

1934-35

ECONOMIC SITUATION

REPORTS OF THE ECONOMIC ADVISER
TO THE
EXECUTIVE COUNCIL

AUGUST 7, 1934 —

Office of the Economic Adviser to the
National Emergency Council

February 5, 1935

February 5, 1935

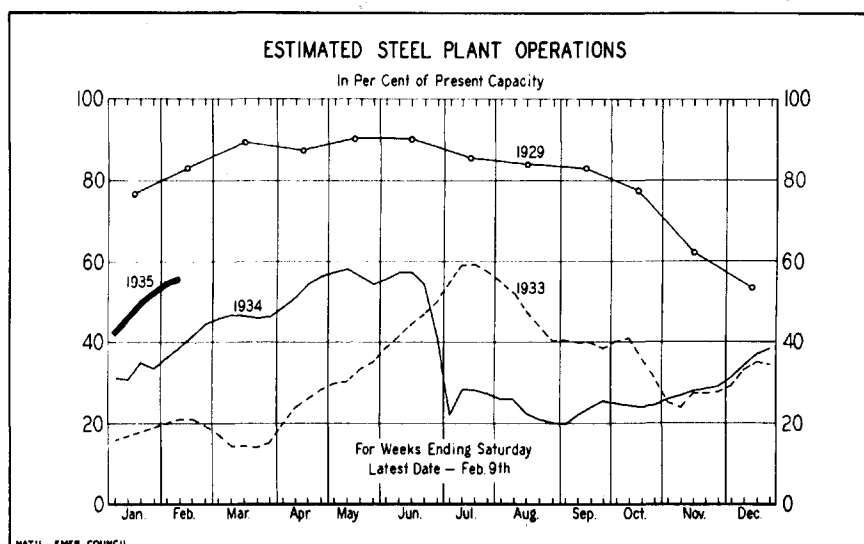
ECONOMIC SITUATION

Production.

Industrial activity has increased with exceptional rapidity during the past six weeks and currently is well in excess of operations at this time last year, and on a par for the season with the best levels of the spring of 1934. The sharpness of the rebound reflects primarily the relatively small volume to which inventories in several key industries were reduced by December as a result of sustained consumption during the summer and early autumn when operations were at a much lower rate. Now that industrial activity has recovered to levels more closely in line with current consumption, further changes in output during the next two months may be expected to conform more closely to the usual seasonal pattern.

The most marked gains in industrial output have been in the automobile and steel industries, although certain non-durable goods industries have shared in the advance. Automobile plants are now producing at a rate about equal to that of January 1930, and a further seasonal increase may be expected in the next two months since retail sales are now in good volume. Meanwhile steel operations have advanced to about 55 per cent of capacity, reflecting

increased orders not only from automobile plants but also from well-diversified miscellaneous lines. Orders from construction and the railroads remain small.



Employment.

Increasing output has been accompanied by larger employment, especially in the heavy manufacturing industries, so that in early January the reduction in total factory working forces which ordinarily accompanies the year-end inventory period had much less effect than usual. The largest seasonal increase in factory employment at this time of year, however, normally comes between January and February, and the full effect of the recent advance in activity will not be registered until then.

-3-

Trade.

Latest reports on retail trade indicate that severe weather has reduced sales of merchandise, except in the case of winter clothing. Freight shipments, with the exception of coal, have also declined somewhat.

Prices.

On the organized exchanges volume of trading has been restricted during the past two weeks by uncertainty over the gold clause decisions, and there have been slight recessions in prices of stocks and of commodities entering into international trade. Prices of livestock have continued to advance, as a consequence of smaller supplies, and in the Bureau of Labor Statistics index of wholesale prices, farm products as a group have advanced to 79 per cent of their 1926 average, the same level as the general average of all commodities. Retail feed prices, especially prices of meats, have increased rather sharply in recent weeks, and in mid-January the index of the Bureau of Labor Statistics indicated that retail feed prices were more than 12 per cent higher than last year. Aside from farm products and feeds, prices show relatively little change from this time a year ago.

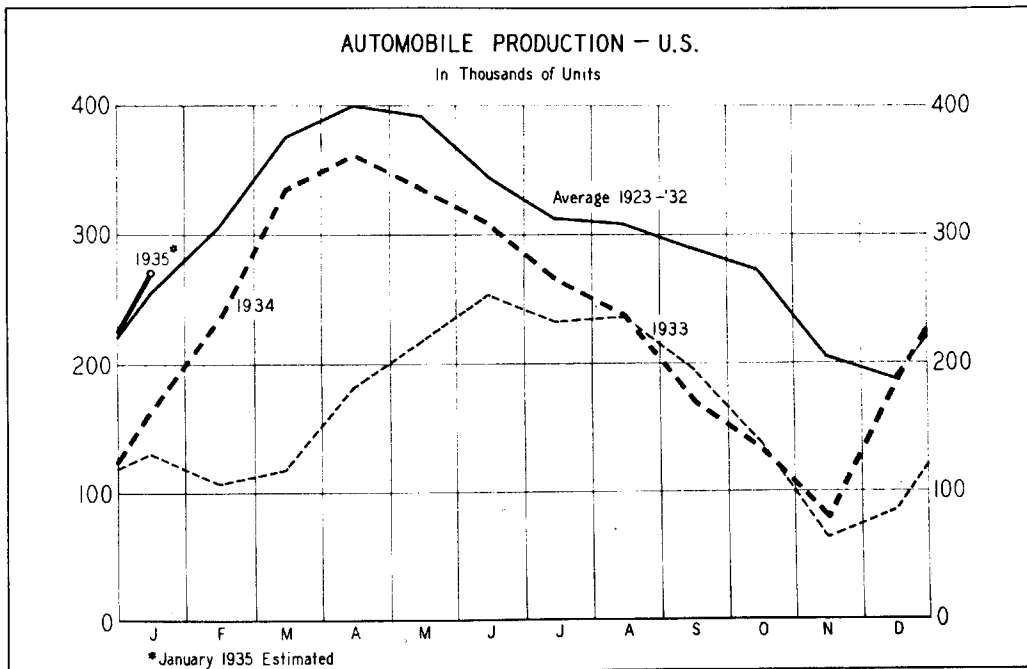
Office of the Economic Adviser
the
National Emergency Council

January 22, 1935

ECONOMIC SITUATION

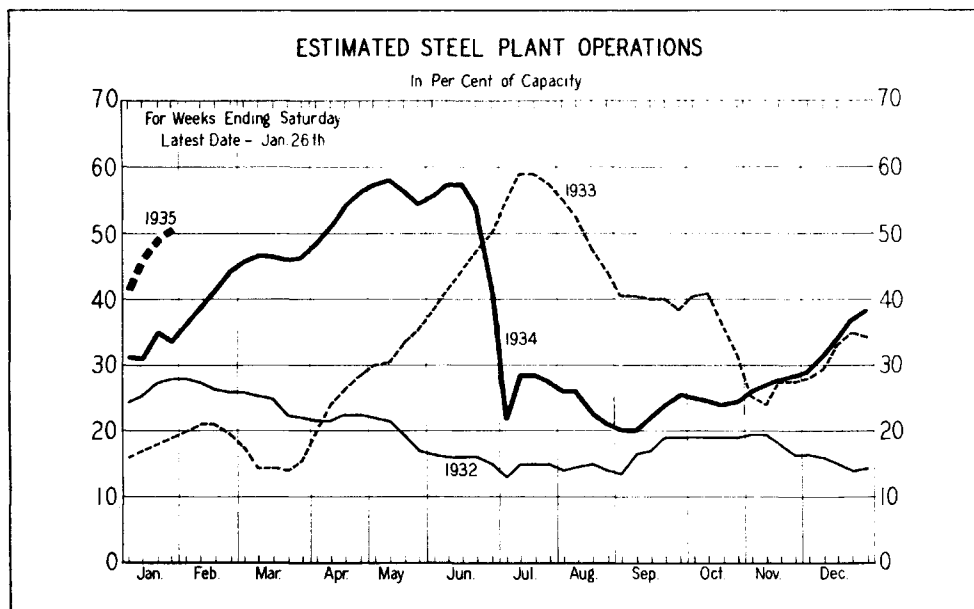
Production

With the automobile industry leading the way, the trend of business activity has continued sharply upward during the past fortnight. The number of new automobiles assembled has advanced very rapidly and is now much larger than a year ago. Steel pro-



ducers, benefiting from increased demand from many small lines as well as from automotive orders, have expanded their output from 41 per cent of capacity to 50 per cent since the beginning of January. At this rate steel production is well above its average in 1934, and although a farther seasonal rise may occur in the near future, such a level can hardly be maintained throughout

the year unless demand picks up in fields hitherto dormant.



