total demand deposits

BRANCH BANKS IN OPERATION—TWELFTH DISTRICT
DECEMBER 31, 1944 AND 1943

	Banks operating branches				Number of branches ¹ operated by			
	Member		Non-member		Member banks		Non-member banks	
	1944	1943	1944	1943	1944	1943	1944	1943
Arizona	2	2	1	1	23	21	4	4
California	16	16	16	16	794	791	41	41
Idaho	6	6	1	1	38	37	2	2
Nevada	3	3	1	1	13	12	1	1
Oregon	2	2	4	4	65	64	4	4
Utah	2	2	3	3	9	9	4	4
Washington	8	8	4	3	87	85	8	3
Twelfth District	39	39	30	29	1,029	1,019	64	59

¹ Not including 73 facilities at war centers in 1944 and 55 in 1943.

In terms of banking structure, there are two principal differences between the Twelfth District and the nation: (1) the much greater importance in this District of branch banking, which is in several instances statewide; and (2) the much lesser importance in this District of savings banks, especially mutual institutions. The District has its share of savings deposits, but savings depart-

BRANCH BANK ASSETS—TWELFTH DISTRICT
DECEMBER 31, 1944 AND 1943
(assets in thousands of dollars)

	Member branch banks		Nonmember branch banks		Branch bank as percent of all bank assets	
	1944	1943	1944	1943	1944	1943
Arizona	212,768	169,371	13,373	10,534	92.5	92.6
California	9,044,755	7,374,706	645,954	562,645	84.5	84.4
Idaho	245,964	187,527	14,466	10,698	73.9	72.7
Nevada	105,800	87,352	5,393	4,184	87.6	86.9
Oregon	953,373	777,236	17,257	12,711	82.1	82.9
Utah	129,418	110,207	10,347	8,274	29.1	29.1
Washington	1,434,373	1,008,844	149,454	117,745	75.4	68.1
Twelfth District	12,126,451	9,715,243	856,244	726,791	81.4	80.4

NUMBER AND ASSETS OF BANKS IN OPERATION—TWELFTH DISTRICT
DECEMBER 31, 1944 AND 1943
(assets in thousands of dollars)

	All banks				Member banks				Nonmember banks				Member bank as percent of all bank assets	
	Number		Assets		Number		Assets		Number		Assets		1944	1943
	1944	1943	1944	1943	1944	1943	1944	1943	1944	1943	1944	1943		
Arizona	8	8	244,481	194,303	5	5	220,053	175,133	3	3	24,428	19,170	90.0	90.1
California ¹	206	208	11,462,715	9,402,031	110	112	10,470,163	8,563,398	96	96	992,552	838,633	91.3	91.1
Idaho	46	47	352,488	272,584	26	26	306,500	235,637	20	21	45,988	36,947	87.0	86.4
Nevada	9	10	126,861	105,295	7	8	119,101	99,104	2	2	7,760	6,191	93.9	94.1
Oregon	71	72	1,182,158	953,050	32	32	1,098,902	887,700	39	40	83,256	65,350	93.0	93.1
Utah	57	57	479,606	407,164	34	34	405,434	345,774	23	23	74,172	61,390	84.5	84.9
Washington	128	132	2,100,764	1,655,189	56	56	1,821,677	1,429,735	72	76	279,087	225,454	86.7	86.4
Twelfth District	525	534	15,949,073	12,989,616	270	273	14,441,830	11,736,481	255	261	1,507,243	1,253,135	90.5	90.4

¹ Includes Portland, Seattle, and Tacoma branches of the Bank of California N. A., San Francisco.

of individuals, partnerships, and corporations in all member banks in the nation, but had more than 20 percent of all member bank time deposits of individuals, partner-

ships, and corporations. The three mutual savings banks held only 1 percent of the national total of deposits in such institutions.

Review of Business Conditions—Twelfth District

Banking and Credit

As the Seventh War Loan Drive opens, the amount of bank deposits and coin and currency in the hands of potential subscribers in the Twelfth District is somewhat above the level at the opening of the Sixth Drive. In spite of this, the greater emphasis, in terms of kinds of securities available and restrictions upon subscriptions, that has been placed upon sales to individuals makes widespread participation necessary if goals are to be met. While the overall District goal is only slightly higher than for the Sixth Drive, the goal for sales to individuals is well above both goals and sales in previous drives.

