



MONTHLY REVIEW

OF

Business and Industrial Conditions in the New England District

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FEDERAL RESERVE BANK OF BOSTON

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General business conditions in the New England district continue to reflect unprecedented prosperity as defined in terms of high wages and purchasing power, high prices, complete full time employment in all lines of industry for all available able-bodied labor, skilled and unskilled, orders booked by manufacturers in some cases far into 1920, projected plans for expansion of plants and equipment which in some cases are already taking the form of actual building construction, and the absence of serious or widespread dislocation of working relationship between employer and employee in any of the great basic industries; on the other hand, that industrial unrest lies very close to the surface is apparent since it is impossible that any portion of the country can be wholly unaffected by such events as the steel strike, the threatened coal strike and uncertainty as to whether the industrial conference at Washington will have a hopeful and constructive outcome. The really serious aspect of the situation is under-production, just at a time when factors which are beyond the possibility of being changed have contributed to decrease the supply of the world's goods below the demands of healthy consumption, the only remedy for which lies in the abandonment of attempts to further curtail the present limitations of the working day and the putting of every ounce of productive energy into that day, and, wherever possible, the extension of the aggregate working time within reasonable limitations. It is gratifying to note from our reports that the wage-earners in New England industries appear to be gradually acquiring a clearer appreciation of the fact that living costs cannot possibly drop unless and until production begins to catch up with the world's commodity requirements.

Labor Everywhere throughout New England with only occasional exceptions, mills and factories are reported running on full time and as a rule, to capacity, with a slowing down, at least in the strictly industrial field, of insistent demands for higher

wages and shorter hours. Whether this condition is due to mere considerations of expediency and is therefore to be counted upon as only temporary, or whether it may properly be attributed to an increasing and genuine appreciation by wage earners that strikes whether won or lost, and even if won, when called for the purpose of enforcing shorter hours, only mean still further curtailed production and increasing prices, thereby rendering more acute instead of helping to solve the cost of living problem, may be a matter of speculation. While, therefore, manufacturers may well feel justified in proceeding cautiously, there would seem to be elements in the situation to warrant a fairly optimistic attitude for at least some months to come. Testimony from employers and commercial organizations as to the scarcity of labor, both skilled and unskilled, is borne out by the records of the Public Employment Offices, though in some cases employers have been affected disadvantageously by virtue of workmen being lured away from this district by offers of higher wages in distant states than local employers are evidently willing to pay.

Money The condition of the money market remains unchanged with rates not reflecting the erratic conditions in the New York market. Call and time money are both 6 per cent. for new loans and renewals. Commercial paper ranges from 5 per cent. to 6 per cent., the low rate being only for very choice names. Prime bankers' acceptances, ninety days, $4\frac{3}{16}$ per cent. endorsed and $4\frac{5}{16}$ per cent. unendorsed. Outlying district banks are able to take care of the local demands but are having frequent recourse to the Federal Reserve Bank.

General Retail Trade Retail trade continues active and merchants are prosperous, reflecting the condition of their customers, the reports from many quarters indicating apparently no slackening in the buying of either necessities or luxuries. Volume of business is reported as showing an increase, not only in amount as reflected in selling prices, but in the number of transactions.

The latter is not, however, proportionately as great as the former, *i. e.*, increased business when measured in terms of money does not because of the steady rise in prices necessarily mean an increase in transactions. There has been a widespread impression that the people in general have been in recent months disposed to extraordinary extravagance, and numerous incidents within almost every one's experience, many of which find their way into print, are constantly cited to support this belief. There is, on the other hand, evidence that such cases are exceptional; indeed, the number of persons who positively refuse to pay for goods with respect to which they can exercise discretion in buying more than a fixed figure, which they deem consistent with their means or necessary to adhere to in view of the cost of other items which enter into the family budget and over which they have no control, is reported by some of the larger stores to be apparently increasing. In the meantime retailers continue to experience difficulty in getting deliveries of goods in season for consumption, a circumstance making for continued high and in some lines still higher prices, though merchants prefer to be optimistic in the belief that in general prices have reached the peak.

