

# MONTHLY REVIEW

## of Credit and Business Conditions

### Second Federal Reserve District

Federal Reserve Agent

Federal Reserve Bank, New York

August 1, 1923

#### Business Conditions in the United States

**P**RODUCTION of basic commodities declined in June but employment was maintained at last month's high level, freight shipments were exceptionally large, and the volume of wholesale and retail trade continued heavy. Wholesale prices showed a further decrease.

##### PRODUCTION

The Federal Reserve index of production in basic industries, which makes allowance for seasonal variation, was 4 per cent. lower in June than in May, and stood at about the level of the late winter. Mill consumption of cotton, steel ingot output, and sugar meltings showed particularly large reductions. The value of permits for new buildings and of contracts awarded declined in June more than is usual at that season.

The Department of Agriculture forecasts, on the basis of July 1 condition, a large increase in the cotton crop, a slight reduction in the corn crop, a winter wheat crop of about the same size as last year, and a spring wheat crop which will possibly be about 40,000,000 bushels below 1922.

The number of factory employees at work in June in the country as a whole was about as large as in May, though a reduction is reported by New England establishments. The proportion of factories reporting full time operations decreased and consequently average earnings per employee were smaller. Wage advances

continued to be reported in June, but they were not nearly so numerous as in April or May.

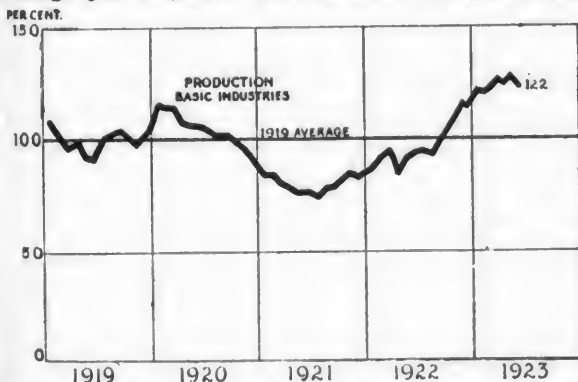
##### TRADE

Distribution of commodities as measured by railroad freight shipments, was active throughout June. The number of cars loaded exceeded one million in each of four successive weeks, and in the week ended June 30 was the largest on record.

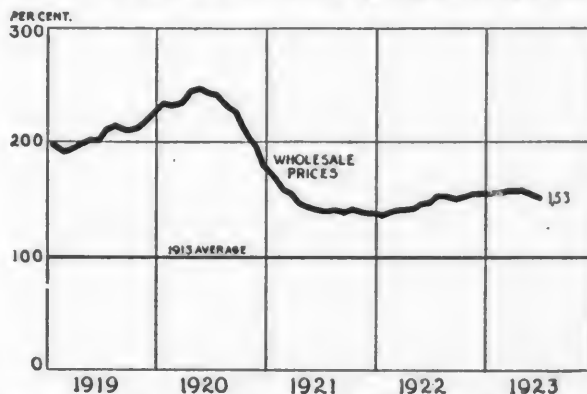
The volume of wholesale and retail trade in June was about the same as in May and continued to be substantially larger than in 1922. Sales of groceries and dry goods were much larger in June and this increase was reflected in an advance of 4 per cent. in the Federal Reserve Board's index of wholesale trade. This index, which makes no allowance for seasonal changes, was 9 per cent. above the June 1922 level. Department store and mail order sales were smaller, as is usual at this season, while sales of reporting chain stores were at about the same high level as in May. Stocks of merchandise at department stores were reduced about 6 per cent.

##### WHOLESALE PRICES

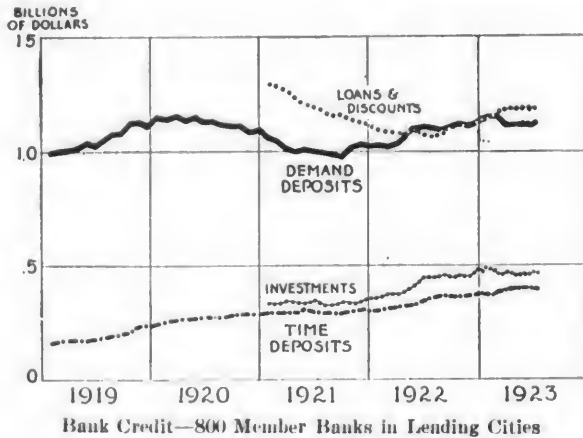
The decline in commodity prices, which began late in April, continued during June and the first two weeks of July. The index of the Bureau of Labor Statistics for June was 2 per cent. less than for May. The largest decline, amounting to 4 per cent., occurred in the prices of building materials, and decreases were shown also for all the other commodity groups, except house



Production in Basic Industries—Combination of 22 Individual Series Corrected for Seasonal Variation (1919 Average = 100 Per cent.)



Index of Wholesale Prices, U. S. Bureau of Labor Statistics (1913 Average = 100 Per cent.)



furnishings which remained unchanged. During the first half of July, price declines were shown for wheat, sugar, petroleum, and lead, while the prices of corn and hides advanced.