Banking conditions at the first of the year reflected the conclusion of the Sixth War Loan Drive. Bank loans and investments were at high levels because of the increases during the drive in Government security holdings and in loans for purchasing and carrying Government securities. Demand deposits other than Government and interbank were down appreciably from their pre-drive high, as funds had been shifted from private and state and local government accounts to war loan deposit accounts of the Treasury. Excess reserves of member banks were up somewhat from October and November but did not increase as much as the increase in reserve-free war loan deposit accounts might have indicated, because of the newly-created deposits which resulted from the expansion in bank credit. Primarily because of market purchases of Government securities by the banks, about one-third of the securities sold in the Sixth Drive were, in effect, sold to the banking system, although direct subscriptions of commercial banks for new securities were, as usual, accepted only on a very limited basis.

During the subsequent four months, the usual inter-drive pattern has been followed. Funds have been shifted through Treasury expenditure from war loan deposit to other accounts subject to reserve. By the end of April, demand deposits, exclusive of Government and interbank,

were about where they had been prior to the Sixth War Loan Drive both in the District and in the nation. Currency in circulation has continued to increase steadily so far in 1945, with the exception of the brief periods of post-Christmas and of income tax payment reductions, and time deposits have continued their persistent rise, as little affected by income taxes as by war loan drives.

Total loans and investments of weekly reporting member banks throughout the nation have declined somewhat since the Sixth Drive, although they are well above the pre-Sixth Drive level. Loans for purchasing and carrying Government securities have declined and there has been some shrinkage in total Government security holdings. Bond holdings of reporting banks have continued to rise but have not offset the decline in other issues, especially Treasury bills. On the other hand, Reserve System holdings of Governments have increased in order to meet the increase in required reserves associated with the increase in deposits subject to reserve and to offset the continuing drain of the demand for currency upon reserves.

In the Twelfth District, although there has been some reduction in excess reserves from the first of the year, net Treasury disbursements in the District have provided additional reserves which have eased the pressure of increasing required reserves and the demand for currency. Consequently, while loans have fallen off somewhat, Government security holdings of weekly reporting member banks have been well maintained, and were in fact slightly higher at the end of April than at the end of 1944. There has been, however, a substantial decline over the period in Treasury bills held by reporting banks. Also, although as yet limited to a few banks, borrowings by member banks from the Federal Reserve Bank of San Francisco appeared in recent weeks for the first time in more than a decade, except for a few instances of negligible amounts borrowed for brief periods. Such borrowings averaged 31 million dollars on the last three Wednesdays in April.

Banking and Credit—

Averages of Wednesday figures (millions of dollars)	1945			1944 Mar.
	Mar.	Feb.	Jan.	
Condition items of weekly reporting member banks				
Total loans.....	1,067	- 23	- 48	+ 21
Com'l., ind., & agric. loans.....	501	- 14	- 16	+ 1
Loans to finance transactions in:				
U. S. Government securities.....	59	- 5	- 28	- 4
Other securities.....	53	- 2	- 3	+ 19
Real estate loans.....	296	0	0	- 1
All other loans.....	98	- 2	- 1	+ 5
Total investments.....	5,071	+ 2	+ 10	+973
U. S. Government securities.....	4,700	+ 8	+ 8	+919
All other securities.....	371	- 6	+ 2	+ 54
Adjusted demand deposits.....	3,097	+ 31	+ 47	+531
Time deposits.....	1,762	+ 41	+ 80	+364
United States Government deposits....	826	-111	-204	- 76
Coin and currency in circulation				
Total (changes only).....	-	+ 35	+ 79	+756
Fed. Res. Notes of F. R. B. of S. F....	2,776	+ 33	+ 76	+729
Member bank reserves	1,715	+ 35	+ 64	+326

Distribution and Trade—

Index numbers, 1935-39 daily average=100	With seasonal adjustment				Without seasonal adjustment			
	1945		1944		1945		1944	
	Mar.	Feb.	Jan.	Mar.	Mar.	Feb.	Jan.	Mar.
Department store sales (value)¹								
Twelfth District.....	249	257	247	219	232	217	197	198
Southern California.....	255	260	256	226	242	232	215	209
Northern California.....	233	234	226	201	216	196	182	183
Portland.....	240	256	212	213	220	217	172	191
Western Washington.....	298	305	298	259	270	251	228	225
Eastern Washington and Northern Idaho.....	228	266	247	207	198	186	164	169
Southern Idaho and Utah.....	234	256	238	220	208	193	170	190
Phoenix.....	269	296	283	222	282	269	244	226
Carloadings (number)²								
Total.....	116	136	129	r120	100	112	102	r112
Merchandise and misc..	128	156	146	r130	119	129	123	r121
Other.....	83	111	107	107	77	91	77	100

¹ Revised series. Tabulations of back figures for these and other cities and areas will be made available upon request.

