



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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With no important curtailment of production on account of the coal strike, for the reason that reserve supplies had not been seriously invaded before the settlement of the difficulty, and through the installation of fuel oil systems in many large plants, the year closes with New England industries stimulated by post war conditions to a degree of peace-time activity unparalleled in the economic history of this section; wages advanced to rates hitherto undreamt of and commodity prices at corresponding levels; and labor at the moment quiescent. While there has been, no doubt, considerable saving from earnings as evidenced by large aggregate deposits in savings institutions and investments in government obligations, nevertheless no one may observe without a feeling of apprehension the manner in which the enhanced purchasing power of the wage-earners is being dissipated by irrational personal expenditures, especially when it is beginning to be coupled with requests for credit at retail stores by many who have never before known the meaning of a charge account. The readjustment of rediscount rates by the Federal Reserve Banks was undertaken with a view to modifying the situation of which these conditions are a reflex, but this will not furnish the complete remedy. Indeed, not until some powerful influence is brought to bear upon the machinery of production to establish a more normal relationship between the quantity of necessities and of luxuries respectively offered for consumption, will it be possible to accumulate the wealth necessary to pay the cost of the war as represented by the enormous debts of the nations, and to bring about a return to normally healthy social conditions. It is unlikely however, that any reduction in the cost of living will be forced upon the consumer by the voluntary benevolence of the makers of goods; it is certain that it will not come about through legislation any more than it was vouchsafed the people of Rome in 301 A. D. by the Edict of Diocletian; and if it comes otherwise than by a collapse of the existing economic

structure such as would bring, not reduced prices only, but reduced earnings and widespread distress, it can come only through individual sacrifices, foresight and initiative, manifested by restricted expenditure and conservation of savings beyond anything yet apparent.

Money The money market for the month of December has shown the usual seasonal increased demand for money, being accentuated by continued Government financing, increasing costs of labor and raw material, and continued business activity. Commercial rates have been increasingly firm, 6 per cent. being the ruling rate for all maturities, shading of that rate being the exception. The payment to the Boston & Maine Railroad of about \$30,000,000 by the United States Railroad Administration on December 1 somewhat eased the local money market for a few days, but the withdrawal of government funds in depository banks soon took up the slack. The banks in this district have for the most part during the month confined their commitments to their own customers. Three issues of Certificates of Indebtedness have been offered by the Treasury Department, and as these were largely paid by credit or by exchange of other certificates there has not been any marked effect from this financing. The payment of Federal taxes on December 15 in this district amounted to approximately \$95,000,000 at the date of this letter and was partly anticipated by Treasury Certificates, but these payments, together with government withdrawals, have caused member banks to replenish their reserves at the Reserve Bank to even a greater degree than in previous years. Savings bank loans for six months and for a year are 6 per cent.—brokers' call loans 6 per cent. to 8 per cent., affected by the New York call rate, 8 per cent. predominating,—prime bankers' acceptances 5 per cent. to 5½ per cent. for 90 days, with ¾ per cent. to ¼ per cent. differential for shorter maturities. On December 12 the Federal Reserve Bank raised its rates on loans, its

Liberty Bonds and Victory Notes, to 4¾ per cent., bringing loans of that character on a parity with commercial loans. While with the approach of the new year sentimentally money may be firmer, on the other hand the general banking situation would appear to be fully as comfortable as during the month of November.

Labor The general labor situation at the present time throughout New England is satisfactory; mills are running to capacity, labor is scarce and wages high, but with the latter, in many cases but recently increased, there exists almost universally a condition of more widespread tranquility and absence of strikes than has existed at any time before during the year. The shadow of another great textile strike, involving 70,000 operatives in New Bedford and Fall River, and ultimately, no doubt, most of the remainder throughout New England, which loomed large the first week in December because of the refusal of the manufacturers to grant a demand for 25 per cent. increase in wages, passed quickly. Some of the mill men felt the time was propitious for a tryout of the strength of their employees and were disposed accordingly to yield nothing; others could not turn aside the prospects of continued profits from production uncurtailed; the result was a compromise offer of a 12½ per cent. increase, which was accepted. Peace may therefore be confidently expected to reign in this industry for at least the duration of the new contract — six months.

