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of Ninth District Agricultural and Business Conditions

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SPECIAL ARTICLE

Price Control Has Curbed Wartime Prices

Success Achieved in Price Regulation, as Measured by Comparison with Price Inflation During First World War, Is a Promise of a More Stable Economy

THE policy of controlling prices should pay dividends in the form of greater price stability to postwar business.

Prices, obviously, have not been held to the prewar level. Drastic measures to control prices were not undertaken until some sharp increases had taken place. Furthermore, price ceilings had to be lifted here and there to secure the production and distribution of certain commodities.

From June 1939 to March 1942 prices rose 30 percent, according to the index of wholesale prices compiled by the United States Bureau of Labor Statistics. With the enactment of the General Maximum Price Regulation measure in April 1942, ceilings were placed on the prices of all commodities, with the exception of raw agricultural products, equal to those in effect during March of that year. The maximum prices of raw agricultural products were set at prices prevailing between October 1 and October 15, 1941, insofar as practicable.

A number of exceptions were made to a general ceiling to stimulate maximum production.[1] In the two subsequent measures, the Stabilization Act of October 1942 and the Stabilization Extension Act of June 1944 a number of changes were made in the maximum price ceilings. The prices of all commodities including raw agricultural products were stabilized, so far as practicable, on the basis of the September 1942 price level.[2] Thus, prices had already risen to a high level before the general controls were imposed or became effective. The March 1942 prices were just a fraction under the average for the 9 years from 1921 to 1929.

Since March 1942 prices have risen another 10 percent. Some of the increase resulted from the lifting of ceilings, but most of it is attributable to the rise in the prices of farm products which were not subject to control unless they were at least 100 percent of the parity.

The degree of success achieved in controlling prices during this war can be measured by a comparison with the inflation of prices during the First World War, when conditions causing an upward surge in prices were similar and only selective controls were imposed for about one year and a half. On the accompanying chart, wholesale prices during the first World War are plotted with June 1914 as 100 percent. Wholesale prices during the present war are plotted with June 1939 as 100 percent. A comparison of the two lines reveals clearly the relative stability of prices during the present war.

During the First World War, prices rose a number of points immediately following the declaration of war in Europe. However, by October of that year prices had again receded to their former level. It was not until the fall of 1915 that the upward surge

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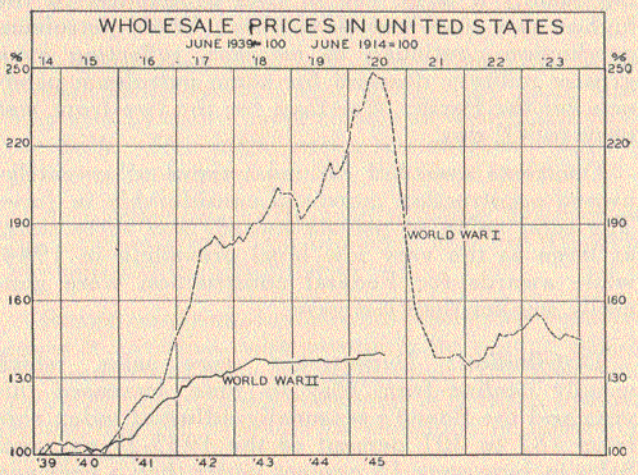

[1] A maximum price could not be established or maintained on raw agricultural products which does not reflect to the producers thereof the highest of the following prices: (1) 110 percentum of the parity or comparable price, adjusted for grade, location, and seasonal differentials, (2) the market price prevailing on October 1, 1941, (3) the market price prevailing on December 15, 1941, (4) the average price for such commodity during the period July 1, 1919, to June 30, 1929, or (5) in the case of milk, the minimum producer price fixed in an order promulgated pursuant to the Agricultural Marketing Agreement Act of 1937 as amended.

[2] A maximum price could not be established or maintained with respect to any agricultural commodity which does not reflect to the producers thereof the highest of (1) the parity or comparable price for the commodity, (2) the highest price received by producers for such commodity between January 1 and September 15, 1942, or (3) with respect to milk, the minimum producer price in an order promulgated pursuant to the Agricultural Marketing Agreement Act of 1937 as amended. The laws, moreover, provide for the mandatory adjustment of maximum prices (1) to reflect increased labor or other costs to producers incurred since January 1, 1941, (2) to correct for gross inequities, (3) to increase production for war purposes and (4) with respect to fresh fruits or vegetables, to make appropriate allowances for substantial reduction in merchantable crop yields, unusual increases in costs of production, and other factors which result from hazards occurring in connection with the production and marketing of such commodities.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, JULY 26, 1945

PRODUCTION and employment at factories declined somewhat further in June, reflecting mainly reduced output of munitions. Value of department store sales in June and the early part of July were considerably above year-ago levels.