² 1923-25 daily average = 100.

r Revised.

Support Prices for 1945

The War Food Administration has announced the details of price supports during the forthcoming season for all commodities except fruits for drying and canning, which will be announced later after conferences between Government agencies and producers and packers. Support prices for crops grown in 1945 remain in effect through June 30, 1946. The 1945 support prices for livestock and livestock products extend to December 31, 1945, except that for hogs and dairy products the period is extended through March 31, 1946.

There are few differences between this year's price support program and that of 1944. No new commodities are being supported, and none is being dropped from the list of supported commodities. The 1944 wheat and cotton purchase programs do not apply to the 1945 crop, and non-recourse loans on cotton will be reduced from 95 to 92½ percent of parity for 1945. Among the Steagall

**PRICE SUPPORT PROGRAM FOR 1945 PRODUCTION
TWELFTH DISTRICT COMMODITIES**

Basic commodities	
Corn.....	90 percent of parity as of Oct. 1 ¹
Cotton.....	92½ percent of parity as of Aug. 1 ¹
Rice.....	90 percent of parity as of Aug. 1 ¹
Wheat.....	90 percent of parity as of July 1 ¹
Steagall commodities	
Beans, dry	
Cleaned and bagged f.o.b.:	
Lima.....	\$7.75 per cwt.
Pinto.....	\$6.00 per cwt.
Small white.....	\$6.75 per cwt.
Thresher run on farms:	
Pinto.....	\$4.50 per cwt. ¹
Small white.....	\$5.50 per cwt. ¹
Flaxseed	
At Los Angeles and San Francisco.....	\$3.20 per bu.
At Portland.....	\$3.00 per bu.
	Also \$5.00 per acre for flaxseed planted on goal acreage
Peas, dry.....	\$4.50 per cwt. ²
Potatoes	
Early and intermediate areas.....	90 percent of parity as of Jan. 1
California early.....	\$2.20 per cwt. in April
	\$2.05 per cwt. in May and June
	\$1.95 per cwt. in July
Late areas.....	90 percent of parity as of July 1 ¹
Hogs.....	90 percent of parity but not less than \$13.00 per cwt. at Chicago or \$1.75 below local ceiling prices ³
Butterfat.....	Market price plus:
	10c per lb., Jan.-March
	17c per lb., April
	10c per lb., May-June
	13c per lb., July-Sept.
	17c per lb., Oct.-Dec. ⁴
Milk.....	Market price plus: ⁵
	60-80c per cwt., Jan.-April
	25-45c per cwt., May-June
	45-65c per cwt., July-Sept.
	60-80c per cwt., Oct.-Dec. ⁴
Chickens (except broilers and chickens under 3½ pounds).....	90 percent of parity
Eggs	
Candled.....	27c per dozen
Not candled.....	24c per dozen
Turkeys.....	96 percent of parity

Other supported commodities

Barley.....	75-90c per bu. ¹
Fruits for canning and drying.....	Not announced
Grain sorghums.....	\$1.60-\$2.00 per cwt. ¹
Hay and pasture seeds.....	6
Rye.....	75c per bu. ¹
Sugar beets.....	\$12.50 per ton ⁷
Vegetables for canning	
Beans, snap.....	\$85.00 per ton ⁷
Beans, green lima.....	\$95-\$115 per ton ⁷
Beets.....	\$19-\$21 per ton ⁷
Corn, sweet.....	\$18.00 per ton ⁷
Peas, green.....	\$83.50 per ton ⁷ ⁸
Tomatoes.....	\$25.25 per ton ⁷
Wool.....	Ceiling prices less transportation and marketing costs