Wool and Woollen Goods

Wool dealers report the market, while in general still marking time, to be gradually showing increased activity. No relief from the shortage in the finer goods is yet in evidence, with resulting buoyancy in prices. There is considerable speculation as to the effect upon this situation of the offering here, probably early in the new year, of 50,000 bales of Australian wool by the British government, it being generally assumed that this will take place notwithstanding the opposition of the growers which has been very vigorous, and the opening of the London sales to American competition. Some dealers sympathize with the growers in the view that the movement to bring about this sale reflects a short-sighted policy inasmuch as the argument made in its behalf for the benefit of the manufacturers, and presumably for the consuming public, might be advanced with equal force with respect to furnishing an outlet for surplus stocks of other materials accumulated by Great Britain, it being contended that a reactionary effect upon American industry might result which would in the long run offset immediate advantages; other dealers are inclined to look upon the situation more philosophically, taking the ground that the demand for fine goods is so great that it will readily absorb the best grades of wool, which they believe will form the bulk

of the Australian shipment. In the meantime the auctions of our own government supply, chiefly of the medium and coarse grades, are scheduled to come off next month and their possible effect upon the offering of the British stock is a matter of some speculative interest.

Cotton and Cotton Goods

The falling off both in quantity and quality in this year's cotton crop, due to unfavorable weather conditions which have prevailed over much of the cotton growing section of the South, together with the high cost of labor and the fact that the supply of last year's crop which was carried over was largely of the coarser grades, has resulted in such extraordinary prices for the choice qualities as to cause a marked reaction in buying activity; indeed, buyers themselves, while eager to take whatever the mills are able to offer in the way of fine goods at the prices hitherto prevailing, are reported as balking when confronted with the advances in the price of cloth they would find it necessary to pay to meet the sudden rise in the price of the raw material. Thus a situation has been created in the fine goods market which may be expected to cause a reaction to set in, or, at any rate, to reconcile the consumer to accepting the less expensive grades. Manufacturers of goods for household use are sold 60 to 90 days ahead, but are by no means running in all cases to capacity, being apparently reluctant with few exceptions to take orders for delivery very far into the new year because of uncertainty as to prices and labor conditions. The situation as respects the market for coarser grades such as are used for ducking, automobile tops, hose, etc., is somewhat different, customers of the mills for this class of goods being not so dependent upon market fluctuations in the price of raw cotton in making sales to supply the demands of current trade, and therefore willing to make contracts with the manufacturers for monthly deliveries for many months in advance on the basis of the cost of cotton at the time of delivery. Mills having or able to install the equipment to handle orders of this kind are accordingly willing to book orders for practically an indefinite period in advance and there are instances of this being done far into 1920.

Leather and Shoes

Continued prosperity dominates all branches of the allied shoe and leather trades from hides to shoes, a condition equally true of the related industries, such as the manufacture of shoe machinery, lasts, tanning materials, and shoe findings. Some of the largest concerns in the United States have reached a point where it

will be impossible for them to accept additional orders for five or six months, and an actual shortage of footwear, although perhaps it will not be acute, is a possibility since the shortened hours of labor are beginning to show their effect in reduced production,—estimated by one manufacturer as at least 10 per cent.,—a factor likely to contribute permanently to a much higher average in shoe prices than formerly. The upward tendency in hide and leather prices has been somewhat checked, but at the present time these commodities remain on a strong basis. In the meantime shoe prices, always six months or so removed from leather quotations of the moment, have continued to advance. The present checking of leather values, however, gives some ground for the hope that the "peak" in shoe prices will be reached by the mid-summer of 1920. Extensions to existing plants are being made in some quarters, and the example set by those who have had the courage to take the initiative in this respect will probably be followed by other concerns as soon as they are better able to forecast economic conditions. The export trade in both leather and shoes is still averaging large totals, despite the discouraging condition of international exchange, and we are now sending out footwear to some seventy-five foreign countries, one of the most important of our customers at this moment being Cuba. Certain prominent concerns are making ambitious plans for foreign trade after conditions are stabilized, and one of the largest New England companies has recently organized subsidiary British and French corporations to simplify the distribution of its products throughout Northern Europe.