Retail Trade The larger department houses for two months past report an appreciable increase, not only in the money volume of business, but in the number of actual sales transactions. Prices are in many instances still ascending, though on some commodities they appear to have remained fairly stationary. The effect upon prices of women's ready-to-wear apparel of the great increase in wages received by the garment workers in New York City is noticeable, there being more complaint of high prices in this line than formerly. Women who have been in the habit of paying from \$25 to \$35 for a coat, suit, or dress, and who now find the same merchandise marked at more than double these figures, show a perceptible inclination to desist from purchasing, preferring to make their own garments or have them made by a private dressmaker; such customers have accordingly diverted their purchases to yard goods and findings, buying silk, cotton and woolen dress goods and materials for making up into needed garments, — and departments handling these classes of merchandise have experienced a wonderful increase in sales, while

the garment departments have been sagging. If this tendency continues, the high prices of ready made garments should, in time, drop automatically, for stores will not long keep stocks at prices which will not move them. In the textile centres where the operatives were enjoying the highest wages on record even before the recent increase, the business of the retail stores continues enormously stimulated; nevertheless retailers and bankers express the belief that the peak of high prices for most commodities which enter into living expenses has been reached.

Wool and Woolen Goods In the Government wool sales this month the demand for fine grades continued and every pound of the Cape wools offered was sold; eastern dealers have, furthermore, commenced to buy fine wools in the far West, which will not be shorn until the latter part of March at the earliest, the total purchases of unshorn western wool being estimated at between two and three million pounds. Prices are strong for yarns and tops, which are difficult to secure, and the combers and spinners are quoting prices in many cases which are intended as insurance against possible contingencies. The cause of high raw material prices is largely, no doubt, the restricted supply, for which the limited offerings of the British government are in part responsible, but this factor, despite the economic theory that the price of raw material regulates the price of the finished product, cannot be said to be exclusively responsible for the prevailing prices of the manufactured article, since the amount of machinery and labor available at the present time for production, as well as the abnormal demand for the most expensive goods, are very important and direct elements in the situation. In fact the extreme high level of the fine wool market today, many think, may be traced directly to the high wages paid to mill operatives and the position which they are thus in to buy clothing made of smooth feeling wools, and manufacturers are for the most part accordingly sold for months ahead at high prices chiefly for an output of fine fabrics, woolen and worsted spindles being at their highest points of activity for the year. And yet, notwithstanding this situation, some hopeful indications of an increasing demand for wools of lower grades are beginning to appear.

Cotton and Cotton Goods Manufacturers of fine cotton fabrics seem to be more or less at sea with regard to the policy to be pursued with respect to taking on new business at this time, and to differ widely in their views as to what the future is

likely to bring forth. Some have been courageous enough to take orders for deliveries as far into next year as August and September, others will not contract beyond six months, while the more conservative, having sold practically their entire anticipated output of fine fabrics for the first quarter of 1920, are not pressing for further orders on the basis of current prices for the raw material, nor are they anxious to stock up on the latter under the circumstances without being certain of their ability to cover any purchases made with sales of the product later on. The possibility of a slump in commodity and raw material prices is a constant spectre before the cotton manufacturer in this period when it is so difficult to forecast the future. Meantime the demand for goods continues, reflecting not merely the continued purchasing power of the public, but its apparently unwhetted appetite for the finest fabrics which money can buy; and while threatened curtailed production because of a great strike of textile operatives in New Bedford and Fall River has happily passed and no present embarrassment is being felt by the mills on account of coal shortage, these contingencies were not necessary to produce bids for goods at such prices as to make it impossible for all manufacturers to withstand the temptation to accept orders in spite of the risks involved for commitments far into the future. A general increase of 12½ per cent. in wages was the immediate result of the demonstration of the New Bedford operatives the first of the month, with consequent stabilizing of the labor situation in this industry for at least another half year.