¹ Non-recourse loans.
² Farm price is this amount less processor's or dealer's margin.
³ Increased from \$12.50 April 11.
⁴ This rate to apply through March 1946.
⁵ Supplementary payments vary by regions. Minimum applies to southern Idaho, maximum to southern California.
⁶ Non-recourse loans at support prices for 40 different seeds and seed mixtures.
⁷ Paid through processor for output of contracted acreage. Single amount is national average; actual support prices vary by areas.
⁸ Peas in pod, \$50-\$65 per ton.

commodities there are also some changes. The support price for hogs was recently increased, and the schedule of supplementary payments for butterfat is considerably higher for the latter half of the year than last year's schedule. The support price for pinto beans when cleaned and bagged is reduced by 50 cents per cwt. and for lima and small white beans the support prices are increased by 25 cents. The loan price on thresher run pintos on the farm is reduced by \$1.00 per cwt. Non-recourse loans on flaxseed are increased by 20 cents per bushel in California and 5 cents per bushel in the Northwest. In addition there is a bonus of \$5 for each acre planted to flaxseed, limited to the acreage goals established by the state and county War Boards. The dry pea support price is drastically reduced in 1945 from \$5.65 to \$4.50 per cwt.¹

¹ The restrictions limiting price support to peas grown on goal acreage have been lifted. Prices for all dry smooth field peas, of designated varieties, will be supported.

Production and Employment—

Index numbers, 1935-39 average=100	With seasonal adjustment			Without seasonal adjustment				
	1945		1944	1945		1944		
	Mar.	Feb.	Jan.	Mar.	Mar.	Feb.	Jan.	Mar.
Industrial production¹								
Lumber.....	127	159	161	148	112	116	115	133
Refined oils ²	—	—	—	—	238	239	233	221
Cement ²	113	138	167	124	114	123	118	124
Wheat flour ²	141	156	160	124	138	156	160	122
Petroleum ²	—	—	—	—	137	136	135	125
Electric power ²	458	459	457	481	427	420	423	448
Factory employment and payrolls³								
Employment								
Twelfth District.....	..	270	274	r299	..	266	268	r297
California.....	301	310	313	r356	300	308	309	r354
Pacific Northwest.....	..	223	231	232	..	218	224	229
Oregon.....	..	196	210	198	..	188	199	196
Washington.....	..	239	243	252	..	236	239	248
Intermountain.....	..	137	132	132	..	124	121	121
Payrolls								
California.....	626	653	664	r719	625	647	653	r717

¹ Daily average.
² 1923-25 average = 100.
³ Excludes fish, fruit, and vegetable canning.
 r Revised.

National Summary of Business Conditions

Released April 25, 1945—Board of Governors of the Federal Reserve System

INDUSTRIAL activity was maintained at a high level in March. Value of retail sales was at a record for this season of the year.

INDUSTRIAL PRODUCTION

Output at factories and mines was maintained in March at the level of the preceding month, which was 236 percent of the 1935-39 average, according to the Board's seasonally adjusted index.

At iron and steel mills production continued to rise and was at about the same level as a year ago. Production of most nonferrous metals also continued to increase in March in response to military needs; zinc shipments rose to a new record level. Lumber production, however, was 12 percent smaller in March than in the same month last year. Output of stone, clay, and glass products was maintained at the February level. In the machinery industries activity showed little change in March. Output of transportation equipment continued to decline owing to further curtailment of operations at shipyards. Aircraft production was maintained at the February rate.

In most nondurable goods industries output showed little change from February to March and was at about the same level as in March 1944. Owing to increased military purchases in recent months, however, supplies available for civilians of such goods as food, textile, leather, and paper products were at the lowest level for the war period. The shortage of carbon black has continued to limit production of essential military and civilian tires and rubber products, but manufacturing facilities are being expanded for output of this critical material. In the chemical industry, production of explosives and small arms ammunition showed less increase than in recent months and output at other chemical plants was maintained at about the February level.

Production of bituminous coal was at a slightly lower rate in March and declined further in the first week of April when wage contract negotiations interrupted mine operations. Output of anthracite increased in March and the early part of April and crude petroleum production was maintained in record volume.

DISTRIBUTION

Department store sales in March showed a further sharp increase and the Board's seasonally adjusted index rose to 224 percent of the 1935-39 average as compared with 212 in February and 200 in January. In the first half of April sales continued large, after allowance for the usual post-Easter decline. Freight carloadings continued to rise in March and the early part of April, reflecting increased shipments of most groups of commodities except coal. In recent weeks, as a result of special efforts to move last year's record wheat crop to market before the 1945 harvest, grain loadings have been in much larger volume than in the same period a year ago. Shipments of ore have also been much greater due to an early opening of the lake shipping season.

