Business Conditions

Report of the Federal Reserve Bank

of Philadelphia

May 1, 1920.

FOR a long time past the failure of the railroads to give adequate service has hindered the free shipment of fuel, raw materials and goods. The situation resulting from this has been exceedingly aggravated by the recent strike of railway employees. Industrial plants generally have been operating close to capacity, but under the most trying circumstances due to these transportation difficulties. It is hoped that with the railroads restored to normal conditions these disturbances to trade and industry will disappear.

Prices still show an advancing tendency in iron and steel and allied lines, but the advance has largely stopped in the leather and some textile lines, and decreases appear in a few products.

The labor situation shows no distinct change, and operatives in the main still fail to recognize the need for larger production. However, there are fewer reports of demands for increased wages, and in some few cases workmen are beginning to recognize that decreased output rebounds to their ultimate disadvantage through higher prices.

The majority of our correspondents state that collections are fairly satisfactory, though it is noted that, due to the amount of money tied up in merchandise, owing to delays in shipment, and further to the tight rein which banks are holding on credits, there has been less discounting of bills and some tendency to allow them to run to maturity.

Retail trade is holding up very well and the volume of business is about 36 per cent ahead of a year ago. Stocks are now about 26 per cent larger than a year ago and have been increasing during the past few months in accordance with the normal trend at this season. These percentages, however, are based on values and it is doubtful whether the bulk of the goods on hand shows much increase, as many kinds of merchandise have not been received in as large quantities as usual. Luxury goods still command an active market.

The following percentages reflect retail trade conditions during the first three months of the year. From the ratio of stocks to sales—381 per cent, it would appear that stocks on hand are sufficient to care for three to four months' sales.

RETAIL TRADE OF DEPARTMENT STORES

	January 1920	February 1920	March 1920
Net sales:			
For month named compared to same month, 1919	+ 22%	+ 18%	+ 36%
For period Jan. 1 to end of month named, compared to same period last year	+ 22%	+ 21%	+ 26%
Stocks at end of month named:			
Compared to same month, 1919	+ 10%	+ 16%	+ 25%
Compared to previous month	— 3%	+ 7%	+ 12%
Ratio of average stocks at end of each month for period from Jan. 1 to date, to average monthly sales for same period			381%
Ratio of outstanding orders at end of month named, to total purchases during year 1919	22%	28%	25%

Automobiles

Passenger machines have been in great request and this is still the case, though latterly price increases have discouraged some purchasers. Production has not by any means caught up with back orders. The lack of transportation facilities has made it necessary to drive machines to their destination under their own motive power. The output of closed cars is far behind the schedule. Agencies report the outlook to be bright and prices hold firm. Many of them have sold a large percentage of the cars which have been allotted to them for the balance of the year.

The demand for trucks since January 1 has been picking up considerably, and the outlook is very encouraging to manufacturers.

Carpets and rugs

Carpet and rug manufacturers report a brisk demand for their products, which they are at present unable to care for, except in the cheaper grades. Prices are firm and the general trend is higher. Factories are operating at 80 to 90 per cent of capacity as compared with 50 to 70 per cent a year ago. Material and labor scarcity is holding up production in some plants, though a few mills have managed to secure ample supplies of raw material. The spot supply of materials is small.

The prospects for the rest of the year are regarded as good, but there is uncertainty as to the attitude of retail dealers in view of the higher prices. In any event, large contracts have been made which will assure production for a considerable time. Public institutions figure largely in new orders.

Coal

With the withdrawal of Government regulations on bituminous coal, effective April 1, producers negotiated with consumers for the renewal of contracts which expired March 31. Prices were adjusted to higher levels, due to the necessity of allowing for the wage increases recommended by the President's Coal Commission, and increased costs due to small car supply. The engineers of the Fuel Administration, which made an investigation of the records of a central Pennsylvania colliery, found that a car supply of 60 per cent increases the cost of mining 30 per cent. The regions which supply the coal for this territory are said to be working under a 60 per cent supply. Demand is far ahead of supply, and it is stated that many consumers will try to store as much coal as possible over the next six months, which will keep the market active during that time.