In other lines of manufacturing, activity has not expanded appreciably during January apart from the customary seasonal changes. As compared with December and January of last year, business activity is generally at a higher level, with production and employment now reflecting the larger volume of consumer-purchasing.

Final reports now available on employment in December show large gains in the automobile and steel industries and some advance in machinery and in textiles, so that total employment in manufacturing as a whole, instead of declining as is usual in December, actually increased.

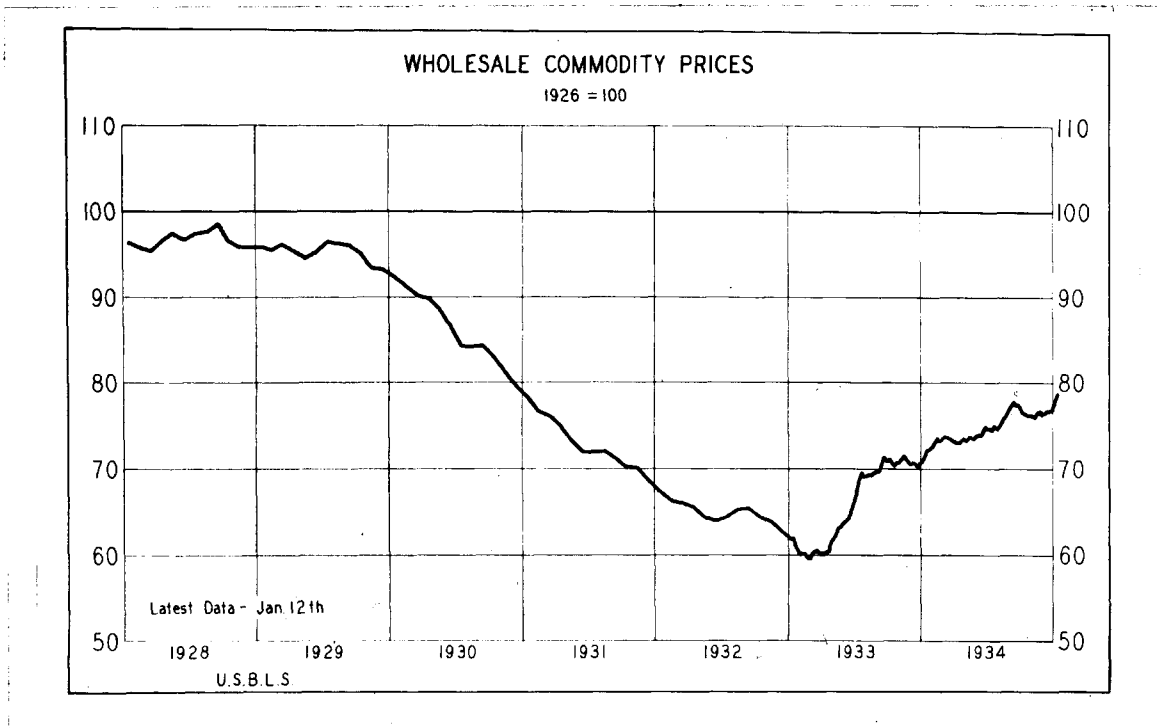
Trade

In retail stores, sales of most types of merchandise have, as usual, declined substantially from the Christmas peak, but

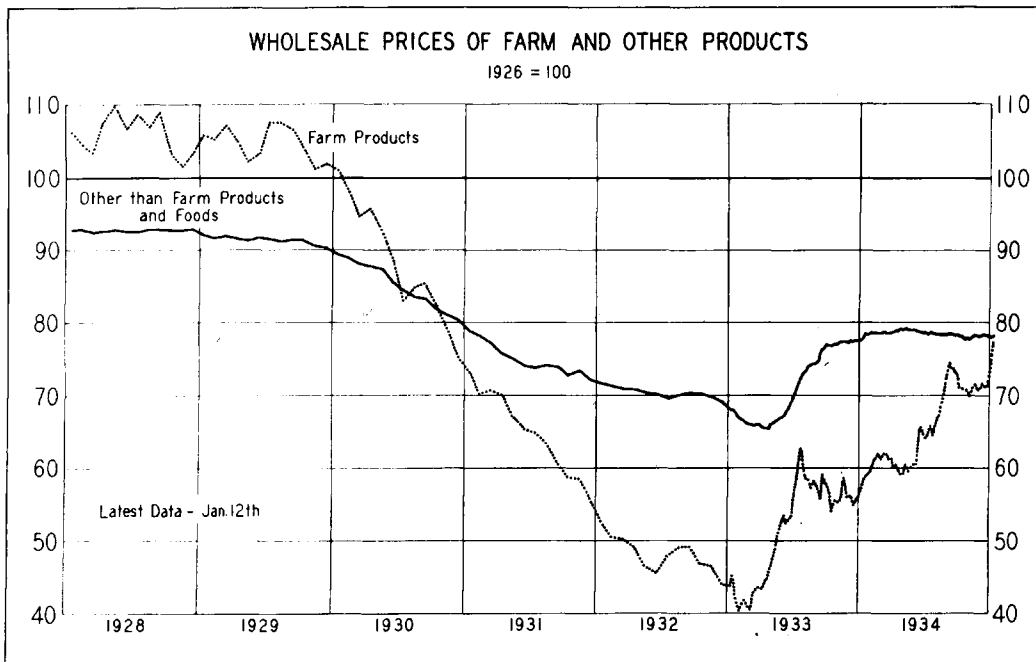
department store sales in early January continued larger than in the previous year.

Prices

Prices of commodities in wholesale markets have been rising slowly during the past three months and in the middle of January the index of the Bureau of Labor Statistics reached the highest level since December 1930. This upward movement has occurred



-4-



principally in foodstuffs and raw materials, reflecting smaller supplies of livestock and grains, and improvement in demand for cotton, silk, steel scrap and other basic raw materials. The average level of wholesale prices for other commodities, however, has changed very little during recent weeks.

Discussion of the gold clause cases caused a temporary speculative reaction in wholesale commodity markets, the prices of grains being most severely affected. There were also sharp declines in stock prices and in the foreign exchange value of other currencies, while prices of government bonds containing gold clauses rose by fractions of a point. More recently, however, the markets have steadied at somewhat higher levels.

Office of the Economic Adviser to the
National Emergency Council

January 8, 1935.

ECONOMIC SITUATION

JAN. 8, 1935

Summary.

Business activity has increased in recent weeks and the new year opens with prospects for further advances. Department stores report sales at the Christmas season from 10 to 15 per cent above last year. With operations in the automobile and steel industries expanding, the general level of industrial production and employment was well maintained in December and failed to show the customary sharp decline. Consequently, factory employment averaged about 3 per cent higher than last year while payrolls were about 12 per cent larger and industrial production was 7 per cent above December 1933.

Outlook for 1935.