Industrial Production: Industrial production declined about 2 percent in June and the Board's seasonally adjusted index was 222 percent of the 1935-39 average as compared with 226 in May and 235 in March of this year.

Reduced activity in munitions industries accounted for most of the decrease. Aircraft production in June was at a daily average rate 5 percent below May. The volume of work done on new ship construction continued to decline, while ship repair activity was maintained at a high level. Total munitions production was about 10 percent below the March level, which was the last month under the full two-front war program. The decline is scheduled to accelerate in July, with over-all munitions output planned at a rate about 15 percent below March.

Steel production in June and the first three weeks of July was down 7 percent from the May level, and was 5 percent below the corresponding period a year ago. Output in the nonferrous metal industries also declined, particularly at fabricating plants, due primarily to the large drop in military demand for most aluminum and copper products.

Production of most nondurable goods showed little change in June. Civilian supplies of some of these goods such as butter and tobacco products have increased in July as a result of reduced military purchases. Distilleries have been permitted to produce beverage alcohol in July. Production of shoes and textile products for civilians is expected to increase by autumn.

Output of minerals rose 5 percent in June, reflecting mainly a large rise in coal production to the highest rate since last November. Crude petroleum production continued to increase, reflecting even greater military demand for some petroleum products for the Pacific War than for the two-front war prior to VE day.

Contracts awarded for most types of privately-owned construction increased considerably in June. The total value of private awards was three times as large as the very low level prevailing in 1944, while awards for Federal construction were generally smaller than last year.

Distribution: Department store sales, which usually decline from May to June, increased this year and the Board's seasonally adjusted index rose from 187 to 201 percent of the 1935-39 average. Sales in June were 15 percent larger than a year ago and in the first half of July were 23 percent larger than in the corresponding period last year.

Freight carloadings were generally maintained in June and the early part of July. Shipments of manufactured products, however, declined somewhat and, allowing for seasonal changes, were about 5 percent below the first quarter average. Loadings of coal in June and the first two weeks of July were above the reduced level prevailing in April and May.

Commodity Prices: Prices of wheat and of fruits and vegetables declined somewhat from the middle of June to the third week of July, reflecting chiefly seasonal increases in supplies. Prices of most other farm products showed little change after reaching a new peak for the wartime period on June 15.

Steel scrap prices, which had declined somewhat in May, increased to ceiling levels in the latter part of June and prices of most other industrial materials were maintained at ceiling levels.

Agriculture: Production prospects for most major crops were generally favorable on July 1. Cotton average reported in cultivation, however, was 10 percent smaller than last year, and prospective corn production this year was indicated on July 1 to be 17 percent smaller than last season's large harvest.

Milk production continued at a record level in June. The number of young chickens on farms has increased rapidly this spring and on July 1 was 11 percent greater than on the same date in 1944. Marketings of cattle and sheep were larger in June than in the same period last year, while the number of hogs marketed continued to be much less than in 1944.

Bank Credit: Reporting member banks in 101 leading cities increased their holdings of U. S. Government securities by 4.5 billions of dollars in the eight weeks ending July 11, which period included the major portion of the Seventh War Loan drive. This amount corresponds closely to increases for comparable periods of the two previous drives. During the Seventh Loan, banks added substantially to their holdings of bills, certificates, and notes, and they have also continued to increase their holdings of bonds.

Loans for purchasing and carrying Government securities extended to customers other than brokers and dealers by weekly reporting banks increased 1.6 billions during the four weeks ended June 27, in contrast to 1.1 billions during the comparable period of the Sixth drive, and 1.3 billions in the Fifth. Loans to brokers and dealers for purchasing or carrying Government securities started increasing somewhat earlier and expanded more than in preceding drives. Both categories of these loans at their peaks were above high points reached in previous drives. Declines in these loans began in July.