The anthracite industry is at present troubled by demands of labor for higher wages, though the men have walked out in only a few cases. The movement of coal is also held up by lack of cars. Retail dealers are unable to care for the orders which are being received and prices are advancing.

Cotton

The raw cotton market continues to show activity and high prices and the longer staples, on which the demand centers, are in scant supply. Much of this demand is probably from foreign sources, as domestic manufacturers are buying cautiously, preferring to use up their surplus stocks before making further purchases. Prices are at the highest levels since the Civil War, and the present trend is higher, as practically 75 per cent of the available supply is said to be of short staple, which is in little request.

Yarns have not been in so active demand, but this is mainly due to the fact that manufacturers have largely contracted for their needs, and much of the buying during the past two months has been in small quantities to fill unexpected needs or replace delayed deliveries. It has not been possible to accumulate large stocks. Prices are holding steady, and the general average is about double that prevailing a year ago. Due to continued demand, and the probable improvement in manufacturing conditions, the outlook is thought to be good.

According to reports, distributors of cotton goods are not stocked up, but the tendency of consumers not to pay the high prices has resulted in the offering of little new business to the manufacturers. Some lines are active, but this by no means holds good for the entire list. Manufacturers are busy on back orders which keep their operations up to capacity, but an influx of buying will be needed to guarantee production for the rest of the year. Compared to last year, prices doubled. Demand from foreign sources has served to keep up production and one large manufacturer states that since the shortage of cotton goods is world-wide, what one part of the world will not take, another will. There is no unanimity of opinion among producers as to how business will be for the balance of the year, and caution is generally felt to be necessary.

Groceries

The first three months of this year were marked by a strong demand for groceries of all kinds, one large wholesaler reporting that his business was 40 per cent in excess of the same period last year. Trade thus far in April has not been so brisk. Supplies are fairly good except in the higher grades of canned goods and sugar. The price of sugar is rising, and it is stated that the increase in consumption through its greater use in confectionery, soft drinks, ice cream, etc., since the advent of national prohibition, has caused a shortage which cannot be overcome without larger crops.

Prices of canned goods, with the exception of the higher grades, have been about 10 per cent lower than a year ago. Rice and sugar are much higher; beans maintain about the same level. The majority of grocery items are steady. Transportation is holding up supplies and fancy goods are hard to get. Canners are said to be demanding 10 to 15 per cent more on goods for future delivery than a year ago, and farmers and other producers are insisting on high returns for commodities. Unless some break in the situation occurs, which is not now apparent, grocers expect a steady volume of business at firm prices.

Hardware

Business in general hardware lines has been increasing steadily since the beginning of the year, and it seems to be unnecessary to use even the ordinary sales methods to book orders beyond the capacity of the manufacturers to handle. Demand for contractors' and builders' supplies is somewhat under normal due to holding up of building by high prices. Present prices are anywhere from 25 to 100 per cent above a year ago. Both manufacturers and dealers are exceedingly optimistic about the continuation of demand for the rest of the year, but the thought is expressed that the inability to ship merchandise may cut down the volume somewhat.

Hosiery

Hosiery manufacturers report that the market for their product is very unsettled. Orders for future delivery are being cancelled extensively. Jobbers are following the policy of buying from hand to mouth in the expectation of a reduction in prices. Manufacturers, however, hold to the opinion that such a reduction is not in sight. Raw materials, with the exception of silk, continue high, and labor conditions, although more settled than at this time last year, nevertheless cause much concern. Under the circumstances, the producers feel that the longer jobbers and retailers refrain from purchasing hosiery to replenish their rapidly decreasing supplies, the higher prices will be.

Below are given the first results (as applied to manufacturing) of the new plan of the Federal Reserve Board for publishing accurate business statistics. The percentages apply to the hosiery industry in the Third Federal Reserve District, and show the value of goods manufactured during March, the finished products, raw materials, and unfilled orders on hand at the end of March, as compared to February, 1920, and March, 1919.