During the next three months industrial operations can be expected to increase on seasonal grounds alone. This movement will be strengthened this year by a material improvement in the relation of inventories to industrial output and to retail trade. Broadly speaking, the first phase of the revival beginning in March 1933 was characterized by the accumulation of inventories, reflecting a marked increase in factory output and a much smaller increase in the physical volume of retail trade. This was followed in 1934 by a relatively small advance in factory output and a much larger expansion in retail activity. During the past six months, especially, goods have been consumed in the aggregate in excess of the current rate of industrial

-2-

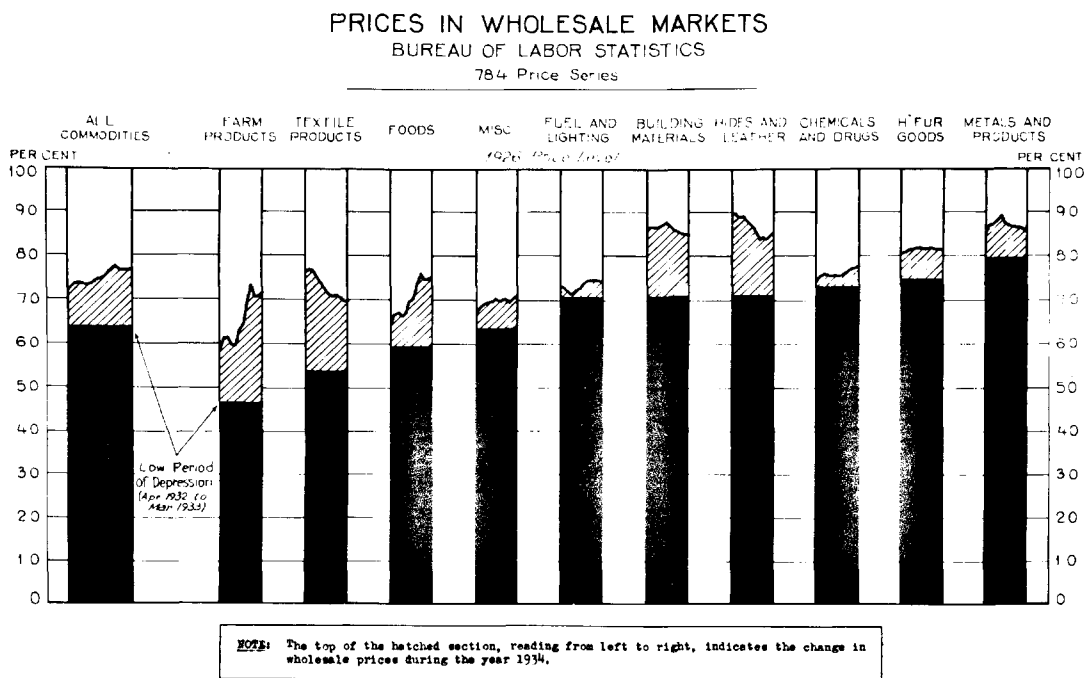
output, with the result that in many lines of trade excessive accumulations of commodities at factories and in the hands of distributors have been absorbed. The current improvement in consumer buying is, therefore, not merely a sustaining factor in retail distribution but also a direct stimulus to a further increase in manufacturing operations.

Among these lines of activity, mainly consumers perishable goods, which have accounted for the bulk of production in recent years, we may expect that 1935 output as a whole will be somewhat larger, especially in the textile industries. Output of meat products, however, will be reduced. Among the durable goods industries, in which the decline in output during this depression has been most heavily concentrated, we may expect increased activity both in the industries which furnish materials for public works and in those which will benefit by the current increase in consumer demand for durable commodities such as automobiles, radios, and household electrical appliances.

Foreign trade also may be expected to show some improvement during the next year, but not in sufficient volume to constitute a major factor in business activity as a whole. With inventories reduced and basic production proceeding at a somewhat higher rate, the situation will favor increased imports, especially of raw materials. In the export field, the prospect is for a continuation of foreign demand for American manufactured products such as automobiles and agricultural machinery.

In the months immediately ahead, therefore, the outlook indicates sustained or increased activity in most of the major industries

which have furnished the bulk of employment in recent years. These industries alone, however, will not absorb labor in sufficient volume to reduce substantially the heavy responsibilities for emergency employment which the Federal Government is now carrying. For a material decrease in that load, the spring expansion in activity must spread into fields that have been severely depressed or dormant for several years. It is impossible to forecast at present the extent to which such an expansion may be expected in 1935. It should be encouraged, however, by several factors which have hitherto been lacking, especially by better adjusted price relationships, and improvement in the agricultural situation and in the financial situation.



Movements of prices in wholesale markets during the past year have gone far to restore a more balanced level among the major groups

-4-

of commodities. The index of all wholesale prices now stands at 77 per cent of its 1926 level with every major group, including building materials, within 12 per cent of that average. This range of variation is the smallest in a number of years. In effecting this adjustment, prices of farm products have advanced about 25 per cent during the past year, partly as a result of drought shortages, but also because of the crop control program of the Federal Government, and food prices have paralleled this advance. On the other hand, price declines have occurred in important industrial products such as textiles, which had previously advanced more rapidly and to a higher point than could be sustained by the level of consumer demand. Other industrial prices on the average have been remarkably stable.

In agriculture, the outlook indicates an increase in income for the third successive year, reflecting the closer balance of prices of farm products with prices of industrial commodities and a marked reduction in the agricultural surplus. For next year, the increase in income will reflect larger crops at somewhat lower prices, since a drought of the severity of this past season is not likely to recur.

In all of these respects, the situation is more favorable to a revival of industrial activity during the coming year than it was in the latter part of 1933 or in 1934. The extent of the revival, however, will depend also on specific conditions in the various fields of industry where expansion might be expected to occur. Taking these areas of potential expansion in order, there is little prospect of increased demand either for an actual increase in industrial plant facilities in 1935 or for a renewal of activity in the field of com-

-5-

mercial construction including office buildings, de luxe apartment structures, theaters and hotels. These fields of construction may be expected to absorb labor only after revival has taken place; they will reflect revival rather than act as an initiating stimulus.

The case of new residential construction is somewhat more favorable. The current outlook is for a larger volume of residential building than last year, reflecting primarily an expansion in certain regions where conditions are especially favorable. Houses are consumers' durable goods, and in this respect they fall in the same category as automobiles and electric refrigerators, the market for both of which has responded rapidly during the past two years as soon as conditions became favorable for expansion. Widespread revival in activity in this field, however, depends primarily upon three factors, vacancies, construction costs in relation to rentals and the mortgage situation. These factors are not now in such a favorable position as to insure immediate widespread revival. The situation with respect to all three, at the same time, has shown improvement, and may continue to improve sufficiently so that residential building will be an important factor in the absorption of idle labor during the coming year.

Outside of new construction and expansion of plant facilities, there is a large area for economic revival in the general field of maintenance, modernization and repair of commercial and industrial structures and equipment as well as of residences. Potential needs for modernization are sufficient to afford the basis for a substantial

-6-

absorption of labor during 1935. At the beginning of the depression in 1929 our physical assets in many lines had been developed to a state of productivity that was in excess of that required by the current level of consumer demand. Since that time, deterioration, obsolescence and under-maintenance have much more than absorbed that excess. The response to the initial phase of the home modernization campaign during the past autumn indicates something of the opportunities for reemployment which modernization can furnish in the residential field. With the advent of the new construction season in the spring, modernization may be expected to supply a substantially larger volume of activity. According to present indications, general commercial and industrial maintenance will also be substantially larger than in recent years when expenditures for this purpose were held to a minimum. Expansion of this type of activity, however, will have to be on a major scale such as in 1923 to furnish a basic sustaining influence toward revival after the spring seasonal peak in general activity has passed.

There is need for a substantial volume of maintenance and equipment on the railroads, if they are to be placed in a condition to handle efficiently the increased movement of goods which can be expected to accompany industrial revival. The undertaking of work of this kind, however, awaits further progress in other phases of the transportation problem. In the electrical industry, on the other hand, potential demand is somewhat more promising. The average demand for electric energy in 1934 exceeded all past years except 1929 and 1930, notwithstanding a level of industrial activity one-third below 1929, and at the present time production of electricity is hovering close

-7-

to those high levels. With any marked increase in industrial output, the demand for electric power will reach new peaks which should call not only for replacement and modernization of generating equipment but also for new installations in regions where demand is heaviest. Outside the fields of transportation and power, the rate at which maintenance, modernization and replacement will afford an outlet for idle labor will depend largely upon specific conditions within each industry and the extent to which these industries benefit from the current level of consumer demand.