AGRICULTURE

Prospects for Small Grain Good, Corn Poor

THE condition of small grain crops in the Northwest continues favorable, although the critical period for many of these crops is in late July and early August. Small grains are in many stages of development throughout the District as a result of a "spread-out" seeding period. Some late fields are still in the shot blade (mid-July) but, in general, they are heading or already headed out.

If the crop materializes according to government estimates, this will be the fifth straight year of excellent wheat crops in the Ninth District.

Oats and barley cutting will not start until about the first week in August and many late spring wheat fields will not be ready to harvest before early September.

Flax is in the bloom except in the extreme north and is progressing satisfactorily except for serious weed conditions in many fields.

The winter wheat crop in Montana and South Dakota, although late, promises to be about a fourth larger compared with last year and more than double the 1934-1943 average. Estimates of spring wheat production are 9 percent below last year's record production but still about double the recent 10-year average.

The Northwest's oat crop promises to be a new high record, 21 percent above last year's high production. The barley crop may be about 10 percent less compared with last year but the barley acreage in our four Northwest states was 16 percent less compared with last year.

Tame hay production is estimated on July 1 as slightly below the last two years but continued cool weather is favorable for a larger production than estimated.

The potato crop in the District is estimated at 93 percent of last year's crop. For the United States as a whole, July 1 conditions indicated a potato crop of 408 million bushels compared with 379 million bushels last year and 375 million for the 10-year average (1934-1943).

Estimates of Crop Production in the Ninth District [1]

(Thousands)

Crop	1943	1944	1945 July 1 Estimate	1945 in percent of 1944
Corn, bu.	342,268	453,060	340,461	75%
Winter Wheat, bu.	26,240	30,411	38,524	127
Spring Wheat, bu.	252,933	265,502	242,008	91
Oats, bu.	328,779	377,205	454,677	121
Flax, bu.	39,688	18,501	28,163	152
Barley, bu.	138,813	117,684	105,529	90
Tame Hay, tons	11,332	10,408	10,085	97
Potatoes, bu.	58,085	45,816	42,769	93

[1] Data derived from United States Department of Agriculture July 1 "Crop Production" report.

CRITICAL period for small grains will be in late July and early August.

Poor corn crop may affect feeder demand, increase culling of dairy herds and poultry flocks — result: less meat and milk in 1946.

Range conditions excellent in most areas.

Farmers' cash income down 10 percent in Ninth, reflects reduced hog and grain marketings.

Prices of farm products at new highs.

Corn crop prospects in the Ninth District are poor this year compared with last year, but July 1 estimates indicate a total corn crop about as large as in 1943 and one about 40 percent above the 1934-1943 average. Continued cool weather since July 1 will probably cause a further downward revision in corn production estimates. Only under the optimum of conditions will a major part of the District's corn crop reach full maturity.

For the United States as a whole, prospective production of corn this year is less than 2.7 billion bushels compared with 3.2 billion bushels in 1944. There just hasn't been much "corn weather" this year. The indicated corn crop for this year, however, is above the level of the years 1937 to 1941 and 10 percent above a recent 10-year average.

The feed situation in the District is definitely adversely affected by the pessimistic corn crop prospects. A corn shortage will undoubtedly cause farmers of the United States to fail to go through with their earlier intentions to farrow 12 percent more sows for fall farrowing. Increasing numbers of sows going to market would indicate this.

A short corn crop will also affect cow herds. Feeder cattle demand will suffer. The dairy herd may also be culled more closely as well as the poultry flock. This might mean less milk and eggs in 1946 and unfinished beef in 1945 and early 1946.

A brighter side of the feed situation, however, is the bumper wheat and oat crop and the excellent hay and pasture conditions.

Range conditions in the Ninth District are reported good to excellent, with prospects for a good supply of summer and early fall range feed. The good condition of ranges in the Northwest is in sharp contrast to the dry and unfavorable condition in Southwest range country.

Cattle and sheep are in good to very good condition after a rather slow start. An abundance of grass in most areas has made possible excellent gains which have more than made up for earlier losses. Movement of cattle to market should start about the usual time, with the bulk of the offerings coming during the months of August through November. Sheep shearing has been late this year but fleece weights have been about normal. The lamb crop is reported good and is said to compare favorably with that of recent years.