OPERATIONS IN THE HOSIERY INDUSTRY—MARCH, 1920

	Per cent increase or decrease as compared to Feb. 1920,	March, 1919
1. Product manufactured during month (selling price)....	+ 17%	+ 196%
2. Finished product on hand at end of month (selling price)	+ 50%	+ 57%
3. Raw materials on hand at end of month (cost price)...	+ 23%	+ 149%
4. Unfilled orders on hand at end of month (selling price)	— 14%	+ 270%

Iron and steel

The demand for pig iron, steel, and finished products such as plates, shapes, castings, etc., shows no signs of cessation but is rather on the increase. Producers are working to capacity wherever their supplies will permit, but they are very seriously hampered by the transportation delays which make it difficult to bring in the raw materials and ship out the finished commodities.

As a result of the holding-up of deliveries, consumers who have been clamoring for needed supplies are offering high prices to secure immediate delivery. The danger of unrestricted price increases has been recognized by more conservative manufacturers, but their efforts to stabilize prices have had little effect thus far. Quotations on Pennsylvania no. 2X pig iron in April were $47.05 per ton, as compared to $45.35 the previous month, and $31.80 last year.

Pipe fittings have been in smaller demand lately, but large back orders have kept up production. The building situation is affecting this line.

Jewelry

Demand for jewelry of all kinds is continuing strong, and there appear to be no signs of any cessation. Manufacturers are slow in making deliveries. Certain classes of the American people are apparently still dominated by a desire to own luxuries of the most expensive kind. As compared to a year ago, prices of diamond goods have gone up 50 per cent, jewelry 33½ per cent, and silver 60 per cent. The outlook to the end of 1920 is thought to be very good, despite the tremendous advance in prices.

Leather

The majority of the plants manufacturing kid leather are not operating up to their full capacity, which is due to material and labor scarcity and in some cases to lack of orders. Plants appear to be operating to about 80 per cent of capacity. Demand has fallen off noticeably during the last month, more particularly in the lower grades, and consequently the supply has been fairly adequate. Prices are comparatively steady, but the general tendency is toward lower ones, though they are still much above a year ago. Raw skins are reported to be scarce at primary markets and very expensive.

Producers feel that there will be good business as soon as the price situation is settled. Shoe manufacturers are rather wary about committing themselves to large purchases of leather until they are satisfied that they will not be able to buy cheaper in the near future.

The volume of sales is adversely affected by the exchange rate for sterling. Normally there is a large export trade, but this has been seriously interrupted and American tanners are concerned over the possibility that foreign tanners may have gained a foothold in markets which once belonged almost exclusively to this country.

Lumber

The demand for lumber has been quite strong, though some wholesalers report a decrease lately. The advent of more seasonable weather may very probably result in a larger volume of business. Dealers report that they are able to care for their orders with fairly prompt deliveries, but the small stocks of seasoned wood on hand make this rather difficult. Prices hold firm and average about 50 per cent higher on spruce and hemlock than a year ago, and double in the hard woods. In any event, supplies are small due to car shortage. The outlook for business during the rest of the year is thought to be good by most dealers, but the feverish buying which has been witnessed in the past is not expected to be a feature of the market, and some uncertainty is apparent as prices have ruled too high.

Pottery

Pottery and porcelain products have been in demand since the beginning of the year, and there is little prospect of cessation in the immediate future. The general situation is strongly marked by inadequacy of supply, and many plants are six months back on their orders. Shortage of railroad cars has been holding up materials and fuel, but the majority of concerns have managed to keep production very nearly up to a 100 per cent basis as compared to 50 to 60 per cent last year. Prices are holding steady at levels from 10 to 20 per cent higher than a year ago. A large part of the present demand comes from contractors engaged in making factory extensions and alterations, and there are said to be few speculative building operations under way. Manufacturers are exceedingly sanguine about business for the next twelve months.

Shoes

Some manufacturers of footwear are running to capacity, but most of them report operations at 70 to 80 per cent. The demand has been fairly strong, but has decreased lately, and they are now able to care for orders. This is the season of the year at which purchases are usually made for delivery in July, August, and September. Up to the present time there has been some hesitancy on the part of purchasers in buying for delivery during that period, primarily because consumers are holding off in the expectation of lower prices.