COMMODITY PRICES

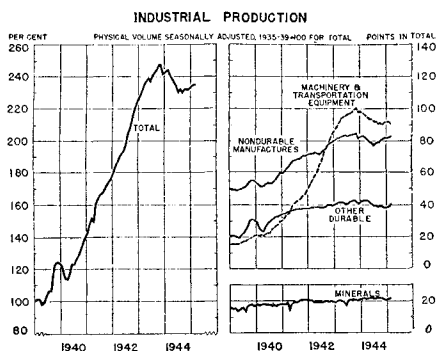
Prices of cotton, livestock, and some other farm products were higher in the third week of April than during March. Wholesale prices of industrial commodities, as a group, have continued to show slight increases in recent weeks.

BANK CREDIT

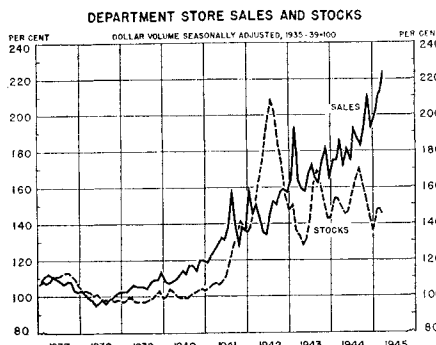
Banking developments during the latter half of March and early April, while following the usual interdrive pattern, were considerably influenced by the large volume of Treasury receipts associated with the March 15 tax date. Adjusted demand deposits at banks in leading cities and currency in circulation both decreased in the latter part of March but resumed their growth in April. The slackened rate of expansion in both deposits and currency was due primarily to tax payments by businesses and individuals.

Required reserves of member banks increased by around 300 million dollars during the five-week period ending April 18. Excess reserves, which were at a temporarily high level in mid-March largely as a result of the reduction of Treasury deposits at the Reserve Banks in anticipation of tax collections, subsequently declined again to less than a billion dollars. An increase in Treasury and other deposits at Federal Reserve Banks in the latter part of March and early April and resumption of the currency outflow caused a drain on Reserve funds which was offset by a further increase of nearly 600 million dollars in Reserve Bank holdings of Government securities.

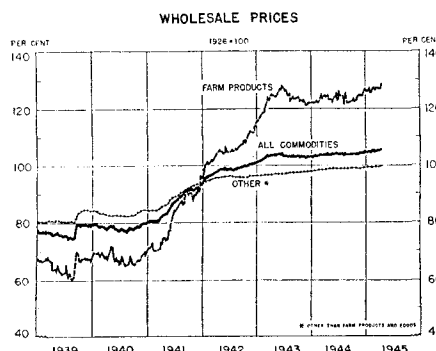
At banks in 101 leading cities, Government security holdings declined during the five weeks ended April 18 by 660 million dollars. Bill holdings were reduced sharply, reflecting to a considerable extent declines in the holdings of Chicago banks associated with the Illinois tax date. Certificate holdings declined generally while bond holdings continued to rise. Loans to others than dealers for purchasing and carrying Government securities were reduced by 180 million dollars and commercial loans declined by 230 million dollars.



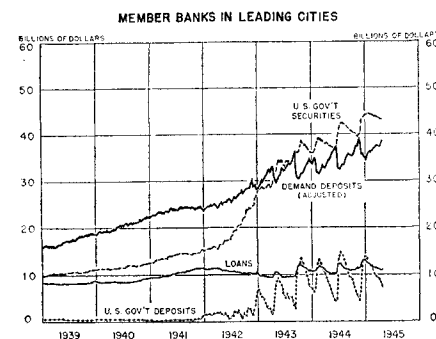
Federal Reserve indexes. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for March.



Federal Reserve indexes. Monthly figures, latest shown are for March.



Bureau of Labor Statistics indexes. Weekly figures, latest shown are for week ending April 14.



Demand deposits (adjusted) exclude U. S. Government and interbank deposits and collection items. Government securities include direct and guaranteed issues. Wednesday figures, latest shown are for April 18.