Farmers' cash income in the Ninth District for the first four months of the year totaled 543 million dollars compared with 600 million a year earlier and 197 million for the prewar 1935-1939 average. Cash farm income in the Ninth District is about 10 percent below what it was for a comparable period in 1944. For the United States as a whole, farm income in early 1945 was slightly higher compared with a year earlier.

A study of the table below shows that the greatest decline in farm income occurred in Minnesota and South Dakota. In both of these states about a fourth of the total farm income in recent years has come from the sale of hogs. Hog numbers on farms in these states at the beginning of this year were reduced 30 to 40 percent from the previous year. Hog marketings from these two states were exceptionally large in early 1944, but they have been light so far this year, as farmers have tended to build up their herds to consume the large amounts of soft corn.

Stocks of corn, oats, and old wheat on Ninth District farms on July 1 this year were about 40 percent larger compared with a year earlier and about 80 percent larger than they were for the 1934-1943 average. These stocks, together with an excellent small grain harvest in sight and agricultural prices at ceiling levels, indicate another near record year of farm income in 1945.

January-April Cash Farm Income [1]

(Thousands of Dollars)

State	1935-1939 Average	1944	1945	1945 in percent of 1944
Minnesota	$ 102,257	$ 284,416	$ 248,117	87%
North Dakota	23,566	89,379	87,152	98
South Dakota	30,533	108,224	91,853	85
Montana	17,082	54,646	56,136	103
Ninth District[2]	197,371	600,284	543,201	90
United States	2,238,447	6,006,000	6,072,000	101

[1] Data from "The Farm Income Situation," United States Department of Agriculture.

[2] Includes 15 counties in Michigan and 26 counties in Wisconsin.

Prices received by farmers in the Ninth District at mid-June were slightly higher compared with the previous month and with one or two exceptions higher than they were a year earlier. The Department of Agriculture has estimated that agricultural prices are likely to remain at or near current prices for the rest of 1945 and in the early months of 1946. The USDA indicated that the demand for farm products has not slackened even though income payments to individuals have been declining slightly. It was estimated that a moderate reduction in consumer income is unlikely to depress prices of farm products as would normally be expected as long as consumers would take larger quantities of meats, dairy products, and other items at present or higher prices if they were available.

Prices received by farmers on June 14 for agricultural commodities were at a new high since 1920. Agricultural prices were at 206 percent of the 1909-1914 base period. This was a 6-point jump from the previous month and a 13-point increase from June 15, 1944.

The index of prices paid by farmers was unchanged at 173 for the fourth consecutive month, according to data from the Department of Agriculture. Farm product prices in mid-June were 119 percent of parity, which is the highest it has been since June 1943.

Prices received for crops were up 12 points from the mid-May level and substantially above that of a year ago. In contrast to the sharp advance in crop prices, the index for all livestock and livestock products rose only one point from May to June. Poultry and egg prices rose 10 points, reflecting reduced supplies. Crop prices in general, however, are at parity or below, while livestock and livestock product prices are, for the most part, considerably above parity.

Average Prices Received by Farmers [1]

Commodity and Unit	Ninth District June 15 1937-1941 Avg.	Ninth District June 15 1944	Ninth District June 15 1945	Parity Prices[2] United States June 15, 1945
Crops				
Wheat, bushel	$ .76	$ 1.38	$ 1.49	$ 1.53
Corn, bushel	.61	1.01	.97	1.11
Oats, bushel	.30	.71	.59	.69
Potatoes, bushel	.61	1.01	1.75	1.25
Livestock and Livestock Products				
Hogs, 100 lbs.	7.51	12.49	14.02	12.60
Beef Cattle, 100 lbs.	7.30	12.11	12.76	9.38
Veal Calves, 100 lbs.	8.36	13.25	13.65	11.70
Lambs, 100 lbs.	8.00	12.65	12.73	10.20
Wool, lb.	.26	.42	.41	.317
Milk, wholesale, 100 lbs.	1.44	2.62	2.57	2.47
Butterfat, lb.	.29	.52	.52	.417
Chickens, live, lb.	.124	.208	.24	.197
Eggs, dozen	.156	.274	.329	.32

[1] Data compiled from "Agricultural Prices," United States Department of Agriculture.

[2] The term parity as applied to the price of an agricultural commodity is that price which will give to the commodity a purchasing power equivalent to the average purchasing power of the commodity in the base period, 1910-1914.

