

# Business Conditions

As reported by the Federal Reserve Bank  
of Philadelphia



September 1, 1919

WHILE the volume of business transacted is very satisfactory, the business community is disturbed over the outlook owing to the continuance of labor agitation and governmental efforts to reduce the cost of living.

In reply to our inquiry regarding labor troubles and the remedy for their solution, we were surprised to learn that actual difficulties were few. As one large concern says, professional agitators for labor unions are to blame for a great deal of the labor unrest. Everyone looks askance at labor's demands for government ownership of the railroads and a participation in the profits of all industries without investing any money or being liable as to any losses which might occur.

Manufacturers say that labor has been spoiled by the unusual high wages and bonuses existing during the war period. They have saved very little; have bought articles to which they were not accustomed, and, of course, do not desire to go back to former conditions. A lessening in the demand for luxuries by this class of people might result in a reduction in the cost of living, as it would permit a greater production of the ordinary necessities of life.

The Federal Reserve Board correctly diagnosed the case in its recent letter to the chairman of the Senate's committee on banking and currency, in these words: "Whether viewed from an economic or financial standpoint, the remedy for the present situation is the same, namely, to work and to save; to work regularly and efficiently

in order to produce and distribute the largest possible volume of commodities; and to exercise reasonable economies in order that money, goods, and services may be devoted primarily to the liquidation of debt and to the satisfaction of the demand for necessities, rather than to indulgence in extravagances or the gratification of a desire for luxuries." It has been suggested that labor leaders teach members of the unions the wisdom of the foregoing statement.

The high-cost-of-living is, of course, disturbing to everyone, particularly office help, whose wages in most cases have not been increased adequately. Some of the blame for present excessive costs may be laid on the retailer, since the percentage of increase in his prices has very often been far above the percentage of increase in the prices which he pays to the wholesaler.

### *Automobiles*

Dealers are sold weeks ahead and all are clamoring for about 100 per cent more cars than the amount for which they originally contracted. Collections are reported as extremely good. The automobile repair business is especially good, due particularly to the miserable condition of the roads and streets in the district.

### *Coal*

There is a great demand for coal owing principally to limited production. There have been no serious labor troubles with the exception that most of the Italians are anxious to get home and as many as can secure passports are leaving, which, of course, makes a certain shortage of labor.

A much more serious factor is a shortage of cars, which is daily becoming greater and which will limit the amount of coal to be transported. Collections do not appear to be as good as they have been.

### *Cotton*

There is a great demand for cotton piece goods and owing to scarcity of merchandise, dealers are unable to supply their customers. Export business is being considerably obstructed because no definite practical plan has been adopted to afford necessary credits to the war-stricken countries of Europe, who are in the market for tremendous quantities of raw materials such as cotton, but for which, however, they lack funds to pay.

## *Crops*

The following estimates of the production of various crops in this district are furnished by the Department of Agriculture. They show that an increase is expected in the production of corn and wheat, but that oats and hay will not be up to the output during the year 1918.

	Acreage 1919	Forecast of produc- tion, based on con- dition Aug. 1, 1919	Acreage 1918	Production 1918
	Acres	Bushels	Acres	Bushels
Corn .....	1,533,000	65,542,000	1,544,500	59,804,500
Wheat.....	1,523,000	25,836,000	1,343,740	22,311,580
Oats.....	748,000	22,002,000	763,700	29,772,800
		Tons		Tons
Hay (all) .....	2,226,000	3,157,000	2,226,090	3,116,320

## *Dry goods*

Dry goods jobbers are very active and could be doing an increased business if they could obtain all the desirable fabrics needed. Scarcity of skilled labor is another source of trouble.