Leathers of desirable quality are scarce, but the chief difficulty in securing materials is due to the transportation situation. The year 1920 will probably be marked by a decrease in the volume of business, but this may not be the case as to the value of the goods produced and sold.

Silk

Producers of silk goods are running at from 80 to 100 per cent of capacity, which is somewhat higher than a year ago. Demand has been strong, but the recent slump in the raw silk markets caused a marked decrease in the demand for finished goods. Under present conditions manufacturers are able to supply the demand. The attitude of consumers had prompted the feeling that price levels were unreasonably high, and consequently prices of finished goods are unsteady and trending lower but are still from 50 to 100 per cent above a year ago. The raw material supply is easier, but the higher qualities are scarce. In view of recent market developments and the wavering price situation, producers are uncertain about business conditions in the coming six months.

Ribbon manufacturers are busy and, while new business has slackened off somewhat lately, they believe this condition to be temporary as present styles are said to favor the use of ribbon. The large amount of back orders which are yet to be filled are keeping operations up to 90 to 100 per cent of capacity.

Wool

Wools of the fine merino grades continue in demand and prices hold firm. In the medium and lower grades, prices still favor the buyer, though there is more interest in the medium wools. Demand has been somewhat smaller during the past month due to the tie-up in transportation in New England during February and early March, and the curtailment of credits.

Yarns have been in strong demand, though one firm reports a decrease, which it ascribes to smaller bank accommodations to customers. Prices are tending higher and are now about 50 per cent above a year ago.

Cloth manufacturers are sold ahead and are producing actively, though demand shows a small decrease in some lines incident to the season. Prices weakened slightly, but are much higher than last year. Manufacturers think that clothing needs will assure full-time production for 1920, but they do not care to prophesy conditions after the close of the year. A large dealer in raw wool gives it as his opinion that the insistent demand for wool textiles is gradually being supplied.

Financial

There is no buying of commercial paper by the banks of Philadelphia, but the buying of the country banks is approaching normal. The rate holds firm at seven per cent.

The loan and discount operations of the Federal Reserve Bank decreased from $571,916,000 in February to $544,618,000 in March. The average daily earning assets of the Bank increased from $243,612,000 to $246,229,000, however. The reserve ratio shows little change, continuing from 40 to 41 per cent. Federal reserve note circulation increased from $242,258,000 at the end of February to $247,631,000 on March 31.

The average daily number of checks handled by the transit department in March was 161,474, amounting to $56,146,000. In February, the daily average was 124,478, to an amounnt of $44,-409,000.

GENERAL BUSINESS SITUATION

Third Federal Reserve District

April, 1920

BUSINESS	DEMAND	ABILITY TO SUPPLY DEMAND	PRICE TRENDS	RAW MATERIAL OR MERCHANDISE SITUATION	ATTITUDE OF LABOR	COLLECTIONS	OUTLOOK FOR BALANCE OF 1920
Automobiles	Strong	Unable, except on higher priced cars	Higher	Scarce—must drive in by hand	Better	Excellent	Excellent
Carpets and rugs	Brisk	Unable, except in lower grades	Higher	Fair supply	Somewhat better	Excellent	Good
Coal	Very strong	Unable	Higher	Scarce	Troublesome		Excellent
Cotton goods	Yarns—strong Goods—fair	Busy on back orders	Firm	Firm		Excellent	Fair to good
Groceries	Good	Able—except sugar and some canned goods	Higher	Fair—Transportation interferes		Excellent	Good
Hardware	Very strong	Unable	Higher	Scarce	Indifferent	Mostly excellent; some slowness	Excellent
Hosiery	Decrease	Able	Firm	Fair			Uncertain
Iron and steel	Very strong	Unable	Higher	Scarce	Indifferent	Mostly excellent; some slowness	Excellent
Jewelry	Very strong	Partially able	Higher	Fair		Excellent	Excellent
Leather (kid)	Decrease	Able	Trend lower	Scarce	Somewhat better	Excellent	Uncertain
Lumber	Good	Partially able	Firm	Scarce		Excellent	Good
Pottery	Very strong	Unable	Steady	Scarce	Indifferent	Excellent	Excellent
Shoes	Decrease	Able	Steady	Scarce	Better	Excellent	Uncertain
Silks	Decrease	Able	Lower	Fairly easy		Mostly excellent; some slowness	Uncertain
Woolens-worsteds	Steady	Unable	Firm	Fair	Mostly indifferent; some better	Slower	Good