BANKING

June Call Report Has Assets Up $157 Million

ACCORDING to a preliminary tabulation, total assets of the 468 Ninth District member banks at the time of the June 30 call report amounted to $3,122 million, an increase of $157 million during the first half of the year. Since the call reports at the end of last year and again at the end of June this year came at roughly comparable dates with respect to war loan drives, Government deposits at these banks were in each case quite high, although the balance at the end of June was about $25 million above last December.

Assets and Liabilities of All Ninth District Member Banks, June 30, 1945*

	6/30/45	12/30/45
Assets		
Loan and Discounts	$ 396	$ 408
U. S. Government Securities	1,860	1,724
Other Investments	114	105
Cash and Due from Banks	727	703
Other Assets	25	25
Total Assets	$3,122	$2,965
Liabilities and Capital		
U. S. Government Deposits	$ 482	$ 457
Other Deposits	2,469	2,343
Total Deposits	$2,951	$2,800
Other Liabilities	10	9
Total Capital Funds	162	156
Total Liabilities and Capital	$3,123	$2,965
Number of Banks	468	467

* Preliminary Tabulation.

Other deposits had increased about $127 million during the same period. Major changes in the composition of assets were a decline of $9 million in loans and discounts and increase of $136 million in U. S. Government securities and an increase of $23 million cash and balances due from other banks including reserves held at the Federal Reserve Bank.

TOTAL Seventh War Loan sales in the Ninth District exceeded $600 million. Corporation subscriptions were heavily in excess of quotas.

Banks added $95 million of Government securities to their investment portfolios.

Loan expansion during the month largely arises out of loans for the purpose of carrying Government securities.

Borrowings were completely extinguished.

According to reports by the state chairmen, bond sales in the Ninth District aggregated $632 million during the Seventh War Loan. These sales exceeded the goal of $365 million by 73 percent. In the nation as a whole the gigantic amount of $26.3 billion was sold during the campaign, running ahead of the $14 billion quota by almost 88 percent.

The figures in the table demonstrate that all states in the Ninth District went over the top by a considerable margin. In most states, subscriptions by corporations were three or four times as large as the quotas. On the other hand, subscriptions of individuals, and particularly for Series E Savings Bonds, were somewhat more comparable with the quotas, although in nearly every case the quotas were exceeded by a comfortable margin.

City member banks during the month ending July 11 increased their deposits from $1,399 million to $1,549 million. All of this expansion is accounted for by the large increase in war loan accounts as a result of the Seventh War Loan campaign. In fact, demand deposits other than war loan accounts declined by $46 million, although savings accounts increased slightly.

Borrowings, which a month earlier amounted to $21 million, were completely wiped out by July 11. This presumably results from the easing of reserve

Ninth District Seventh War Loan Sales and Quotas

(In Millions of Dollars)

State	E Bonds Sales	E Bonds Quotas	Other Individual Sales	Other Individual Quotas	Total Individual Sales	Total Individual Quotas	Other Nonbank Sales	Other Nonbank Quotas	Grand Total Sales	Grand Total Quotas
Minnesota	$ 81	$ 80	$ 67	$ 60	$ 148	$ 140	$ 265	$ 84	$ 414	$ 224
Montana	19	16	11	9	31	25	31	10	62	35
North Dakota	21	18.5	8	8	29	26.5	20	7	49	33.5
South Dakota	20	18	9	9	29	27	26	7	56	34
Wis.—9th Dist.*	12	13	9	7.2	21	20.2	17	4	38	24.2
Mich.—9th Dist.	4	6.6	3	2.3	7	8.9	6	4.9	13	13.8
TOTAL—9TH DISTRICT	$ 157	$ 152.1	$ 107	$ 95.5	$ 265	$ 247.6	$ 365	$ 116.9	$ 632	$ 364.5
TOTAL—UNITED STATES	$3,976	$4,000	$4,705	$3,000	$8,681	$7,000	$17,632	$7,000	$26,313	$14,000

(Figures have been rounded and do not necessarily add to totals.)

*Sales to individuals do not include post office sales and allocations not handled through this bank.

requirements as a result of the expansion of war loan balances. Excess reserves increased substantially during the month also.