#### BANK CREDITS

Banking developments between the middle of June and the middle of July largely reflected the payment of income taxes on June 15, dividend and interest payments at the turn of the half year, the demand for additional currency for the July 4 holiday, and return flow of currency after that date. At the end of the period the volume of member bank and Federal Reserve Bank credit in use was approximately at the same level as a month earlier. At the Federal Reserve Banks the amount of discounts for member banks on July 18 was about \$100,000,000 larger than on June 13, but this increase was practically balanced by a decline in holdings of acceptances and Government securities.

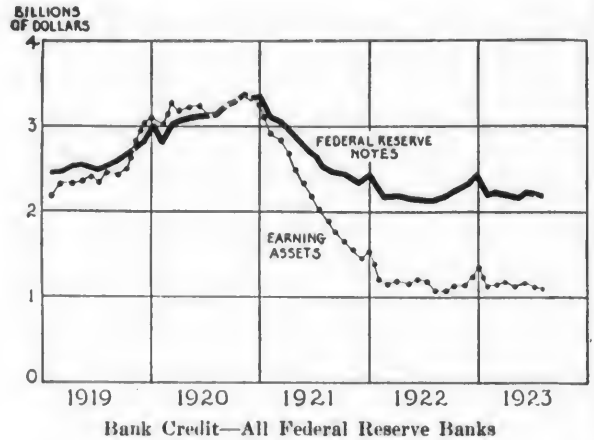
During the month of June gold and gold certificates in circulation increased by over \$40,000,000 and this increase is reflected in a decline of gold held by the Federal Reserve Banks.

Money rates were slightly firmer, as is usual at this season of the year.

#### Banking Conditions, Second District

Requirements for funds in connection with July 1 financial operations, falling more heavily upon New York banks than upon banks in other sections, caused a larger expansion of member bank loans in this district than in other parts of the country. In this district, as for the country as a whole, loans were reduced in the later weeks of July substantially to the levels of June.

Loans of the Federal Reserve Bank of New York to member banks increased \$121,000,000 between June 20 and July 3. In the following two weeks, a reduction of \$74,000,000 left a moderate net advance for the period which reflected partly a movement of funds from this center to the interior. Combined holdings of purchased bills and United States Government issues were substantially unchanged.



The continued smaller volume of trading in the security markets and slightly quieter wholesale buying in some lines resulted in a further slight decrease in the rate of turnover of bank deposits in New York City. The following table shows the rate of turnover of deposits in four cities after allowance has been made for seasonal changes.

(Annual rate of turnover)

City	Jan.	Feb.	Mar.	Apr.	May	June
New York.....	78	85	88	87	81	81
Chicago.....	45	50	47	47	45	46
Boston.....	34	34	39	40	36	36
Buffalo.....	24	26	20	29	27	27

#### Money Market

Money rates became slightly firmer in July than in June, in accordance with the usual seasonal tendency, reflecting a movement of funds from New York to the interior.

The minimum selling rate for prime commercial paper rose from  $4\frac{3}{4}$  and 5 to 5 per cent., while less high grade paper continued to be sold generally at  $5\frac{1}{4}$  per cent. Purchases were chiefly by banks outside of New York City, and dealers' reports showed a slight decrease in the volume of paper outstanding, to \$867,000,000.

In the bill market, some congestion was caused by high call money rates prevailing around the first of the month and dealers' portfolios were increased considerably. Bid and offering rates, however, remained firm at  $4\frac{1}{4}$  and  $4\frac{1}{2}$  per cent. respectively for maturities of 31 to 90 days, and by the middle of the month portfolios were restored to more normal proportions.

There was practically no change in the rates at which Government certificates and notes were offered.

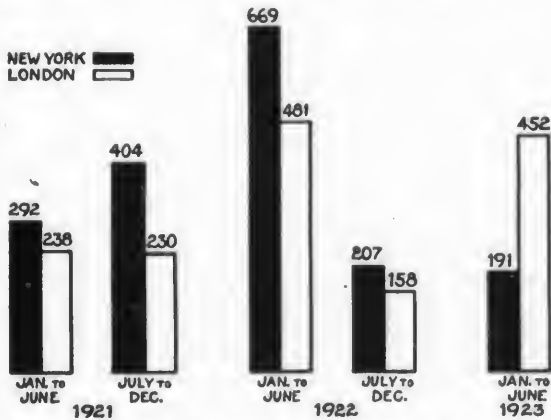
Stock Exchange call money rose to 6 per cent. around the first of July, and though rates later eased somewhat they remained generally firmer than in May and the early part of June. Time loans on stock market collateral, which had been  $4\frac{3}{4}$  to 5 per cent. in June, rose to 5 and  $5\frac{1}{4}$  per cent. by the first of July and maintained these rates later in the month.

**Security Markets**

The stock market became inactive during July. Transactions on several days fell considerably below 500,000 shares, and prices continued to move irregularly near the low levels reached at the end of June. Towards the end of the month prices advanced somewhat.