The rate at which refunding of debt takes place will constitute a factor of basic importance in the degree to which these developments afford the basis for substantial revival. Improvement in the financial situation has now made itself felt in the security markets, where prices of bonds of prime quality have risen to record levels, reflecting not only the large reserves of liquid funds in the banking system but also the refinancing of home and farm mortgages, the insurance of deposits, and the work of the Reconstruction Finance Corporation in strengthening the capital structure of the banks and in advancing funds to help pay off deposits in closed banks. Our investment markets, as a consequence, are now for the first time in years in a position to refund outstanding obligations at substantial reductions in interest rates. To the extent that advantage is taken of this situation during the coming year, particularly in the bond market and in the mortgage market, debt burdens will be lightened and industry will be in an increasingly favorable position to make inroads on the load of unemployment which the Federal Government is now carrying.

January 7, 1935

REPORT OF THE ECONOMIC ADVISER:

JAN. 7, 1935

Current Activity.

Business activity has increased in recent weeks and the new year opens with prospects for further advances. Department stores report sales at the Christmas season from 10 to 15 per cent above last year. With operations in the automobile and steel industries expanding, the general level of industrial production and employment was well maintained and did not show the customary sharp decline. As a result factory employment in mid-December averaged about 3 per cent higher than last year while factory payrolls were 12 per cent larger, and industrial production was 7 per cent above December, 1933.

Outlook for 1935.

During the next three months industrial operations can be expected to increase on seasonal grounds alone. This movement will be strengthened by the substantial improvement in the relation of inventories to industrial output and to retail trade. The present improvement in consumer buying is, therefore, not merely a sustaining factor in retail distribution but also a direct stimulus to a further increase in manufacturing operations.

In the months immediately ahead private industry will absorb more labor, but not in sufficient volume to reduce substantially the heavy responsibilities for emergency employment which the Federal Government is now carrying, unless the spring expansion in activity spreads into fields that have been depressed for several years. It is unlikely that there will be very substantial building of commercial structures which were previously over-built; nor, without specific assistance, any great modernization of railroad equipment, although that is needed. More promise is held for greater activity in home construction and the repair and modernization of industrial equipment. It is impossible to forecast at present the extent to which expansion in these lines may be expected in 1935. It will be facilitated, however, by three influences which have hitherto been lacking, better adjusted price relationships, and improvement in the agricultural situation and in the financial situation. It is especially significant that investment markets are now for the first time in years in a position to refund the outstanding debt burden, both of bonds and mortgages, at substantial reductions in interest rates.

In the field of industrial maintenance and modernization, the rate at which refunding of debt takes place will be an important influence. Should industry as a whole undertake in 1935 to restore its equipment to a condition corresponding to what it was, say, as recently as three years ago, substantial inroads will be made on the Government's lead of unemployment.

Office of the Economic Adviser to the
National Emergency Council

December 20, 1934.

December 20, 1934

ECONOMIC SITUATION

Summary.

Industrial operations have increased in recent weeks, especially in the steel industry, where output has expanded from a rate of 29 per cent of estimated capacity at the end of November to 34-1/2 per cent at the present time. At automobile plants assemblies of 1935 models are now getting under way, and output in the textile industry has also increased. For manufacturing as a whole some decrease in operations is to be expected over the holidays when many plants customarily reduce operations during the year-end inventory period, but December will show less than the usual sharp seasonal drop from November. Accumulation of stocks of industrial products, with the principal exception of lumber, are moderate in size, and the year will end with most industries in a relatively favorable inventory position.

Consumer buying has been active during the early part of December, according to preliminary reports, and holiday sales are running well above last year.

Responding to this improvement in the business situation, prices of sensitive commodities have been stronger in the past three weeks.

Final figures for November covering the more important industries indicate a decline in output of about the usual seasonal amount, with an accompanying reduction in industrial employment and payrolls. Production of steel and some of the machinery industries expanded

-2-

somewhat. However, automobile plants were changing to new models, and textile and meat-packing companies reduced operations from the relatively high levels of October. Construction contracts decreased slightly in November indicating some slackening in new building, although employment on private construction work was well sustained.

The attached charts summarize production and employment in manufacturing for the year 1934 as a whole and show their relation to earlier years. Aggregate output will be 3 per cent larger than in 1933, employment 12 per cent larger. The advance from the low of the depression in 1932 has been 22 per cent. Average output per worker is still near 1932 levels, largely because of the shorter work week.

The chart of annual output of selected manufacturing industries since 1920 shows the relatively higher level of activity of consumers' goods industries as compared with durable goods industries.

Industrial Production and Inventories.

The volume of production as a whole declined by about the usual seasonal amount during November, notwithstanding expansion in certain important industries. The output of iron and steel increased slowly, reflecting miscellaneous demand and greater activity in the farm implement industry and in the manufacture of machine tools, for which orders were larger than in any November since 1929. Companies producing goods for home renovation, such as paints and plumbing and heating equipment were also more active. Increases in consumption of electric power and in production and shipments of bitu-

-3-

minous coal in November can be attributed largely to seasonal influences. The most marked reductions in output during the month were at automobile plants, accompanying the change to new models, and at lumber mills, in which production is again approaching exceptionally low levels. Output in the meat-packing industry, while much larger than in previous years as a result of abnormal marketings due to the drought, did not report the customary seasonal expansion in November. As compared with last year aggregate volume of industrial output was only a slight increase. It was 14 per cent smaller than during the peak of activity last spring.

As a consequence of reduced operations and fairly well sustained distribution of industrial products during recent months, the year will end with most industries in a relatively favorable position as regards inventories. Stocks of textiles and of finished steel have been low for some time, and the gains in activity in these industries since September are believed to have reflected genuine increases in demand rather than any new accumulation of inventories. In the automobile industry, retail demand has easily absorbed the remaining stocks of 1934 cars in the hands of dealers, and the situation is favorable for a fairly brisk seasonal advance in operations. The lumber industry probably presents the most striking exception to this general rule. Stocks of lumber held by mills amount to about a six months' supply at the current rate of shipments, in addition to large accumulations in the yards of dealers. In an attempt to bring about some decrease in these stocks, the lumber code authority has ordered a further reduction in production quotas for the

-4-

first quarter of 1935.

Construction.

Building contracts were smaller in November than the average for the past six months, and awards for private work, in particular, were reduced. Building permits reported for 760 cities indicated a smaller amount of new work under way than in October. This slackening in construction activity is largely because of weather conditions and it appears that for repair work, at least, the decline this year is smaller than usual. This is also indicated by the sustained level of employment on privately financed construction jobs. Permits for additions and repairs show an increase of 60 per cent.

Employment and Payrolls.

A somewhat smaller number of people were employed at regular jobs in November than in October, as is usual at this time of the year. However, the volume of employment and of payrolls was somewhat larger than a year ago. Factories had fewer workers and smaller payrolls in mid-November than a month earlier, the decline being about the same amount as has been usual in recent years. Employment was also seasonally smaller in agriculture, on the railroads, and on public works projects, as roads and other jobs affected by weather were completed.

As a result of the improved rate of manufacturing activity in the past two weeks both employment and payrolls at factories will probably be better sustained than usual in December. A decline may be expected towards the end of the month, however, as the year-end inventory period approaches.

Retail Trade.