Assets and Liabilities of Selected Ninth District Member Banks

(In Million Dollars)

Assets	6/13/45	7/11/45	Change
U. S. Treasury bills	$ 21	$ 38	$+ 17
U. S. Treasury Certificates of Indebtedness	169	197	+ 28
Other U. S. Government securities	698	748	+ 50
Total U. S. Government securities	888	983	+ 95
Other investments	47	47	.....
Loans	198	223	+ 25
Cash and due from banks	360	371	+ 11
Miscellaneous assets	16	14	— 2
Total	1509	1638	+ 129
Liabilities			
Deposits of U. S. Government	135	328	+ 193
Deposits of individuals & businesses	861	811	— 50
Other deposits	403	410	+ 7
Total deposits	1399	1549	+ 150
Borrowings	21	0	— 21
Miscellaneous liabilities	7	7	.....
Capital accounts	82	82	.....
Total liabilities and capital	1509	1638	+ 129
Excess reserves	1	.....	.....

Holdings of Government securities rose $95 million, one of the largest monthly increases on record, to a total of $983 million. Treasury bill holdings rose from $21 million to $38 million, presumably from the investment of temporarily excess funds. Holdings of U. S. Treasury certificates of indebtedness increased $28 million, and bond holdings rose to $556 million, an increase of $52 million during the period.

These changes in security holdings would suggest a slight shift into the longer-term, higher-yielding securities on the part of these reporting banks. Cash and due from banks increased moderately to $371 million, indicating a tendency for funds to be transferred either from the country banks to these city banks or from outside the District entirely.

Changes in the loan portfolios of these banks reflect the money-market developments of the Seventh War Loan almost entirely. Loans to brokers and dealers in securities jumped from $15 million on June 13 to $30 million on July 11, most of which were for carrying U. S. Government securities. Commercial, industrial, and agricultural loans and other miscellaneous loans increased only moderately.

Country member bank deposits increased by $64 million during the month and averaged during the last half of June $1,365 million. Time deposits were up $10 million and demand deposits by $54 million. Reserves carried with the Federal Reserve Bank increased slightly, although because of the shift to war loan accounts there was a substantial expansion of excess reserves.

Daily Average Reserve Position for All Ninth District Member Banks for the 15-Day Period Ending June 30, 1945

Type of Bank	Average Reserves Carried (000)	Average Reserves Required (000)	Average Excess Reserves (000)
Reserve City Banks	$159,870	$153,083	$ 6,787
Other City Banks	25,854	21,480	4,374
Total City Banks	185,724	174,563	11,161
Total Country Banks	152,342	113,389	38,953
Total Ninth District—1945	338,066	287,952	50,114
Total Ninth District—1944	298,472	256,769	41,703

PRICE CONTROL (Cont. from Page 241)

of prices began. By August 1917, when controls were imposed, prices had risen 85 percent above the June 1914 level.

During the First World War, price controls of the selective type were imposed from the summer of 1917 to December 1918. Prices of materials basic to the nation's food, fuel, and munitions supply were controlled almost entirely at the manufacturers' and wholesalers' level. In all, 573 commodities were regulated by various governmental agencies. During the period of regulation, prices, in general, rose only 9 percent. The uncontrolled prices continued to rise at the former rate, which accounted for all of the increase. The price controls were effective while they were in force.

From June 1914 to December 1918—a period of 4½ years—prices doubled. From June 1939 to June 1945—a period of 6 years—prices have risen 40 percent. A comparison of these percentages indicates how the inflation of prices has been checked during the present war.

Since the nation has passed the peak of war material production, the trend of prices following the cessation of hostilities during the First World War is now of special interest. As may be observed on the chart, prices receded during the first two months of 1919. Following the signing of the Armistice, purchases of merchandise were reduced in anticipation of a greater quantity of goods appearing in the markets which would drive down prices. When the goods did not immediately appear in the markets in greater quantity, the former rate of purchases was again resumed, driving prices up at a rapid rate. From February 1919 to May 1920 when the peak of price inflation was reached, prices rose 29 percent. If the prices of agricultural products had not started to turn down a few months previously, aggregate prices would have reached a still higher level. At the peak of the inflation, prices were 148 percent above June 1914 prices. About one-third of the total rise in prices occurred after hostilities had ceased.

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BUSINESS

Business Sets Records in First Half of 1945

BUSINESS activity during the first six months of this year exceeded previous levels.

Individual incomes may continue to run relatively high.

June department store sales were 15 percent larger than a year ago.

Freight carloadings declined.

Consumer credit has risen gradually from the low point reached last summer.