## *Furniture*

While the volume of production is moderately satisfactory, manufacturers are unable to obtain maximum or even normal quantities, due to labor shortage. A large manufacturer writes: "It is not altogether a question of higher wages for labor. The workman is in a bad temper, due to too much post-war suppression. These workmen are the real producers of wealth in this country and if they could be impelled to greater production, thus increasing the world's surplus of wealth, so that as soon as possible the supply of all types of goods would equal or exceed the demand, and if, toward this end, not only the workman but all classes could be taught to save, we believe a very serious crisis in the affairs of the world would be averted. Propaganda by the public press, backed by the government and any other means possible to educate the workman to this vital fact, should be started immediately."

## *Iron and steel*

There has been a very marked improvement in the volume of business since July 1. The increase in tonnage of orders is repre-

sented by a large number of moderate size orders and indicates a healthier condition and better promise than if the mills had closed a few large tonnages.

Machine tool producers report a good business. Manufacturers of pipe report a fairly good demand for smaller sizes although municipalities and public service corporations are not in the market for large diameter pipe.

Unsettled labor conditions and labor shortage are hampering operations. Generally, prospects in the iron and steel lines are considered promising for the balance of the year if labor conditions do not interfere.

### *Leather*

Business is reported as very good and collections never better. Prices are not on a replacement basis as raw material prices have advanced considerably ahead of selling prices. No labor trouble is reported.

### *Men's wear*

Retail trade is reported very active, some furnishing stores doing double the amount of business compared with last year. Other stores are making preparations for an abnormal business in expectation of a good fall and winter season.

Manufacturers of men's shirts report that the demand from dealers throughout every section of the country exceeds the supply, with a particular shortage in silk shirts, due to the inability of the silk mills to make prompt deliveries and the shortage in the piece goods silk market. Prices are high and no prospect of a reduction is in sight. Labor is also scarce among operatives, thereby further delaying deliveries.

### *Paints*

Conditions in general are good. Prices are strong and there is a large demand.

### *Rubber goods*

Business has generally been good in all lines. Due to the flotation of a number of new tire companies in anticipation of the greater use of motor cars, there seems to be an excess of new name and special brand tires on the market. Collections are good.

## *Shoes*

Present business is large, but on account of high prices, concerns are in an unsettled condition and are unable to forecast the outlook. Retailers are not inclined to buy heavily for forward delivery.

## *Women's wear*

Retail business for the past month has shown a slight increase over the corresponding time a year ago and the outlook for the fall is considered promising. A leading store says: "We have experienced no special labor troubles directly but we understand the manufacturers from whom we buy are laboring under very great difficulties through labor demands which have very materially increased the cost of production, which makes our prices seem to bear a rather false value. The workmanship is rather inferior and has shown a steady increase in this respect for the past two years. This condition, in a measure, has been made possible through the merchants generally, all over the country, placing orders for a greater amount, and in many instances double the amount of their requirements, in the belief that only one-half of the amount will be shipped owing to the shortage of materials and labor difficulties, and this has a tendency to make speculation among the mills and producers, which always tends to make a false condition."

Manufacturers of shirt waists and women's dresses are sold up so far ahead that they have had to discontinue the production of their full lines of silk waists, due to the fact that the prices of materials are so high that they do not care to speculate on goods for delivery in November and December. The principal trouble is in getting the proper number of experienced operators to turn out the work.

## *Financial*

Loans to member banks showed a small decrease in July from the high record established in the previous month. The average daily amount of earning assets held totalled \$214,600,142, as compared with \$216,680,799. Federal reserve note circulation does not show any great change, but Federal reserve bank notes in actual circulation increased from \$20,919,595 at the end of June to \$23,911,556 at the end of July.