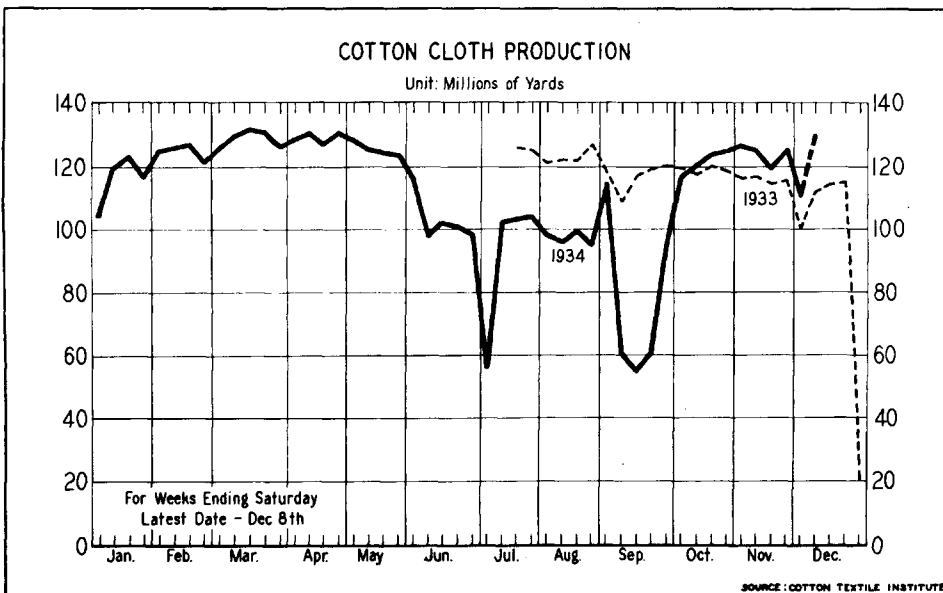
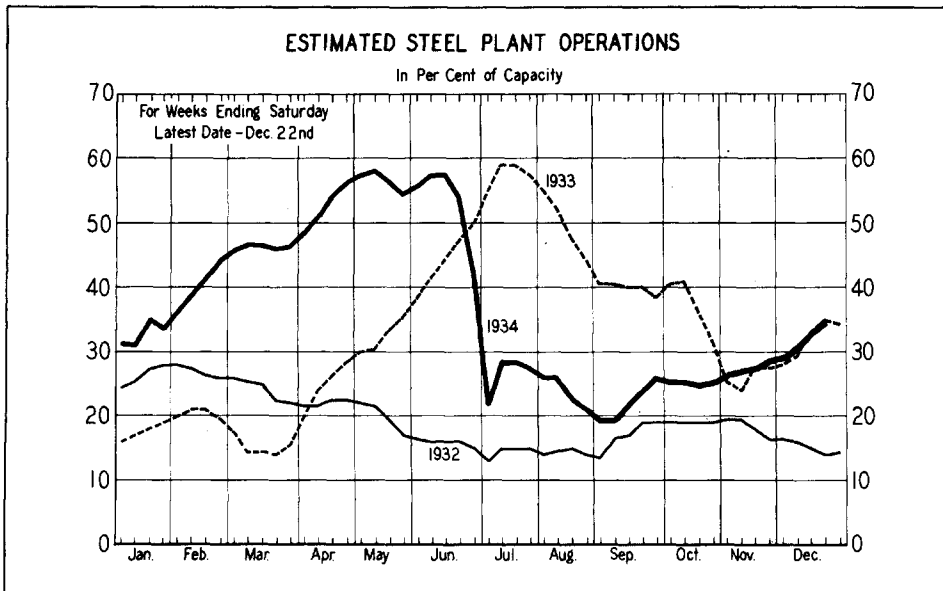
Retail sales as a whole increased by a small amount between October and November, registering on the average about the customary gain for the month. Unfavorable weather in many parts of the country tended to discourage consumer-buying of general merchandise of the type sold in department stores, while variety (5, 10 and 15¢) stores and chain grocery stores did a somewhat better business than usual. Sales of new cars by automobile dealers, which generally fall off substantially in November, held up relatively well.

Prices.

Prices of commodities in the wholesale markets were comparatively stable during November, although toward the end of the month the index of the Bureau of Labor Statistics moved up slightly to 76.7 per cent of its 1926 average in the first week in December. At this level, wholesale prices are about 8 per cent higher than at this time a year ago, reflecting principally advances in farm products and foods.

Distinct strength characterized the prices of more sensitive commodities late in November, continuing into December. There was a sharp rise in the price of steel scrap, in response to the greater demand for finished steel products. Other commodities which advanced in price included silk, corn, wheat, hides, and lead.

Very little change occurred in retail prices during November. Food prices were about ten per cent higher than a year ago, but other prices at retail were only slightly above last year's level.



Office of the Economic Adviser to the
National Emergency Council

December 19, 1934

SUMMARY OF THE ECONOMIC SITUATION

Industrial operations have increased in recent weeks, especially in the steel industry, where output has expanded from a rate of 29 per cent of estimated capacity at the end of November to 34-1/2 per cent at the present time. At automobile plants assemblies of 1935 models are now getting under way, and output in the textile industry has also increased. For manufacturing as a whole some decrease in operations is to be expected over the holidays when many plants customarily reduce operations during the year-end inventory period, but December will show less than the usual sharp seasonal drop from November. Accumulation of stocks of industrial products, with the principal exception of lumber, are moderate in size, and the year will end with most industries in a relatively favorable inventory position.

Consumer buying has been active during the early part of December, according to preliminary reports, and holiday sales are running well above last year.

Responding to this improvement in the business situation, prices of sensitive commodities have been stronger in the past three weeks.

Final figures for November covering the more important industries indicate a decline in output of about the usual seasonal amount, with an accompanying reduction in industrial employment and payrolls. Production of steel and some of the machinery industries expanded somewhat. However, automobile plants were changing to new models, and textile and meat-packing companies reduced operations from the relatively high levels of October. Construction contracts decreased slightly in November indicating some slackening in new building, although employment on private construction work was well sustained.

The attached charts summarize production and employment in manufacturing for the year 1934 as a whole and show their relation to earlier years. Aggregate output will be 3 per cent larger than in 1933, employment 12 per cent larger. The advance from the low

-2-

of the depression in 1932 has been 22 per cent. Average output per worker is still near 1932 levels, largely because of the shorter work week.

The chart of annual output of selected manufacturing industries since 1920 shows the relatively higher level of activity of consumers' goods industries as compared with durable goods industries.

Office of the Economic Adviser to the
National Emergency Council

December 11, 1934

ECONOMIC SITUATION

Summary.

Retail activity normally constitutes the dominant element in the business picture in December, which is marked both by the advent of cold weather and the approach of the Christmas holiday season. Up to November this year the distribution of commodities at retail was relatively well maintained even during the summer and early autumn, when manufacturing output and employment were declining. In November, department store sales showed less strength during the prolonged spell of warm and rainy weather, but the aggregate dollar volume of retail sales continued to average higher than last year for most types of commodities and in most sections of the country. Inasmuch as retail prices, except prices of food, have not varied greatly since the closing months of 1933, this indicates an increase in the quantity as well as in the value of goods distributed at retail.

Aside from retail trade, most phases of business activity continue to exhibit the slow but gradual improvement for the season that has been in evidence since the latter part of September, with the exception of new building in which there was a seasonal decline in contracts awarded in November. Railroad traffic was well sus-

-2-

tained last month, however. Electric power consumption is high and textile activity also continues relatively large. Steel operations rose to 30 per cent of capacity last week with a further increase to around 33 per cent forecast for this week. Producers of automobile parts are increasing operations, although actual automobile output is small during the transition to new models. In general, ~~business~~ business activity is now somewhat greater than in this period in 1933, but still well below the levels reached during the active second quarter of the current year.

Third-quarter reports on industrial profits show a decline, reflecting the reduced volume of industrial activity after mid-year. For 1934 as a whole, however, industrial profits will exceed those of last year despite the advantage of inventory write-ups at that time.

If retail trade is maintained at recent levels through the remainder of this month, the new year will open with inventories of manufactured goods, especially those held by retailers, reduced to moderate levels. Manufacturers stocks are larger than at the exceptionally low levels prevailing at the end of 1932, but considerably smaller than in the autumn of 1933, when anticipation of higher prices for manufactured products stimulated the excessive accumulation of stocks in some lines.

Annual Review of Industrial Activity.

For the year 1934 as a whole, industrial output, including both manufacturing and mining, will show an increase of about 4 per

-3-

cent as compared with 1933 and of 23 per cent as compared with 1932. The relation of these changes in factory output to earlier years is indicated on the chart which traces changes in manufacturing production, employment, and output per factory worker from 1899 to 1934. The index numbers on this chart, which are computed with the year 1899 taken as 100, show that factory output more than tripled between 1899 and 1929. During this same period, factory employment only doubled, the difference being made up by a 50 per cent increase in output per industrial worker, an increase that was most marked after the war.

Between 1929 and 1932, factory output decreased by nearly one-half, employment by 35 per cent, and output per person by 20 per cent. This reflected mainly part-time employment and a concerted spread-the-work movement, but may have been affected somewhat by a deterioration in the efficiency of factory equipment due to deferred maintenance and obsolescence. Since 1932, output and employment have increased at about the same rate, on the whole. Output per person in 1934 was again close to the 1932 levels due largely to the effect of the shorter work week.