BUSINESS activity continues to expand gradually in the Ninth Federal Reserve District, according to the business indicators available at the present time.

An examination of the business indicators for the first six months of this year reveals that a record volume of business was transacted. Bank debits in farming centers over the District reached a record volume during the first quarter; department store sales set a new record during February and March; and total carloadings, excluding miscellaneous, were at a new peak during May.

In the accompanying table is listed the percent change in the indicators for the first six months of this year as compared with those for the same period of a year ago. All but four of them show an increase ranging from 1 to 19 percent. For the six months period a slight decline occurred in Minnesota employment and payrolls, in total carloadings (excluding miscellaneous) and in department store stocks in Minneapolis, St. Paul, Duluth and Superior.

In a comprehensive appraisal of business conditions in the Ninth District, it is necessary to examine the national picture, of which the economy in this District is an integral part. Major changes in business activity occurring in other areas of the nation are transmitted to this area through the nationwide distribution system. At the present time, as more and more firms reconvert to the production of civilian goods, an increasing quantity of merchandise is delivered to the merchants in this District.

The amount of money paid by business and government to individuals (essentially income payments) is a good measure of business activity. As compared with a year ago, income payments to individuals have continued to expand. During the first half of 1944, national income payments were made at an annual rate of 156 billion dollars. Income payments during the first half of this year were made at a rate which would reach 160 or 165 billion dollars by the end of the year. The peak in monthly payments was reached in February with small decreases occurring in the subsequent months.

Percent Change in Northwest Business Indicators

First Six Months, 1945 Compared with First Six Months, 1944

	Percent Change
Bank Debits—93 Cities	+ 2.2
Bank Debits—Farming Centers	+ 6.6
City Dept. Store Sales	+ 15.3
City Dept. Store Stocks[1]	— 3.2
Country Dept. Store Sale	+ 7.8
Country Lumber Sales[1]	+ 1.0
Miscellaneous Carloadings	+ 4.0
Total Carloadings (excl. Misc.)	— 2.0
Farm Prices (Minn.)[1]	+ 2.5
Minnesota Employment[1]	— 3.2
Minnesota Payrolls[1]	— 0.3
Flour Production	+ 19.4

[1] Computation for these series is based on the first five months.

The decline is attributable to the cut-backs in war contracts. The time consumed in reconversion, before the production of civilian goods can be resumed, reduces the aggregate volume of production. In some industries it is necessary to retool the factories. Some raw materials are difficult to secure and skilled labor is still scarce in some areas.

Industrial production reached a peak in February when the index stood at 236 percent of the 1935-39 average. Since that time it has declined in each subsequent month to 227 percent for May.

As the contracts for war materials are completed, more and more war materials will be released for the production of civilian goods. According to the Research department of the Board of Governors of the Federal Reserve System, some of the basic materials, mainly aluminum, copper, and steel will be available in substantially larger quantity in the latter half of this year. Other materials will continue scarce. Tin and many minor metals, textile yarns and fabrics, leather, rubber, chemicals, paper, and lumber will not be available in much larger quantity for civilian products until military operations have been completed in the Pacific.

Even though the cut-backs in war contracts will mount in the coming months and the ensuing reconversion to civilian production will cause temporary unemployment, the income paid to individuals will probably continue at a relatively high level. Federal government expenditures will remain large for some time after hostilities cease in the Pacific. The pent-up demand for civilian goods will cause manufacturers to reconvert to the production of civilian goods as rapidly as conditions permit.

Department store sales continue to exceed those of a year ago. The June sales in the District were 15 percent larger than a year ago. The larger volume of receipts varied with the geographic location. Stores located in Minneapolis, St. Paul, Duluth, and Superior reported an increase of 19 per cent while the stores located in the portion of Wisconsin and Michigan in this District, in South Dakota and in North Dakota reported increases of 6, 7, and 8 percent respectively.

(Continued on Next Page)

The larger receipts are not concentrated in any one department. Sales in small wares and miscellaneous items, especially toys and games, have been somewhat larger than in other departments. The stock available, in a large measure, controls the sales in the various departments.

Freight carloadings declined noticeably during June. Total carloadings, excluding miscellaneous, were at an all-time peak in May. About 31 percent less cars were loaded in June as compared with the previous month. Five percent less miscellaneous freight cars were loaded in June as compared with those in May.