The table below shows the average discount rates reported by Philadelphia banks for the thirty-day periods ending on the specified dates.

	Apr. 15 1920	Mar. 15 1920	Apr. 15 1919
Customers' prime commercial paper:			
30 to 90 days	6 %	6 %	5½ %
4 to 6 months	6 %	6 %	5½ %
Prime commercial paper purchased in open market:			
30 to 90 days	7 %	6½ %	5½ %
4 to 6 months	7 %	7 %	5½ %
Loans to other banks—secured by bills payable	6 %	6 %	5½ %
Bankers' acceptances of 60 to 90 days:			
Endorsed	6 %	6 %	$4\frac{3}{16}$ %
Unendorsed	6¼ %	6¼ %	4¼ %
Loans secured by prime stock exchange collateral or other current collateral:			
Demand	6 %	6 %	5¾ %
3 months	6 %	6 %	6 %
3 to 6 months	6 %	6 %	6 %
Cattle loans	6 %	..	5½ %
Commodity paper secured by warehouse receipts, etc.	6 %	6 %	6 %
Loans secured by Liberty bonds, Victory notes or certificates of indebtedness	6 %	6 %	4¾ %

STATEMENT

Federal Reserve Bank of Philadelphia

RESOURCES	April 16, 1920	Month ago	Year ago
Gold reserve...........	$137,692,415	$137,393,744	$130,393,362
Legal tender, silver, etc..	668,709	492,524	268,628
Total reserve.......	**$138,361,124**	**$137,886,268**	**$130,661,990**
Bills discounted, members:			
Secured by Government war obligations..............	$167,355,852	$162,735,396	$184,200,448
All other..................	33,958,465	49,237,182	13,979,026
Bills bought in open market	3,415,982	5,590,873	963,693
United States securities..	34,075,300	31,988,400	18,665,400
Total earning assets	**$238,805,599**	**$249,551,851**	**$217,808,567**
Mutilated and fit notes on hand:			
Federal reserve notes.......	$9,975,920	$13,441,675	$8,406,560
Federal reserve bank notes.	101,393	638,192	223,180
Due from depositary banks—war loan deposit account...............	———	———	62,516,700
Uncollected items	76,438,960	76,030,875	72,140,431
All other resources	2,456,722	2,742,168	2,337,124
Total resources.....	**$466,139,718**	**$480,291,029**	**$494,094,552**

LIABILITIES	April 16, 1920	Month ago	Year ago
Capital paid in	$8,198,300	$8,198,300	$7,584,650
Surplus.................	8,805,132	8,805,132	2,608,344
Profit and loss	21,018	14,047	———
Government deposits	993,723	16,016,055	4,748,820
Due to members—reserve account...............	101,024,753	94,837,197	112,884,217
Collection items	67,301,933	70,239,144	65,547,500
Gross deposits......	**$169,320,409**	**$181,092,396**	**$183,180,537**
Government deposits—special account........	———	———	$67,078,390
Federal reserve notes outstanding.............	$256,692,475	$256,484,850	215,165,790
Federal reserve bank notes outstanding...........	19,164,000	22,344,000	15,840,000
All other liabilities.......	3,938,384	3,352,304	2,636,841
Total liabilities.....	**$466,139,718**	**$480,291,029**	**$494,094,552**