The money market continued firm during the month. The average rates charged by banks in Philadelphia during the thirty-day period ending August 15, 1919, follow:

	High	Low	Average
Customers' prime commercial paper:			
30 to 90 days.....	6	5¼	5½
4 to 6 months.....	6	5	5½
Prime commercial paper purchased in open market:			
30 to 90 days.....	5½	5	5½
4 to 6 months.....	6	5¼	5½
Loans to other banks.....	5½	5	5½
Bankers' acceptances of 60 to 90 days:			
Endorsed.....	4¾	4¼	4⅝
Unendorsed.....	4½	4⅛	4¾
Loans secured by prime stock exchange collateral or other current collateral:			
Demand.....	6	4	5½
3 months.....	6	5½	5¾
3 to 6 months.....	6	5½	5¾
Commodity paper secured by warehouse receipts, etc.	6	5½	6
Loans secured by Liberty bonds, Victory notes and certificates of indebtedness.....	6	4½	5

**RESOURCE & LIABILITY ITEMS**  
of member banks  
in Philadelphia, Scranton, Camden and Wilmington

*At the close of business*

	August 15, 1919	July 18, 1919	August 16, 1918
	[In thousands of dollars— i.e., 000's omitted.]		
United States bonds to secure circulation.....	\$ 11,598	\$ 11,597	\$ 12,770
Other United States bonds and notes.....	51,924	54,522	30,601
Certificates of indebtedness.....	55,635	41,789	49,703
Total United States securities owned ....	\$ 119,157	\$ 107,908	\$ 93,074
Loans secured by United States securities.....	167,298	174,834	44,225
All other loans and investments.....	627,728	660,436	620,256
Total loans and investments.....	\$ 914,183	\$ 943,178	\$ 757,555
Reserve with Federal Reserve Bank.....	69,188	65,983	66,063
Cash in vault.....	16,138	17,225	21,004
Net demand deposits on which reserve is computed.....	666,540	659,736	578,632
Time deposits.....	21,945	21,265	14,421
Government deposits.....	41,157	27,309	42,451
Number of banks reporting.....	56	56	50

**CHARGES TO DEPOSITORS' ACCOUNTS**  
other than banks' and bankers' as reported by Clearing Houses

*Week ending*

	August 20, 1919	July 16, 1919
Altoona.....	\$ 3,667,000	\$ 3,697,000
Chester.....	4,779,000	4,434,000
Harrisburg.....	3,800,000	4,077,000
Johnstown.....	3,512,000	3,641,000
Lancaster.....	4,629,000	4,788,000
Philadelphia.....	312,379,000	362,219,000
Reading.....	4,145,000	4,457,000
Scranton.....	10,390,000	12,977,000
Trenton.....	9,732,000	9,622,000
Wilkes-Barre.....	7,504,000	7,360,000
Williamsport.....	3,422,000	3,647,000
Wilmington.....	9,511,000	10,654,000
York.....	3,559,000	3,360,000
Total of clearing houses.....	\$ 381,029,000	\$ 434,933,000

**STATEMENT**  
Federal Reserve Bank of Philadelphia

RESOURCES	Aug. 19, 1919	Month ago	Year ago
Gold reserve . . . . .	\$ 127,122,472	\$ 129,997,503	\$ 166,212,052
Legal tender, silver, etc. .	287,606	293,667	604,687
<b>Total reserve . . . . .</b>	<b>\$ 127,410,078</b>	<b>\$ 130,291,170</b>	<b>\$ 166,816,739</b>
<b>Bills discounted, members:</b>			
Secured by Government war obligations . . . . .	175,967,823	170,542,733	
All other . . . . .	16,743,193	19,601,746	86,005,641*
Bills bought in open market	590,570	758,668	10,864,160
United States securities . .	27,287,500	25,178,000	2,558,050
<b>Total earning assets</b>	<b>\$ 220,589,086</b>	<b>\$ 216,081,147</b>	<b>\$ 99,427,851</b>
<b>Mutilated and fit notes on hand :</b>			
Federal reserve notes . . . . .	7,982,800	13,717,145	12,438,315
Federal reserve bank notes .	507,350	321,231	
Due from depository banks—war loan deposit accounts . . . . .	62,808,170	41,540,225	
Uncollected items . . . . .	72,860,225	71,597,842	41,215,781
All other resources . . . . .	2,931,402	2,499,344	7,782,952
<b>Total resources . . . . .</b>	<b>\$ 495,089,111</b>	<b>\$ 476,048,104</b>	<b>\$ 327,681,638</b>