The relative extent to which different industries have contributed to these changes in output is indicated in the second chart which shows variations in annual output of several selected industries since 1920. On this chart, where the average for the years 1923-1925 is plotted as 100, the smaller fluctuations in output of

-4-

non-durable goods as compared with durable goods are plainly apparent. Non-durable goods were only 16 per cent above the 100 line in 1929 and 12 per cent below in 1932. During the last two years, total output of this type of product has recovered almost to its 1923-1925 average. There are some lines of activity, in fact, in which 1934 output will come close to peak levels, notably meat-packing, which has been increased this year by the heavy slaughter of cattle from drought areas; and the shoe industry, in which 1934 output will be the second largest on record. Even textiles, despite an off year due partly to excessive inventories accumulated in 1933, were produced at 85 per cent of their 1923-1925 rate.

Output in the durable goods group, which declined much more rapidly during the depression, has risen more sharply from its low point, but is still only one-half as large as in the 1923-1925 period. The recovery that has taken place in this field is attributable largely to the demand for automobiles, radios and other durable consumer's articles, and to public construction. Steel has benefited from both of these sources of demand. However, because of the small amount of new private construction, many building materials, notably lumber, continue to be produced at a very low rate. Recovery of industry as a whole to normal activity still requires not only increased residential building but a resumption of expenditures for durable goods by producers themselves, especially in the replacement of worn-out equipment.

Office of Economic Adviser to the
National Emergency Council

November 13, 1934

ECONOMIC SITUATION

November 13, 1934

SUMMARY.

A moderate recovery in industrial activity has taken place since the end of the recession about six weeks ago, reflecting principally the restoration of output, and employment in the textile industries. Other fabricating industries, on balance, have shown about the usual seasonal change in activity. In the private construction industry there has recently been some increase in new work at a time when construction usually declines. Retail buying continues to be well-sustained, and in October, taking the country as a whole, sales registered the usual late autumn advance. In Eastern cities trade increased more than seasonally, while in the Middle West and more particularly in the South, where the greatest increases had been reported in earlier months, the volume of sales did not increase.

The outlook for the winter months is for a continued gradual gain in the rate of industrial production above the seasonal level, and some further pick-up in residential building.

In wholesale markets, prices declined slightly in the week ending November 3, according to the Secretary of Labor. Since that time, more sensitive prices quoted in organized commodity markets have shown increases, and stock prices have also advanced.

Production.

For October, industrial production as a whole will probably show an increase of three or four per cent from September when final reports become available. Among the consumers' goods industries, there was an unusually rapid rise in textile operations, on the one hand, and, on the other hand, a marked decline in activity at meatpacking plants, which had been pushed to high levels in August and September by government purchases of cattle in drought areas. In the important durable goods industries, a decrease in automobile production was more than balanced by a moderate advance in iron and steel output.

In the automobile industry, the clearance of dealers' stocks in October was relatively satisfactory, and the major producers are now rushing the preparation of 1935 models for introduction within the next few weeks. Stocks of finished cars have decreased since July, and by the end of November the industry will again be in a position to commence the expansion of activity which generally follows the announcement of new models.

Orders for the full amount of steel needed for these new models have yet to be placed, and as they materialize toward the end of this month, steel ingot production will probably be pushed up another two or three points. Output of steel is now estimated at 28 per cent of capacity, as compared with an average of 38 per cent for the year to date. This capacity figure, computed by

-3-

the Iron and Steel Institute, is a theoretical quantity and is probably somewhat larger than practical operating capacity at the present time. In certain branches of steel-processing, activity has been much closer to capacity than in the production of ingots.

The peak of the season has now passed for road construction, and employment on this type of work has been reduced in recent weeks. Construction activity on buildings and other non-engineering jobs, however, has been increasing somewhat, in opposition to the usual seasonal trend. Employment has been fairly steady on PWA projects other than highways and railroads, and there has been an increase in private construction work, including small rehabilitation jobs which are not caught in regular statistical reports. Because of the fact that only more important contractors report the number of employees engaged in private building, the increase in jobs available to building workers is probably somewhat larger than any of the current statistics show.

For the next month or two it is likely that employment in building construction as opposed to street and highway work will be relatively well sustained. This is indicated by a larger volume of construction contracts issued in October as compared with September, notably for residences, and is confirmed by an increase of more than 30 per cent in permits issued for residential building in 500 cities. Permits issued for repairs, additions, and alterations also increased substantially last month. As compared with October 1933, preliminary reports show that permits issued this year recorded

-4-

an increase of over 25 per cent in value in the case of new residential construction and of 40 per cent in the case of alterations and repairs.

These figures indicate that we are beginning to get some movement in the construction field, particularly in repair activity and in new residential construction, where almost complete stagnation has reigned during the last three years. The actual amount of construction in these fields is still small, however. New residential construction contracts in October amounted to 12 per cent of the average for the years 1925-1929.

The chart illustrates the relative importance of new residential construction as compared with other types of building activity in twelve selected cities during the pre-depression years 1925-1929. These cities range in size from New York, with a population of 7,000,000, to Lima, Ohio, and Oshkosh, Wisconsin, with a population of around 40,000. The chart indicates for each city the proportion of total construction which was represented first by small houses, which are shown at the bottom in black; second, by other residential types of construction such as apartments; and, third, reading up the chart, by other new buildings, such as stores and factories, office buildings, hotels, and miscellaneous building, including public building.

In general, the chart shows that small houses have constituted the largest single source of demand for building except in the

-5-

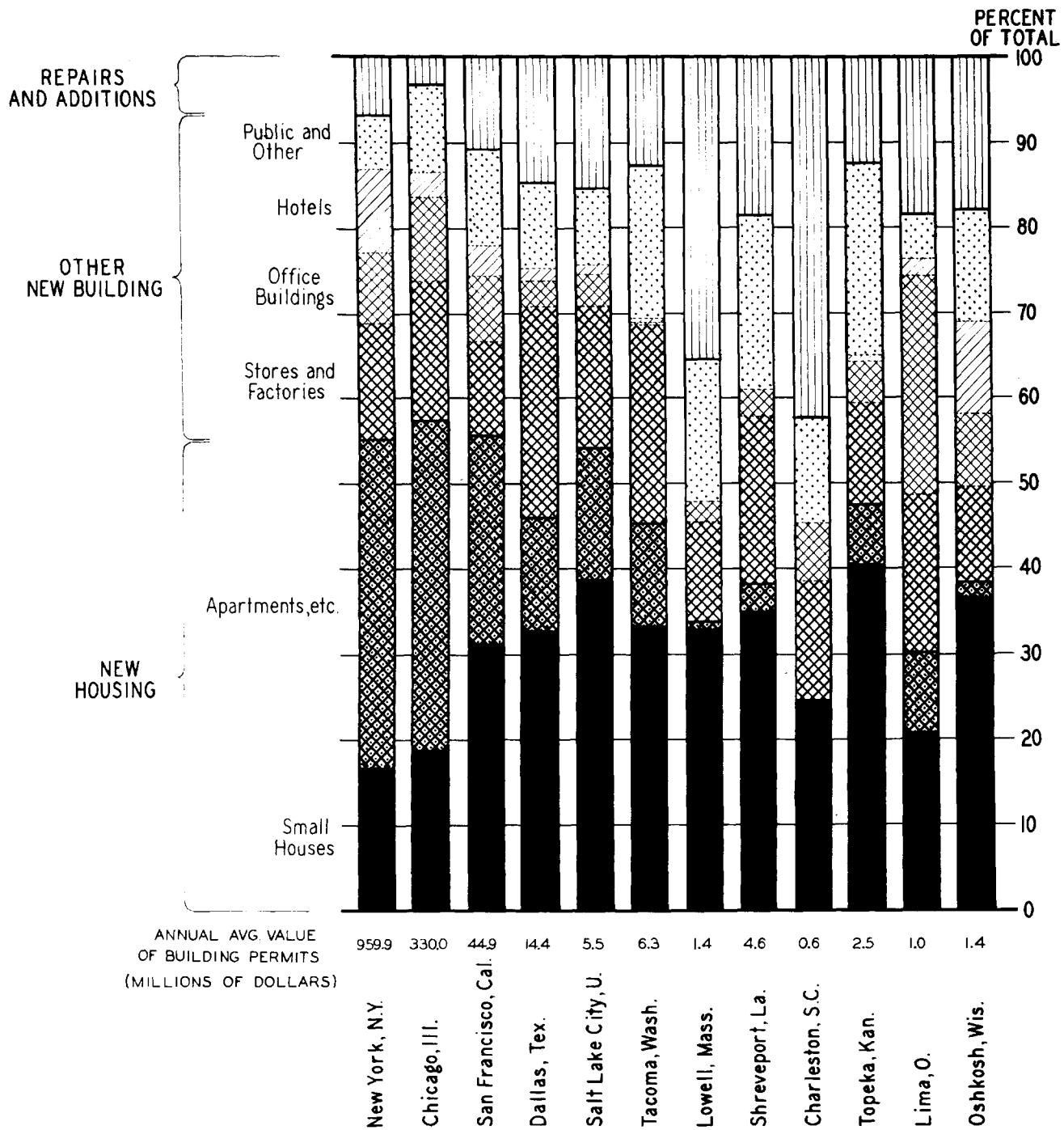
largest cities such as New York and Chicago, where congestion has forced greater dependence on apartment dwellings. The chart also shows that in cities of the latter type hotels and office buildings constituted an important factor in building operation, in contrast to the smaller cities where they were less important. Stores and factories were a fairly important element in both small and large cities. The importance of repairs and alterations varied widely in the years 1925-1929. In Chicago, for example, where new building was especially large, they constituted only 3 per cent of total building operations. In Lowell, Massachusetts, and Charleston, on the other hand--both old cities where new construction was small because population was stable or declining--alterations and repairs aggregated from 35 to 42 per cent of construction activity. In more typical cities, this type of work seems to have accounted for 13 to 18 per cent of the total value of building activity.