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

	At the close of business		
	Apr. 16, 1920	Mar. 12, 1920	Apr. 11, 1919
	[In thousands of dollars—i.e., 000's omitted.]		
United States bonds to secure circulation	$11,347	$11,097	$11,597
Other United States bonds and notes	39,261	37,938	34,826
Certificates of indebtedness	56,884	45,895	141,931
Total United States securities owned	$107,492	$94,930	$188,354
Loans secured by United States securities	75,309	78,405	141,573
All other loans and investments	774,600	759,605	613,398
Total loans and investments	$957,401	$932,940	$943,325
Reserve with Federal Reserve Bank	64,086	69,642	67,307
Cash in vault	16,958	17,244	18,836
Net demand deposits on which reserve is computed	672,588	674,734	645,302
Time deposits	27,061	25,769	22,605
Government deposits	8,681	1,568	41,460
Number of banks reporting	56	56	56

CHARGES TO DEPOSITORS' ACCOUNTS
other than banks' or bankers', as reported by Clearing Houses

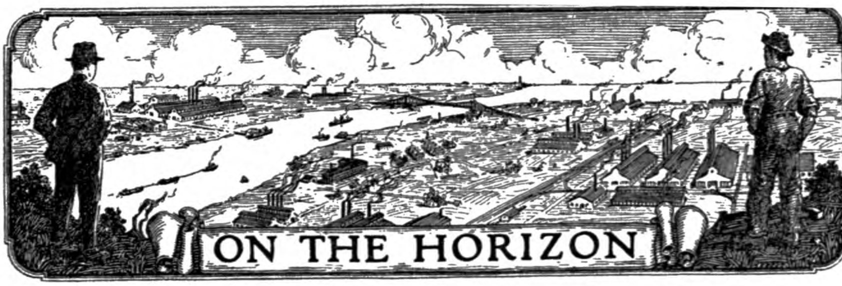
	Weeks ending		
	Apr. 14, 1920	Mar. 17, 1920	Apr. 16, 1919
Altoona	$3,413,000	$3,457,000	$2,657,000
Chester	5,213,000	5,271,000	3,938,000
Harrisburg	4,927,000	4,240,000	3,718,000
Johnstown	4,590,000	3,423,000	2,762,000
Lancaster	7,553,000	5,926,000	5,118,000
Philadelphia	363,227,000	385,555,000	281,702,000
Reading	6,400,000	6,059,000	3,000,000
Scranton	15,907,000	12,442,000	9,357,000
Trenton	11,385,000	11,713,000	7,999,000
Wilkes-Barre	8,002,000	8,358,000	5,840,000
Williamsport	4,837,000	4,501,000	8,607,000
Wilmington	8,240,000	10,326,000	3,017,000
York	5,181,000	4,333,000	3,421,000
Totals	$448,875,000	$465,604,000	$341,136,000

BUSINESS INDICATORS

	Apr. 19, 1920	Percentage increase or decrease compared with	
		Previous month	Year ago
Philadelphia banks:			
Loans	$820,724,000	+ 2 %	+ 6 %
Deposits	701,816,000	+ 3 %	+ 7 %
Ratio of loans to deposits	117 %	119 %*	118 %*
Federal Reserve Bank:			
Discounts and collateral loans	$189,765,000	— 8 %	+ 3 %
Cash reserve	44 %	41 %*	42 %*
90-day discount rate	6 %	6 %*	4¾ %
Commercial paper (6 mos. open market)	7 %	7 %*	5½ %*

	Mar. 1920	Percentage increase or decrease compared with	
		Previous month	Year ago
Bank clearings:			
In Philadelphia	$2,132,291,313	+ 20 %	+ 23 %
Elsewhere in district	135,069,624	+ 26 %	+ 48 %
Total clearings	$2,267,360,937	+ 21 %	+ 27 %
Building permits, Philadelphia	$11,399,062	+ 65 %	+328 %
Post office receipts, Philadelphia	$1,413,443	+ 35 %	+ 20 %
Commercial failures in district (per Bradstreet's)		33 *	19 *
Latest commodity index figures:			
Annalist (food prices only)	321.000	+ 7.8 %	+ 2.9 %
Dun's	$257.901	+ 1.9 %	+ 17.2 %
Bradstreet's	$20.7124	— 0.6 %	+ 19.8 %

*Actual figures.