LIABILITIES	Aug. 19, 1919	Month ago	Year ago
Capital paid in . . . . .	\$ 7,748,350	\$ 7,654,200	\$ 7,151,350
Surplus . . . . .	5,311,336	5,311,336	
Profit and loss . . . . .	275,361	276,979	643,279
Government deposits . . . .	4,195,845	3,635,570	
Due to members—reserve account . . . . .	103,329,436	107,572,072	94,896,396
Collection items . . . . .	68,293,767	65,407,954	34,269,975
<b>Total gross deposits</b>	<b>\$ 175,819,048</b>	<b>\$ 176,615,596</b>	<b>\$ 129,166,371</b>
<b>Government deposits—special account . . . . .</b>	<b>63,495,194</b>	<b>46,066,486</b>	
Federal reserve notes outstanding . . . . .	215,848,480	215,986,270	189,875,815
Federal reserve bank notes outstanding . . . . .	25,120,000	23,396,000	
All other liabilities . . . . .	1,471,342	741,237	844,823
<b>Total liabilities . . . . .</b>	<b>\$ 495,089,111</b>	<b>\$ 476,048,104</b>	<b>\$ 327,681,638</b>

\*Total of bills discounted.

## BUSINESS INDICATORS

	Aug. 19, 1919	Percentage increase or decrease compared with	
		Previous month	Year ago
<b>Philadelphia banks:</b>			
Loans .....	\$ 798,776,000	+ 3*	+ 29
Deposits .....	674,437,000	0	+ 10
Ratio of loans to deposits .....	118 %	115 %*	101 %*
<b>Federal Reserve Bank:</b>			
Discounts and collateral loans .....	\$ 192,711,016	+ 4	+129
Cash reserve .....	41 %	45 %*	62 %*
90-day discount rate .....	4¾ %	4¾ %*	4¾ %*
Commercial paper .....	5½ %	5¾ %*	6 %*

	July, 1919	Percentage increase or decrease compared with	
		Previous month	Year ago
<b>Bank clearings:</b>			
In Philadelphia .....	\$ 1,935,468,968	+ 4	+ 10
Elsewhere in district .....	120,959,071	+ 6	— 5
<b>Total</b> .....	<b>\$ 2,056,428,039</b>	<b>+ 5</b>	<b>+ 9</b>
Building permits, Philadelphia .....	\$ 6,623,785	— 10	+480
Post office receipts, Philadelphia .....	\$ 971,263	— 3	+ 2
Commercial failures in district (per Bradstreet's) .....	34	25 *	29 *
<b>Commodity prices:</b>			
Annalist (food prices), August 16..	\$ 309.280	+ 1	+ 1
Dun's, August 1 .....	\$ 241.650	+ 1	+ 1
Bradstreet's, August 1 .....	\$ 20.0017	+ 6	+ 5

\*Actual figures.



## ON THE HORIZON

Average wages of New York factory workers in July were \$23.10. This is an increase of 59 cents weekly over the June average.



English bankers are advocating the reduction of their imports to a minimum in order to stabilize exchange rates and bring the pound back to par.



It is to be regretted that the daylight-saving law should be repealed at this time, when increased production is so necessary to the welfare of the country.



If only the hand of politics is taken off business, transportation, and everything else, the basis for rebuilding after the war is sound enough.



The outflow of gold from this country has practically ceased. Europe is receiving very little, if any, from the United States and only small amounts are being forwarded to South America.



An eminent European statistician estimates that in order to make both ends meet, post-war expenditures will necessitate an increase in taxes over pre-war revenues as follows: for the United States, 110 per cent; for the United Kingdom, 180 per cent; for Germany, 338 per cent; for France, 200 per cent.