URBAN BUILDING - 1925-1929

City and State	Popula- tion 1930 (thou- sands)	: Annual average : value of build- ing permits 1925-1929 (in millions of dollars)	Per Cent of Total Value of Permits in Each of the Following Classes								
			New Houses			Other New Building					Repairs and Addi- tions
			Total	Small Houses	Apart- ments etc.	Total	Stores and fac- tories	Office build- ings	Hotels	Other	
New York, N. Y.....	6,930	959.9	55	17	38	38	13	8	10	7	7
Chicago, Ill.....	3,376	330.0	57	19	38	40	16	10	3	11	3
San Francisco, Cal..	634	44.9	55	31	24	34	11	8	4	11	11
Dallas, Texas.....	260	14.4	46	33	13	39	24	3	2	10	15
Salt Lake City, Utah	140	5.5	54	39	15	31	17	4	1	9	15
Tacoma, Washington..	107	6.3	45	33	12	42	23	-	-	19	13
Lowell, Mass.....	100	1.4	34	33	1	31	12	2	-	17	35
Shreveport, La.....	77	4.6	38	35	3	44	20	3	-	21	18
Charleston, S. C....	62	0.6	25	25	-	33	14	7	-	12	42
Topeka, Kansas.....	64	2.5	47	40	7	40	12	5	1	22	13
Lima, Ohio.....	42	1.0	30	21	9	52	19	26	2	5	18
Oshkosh, Wis.....	40	1.4	38	36	2	44	11	9	11	13	18

URBAN BUILDING — 1925-1929

(BASED ON DOLLAR VALUE OF PERMITS ISSUED)



Office of the Economic Adviser
to the Executive Council

October 30, 1934

ECONOMIC SITUATION

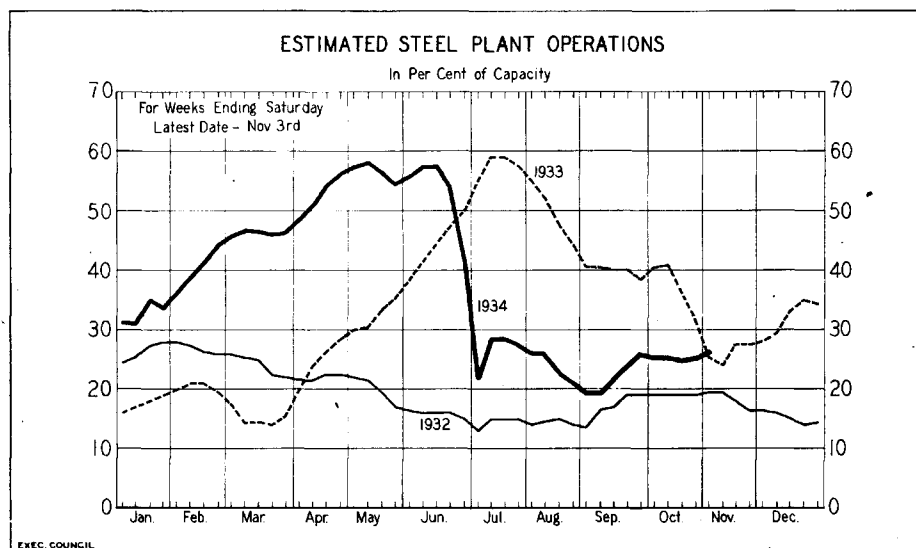
October 30, 1934

Summary.

Retail trade continues relatively good and the pace of business activity has responded somewhat during the past two weeks, but the situation in general remains quiet, especially in the heavy industries. The most rapid increase has been concentrated in the cotton textile industry where activity has recovered from the low levels which characterized the period of the strike and also the preceding three months of official curtailment. Output is now averaging above 120,000,000 yards a week, which is almost up to the levels of last winter. Other branches of the textile industry have also advanced their output in response to brisk consumer buying of fall and winter apparel.

The heavy industries, on the other hand, particularly the steel industry, continue dull. During October as a whole, the output of steel ingots has averaged somewhat higher than September but has nevertheless remained around 25 per cent of capacity as compared with an average of 36 per cent during October of last year. Buying of steel products continues to be on a very conservative basis. A further small increase in steel operations is forecast for the current week.

-2-



Railroad demand for steel is negligible and automobile demand is also low for the present, since most of the motor companies, after finishing operations on 1934 cars, have shut down their plants in preparation for the introduction of new models. Farm implement manufacture, on the other hand, is expanding in response to the higher level of farm income and is taking a larger volume of steel.

Construction.

Depression in the construction industry continues to exert the largest single drag on the general level of employment. It is now estimated that the total volume of construction this year will aggregate somewhat more than \$3,600,000,000 as compared with about

-3-

\$3,200,000,000 last year, and over \$11,000,000,000 on the average in the years 1926-1929. The part of this total which fluctuates most widely can be followed from month to month by the reports on construction contracts awarded, compiled by the F. W. Dodge Corporation. These show an increase of 50 per cent so far this year as compared with the first nine and a half months of 1933. This is accounted for entirely, however, by publicly financed contracts which have more than doubled, largely under the auspices of PWA.

Recent reports covering the first half of October show some increase over September in contracts for all classes of construction, both public and private. Much of the work under the modernization movement, which is being pushed by the Federal Housing Administration, is not reflected in these contract figures, however. Recently modernization loans have been expanding rapidly. The volume of loans insured last week rose to \$2,250,000 as compared with \$1,550,000 during the preceding week and \$1,100,000 during the last week in September. Other residential repair work done on a cash basis has also expanded, as indicated by increases in employment in private construction and in building permits issued, as reported by the Secretary of Labor.

Employment.

In the past six weeks employment has followed the same general course as production. Reports for the early part of October indicate substantial gains in factory employment and earnings in some

-4-

of the eastern states in which textile centers are located. In September, according to the Secretary of Labor, there was a small net gain in urban employment outside the textile industries, which were tied up by the strike, notwithstanding reduced activity in heavy manufacturing.