Is our present remarkable business boom likely to continue, or is the end in sight? This is a question which is foremost in the minds of commercial and financial interests in the United States today.

At the recent annual meeting of the United States Steel Corporation, Judge E. H. Gary, chairman of the board of directors, told the stockholders that the United States at the present time has the best opportunity it has ever had for enhancing its commercial supremacy. He remarked that to his mind, conditions are improving, and have been improving for the past year or more. He said that, "We can take and maintain the leading position industrially and financially of all the countries of the world."

This is the almost universal feeling among business leaders. The banking interests, however, do not view the situation in so optimistic a vein. Paul M. Warburg, formerly vice governor of the Federal Reserve Board, views "the position in Europe with distinct alarm." He looks for a recession in business throughout this country. This recession will be caused, in part, by a decline in our exports to Europe, owing to the, as yet, unsolved problem of furnishing adequate credits to war stricken countries. Commenting on the financial aspect of our domestic outlook, Mr. Warburg remarked: "If our fight against inflation is successful, it will involve a recession in prices and reduction of loans and circulation. The Federal reserve system in these circumstances, will, to my mind, have to put its discount rate upon a basis that does not invite rediscounting for profit on the part of the banks. If we can arrest the mad buying on the part of the public, which in turn causes the feverish buying and cumulation of stocks on the part of the retailer, wholesaler and manufacturer, or farmer, we shall soon contract our bank loans, increase savings, and reduce the cost of living for ourselves and the world. The financial situation would thereby gain in strength, free itself from the past hothouse influences, and get us back to a solid basis from which healthy progress may then be made in the large tasks confronting us."

Henry P. Davison, of the house of J. P. Morgan & Company, looks upon coming events from a very dismal point of view. He recently remarked, "If I told you what I really think, it would be too blue to print."

Frank A. Vanderlip, too, looks for a sharp recession of our present business boom. This will result, he says, from the disaster to which Europe, he feels certain, is moving.

The Stock Exchange in the past has always acted as a barometer forecasting future business conditions. If it is continuing to do so, the recent sharp declines in practically all securities would seem to indicate that the banking interests hold the correct view, that the peak in business prosperity has been reached, and that the next six months will evidence a sharp decline.

The London office of the Standard Statistics Company reports the following: "The export trade in woolen hosiery and underwear is badly handicapped by the increased cost of production; since 1914, labor cost has doubled, fuel gone up by 300%, freights 250%, and raw material enormously; Australian (Botany) wool has increased from 2 shillings, 9 pence per lb. to 16 shillings; cotton yarn from 7 pence to 4 shillings per lb. It is in the latter two items that Leicester manufacturers bitterly complain of gross profiteering restricting export trade."

In spite of these conditions the British manufacturers contemplate exporting to American markets. One of the leading manufacturers in England recently remarked, "America at the moment is our most promising market for good quality hosiery. The demand there is for the best article, and British goods are admittedly the best."

There is small prospect, however, that British hosiery will make its appearance in American markets to any great extent for some time to come, as British home consumption of stockings is so heavy that there is but little to export.

Frank A. Vanderlip, formerly president of the National City Bank of New York, delivered a number of addresses while on his way across the continent to Seattle, from where he sailed on April 10 for Japan. In all of these Mr. Vanderlip expressed the belief that the present-day prosperity is based on a false premise, namely, currency inflation, and that unless the extension of abnormal credits is curtailed by the effective use of the Federal Reserve Board's rediscount power, a crash is certain to follow. Below are given several extracts from his speeches:

"The Federal Reserve System which permitted banks to establish credit of thirty times their reserve, caused the inflation. It simply added $15,000,000,000 to our purchasing medium. This was the chief contributing cause for putting prices up two and one-half times as high as in 1914. * * *"

"They tell you lack of production caused all of the unrest and misery, but inflation is the basic reason. Because of high wages labor lost the connection between efficiency and the pay envelope. Today labor works at 60 per cent efficiency. * * *"

"Inflation reached into savings accounts and clipped every dollar down to forty cents. It rewrote insurance policies to half their value. It caused untold suffering among the classes with fixed incomes."