Lumber and Building

The situation as to lumber and building operations remains substantially the same as a month ago. There is some isolated activity in house building, but nothing indicative of a "boom" anywhere, notwithstanding the widespread demand for living accommodations,—a condition due not so much to a shortage in the supply of lumber and other building materials as to lack of labor and the unwillingness of available labor to work the normal hours of the pre-war period, although it is admitted that the current demand for hard wood for interior finish is quite equal to the supply, and that if contractors were suddenly faced with widespread activity in dwelling house and hotel building they would be embarrassed in meeting their requirements for the finer grades of lumber for this purpose. Such activity as is reported in this field continues to be confined very largely to factory expansion and the construction, immediately or definitely

in prospect, by large corporations, of homes for their employees. The lumber trade is constantly hearing of projects in the latter field which are opening up to it an entirely new outlet such as scarcely existed before the war, due to the stimulus furnished by the construction work of the shipping board and the government housing corporation, together with the increasing conviction of concerns employing large numbers of men that the housing problem must be met by them as a permanent incident of operation. Furniture manufacturers using chiefly hard woods are sharing in the contemporary prosperity, feeling to a very appreciable degree the reaction from the period of war-time economy. A strong undercurrent of optimism, therefore, pervades the lumber trade in all its branches, not only with regard to present conditions, backward as they still are in some respects, but in anticipation of what is believed to be inevitable activity in the not distant future.

Crops The outlook for the three leading New England crops,—apples, potatoes and tobacco,—has improved somewhat for apples, but is not quite so good for potatoes and tobacco as was reported last month, though the tobacco yield still promises to exceed that of last year by about 6,000,000 pounds, being estimated at 58,447,000 pounds, a slight reduction from the September forecast due to the excessive dampness during the month which affected the curing process. The potato crop for the New England district is now estimated at 32,473,000 bushels or somewhat over a million bushels less than the estimate a month ago, the warm rainy September causing the crop generally outside of Maine and in some parts of that State, to rot badly. The Aroostook crop has apparently thus far escaped damage, the yield for the county being figured now at 19,000,000 bushels, and the crop for the whole State of Maine at 21,812,000. New England's commercial apple crop is now estimated at 1,406,000 barrels, an increase of about 40,000 barrels over last month's estimate, the wet weather not affecting this favorite fruit as it did the ground crops. Cranberry harvesting on Cape Cod is practically over, with about 360,000 barrels of good quality as against only 195,000 last year. The onion yield is 2,500 cars as against 3,600 in 1918; oats are estimated at 11,388,000 bushels as against 13,280,000 in 1918; corn, 9,321,000 bushels as compared with 9,273,000 in 1918; buckwheat 805,000 bushels as compared with 780,000. The absence of frost and a mild temperature has produced a large crop of fine quality sweet corn for canning.

Building Permits for New Construction Issued in the Leading Cities of this District

JANUARY 1 TO OCTOBER 1

	1919		1918		%
	No. Permits	Amount	No. Permits	Amount	
Brockton	248	\$546,962	104	\$109,930	+397
Fitchburg	163	504,975	77	137,157	+268
Hartford	633	2,437,593	287	1,462,022	+ 67
Lawrence	223	836,338	108	1,559,673	- 46
Lynn	278	572,708	118	63,923	+796
Manchester	309	698,184	164	117,690	+493
New Bedford	452	3,998,540	195	597,162	+569
New Haven	890	4,320,612	516	2,776,691	+ 56
Portland	276	1,114,327	118	255,152	+337
Springfield	762	2,559,438	311	672,570	+280
Worcester	1,100	3,213,600	550	1,237,230	+160
Total Outside Boston,	5,334	\$20,803,277	2,548	\$8,989,200	+131
Boston	953	11,436,319	397	3,602,372	+217
Total	6,287	\$32,239,596	2,945	\$12,591,572	+156

Clearing House Banks in the larger cities in this district

Report the following charges against their individual depositors' accounts:

(In Thousands of Dollars)