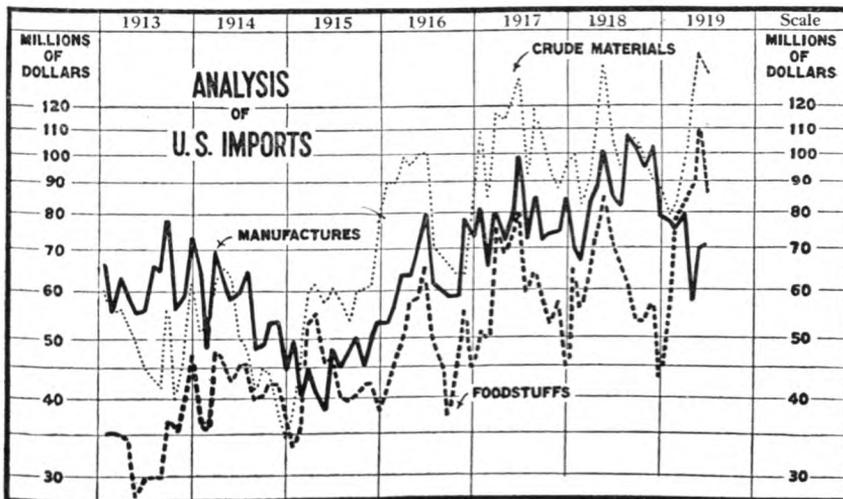
Secretary of the Treasury Glass feels that chaos in the business world would result from the enactment by Congress of any legislation reducing the amount of money in circulation. If legislation should be passed to have Federal Reserve banks raise rediscount rates, many institutions would have to close their doors, according to the Secretary.



A report of the Comptroller of the Currency states that deposits of national banks on June 30, 1919, totalled \$15,924,865,000; this is an increase of 13 per cent over a year previous. Loans and discounts increased 11 per cent in the same period. There has been no failure of any national bank in the entire United States during the six months ending June 30, 1919.



The chart reproduced below is interesting. It demonstrates the great changes that have taken place in the goods which are being imported into the United States. The decline in manufactured products and the rise of raw materials are particularly noticeable.



Sir George Paish, the famous English financier, says that international credit demands universal co-operation, and proposes an international loan of 5,000,000,000 pounds, of which the United

States should be responsible for 1,000,000,000 pounds, like amounts to be subscribed by France and Germany, and the remainder distributed amongst smaller nations. This loan, according to his plan, should be secured by the guarantee jointly and severally of all the subscribing powers and the proceeds would be used in the settling of international balances and would be in the nature of an insurance fund to prevent a breakdown in the world's credit.



In an introduction in a new book, "Germany's New War Against America," Attorney-General A. Mitchell Palmer says: "American business men should realize the great German menace that is now confronting them. Germany has mobilized her finance, industry and commerce into a vast army with carefully laid plans for a commercial war that will be as serious a menace to civilization as the blood-thirsty hordes that invaded Belgium. Industrial Germany was responsible for the war and when defeat seemed certain forced the military peace in order that with her industrial equipment intact she might continue the same war by intensified economic measures."

Mr. Palmer claims that this "invisible war" was launched even before the armistice was signed and shows that it is a clear duty for every American business man to keep his eyes open to German competition in whatever form it may come.



The Wall Street Journal affirms that "wheat is the standard by which all food prices are adjusted. A shortage, or an unusual demand, in some commodity may cause a temporary upswing against the trend of wheat. But the prices over a long series of years prove that wheat is the governor of food staples. Compare the average farm prices of wheat and corn on December 1 for a series of years, and see whether this be true. Here is the price per bushel:

	Wheat	Corn
1918 .....	\$2.044	\$1.366
1917 .....	2.008	1.279
1916 .....	1.603	0.889
1915 .....	0.919	0.575
1914 .....	0.986	0.644

If inflated living and production costs are to be effectively smashed, the price of wheat must be brought down. On account of the price guarantee, this can only be done at the expense of the national treasury, or in the last analysis, the payers of taxes. Yet it would be worth while to the taxpayers if the Government should buy the wheat at the guaranteed price of \$2.26 and sell the flour to the people on the basis of \$1.76 per bushel."