Following his address at Fort Wayne, Indiana, on April 3, the Indianapolis News published the following: "The old national banking law, Mr. Vanderlip said, provided that for every $7 loaned, $1 must be kept in the bank's vaults, but the Federal reserve law allows $30 of money to be loaned for each $1 in the bank's vaults. This has caused a tremendous inflation, he believes, and the balloon will break with disaster to the country's business if a stop is not called. An increase in production will help the situation greatly, he said. Labor has come out of the war dissatisfied and is giving scarcely more than 60 per cent efficiency for a vastly higher wage, said Mr. Vanderlip. If labor were wisely led, he added, it would find 100 per cent efficiency bringing down the cost of living. Mr. Vanderlip did not lay all the blame, or the major part of it, on labor. He said it is due to the unwillingness of the Government to use the discount brake on expansion of loans which the Federal reserve law provides. The Federal Reserve Board wanted to boost the loan rate as a measure of protection against speculative interests, but the Government wanted low rates, and forced the Reserve Board to keep its hands off, he said. At present, therefore, there are $26 in loans for every one dollar in the bank's vaults, and there are only $4 more in the pyramid possible.

"The speaker urged that before the bubble bursts and business collapses, the rate be put so high that it will stop further inflation."

"What's the matter with the port of Philadelphia?" The "Public Ledger" sent this question to many prominent local manufacturers, and of the answers received, that of Mr. Kerro Knox, Export Manager of the H. K. Mulford Company, was especially interesting.

Mr. Knox agrees with Samuel Rea, president of the Pennsylvania Railroad that Philadelphia's undeveloped port is not the fault of the Pennsylvania Railroad, but of the exporters and manufacturers of Philadelphia, who have failed to bring more steamship lines here. Were Philadelphia the terminus for a greater number of lines, the railroad would be forced to give better service to the piers.

In support of this argument, Mr. Knox gives an account of a great effort which he made to ship from Philadelphia, and relates the stupendous difficulties with which he met and the resultant loss of contracts.

Lack of steady and accurate information regarding sailings, freight rates, etc., is the chief handicap to the Philadelphia exporter. Specific occasions are cited when ships scheduled to sail on certain dates did not leave until four or six weeks later. Furthermore, no definite information as to exactly when the vessels would sail could be obtained, thereby causing a loss of valuable contracts. A woeful lack of principle, he says, is evidenced by some owners who seem to be ready to charter their vessels to the highest bidder irrespective of prior contracts.

The better facilities offered by New York in the matter of foreign exchange is another disadvantage under which Philadelphia labors. New York banks have their own branches in foreign countries, whereas Philadelphia banks and bankers must work through correspondents. This adds ½ to 4 per cent to the cost of a draft drawn in Philadelphia, as no demand has been created for Philadelphia exchange. This is a secondary consideration, however, as the foreign exchange and foreign credit situation could and would be easily solved if manufacturers and exporters would ship from Philadelphia.

In Mr. Knox's opinion, good shipping service could be built up by: 1. A steamship company that would establish regular sailing dates and guarantee those sailings; 2. The employment in

Philadelphia of Federal employees who would interpret the Federal export shipping regulations in as broad and liberal a manner as is done in New York, and not enforce the mere technicalities of the law.

The crux of the situation, therefore, with regard to the port of Philadelphia is that shipping people must give reliable accurate information, and must make their service regular so that patrons will not lose valuable contracts through the cancellation of sailings after they have been announced.

It was reported recently in the Philadelphia newspapers that Japanese interests had purchased two large textile mills in the Kensington district, and were dismantling them preparatory to sending the machinery to China and Japan. The owners gave as their reasons for selling their plants the fact that labor conditions were such that it made it unprofitable for them to continue operations. Five thousand employees have been thrown out of work as a result of this.

The question arises, what did labor in this instance gain from its persistent refusal to cooperate with capital?

This business report will be sent regularly to any address upon request.