Northwest Business Indexes

Adjusted for Seasonal Variations—1935-1939=100

	June 1945	May 1945	June 1944	June 1943
Bank Debits—93 Cities	237	201	208	176
Bank Debits—Farming Centers	224	207	201	173
City Dept. Store Sales	183	172	153	146
City Dept. Store Stocks	173	163	152	137
Country Dept. Store Sales	162	150	149	143
Country Lumber Sales	110	100	102	128
Miscellaneous Carloadings	114	120	114	109
Total Carloadings (excl. Misc.)	139	203	143	145
Farm Prices—Minn. (unadj.)	185	180	177	178
Employment—Minn. (unadj. 1936=100)	.....	134	143	151
Minnesota Payrolls (unadj. 1936=100)	.....	229	233	228

Sales at Department Stores

	Number of Stores showing Increase	Decrease	% June 1945 of June 1944	% Jan.-June 1945 of Jan.-June 1944
Total District	202	45	115	113
Mpls., St. Paul, Dul.-Sup.	17	5	119	115
Country Stores	185	40	109	108
Minnesota	56	14	110	108
Central	7	2	130	118
Northeastern	3	4	89	96
Red River Valley	5	0	109	107
South Central	16	1	121	111
Southeastern	10	4	108	106
Southwestern	15	3	106	107
Montana	23	4	114	112
Mountains	11	0	115	113
Plains	12	4	114	111
North Dakota	45	4	108	110
North Central	10	0	97	97
Northwestern	5	0	109	111
Red River Valley	16	1	111	115
Southeastern	12	3	108	108
Southwestern	*	*	.....	.....
Red River Valley—Minnesota & North Dak.	21	1	111	114
South Dakota	16	7	107	111
Southeastern	4	1	109	110
Other Eastern	7	4	106	113
Western	5	2	105	108
Wisconsin & Michigan	45	11	106	102
Northern Wisconsin	12	3	105	103
West Central Wis.	26	5	104	102
Upper Peninsula Mich.	7	3	110	103

* Not shown, but included in totals. Insufficient number reporting.

The Shippers' Advisory Board for the Northwest District estimated a slight decline of 0.2 of one percent in carloadings for the third quarter of this year as compared with the actual loadings for the same quarter in 1944. A decline was anticipated in the shipments of livestock, poultry and dairy products, rough feeds, and iron ore. On the other hand, an increase was expected in the shipment of grains.

Consumer Credit has risen gradually from the low level reached in the early summer of 1944.

The instalment credit outstanding in commercial banks at the end of June was 10.2 percent larger than a year ago. A considerable share of the additional paper was purchased during the year. Twenty-three percent more retail instalment paper purchased was outstanding at the end of June. Direct retail instalment loans outstanding increased 17 percent. The amount of repair and modernization loans remained at the June 1944 level. Personal instalment cash loans outstanding increased 15 percent.

The amount of loans outstanding in federal and state credit unions, small loan companies, and industrial loan companies reveal a similar trend during the course of the year ending June 30.

Consumer credit outstanding in all lending institutions was approximately 3 percent larger at the end of June as compared with the amount outstanding at the end of May.

PRICE CONTROL (Cont. from Page 246)

Following the replacement boom of business, recession set in. During the recession, price deflation was even sharper than the former inflation. From May 1920 to June 1921—a period of 13 months—prices fell from 148 percent to 39 percent above June 1914 prices.

After business had adjusted to the tremendous price upheaval, the demand for goods in 1922 again expanded industrial production to the prewar level. Prices rose and levelled off approximately at 45 percent above the prewar level.

Price controls face two great obstacles. Black markets have sprung up where prices are many times higher than in the regular channels of trade. If these markets can be suppressed sufficiently so they will not disrupt the regular distribution system and force the relaxation of price controls, such markets will have only the temporary effect of distributing scarce commodities to some individuals at exorbitant prices. As soon as the supply of civilian goods catches up with the demand, such markets will disappear, for they operate only on a wide margin of profit.

A second obstacle arises out of reconversion. As industry reconverts to the production of civilian goods, a large number of manufacturers seek price adjustments on their finished products. In many instances, the cost of raw materials and of labor apparently have risen by an amount that precludes the manufacture of products at 1942 prices. Techniques must be improvised to allow legitimate price increases so the production of civilian goods will be resumed as rapidly as possible.