Trading in bonds was quiet, but prices became slightly firmer. Foreign issues advanced despite weakness in exchange rates. Due largely to general dullness in outstanding bonds, offerings of new securities decreased to approximately the lowest of the year, and dealers were occupied chiefly in distributing unsold portions of the large offerings made during June when the total of new issues amounted to \$425,000,000, the largest in any month since January.

As shown in the following diagram, the volume of new foreign issues sold in this market during the past six months has continued much below the large totals placed here in 1921 and early 1922. Foreign financing in London, on the other hand, increased during the past six months and exceeded issues placed in New York for the first time since the war. A factor in this change has been lower money rates in London than in this market.



Par Value of Foreign Capital Issues Offered in New York and London by Six Months' Periods in Millions of Dollars. (Pounds Converted at Current Rates of Exchange)

**Foreign Exchange**

On July 5, sterling dropped below \$4.55 for the first time this year, but rallied later to \$4.59 as money rates in the Bank of England became firmer following an advance in the Bank of England discount rate from 3 to 4 per cent. Belgian and Italian exchanges declined to new low points for the year, and French francs reached practically the low point touched just after the entrance of troops into the Ruhr. German marks declined an additional 58 per cent. since the middle of June to over 396,000 to the dollar.

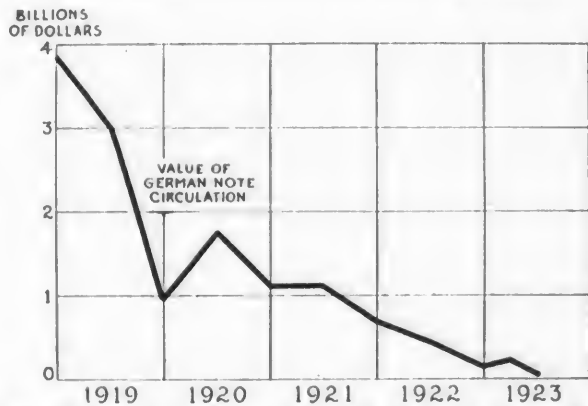
Of four exchanges quoted at, or within 1 per cent. of, par at various times since December 1, only Swedish kronor maintained that position July 20.

**Value of German Mark Circulation**

Since the first of January this year the face value of the total note circulation in Germany has been increased from 1,300 billion marks to 25,000 billion marks, or nearly 20 times. The present outstanding circulation may be compared with about 32 billion marks at the close of the war.

In spite of this increase in the volume of paper money Germany is suffering from a continuously more serious currency shortage, and the reason may be found in the fact, which appears to be in accordance with economic law, that the depreciation in the value of the mark has discounted the future and the mark has lost value faster than new issues could be printed. As a consequence, the value of the total mark circulation, both in exchange for dollars and in domestic purchasing power, which goes closely with exchange value, has declined continuously. In January 1919, the dollar value of the total mark circulation at the current rate of exchange (about 12 cents) was just less than \$4,000,000,000 and at the present time the total value of outstanding circulation is less than \$100,000,000. In 1919 the value of mark circulation in exchange was seven times the \$539,000,000 gold holdings of the Reichsbank, while at the present time the value of the circulation is smaller than the gold reserve in the Reichsbank of \$171,000,000. A note circulation worth less than \$100,000,000 is clearly inadequate for carrying on the business of a great nation.

The decline in the value in dollars of the total circulation of marks is shown in the following diagram.



Value in Dollars at Current Rates of Exchange of the Total Amount of German Paper Marks in Circulation

**Gold Movement**

Imports of gold during June were \$19,434,000 and exports were \$549,000. The excess of imports was \$18,885,000, compared with an excess in May amounting to \$45,332,000.

For the year ended June 30, total gold imports were \$284,090,000 and exports were \$49,022,000, and the import excess was \$235,068,000, as compared with \$440,973,000 during the year ended June 30, 1922.

The following table shows the net receipts of gold from principal countries during the past two years. Imports

from France, Sweden, and Denmark have been much reduced, but imports from the United Kingdom, Germany, and the Netherlands have increased.