SEVENTH WAR LOAN
Summary of Information Regarding Securities

Title of security	United States War Savings Bonds SERIES E	United States Savings Bonds SERIES F	United States Savings Bonds SERIES G	Treasury Savings Notes SERIES C	7/8% Treasury Certificates of Indebtedness SERIES E—1946	1 1/2% Treasury Bonds of 1950	2 1/4% Treasury Bonds of 1959-62	2 1/2% Treasury Bonds of 1967-72
Dated	1st day of month in which purchased	1st day of month in which purchased	1st day of month in which purchased	1st day of month in which purchased	June 1, 1945	June 1, 1945	June 1, 1945	June 1, 1945
Due	10 years from issue date	12 years from issue date	12 years from issue date	3 years from issue date	June 1, 1946	December 15, 1950	June 15, 1962	June 15, 1972
Cost price	75% of maturity value	74% of maturity value	100% of maturity value	100%	100% and accrued interest after June 1, 1945 (8)	100% and accrued interest after June 1, 1945 (8) (9)	100% and accrued interest after June 1, 1945 (8) (9)	100% and accrued interest after June 1, 1945 (8) (9)
Yield	Varies—2.90% if held to maturity	Varies—2.53% if held to maturity	Varies—2 1/2% if held to maturity	Varies—1.07% if held to maturity (2)	7/8%	1 1/2%	2 1/4%	2 1/2%
Denominations	\$25 to \$1,000	\$25 to \$10,000	\$100 to \$10,000	\$100 to \$1,000,000	\$1,000 to \$1,000,000	\$500 to \$1,000,000	\$500 to \$1,000,000	\$500 to \$1,000,000
Registration	Registered form only	Registered form only	Registered form only	Inscribed form only	Bearer form only	Bearer or registered form	Bearer or registered form	Bearer or registered form
Redeemable for cash prior to maturity	At holder's option, 60 days from issue date, on variable redemption schedule	At holder's option, on 1st of month following one month's notice, if held for 6 months	At holder's option, on 1st of month following one month's notice, if held for 6 months (1)	At holder's option, after 6 months, at 100% and interest (2)	No	No	At Government's option, on or after June 15, 1959, at 100% and interest	At Government's option, on or after June 15, 1967, at 100% and interest
Acceptable in payment of Federal income, estate or gift taxes prior to maturity	No	No	No	Yes, during and after 2nd calendar month after month of purchase	No	No	Federal estate taxes only, on death of owner	Federal estate taxes only, on death of owner
Use as collateral	No	No	No	For loans from banks only	Yes	Yes	Yes	Yes
Salable in open market	No	No	No	No	Yes, after June 30, 1945	Yes, after June 30, 1945	Yes, after June 30, 1945	Yes, after June 30, 1945
Who may subscribe	Individuals only	All investors (3)	All investors (3)	All investors	All investors (6) (10)	Individuals (6) (7)	All investors (4)	All investors (4)
Amount an eligible investor may buy	Limited to \$5,000 maturity value in one calendar year (5)	Not more than \$100,000 issue price of Series F and G together in one calendar year		No limit	No limit (6)	No limit (6)	No limit	No limit

- (1) On death of owner, redeemable at 100% after 6 months from issue date, if application is made within 6 months after death.
(2) Notes owned by commercial banks bear interest only if used in payment of Federal taxes.
(3) Commercial banks permitted to subscribe for only a limited portion of their savings deposits and certain time certificates of deposit.
(4) Commercial banks will not be permitted to own until within ten years of maturity.
(5) Additional bonds may be purchased in coownership form in certain cases, and also when Series A Bonds are exchanged for Series E Bonds during month in which Series A Bonds mature.

- (6) Commercial banks permitted to subscribe for only a limited portion of their savings deposits and certain time certificates of deposit but may purchase in market after June 30, 1945.
(7) The term "individuals" includes partnerships (other than securities dealers and brokers) and personal trusts. Subscriptions will not be accepted from personal holding companies, corporate trusts, bonus funds, pension funds, or similar aggregations of individuals.
(8) Subscriptions from others than individuals must include accrued interest to June 18, 1945, or such later date as payment is made to a Federal Reserve bank.
(9) Accrued interest on subscriptions for \$500 and \$1,000 will be waived.
(10) Subscriptions will not be accepted from securities dealers and brokers.