Leather and Shoes Tanners throughout New England are inclined to be rather cautious respecting further commitments for the immediate future. Prices on goatskins used in the manufacture of women's fine shoes continue to soar to higher levels and are practically four to five times the pre-war price, and while the demand is not quite so active as it was a month or six weeks ago, it is still apparently sufficient to sustain the market. Factories are running at full capacity on spring orders, of which they have a sufficient supply to keep them occupied for weeks, and in some cases months, to come. Agents of large manufacturing concerns operating their own chains of retail stores continue to increase their orders for spring delivery, not only at greatly enhanced money values, but also in quantities representing proportionate increases in unit pairs. But while no early reduction in the cost of footwear can be foreseen,—and, indeed, on the basis at which retailers have been buying stock even higher

prices may be expected on some lines next spring,—it is evident that the public is beginning to do what it should have done long ago—shop around and see where it can get the best values, and also to be satisfied with better wearing but less fancy lines. This aspect of the situation is finding some authoritative encouragement from the manufacturers themselves in suggestions put forth at a recent meeting of the Allied Council of the American Shoe and Leather Industries for the limitation of styles and the use of coarser and more durable, but cheaper, grades of leather, so as to effect a greater turnover and reduction of basic costs. The enormous increases in wages, aggregating in some processes 100 per cent. above the prevailing rates of three or four years ago, coupled with a decrease in the working hours of 20 per cent., are responsible both for the absence of serious labor troubles in this industry for some months as well as in part for the high prices to the consumer.

Pulp and Paper The sulphite producers in New England are reported well provided with pulp wood, but far-sighted men in this industry believe that unless a comprehensive program is initiated at once for the reforestation of potential lumber land, twenty years will see an exhaustion of the pulp wood supply. The demand for sulphite, the product from pulp wood, seems to have reached a point where all of the production of the pulp mills, not only in the New England States, but some in Canada, is taken up. The foreign sulphites, which were very prominent in the domestic markets prior to 1914, are now becoming available in good quantities, and Canadian interests shortly expect to put more than 300 tons of bleached sulphite daily on the market. The Scandinavian sulphite producers are endeavoring to enter this market and are asking a premium based on quality, but leading New England manufacturers are not willing to admit that any of the foreign sulphites are superior for paper making to the domestic product. Generally speaking the demand for papers favors the lower priced grades of bonds and writings, though that for the better grades is showing improvement. Demand for book papers and sulphite wrappings is such that mills running on these lines are generally booked well ahead on both domestic and foreign tonnage, a condition which is affecting prices to an extent that higher levels will prevail undoubtedly during 1920. News print paper is scarce and high in price; there is a good demand at high prices for mixed papers; box board mills are doing a good business with prices firm and steady.

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

JANUARY 1 TO DECEMBER 1

	1919		1918		% Change
	No. Permits	Amount	No. Permits	Amount	
Brockton	334	\$791,402	116	\$122,065	+ 548
Fall River	254	914,623	131	490,390	+ 86
Fitchburg	220	870,630	94	193,724	+ 349
Hartford	787	3,527,252	328	1,531,942	+ 130
Lawrence	298	1,060,478	109	1,559,973	- 32
Lowell	491	2,301,460	209	836,748	+ 175
Lynn	374	1,111,986	134	67,488	+1547
Manchester	377	1,271,316	181	131,885	+ 863
New Bedford	608	5,426,380	241	739,812	+ 633
New Haven	1,046	7,519,482	569	2,844,166	+ 164
Portland	347	1,572,113	140	400,387	+ 292
Springfield	962	3,488,818	349	695,935	+ 401
Worcester	1,348	4,409,817	617	1,273,889	+ 246
Total Outside Boston,	7,446	\$34,265,757	3,218	\$10,888,410	+ 214
Boston	1,198	14,770,116	450	3,913,637	+ 277
Total	8,644	\$49,035,873	3,668	\$14,802,047	+ 231