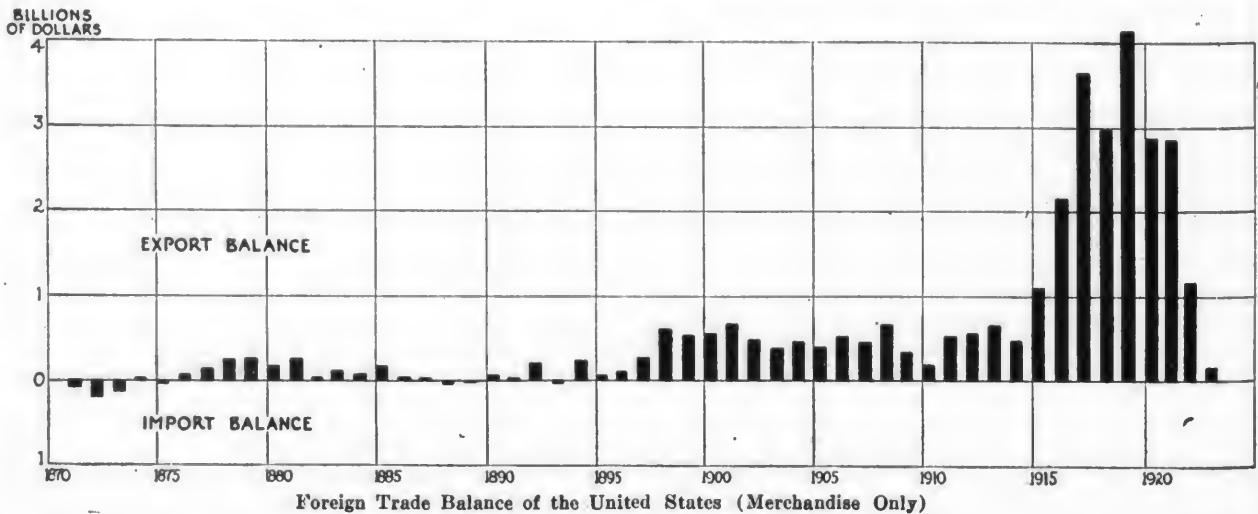
Country	1921-1922	1922-1923
United Kingdom.....	\$124,654,463	\$141,571,186
Germany.....	19,924,893	26,918,284
France.....	120,650,473	19,731,027
Netherlands.....	4,186,976	15,938,122
Canada.....	17,136,059	12,062,876
Colombia.....	9,251,464	4,769,769
Denmark.....	18,924,110	1,115,469
Sweden.....	52,573,285	1,329,788
Other.....	64,671,268	11,631,054
Total.....	\$440,972,991	\$ 235,067,575

**Foreign Trade**

June exports of merchandise, including re-exports, were valued at \$320,054,000 and were little changed from those of several months previous. There was a decline in imports, however, from \$372,545,000 in May to \$320,257,000 in June and the excess of imports, which amounted to \$55,896,000 in May, was reduced to \$203,000 in June.

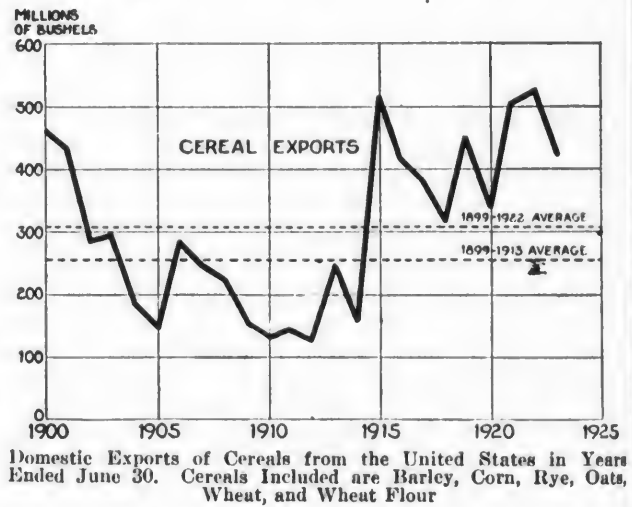
In eight months of the year ended June 30 exports exceeded imports; the largest excesses occurred in October and November and amounted to \$95,000,000 and \$88,000,000, respectively. Imports exceeded exports by \$39,000,000 to \$57,000,000 in March, April, and May. For the year as a whole the excess of exports was but \$175,000,000, the smallest for any fiscal year since 1896, when the excess of exports was \$103,000,000.

The diagram at the foot of this page shows the trade balance of the United States during the past 53 years. The columns above the zero line show favorable balances, while the columns below this line show unfavorable balances. In only 7 of the past 53 years has the balance been unfavorable. The last unfavorable balance was in 1893, when it amounted to \$19,000,000.



**Cereal Exports**

The diagram below illustrates the volume of domestic exports of principal cereals from the United States since 1900, by Government fiscal years ended June 30. Average annual exports of such cereals in the years 1915-1922 were approximately 70 per cent. larger than the pre-war volume. Although such exports decreased 100,000,000 bushels in 1923 they were still 65 per cent. above the pre-war average. Cereal exports in the year ended June 30, 1923, were 8 per cent. of the crop harvested in 1922, which compares with 10 per cent. in 1922, 9 per cent. in 1921, and an average of 7.7 per cent. for the years 1915-1920.



**Commodity Prices**

The index of wholesale prices prepared by the Department of Labor declined 2 per cent. in June to a point 53 per cent. above the 1913 average. The decline was due largely to lower prices of building materials, metals, chemicals, and fuel and lighting. Of the nine groups of



commodities which comprise this index, eight show price recessions and one, household furnishings, remained unchanged.

The latest decline brings this index to the same level as in September 1922. All of the commodity groups making up the index are at present higher than last September, however, with the single exception of the fuel and lighting group, which was high at that time because of the coal strike and has since declined 24 per cent.