	Four Weeks Ending Oct. 15, '19	Four Weeks Ending Sept. 17, '19
Bangor, Me.	\$12,227	\$10,985
Fall River, Mass.	34,026	27,730
Hartford, Conn.	96,277	80,859
Holyoke, Mass.	14,812	13,455
Lowell, Mass.	20,573	18,961
New Bedford, Mass.	28,371	26,679
New Haven, Conn.	68,124	63,673
Providence, R. I.	133,610	124,159
Springfield, Mass.	66,764	55,865
Waterbury, Conn.	28,702	28,835
Worcester, Mass.	69,300	57,955
Total outside of Boston	\$572,786	\$509,156
Boston	1,176,234	1,034,477
Total all Cities	\$1,749,020	\$1,543,633

Condition of Forty-four Selected Member Banks

ON OCTOBER 17, 1919

With Comparative Totals for September 19, 1919 and October 18, 1918

(In Thousands of Dollars)

	Twenty-four Banks outside of Boston				Twenty Banks in Boston			
	Oct. 17 1919	Sept. 19 1919	Oct. 18 1918	% Change in year	Oct. 17 1919	Sept. 19 1919	Oct. 18 1918	% Change in year
U. S. Bonds and Notes	\$26,350	\$26,665	\$17,068	+ 54.38	\$12,573	\$12,659	\$16,573	-24.13
U. S. Certificates	16,007	19,013	30,283	- 47.14	19,073	27,617	91,737	-79.20
Loans secured by U. S. obligations, Other loans and investments	16,511	16,939	8,621	+ 91.59	40,379	46,666	33,193	+21.64
Reserve Federal Reserve Bank	15,956	13,766	14,210	+ 12.28	60,816	51,174	56,136	+ 8.33
Net Demand Deposits	179,971	172,046	166,717	+ 7.97	566,214	511,355	543,155	+ 4.24
Time Deposits	86,005	78,280	72,927	+ 17.93	28,852	32,351	25,989	+11.01
Government Deposits	5,869	10,920	10,930	- 86.23	20,943	49,544	31,723	-33.98

Statement of Condition of the Federal Reserve Bank of Boston

(In Thousands of Dollars)

RESOURCES

	Oct. 17, '19	Sept. 19, '19	Oct. 18, '18
Gold Reserve against F. R. Notes,	\$87,663	\$86,368	\$73,712
Gold Reserve against Deposits,	73,178	37,605	51,471
Total Gold	160,841	123,973	125,183
Legal Tender and Silver	5,501	6,726	2,745
Total Reserves	166,342	130,699	127,928
Discounts secured by U. S. Sec.,	121,104	115,900	67,306
Discounts — Commercial Paper	12,877	7,895	11,079
Bankers Acct. bought in open market,	46,078	44,279	59,744
U. S. Sec. pledged to secure circulation,	21,670	21,436	2,416
Other U. S. Securities owned	544	548	538
Total Earning Assets	202,273	190,058	141,083
Uncollected Items	98,011	91,878	68,223
Other Resources	3,600	3,421	968
Total Resources	470,226	416,056	338,202

LIABILITIES

	Oct. 17, '19	Sept. 19, '19	Oct. 18, '18
F. R. Notes Net	\$215,092	\$205,735	\$155,629
F. R. Bank Notes Net,	21,270	21,316	2,260
Due Treasury U. S.,	12,285	11,384	17,071
Due Members Net	122,372	100,136	99,545
Collection Items, etc.,	84,455	63,062	54,117
Gross Deposits,	219,112	174,582	170,733
Capital	7,034	7,034	6,580
Surplus	5,206	5,206	75
All other Liabilities,	2,512	2,183	2,925
Total Liabilities,	470,226	416,056	338,202

OFFICERS

CHARLES A. MORSS
Governor

FREDERIC H. CURTISS
Chairman and Federal Reserve Agent

CHARLES E. SPENCER, JR.
Deputy Governor

CHESTER C. BULLEN
Deputy Governor

WILLIAM WILLET
Cashier

CHARLES F. GETTEMY
Assistant Federal Reserve Agent

Assistant Cashiers

FRANK W. CHASE
WILLIAM N. KENYON

ERNEST M. LEAVITT

L. WALLACE SWEETSER
HARRY A. SAUNDERS