One of our national statistical organizations refers to "production" as being a moral issue. They say: "It is very wrong to attempt to blame the merchants and storekeepers for the increased cost of living. It is doubly wrong: first, because it is unfair to these people, and second, because the publicity connected therewith directs the people's attention away from the real cause and the real cure. It is likewise wrong to blame high prices onto high wages, or vice versa. Both are relative and always will be. When expressed in dollars neither prices nor wages mean anything. It does us no good to get \$10 a day and work only 6 hours a day if this means that bread will be \$1 a loaf. A discussion of either wages or prices alone is like arguing which existed first, a hen or an egg! We have fooled ourselves long enough by putting our thumb on the thermometer bulb. It is time that we went down cellar and put some coal in the furnace. The increased cost of living can be reduced only by increasing production or decreasing consumption, or by both. When production exceeds consumption, the cost of living declines; but when consumption exceeds production, the cost of living increases. \* \* \* \* \*

"The ideal way to reduce the cost of living is by increasing production! Reductions in the cost of living which come thru reductions in consumption are only temporary. As soon as business picks up and people again become employed, the cost of living again begins to climb and we are worse off than before. This explains why all the commissions and other attempts to reduce the cost of living during the past decades have failed. The high cost of living is a necessary reaction to the grasping attitude which 95 per cent of us take toward life. We are taught to get all we can and give as little as we can. \* \* \* \* \*

"How can we increase production? First, let me say that there can be no such thing as too much production, or over-production, provided all is properly distributed and labor is properly proportioned among the different industries. There could be an over-production of pepper, or even of sugar; but it will be many, many years before there could be an over-production of foodstuffs in general; while I cannot imagine a time when there could be an over-production of good homes and comforts. We need not fear over-production. What we must fear is that too many people will loaf on their own jobs, and consequently will not be able to buy their share of good things. In other words, the problem is to get everybody producing something useful! We can't do this by merely stating economic facts. We must make it a moral issue!

"The abolition of slavery was never accomplished by an argument of economics, but when the majority of people were made to feel that slavery was wrong, it was abolished. When the majority of the people were made to feel that drinking was wrong and were ashamed to be seen in a saloon, we got prohibition. In the same way, when the people are educated to regard with contempt the non-producer or the man who curtails his production, we shall strike at the tap-root of the high cost of living!"



Statistics seem to show that the use of trade acceptances is productive of greater business activity. The National Acceptance Journal affirms that "without them, not only does a bank lose directly because of reduced earnings on discounts and purchases of the acceptances themselves, but also indirectly by reason of the fact that there is not as much available liquid capital in the community. Philadelphia is overlooking a valuable commercial aid and therefore is not doing as much general commercial and banking business as the District should produce. Furthermore, the banks are failing to avail themselves of a valuable secondary reserve which can be converted into cash in case of need."

### *What is a Trade Acceptance?*

It is your time draft on your customer for amount of his purchase upon prices and terms agreed upon at time of purchase.

When your customer accepts the draft making it payable at his bank on a certain date he creates no new obligation against

himself, but simply confirms the purchase of merchandise at the specified price, and promises to pay at the time agreed upon when purchased; and to a reputable business man the fulfillment of the exact terms of payment are as binding as any of the other conditions of trade.

#### *Advantages to seller*

No open accounts.  
Paper available for discount at face.  
Larger line of bank accommodation.  
Less tied-up capital.  
Definite time of payment.  
Increased profits by quick turnover.  
Increased credit by being able to discount bills.  
Elimination of dead accounts.  
Less bookkeeping.  
Better class of trade on books.