The decline in prices of basic commodities has recently been greater than the decline in manufactured and semi-manufactured articles. The Department of Labor index which includes articles of all types is now 4 per cent. below its highest point which was reached in April, while the index of 20 basic commodities prepared by this bank is 8 per cent. below the highest point reached in March. This index has declined 7 per cent. between June 1 and July 21.

Retail prices have moved more slowly and the cost of living index number, maintained by the National Industrial Conference Board, has shown no appreciable decline. Between May 15 and June 15 this index remained practically unchanged, as an increase in food prices offset a decline of about 3 per cent. in the prices of clothing.

Wholesale prices declined generally throughout the world during May and June, except in those countries where the volume of currency in circulation was increased considerably during the period.

### Employment and Wages

Lessened production in June was accompanied by a reduction of about 1 per cent. in the number of workers employed in New York State factories, as reported by the New York State Department of Labor. Confirmation of this tendency is found in reports from employment agencies throughout the State of some increase in the number of persons seeking factory employment. There continues to be a shortage, however, of factory workers, building artisans and laborers, and farm laborers.

Average weekly earnings in representative factories in New York State, were \$27.84 in June, or 21 cents higher than in May. Earnings were higher in all industries except those in which seasonal inactivity reduced working time, and the average was only about 4 per cent. below the maximum of October 1920.

Wage increases in industrial establishments throughout the United States, as reported by the National Industrial Conference Board, totaled 137 in the month ended July 14 compared with 287 in June and 201 in May.

### Production in Basic Industries

Production indexes computed by this bank show decreases during June in ten industries and advances in only two, the copper and automobile industries. The indexes for anthracite coal and petroleum remained unchanged. The principal decreases were in iron and steel, cotton consumption, and sugar meltings. The declines in production, in many cases, accompany lower

prices, smaller advance orders, and some accumulation of stocks.

The aggregate of production of bituminous coal for the first six months of the calendar year was 273,000,000 tons as compared with an average of 228,000,000 tons for the five years, 1919 to 1923. During the second quarter of the year reserve stocks increased about 5,000,000 tons.

Production of crude petroleum in June was larger than the estimated consumption and stocks were increased by about 6,000,000 barrels. Production in the first six months of the year has been more than 25 per cent. greater than in the first half of 1922. Since April 1 the average price of ten major crude oils has declined 24 per cent.

Unfilled orders on the books of the United States Steel Corporation on June 30 were announced as 595,000 tons less than on May 31, and the reduction since March 31 has been 1,000,000 tons. There have also been decreases in the outstanding orders for structural steel as reported by the Structural Steel Society.

Domestic mill consumption of cotton during June was 542,000 bales compared with 621,000 bales in May. A number of the New England mills announced the curtailment of operations to three days a week. Silk mills have also been less active than in previous months.

June production of passenger automobiles was 336,000 cars, a decline of 14,000 cars from May, while the truck output of 40,500 represents a decline of 2,500 from the preceding month, according to reports from 90 passenger car and 80 truck manufacturers to the Department of Commerce. These decreases are less than are usual at this season and this bank's index advanced accordingly.

The following table shows indexes of production computed by this bank in percentages of estimated normal production. Allowance has been made for seasonal variations and year to year growth.

( Estimated Normal=100 Per cent. )

	1920 June	1921 June	1923			
			Mar.	Apr.	May	June
Pig iron.....	111	38	110	114	124	122
Steel ingots.....	118	37	114	115	122	114
Bituminous coal.....	115	85	105	117	114	109
Anthracite coal.....	96	90	112	102	98	98
Copper, U. S. mine.....	94	16	90	89	95	97 <sup>p</sup>
Tin deliveries.....	122	29	110	132	114	92
Petroleum.....	105	106	127	134	139	139
Cotton consumption.....	105	85	107	101	108	96
Wool mill activity*.....	97	99	118	120	113	...
Wheat flour.....	96	104	122	110	113	107
Meat slaughtered.....	119	105	119	116	120	...
Sugar meltings, U. S. ports.....	108	81	132	122	118	79
Wood pulp.....	121	67	100	102	120	...
Paper, total.....	122	72	†	109	114	...
Lumber.....	95	84	136	119	125	...
Tobacco consumption.....	104	92	91	89	93	...
Cement.....	97	100	146	134	133	128
Gasoline.....	105	94	121	115	108	...
Zinc*.....	88	39	85	82	83	75
Leather, sole.....	102	87	108	103	96	93
Automobile production.....	...	...	135	142	150	159

\* Seasonal variation not allowed for. † Not reported for March. <sup>p</sup>Preliminary. <sup>r</sup>Revised.

### Building Construction

There was a further decrease in June in the value of building permits granted in 158 principal cities although the value of permits issued in New York City was larger than the much reduced May figure. The principal de-

creases were in the Central States. The volume of contract awards, which tends to follow the granting of permits by some weeks, has begun to reflect the decline of previous months in building permits. Building contracts awarded in 36 Eastern States in June were 14 per cent. less than in May and were less than in June 1922. For the first six months of the year contract awards were 9 per cent. larger than the high figures of the first half of 1922. The largest increase over last year was in industrial construction.