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 Dec. 17, '19	Four Weeks Ending Nov. 12, '19
Bangor, Me.	\$12,712	\$13,039
Fall River, Mass.	46,805	47,791
Hartford, Conn.	89,878	96,472
Holyoke, Mass.	15,416	16,079
Lowell, Mass.	28,972	22,998
New Bedford, Mass.	40,721	36,234
New Haven, Conn.	69,897	72,635
Portland, Me.	32,310	29,881
Providence, R. I.	161,688	165,175
Springfield, Mass.	70,016	78,411
Waterbury, Conn.	32,554	30,841
Worcester, Mass.	73,881	92,072
Total outside of Boston	\$674,850	\$701,627
Boston	1,424,291	1,362,165
Total all Cities	\$2,099,141	\$2,063,792

Condition of Forty-four Selected Member Banks

(In Thousands of Dollars)

	Twenty-four Banks outside of Boston				Twenty Banks in Boston			
	Dec. 19 1919	Nov. 21 1919	Dec. 20 1918	% Change in year	Dec. 19 1919	Nov. 21 1919	Dec. 20 1918	% Change in year
U. S. Bonds and Notes	\$24,632	\$24,967	\$20,343	+ 21.08	\$9,425	\$9,904	\$15,897	- 40.72
U. S. Certificates	16,330	13,076	17,599	- 7.22	31,271	17,195	49,808	- 37.22
Loans secured by U. S. obligations,	14,272	13,594	26,251	- 45.64	28,879	26,734	76,717	- 62.36
Other loans and investments	252,859	246,546	233,373	+ 2.56	592,674	602,486	524,843	+ 12.92
Reserve Federal Reserve Bank	14,295	15,831	13,797	+ 3.60	60,800	60,849	60,849	- 4.91
Net Demand Deposits	175,844	177,510	162,110	+ 8.47	568,424	584,958	552,848	+ 2.81
Time Deposits	87,756	87,355	72,780	+ 20.57	39,900	36,632	24,836	+ 60.65
Government Deposits	12,090	4,016	15,796	- 23.47	29,767	11,367	44,780	- 33.53

Statement of Condition of the Federal Reserve Bank of Boston

(In Thousands of Dollars)

RESOURCES				LIABILITIES			
	Dec. 19, '19	Nov. 21, '19	Dec. 20, '19		Dec. 19, '19	Nov. 21, '19	Dec. 20, '19
Gold Reserve against F. R. Notes,	\$95,247	\$89,565	\$67,843	F. R. Notes Net	\$238,211	\$216,914	\$161,359
Gold Reserve against Deposits,	56,823	42,865	37,560	F. R. Bank Notes Net,	20,644	21,300	5,075
Total Gold	152,070	132,430	105,403	Due Treasury U. S.,	20,162	10,511	2,142
Legal Tender and Silver	3,725	5,108	728	Due Members Net	111,030	114,878	98,361
Total Reserves	155,795	137,538	106,131	Collection Items, etc.,	68,220	73,258	56,984
Discounts secured by U. S. Sec.,	134,324	127,078	108,438	Gross Deposits,	199,412	198,647	157,487
Discounts -- Commercial Paper	49,559	32,763	9,224	Capital	7,104	7,103	6,688
Bankers Acct. bought in open market,	14,412	50,555	12,843	Surplus	5,206	5,206	75
U. S. Sec. pledged to secure circulation,	21,436	21,436	21,416	All other Liabilities,	3,806	3,529	3,810
Other U. S. Securities owned	701	1,552	1,106	Total Liabilities,	474,383	452,699	334,494
Total Earning Assets	220,432	233,384	153,027				
Uncollected Items	95,697	79,290	73,975				
Other Resources	2,459	2,487	1,361				
Total Resources	474,383	452,699	334,494				

OFFICERS

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Governor

FREDERIC H. CURTISS
Chairman and Federal Reserve Agent

CHARLES E. SPENCER, JR.
Deputy Governor

CHESTER C. BULLEN
Deputy Governor

WILLIAM WILLETT
Cashier

CHARLES F. GETTEMY
Assistant Federal Reserve Agent

Assistant Cashiers

FRANK W. CHASE
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ERNEST M. LEAVITT

L. WALLACE SWEETSER
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