

Financial Situation Survey by National City Bank, New York

Effect of Currency Hoarding and Gold Exports

General Business Conditions

The program of the federal reserve banks of buying large amounts of government securities in the open market for the purpose of adding to the supply of loanable funds and checking the deflation of credit has been carried forward with vigor during the past month.

In view of the magnitude of these operations it is perhaps inevitable that they should be labeled inflationary by many people in this country as well as abroad.

The Period Before Credit Crisis Until the middle of 1931, there could be no complaint as to the adequacy of the volume of bank credit available for business.

With the volume of bank reserves maintained at a fairly constant level, there was naturally a similar stability in the volume of bank credit outstanding to the public.

Table with columns: Weekly Reporting Member Banks (In millions of dollars), Sept. 4, 1931, July 1, 1931, Change. Rows include Loans on securities, all other, Investments, Total loans & investments, Deposits.

Effects of Currency Hoarding and Gold Exports

Beginning after the middle of 1931, however, the situation changed. A new set of factors was introduced into the monetary sphere which radically altered the relationship between banks and business.

VIEW ON ADAMS AVENUE



Here is a view of the business buildings on the north side of Adams Avenue between Greenwood and Fir streets.

Airplane View of the City of La Grande



Tradition says that many, many years ago an adventurous Frenchman, traveler of Eastern Oregon and gazed with rapture upon a valley of great size, and nothing more spoke the weary traveler. This is the legend co-

Henry Ford on "Self-Help"

My views of how people can best be helped are not new. The present period has only brought them into intensive application.

No unemployment insurance can be compared to an alliance between a man and a plot of land. With one foot in industry and another foot in the land, human society is firmly balanced against most economic uncertainties.

Methods of self-help are numerous and great numbers of people have made the stimulating discovery that they need not depend on employers to find work for them—they can find work for themselves.

by a reduction of \$4,188,000,000 in deposits. In this tremendous shrinkage of bank credit alone there is enough to explain the insupportable confusion existing everywhere in industry and the misfortunes inflicted upon millions of people.

For a good many bankers living far from the centers immediately affected by gold exports and in communities not affected by currency hoarding the foregoing explanation of the decline of deposits may appear somewhat theoretical and hardly applicable to the situation locally.

The situation in February 1932 Such was the burden of deflation against which business was being forced to contend in February of this year when the reserve banks, their open market powers broadened by the Glass-Steagall bill, began to put credit into the market through the purchase of government issues.

Nor was the pressure of this deflation over in February. It is true we use for the service of physical life. The land has not collapsed or shrunk in either extent or productivity.

small sums and operate them on the co-operative plan. Employed men, in groups of ten, twenty or fifty, could rent farms and operate them with several unemployed families.

I do not urge this solely or primarily on the ground of need. It is a definite step to the restoration of normal business activity.

When I suggested this last year and enabled our own people to make the experiment, the critics said that it would mean competition with the farmer. If that were true it would constitute a serious defect in the plan.

that, thanks to the activities of the reconstruction finance corporation, the number of bank failures was being sharply cut down, so that currency hoarding was no longer increasing and some money was being given to come back to the banks.

Oregon State Motor Association Urges Use of Their Facilities

The La Grande branch office of the Oregon State Motor Association is located in the chamber of commerce office at Adams and Chestnut.

The means by which the reserve banks have set about making their policies effective is the purchase of government securities in the open market. It is of interest to see to what extent the objectives of federal reserve policy have been attained.

Reduction of Member Bank Indebtedness In the following table we show the weekly changes in reserve bank credit by principal items since Feb. 24 when the buying of government securities was commenced.

Table: Federal Reserve Bank Credit Outstanding (In millions of dollars). Columns: U.S. Gov. Securities, Total Reserve. Rows: Feb. 24, Mar. 2, Apr. 6, Apr. 13, Apr. 20, May 4, May 11, May 18.

It will be seen that the purchases of governments were at first carried on gradually until the week of April 13 when the rate of acquisition was stepped up to around \$100,000,000 for several weeks.

La Grande Retail, Wholesale Stores Are Well Stocked

Large Trading Area Is Served by Local Business Houses

Prices Generally Lower

That La Grande is truly the metropolitan center of Eastern Oregon is shown in the large area served by the local business houses. Prices are generally low and compare very favorably with other cities of the same size as La Grande in the state of Oregon.

The wholesale business in La Grande, of course, covers a larger trading area than the retail stores, all of the wholesale houses here serving the entire Union and Wallawa counties.

Although some articles produced by the wholesale business here go as far east as the Idaho state line and as far west as Pendleton, the bulk of the production is used in Union and Wallawa counties, serving some 25 towns.

Automobiles, which were responsible for road improvement, have been another important factor in the increasing of La Grande's trade area.

The same is true of the numerous Union county towns, good roads making La Grande easily accessible from all directions and, being the county seat of Union county, and the trade center, a large amount of trading is done here.

People from Pendleton and other Umatilla county points, also from Baker and as far east as Huntington and Ontario, shop in La Grande. Many who are familiar with the stores here and are living in other sections of Eastern Oregon order by mail, when it is inconvenient for them to come to La Grande.

A survey of prices in La Grande and the fact that the trade area has increased from year to year clearly shows that La Grande is not a high-priced town.

Comparisons show that prices in La Grande are practically the same as prices in other towns the same size as La Grande in Oregon and that in some cases they are lower.

It is not a question of selling land, or of rents. Those who have the land must offer it to those who will use it. We ourselves shall farm large tracts of land, not for profit, but in experimental search for new market outlets for the farmer.

In the larger cities, however, such as Portland, where buying is done on a larger scale the price range also differs. Quality goods are sold at a higher price in the larger cities. It is said. Many of the standard makes of clothes which would sell for \$35 in La Grande will receive from \$40 to \$45 in Portland, and increase of from \$5 to \$10.

In the large city the store in which the goods are sold effects the prices. In most cases, the more exclusive shops being able to sell for a bigger price than the general stores. This is not true of the smaller cities the size of La Grande and the price is found to be always the same.

Some standard makes of goods, however, are sold for the same price all over the United States, the price being arranged by the manufacturer. This is especially true of some makes of hats, shoes, men's sox and shirts.

The Burgess Battery and Electric are agents for a well known battery and are an authorized light testing station.

This is also true of chain clothing and general stores, such as the J. C. Penney company store and others in this class.

The same grade article can be bought in this type of chain store in La Grande for the same price as it can be purchased in Portland, Chicago or any other larger city.

This is not true of grocery stores, however, where the community market and the shipping distance are important factors in arranging the price.

The best grades of merchandise are to be had here, as well as the cheaper grades, so that it is not necessary for La Grande people to go outside of the city to find just the quality desired, and with the price of the better qualities often less than in the city there is no real advantage of going to the city to shop, it is said.

This is the section on the north side of Adams Avenue between Fourth and Chestnut streets.

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