This bank's index, which compares building permits granted with the amount normally to be expected, declined from 22 per cent. above the estimated normal in May to 14 per cent. above in June. In computing this index, allowance has been made for changes in the cost of construction, for seasonal variation, and for year to year growth of the industry.

Building wages were slightly higher in June than in May, but the cost of building materials was somewhat lower, so that the net result was a slight reduction in the cost of building. This bank's index for May stood at 201 per cent. of the 1913 average cost and for June at 198 per cent.

### Wholesale Trade

The index of wholesale trade prepared by this bank from reports of representative dealers in ten lines shows a decrease in sales of about 3 per cent. between May and June. In this index allowance is made for seasonal variation, price changes, and year to year growth. The latest decrease follows successive decreases in March, April, and May, and brings the index to 100 which is the estimated normal.

Sales of machine tools, jewelry, dry goods, and stationery show the largest increases as compared with June last year, while sales of diamonds decreased to slightly more than half the sales in June a year ago.

A comparison between the dollar value of sales in the first six months of this year with that in the corresponding period of preceding years shows that the dollar value of sales in all reporting lines was 20 per cent. larger than in the first six months of 1922, but was 20 per cent. smaller than in the first six months of 1920. The change from 1920 sales may be largely accounted for by the decrease in prices of the articles sold.

The following table compares June sales with those of other years and sales in the first six months of this year with those of preceding years.

Commodity	DOLLAR SALES, JAN. TO JUNE INCLUSIVE (In percentages)					DOLLAR SALES DURING JUNE (In percentages)				
	1919	1920	1921	1922	1923	1919	1920	1921	1922	1923
Machine Tools...	446	524	172	100	313	328	330	84	100	210
Jewelry.....	195	258	114	100	149	242	228	118	100	135
Diamonds.....	281	218	69	100	137	138	48	29	100	54
Clothing.....	104	133	99	100	126	125	123	106	100	117
(A) Men's.....	92	136	83	100	129	99	149	110	100	114
(B) Women's...	112	130	110	100	124	142	105	102	100	119
Hardware.....	123	153	107	100	126	116	148	99	100	119
Dry Goods.....	92	150	106	100	121	131	164	113	100	138
Shoes.....	149	198	113	100	118	166	116	122	100	111
Stationery.....	108	146	113	100	117	121	176	107	100	130
Drugs.....	93	105	89	100	113	90	101	91	100	106
Groceries.....	126	161	102	100	113	123	179	93	100	106
Total (weighted)	113	151	102	100	120	126	155	101	100	116

### Department Store Business

Sales in June by department stores in this district were 11 per cent. larger than in June 1922. This increase is in a measure accounted for by the usual growth in department store business which amounts to about 8 per cent. a year, together with some increase in prices.

The average sales check increased about 10 per cent. from \$2.43 last year to \$2.68 this year. Part of this increase is ascribed by merchants to higher prices and part to the selection by customers of a somewhat better quality of merchandise.

Twenty-three of the largest stores reported sales by groups of departments. The percentage change in sales in each major classification is shown below. Sales of clothing and furniture were particularly good. Sales of cotton, woolen and silk goods, while above those of last year, did not show such large advances as was the case in May.

	Per cent. Increase in Sales June 8, 1922 to June 1923
Men's and Boys' Wear.....	21.4
Women's and Misses' Ready to Wear.....	20.6
Furniture.....	17.7
Women's and Misses' Ready to Wear Accessories.....	15.1
Shoes.....	12.3
House Furnishings.....	11.8
Hosiery.....	10.0
Cotton Goods.....	9.4
Silk Goods.....	6.7
Woolen Goods.....	5.3
Miscellaneous.....	19.3

During the first six months of the current year sales were 8.1 per cent. above those of the same period last year and about 1 per cent. above those of the first half of 1920, when retail prices reached their maximum.

Sales by principal mail order houses during June were 26 per cent. above those of last June. Sales were larger than those for any previous June and were 2 per cent. above sales in June 1920 when prices were close to their highest point.

Stocks held by department stores on July 1, computed at the selling price, were 5 per cent. above those held one year ago, and as sales have increased to a greater extent, the turnover of stock is more rapid. Between June 1 and July 1 stocks declined about 7 per cent. as is usual at this time of the year.

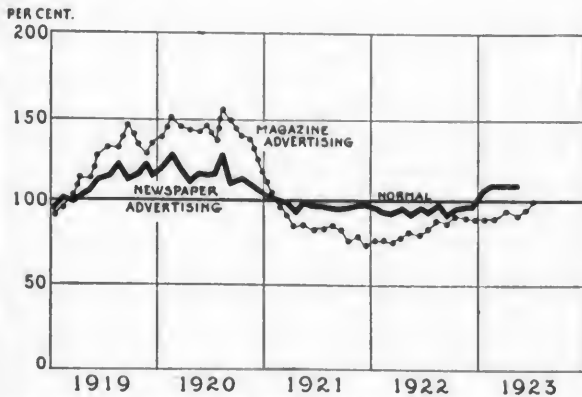
Detailed figures are shown in the following table.