#### *Advantages to buyer*

Strengthens his credit with trade and bank.  
Higher standing with all credit associations.  
Presents cleaner statement.  
Shows bills paid promptly.  
Induces careful business because of acceptances to meet.  
Prevents overbuying.  
(As every buyer is a seller, therefore all advantages to the seller are applicable to buyer.)

#### *Advantages to bank*

Better class of customers.  
Two-name paper.  
Paper based on actual business.  
More liberal accommodation to customers.  
Increased Federal Reserve accommodation to bank.  
Increased facilities for business.

#### *Advantages to country*

Liberating of \$4,000,000,000 of capital now tied up in dead ledger accounts and converting the same into liquidating

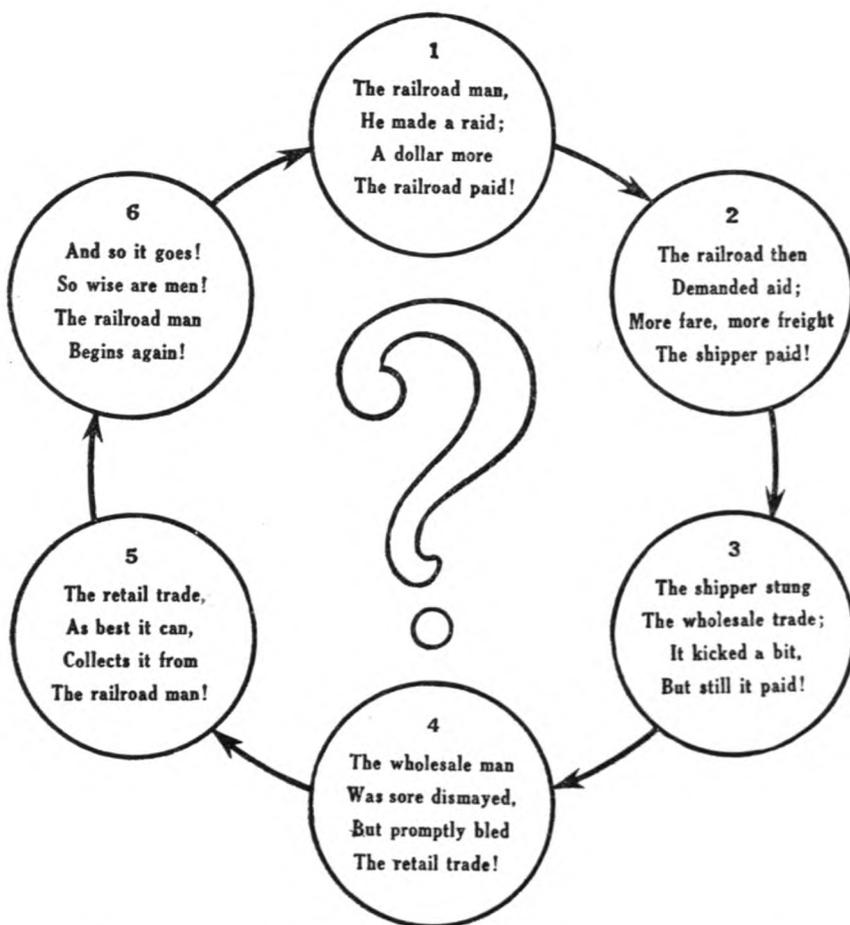
trade acceptances available for rediscount at the Federal Reserve Banks for the country at large.

A patriotic contribution to the stabilization of finance by both seller and buyer.

The above description is from a circular issued by the Coal and Iron National Bank of New York.



### The Vicious Circle



“The vicious circle is infinite; increased wages are overcapitalized for inflated profits, and the cost of goods mounts faster than the wage level.”—Statement of the Four Brotherhoods of Railroad Employees.

—From the *New York Evening Post*.