	NET SALES DURING JUNE (In percentages)					STOCK, RETAIL VALUE, JULY 1 (In percentages)				
	1919	1920	1921	1922	1923	1919	1920	1921	1922	1923
All Dept. Stores..	82	106	99	100	111	78	119	99	100	105
New York.....	83	107	98	100	109	78	118	99	100	105
Buffalo.....	83	105	101	100	113	89	119	105	100	104
Newark.....	81	109	104	100	125	85	136	100	100	115
Rochester.....	73	102	105	100	111	86	148	102	100	86
Syracuse.....	85	112	102	100	118	97	150	118	100	104
Bridgeport.....	97	124	107	100	117	83	118	99	100	103
Elsewhere in 2nd District.....	81	103	99	100	109	77	102	102	100	102
Apparel Stores...	79	97	95	100	111	60	100	90	100	111
Mail Order Houses	107	124	91	100	126	**	**	**	**	**

### Advertising

The volume of advertising in newspapers and magazines has long been regarded as an approximate measure of changes in the volume of business activity. The accompanying diagram shows changes in the amount of advertising lineage in 109 newspapers published in 23 cities and in leading magazines since 1919, as compiled by the Editor and Publisher and by Printers Ink and corrected by this bank for seasonal variation and the trend of year to year growth. Current advertising is close to estimated normal, though still below the high figures of 1919 and 1920, which were probably affected by the desire of advertisers to reduce excess profits taxes through large expenditures for publicity.

In the five years shown in the diagram newspaper advertising has fluctuated much less than magazine advertising.



Advertising in Newspapers and Magazines Compared with Estimated Normal. Allowance Is Made for Seasonal Variation and Year to Year Growth

### Indexes of Business Activity

The following table brings together in summary form the index numbers of business activity which this bank has computed. In each case the figures are expressed as percentages of the long time trend, or normal, as shown by the data for past years. Allowance has been made for seasonal fluctuations and, when necessary, for price changes.

(100 Per Cent. = Normal)

	1922		1923					
	June	Jan.	Feb.	Mar.	Apr.	May	June	
Car Loadings.....	97	109	111	112	119	118	113	
Wholesale Trade.....	96	114	119	111	105	103	100	
Postal Receipts.....	103	104	102	105	99	104	102	
Building Permits.....	142	155	170	182	144	122	114	
Exports.....	102	74	79	83	82	83	91	
Imports.....	105	110	105	125	122	130	121p	
Electric Power.....	103	113	115	115	115	117	...	
Newspaper Advertising.....	96	107	110	110	110	110	...	
Magazine Advertising.....	79	89	89	90	94	90	95	
Business Failures.....	131	98	88	103	103	102	101	

p—Preliminary.

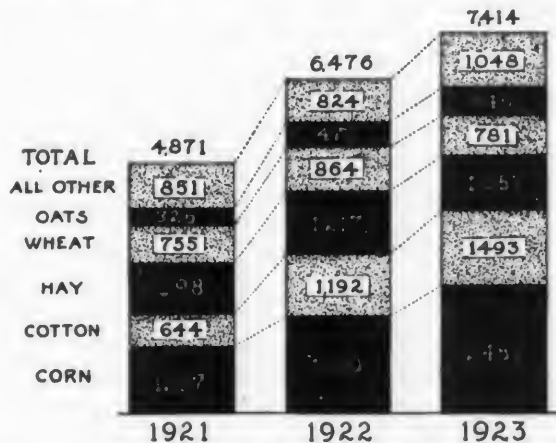
### Crop Conditions

The composite condition of all crops on July 1 was 3.6 per cent. below the ten-year average condition at this season and the indicated production was 3 per cent. lower than last year's final crop, according to reports of the Department of Agriculture. The prospective cotton crop is estimated at 15 per cent. larger than in 1922, due mainly to an increase in acreage. Principal estimated decreases in output are in hay, wheat, and potatoes. The following table compares the July forecasts of yields this year with the final estimates for the 1922 and 1921 crops, and with a five-year average.

(In millions)

Crop	Unit	1916-1920 Average	1921	1922	1923 July forecast
Corn.....	Bushel	2,831	3,069	2,891	2,877
Wheat.....	Bushel	799	815	862	821
Oats.....	Bushel	1,413	1,078	1,201	1,284
Cotton.....	Bales	12	8	10	11
Hay.....	Short ton	85	82	113	99
Tobacco.....	Pound	1,378	1,070	1,325	1,425
Potatoes.....	Bushel	462	460	561	476
Apples.....	Bushel	179	99	201	189

The farm value of the principal crops this year is calculated by the Department of Agriculture, on the basis of July 1 prices and crop estimates, at approximately \$7,400,000,000, or about \$1,000,000,000 more than the amount realized by producers from 1922 crops and \$2,600,000,000 more than from 1921 crops. The diagram below compares the approximate returns of the 1921 and 1922 crops with the present estimated values of the 1923 crops. The increase in value as compared with 1922 is due chiefly to a 24 cent increase in the price of corn and a larger prospective yield and slightly higher price of cotton.



Estimated Value of Principal 1923 Crops at July 1 Prices Compared with Dec. 1 Value of Crops Harvested in 1921 and 1922. (In Millions of Dollars)



## To the Readers of the Monthly Review

**T**HIS bank recently sent to all those who receive the Review directly and not through member banks, an inquiry as to whether they wished to have the sending of the Review continued. Supplementing this inquiry was a request for suggestions from the readers of the Review. In reply a number of interesting questions was raised concerning the policy of the publication and the methods used in its preparation. It therefore seems appropriate to make some statement of the policy of the Review and to deal specifically with some of the questions raised.

### BREVITY

It has been the purpose of the Review to provide a reliable summary of business and finance in as condensed form as is consistent with a reasonable degree of comprehensiveness. It is believed that most of those who receive the Review can give it only a limited amount of attention, and desire a summary of business and financial conditions reduced to the briefest possible form. In pursuance of this policy the Review was reduced in size from a 12 page to an 8 page publication in January this year.

This space limitation involves a careful selection of subjects as well as succinct treatment of the matter which is covered. It means that commodity markets cannot be treated in detail, except as they assume unusual importance. It means a type of presentation which perhaps requires closer attention on the part of the reader than a more discursive treatment. It means the exclusion of large tabulations.

### NATIONAL SUMMARY

To aid the reader in securing a general view of the business situation there was added to the Review about six months ago a brief summary of business conditions in the United States. This summary is prepared jointly by the Federal Reserve Board and the Federal Reserve Banks. It aims to bring together in one article the outstanding events during the month in business and finance. The same summary is published in the Monthly Reviews of all twelve of the Federal Reserve Banks, and is also published by the Federal Reserve Board in the Federal Reserve Bulletin.

### PROPHECY

The requirements of business make it necessary that many business men form in advance some estimate of what future conditions are likely to be, and readers of the Review have frequently requested the publication of a forecast of future business conditions. The first difficulty in the way of attempting such a forecast lies in the uncertainty of the future. Knowledge of the causes of economic and social events is as yet so limited, and the determining factors are so numerous and so subject to change, that prophecies of the business future can be no more than estimates. It has been the aim of the Review to publish no statement, the truth of which cannot be demonstrated beyond reasonable doubt. Statements regarding the future cannot have any such degree of certainty, and any statement of opinion or even implication as to the future course of business is therefore avoided.

### INTERPRETATIVE STATISTICS

While it has not been considered wise to attempt any forecast of business conditions it is the policy of the Review to interpret the meaning of current events as fully as can be done with assurance; to reveal causes

and tendencies as well as to record facts. To this end statistical methods have been used in an attempt to reduce the mass of figures which are currently available in business and finance to more comprehensible form.

For example, the meaning of data for the production of any commodity becomes clear only when we have considered the production figures for previous years, and at the same time have made allowance for the usual seasonal changes, and for the usual growth that takes place from year to year in keeping with the growth of population. For these reasons the figures which are published currently for the production of pig iron, steel, petroleum, etc., have little meaning for the average man because he has not the detailed knowledge to enable him to judge the current production figures in the light of all the necessary qualifications. It is possible, however, by recognized statistical processes to make the necessary allowances before figures are presented to the reader. The reader is thus given a simple comparison between actual production and the production which might reasonably be expected in view of all the circumstances, or what may be called "estimated normal production."

From time to time there are published in the Review the results of long and often complicated statistical studies. Such, for example, are the indexes of production and other aspects of business expressed in terms of normal, which are published currently. Because of the limitations of space it is not possible to give currently in the Review a full explanation of the methods by which the results reported are reached. But for any who are interested it is the policy of the Review to make available further details concerning any computations which are published. Such detailed studies have been published in several cases in the Journal of the American Statistical Association. For example, the June issue of that magazine contains a full discussion of a study of the velocity of bank deposits, which has been reported currently in the Review. Copies of the article are available for distribution in limited quantities.

### SPECIAL ARTICLES

A number of readers have urged the continued publication of special articles dealing with various phases of the operations of the Federal Reserve System, and similar economic studies. Several such studies are now in preparation and will be published from time to time.

### TIME OF PUBLICATION

The Review goes to the printer to be set up about the 25th of the month. That appears at present to be the earliest date when reasonably complete statistics can be secured covering the preceding calendar month. Data concerning production, transportation, employment, prices, wages, etc. are received from thousands of business houses either directly or in summary from Government bureaus, trade associations, etc. The mass of data can only be assembled as the individual business houses are able to complete their own statistics for the month. It is impossible to obtain some of these figures until just before the Review actually goes to press a few days before the end of the month. A publication appearing earlier would be less complete and less reliable. Speed has always been a major aim in the publication of the Review, but it is regarded as less important than accuracy.