As compared with last year, current estimates of employment in all private industry and in agriculture show a decline of about 400,000 for September. If account is taken of PWA and CCC, however, there was an increase of 150,000. This reported decline in private employment during the past twelve months was due entirely to the textiles and to agriculture, affected by the drought. These estimates are based upon a method used by private agencies whose reports on employment are widely quoted in the press. A critical revision of these estimates is now being made by government agencies on the basis of new Census data which are now becoming available for several important industries for which adequate information has hitherto been lacking. As soon as this revision is completed we will have fairly good monthly figures on about 60 per cent of all of the persons gainfully employed outside of agriculture, as compared with about 35 per cent used in the present estimates.

Unemployment for the remaining population, however, is far more difficult to measure, because of major shifts in industry during the five years since the last census was taken. To obtain a really accurate total estimate of employment and unemployment

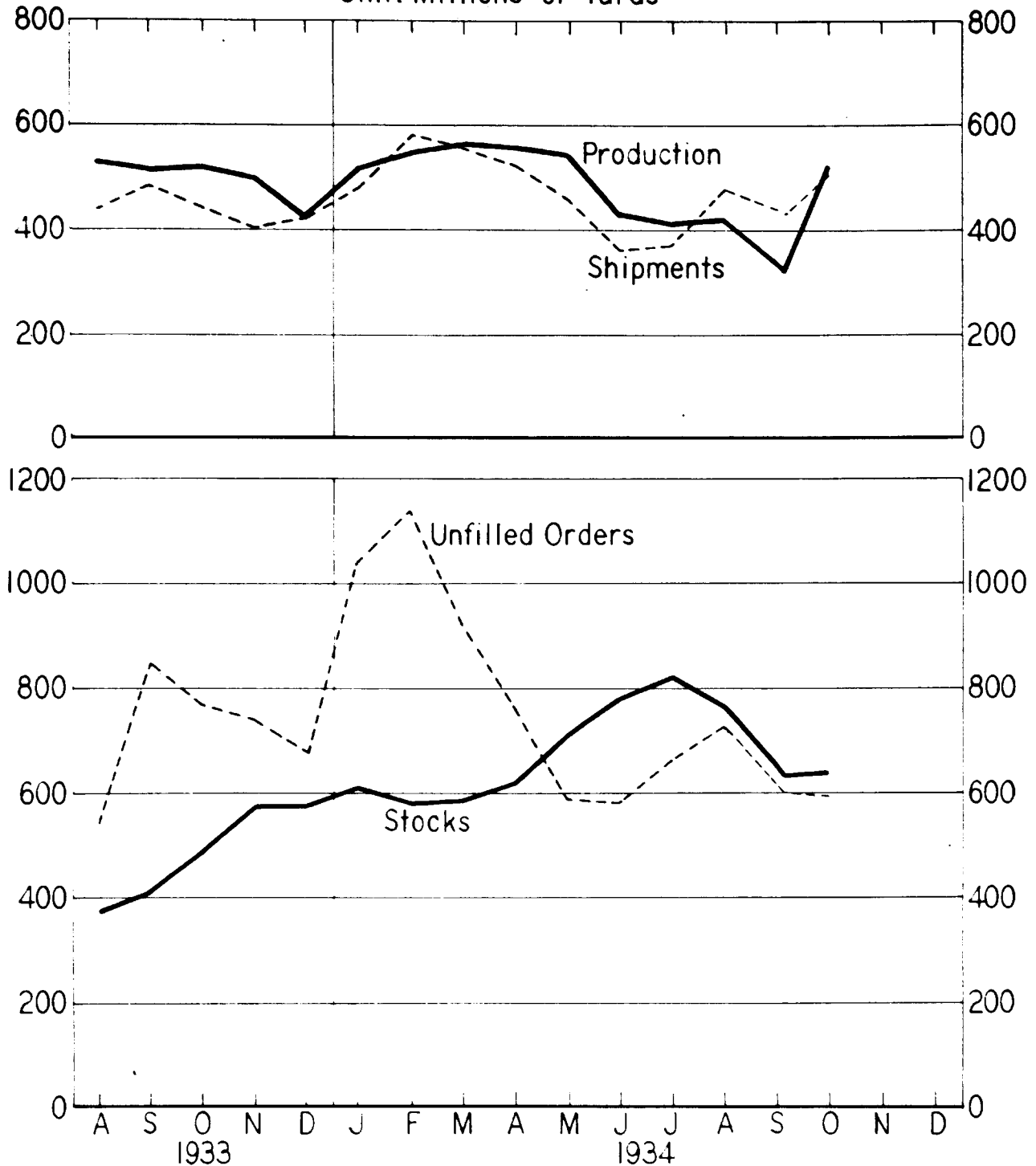
-5-

will require a general census of occupations and unemployment,
such as was lost in the closing days of the last Congress.

CONFIDENTIAL

THE COTTON TEXTILE INDUSTRY

Unit: Millions of Yards



EXEC. COUNCIL

Production of cotton cloth exceeded shipments during nearly every month from August, 1933, until August, 1934. Stocks, which normally represent a little more than one month's output, consequently rose to twice that amount by the end of July. At the end of September, when the strike was over, stocks had been reduced, and some expansion of output may now be expected.

Note: All October figures estimated.

Office of the Economic Adviser
to the Executive Council

October 16, 1934

Oct. 16, 1934

ECONOMIC SITUATION

SUMMARY.

Business sentiment improved last week and was reflected in steadier prices in the organized markets, both for securities and commodities. It is still too early to trace statistically the extent to which a reversal of business trends may have accompanied this change. The most comprehensive statistics now becoming available cover September operations and serve to delineate even more strongly the previous picture of a sharp reduction in that month in factory production, employment and payrolls, on the one hand, and a sustained level of retail trade, on the other, reflecting steadiness in general consumer demand and a sharp increase in farm income. Fragmentary reports covering the first part of October indicate first, that retail trade has continued brisk except where it has been affected by unfavorable weather, second, that textile activity has risen sharply, and, third, that steel operations remain sluggish. The most recent figures on electric power production and freight car loadings reflect this mixed situation. Power production has increased about seasonally during the past two weeks, while freight car loadings have declined by a larger amount than usual, reflecting mainly smaller loadings of two classes of freight--livestock and ore.

According to the Secretary of Labor, prices in wholesale com-

-2-

modity markets taken as a whole have leveled off in recent weeks, after a slow but almost continuous increase since last April. This has also been true of prices for food in retail markets, which declined slightly late in September.

In the bond market there has been considerable improvement in prices for government and high-grade industrial securities during the past two weeks.

Employment.

Preliminary reports indicate that the textile strike and inactivity in the steel industry, together with some decrease in automobile assemblies, resulted in a considerable reduction in employment and earnings of factory workers in September. Employment increased, on the other hand, at coal mines and in retail stores, as autumn sales became considerably more active. Private construction also engaged more labor. On PWA contracts employment was well sustained in September, except on the public roads, where there was a sharp seasonal decline.

For the first half of October it is anticipated that factory employment will show an increase because of renewed textile operations and seasonal activity in other lines, and that the volume of construction employment will not decline materially, notwithstanding the fact that a seasonal reduction is usual this month. This will reflect in part the modernization movement which is now gathering headway under the Federal Housing Administration. A preliminary report on building permits for modernization and repair in 525 cities

-3-

compiled by the Bureau of Labor Statistics showed that the total volume of this type of work was still small in September but that it rose 10 per cent from August and was 50 per cent larger than in September last year. These figures do not include authorizations for many small repair and installation jobs which do not require permits. During the past two weeks modernization loans have been reported to the Housing Administration at a rate of around \$1,600,000 per week.

Rural Sales.

Gains in farm income are being reflected currently in rapidly expanding retail buying. In September, the new index of dollar volume of rural sales prepared by the Department of Commerce rose sharply to the highest levels for that month since 1929. The gain amounted to 34 per cent as compared with September last year and 60 per cent as compared with September 1932. The close correspondence between farm income and the dollar volume of rural sales is shown on the upper chart which compares fluctuations in these series from 1929 to date.

The rural areas in which retail trade has increased most rapidly this year are indicated on the lower chart, which compares aggregate dollar sales by states from February to August with the corresponding period of 1933. The most heavily shaded areas indicate the states where increases have been most striking. In general the chart shows that purchases of merchandise have increased most in

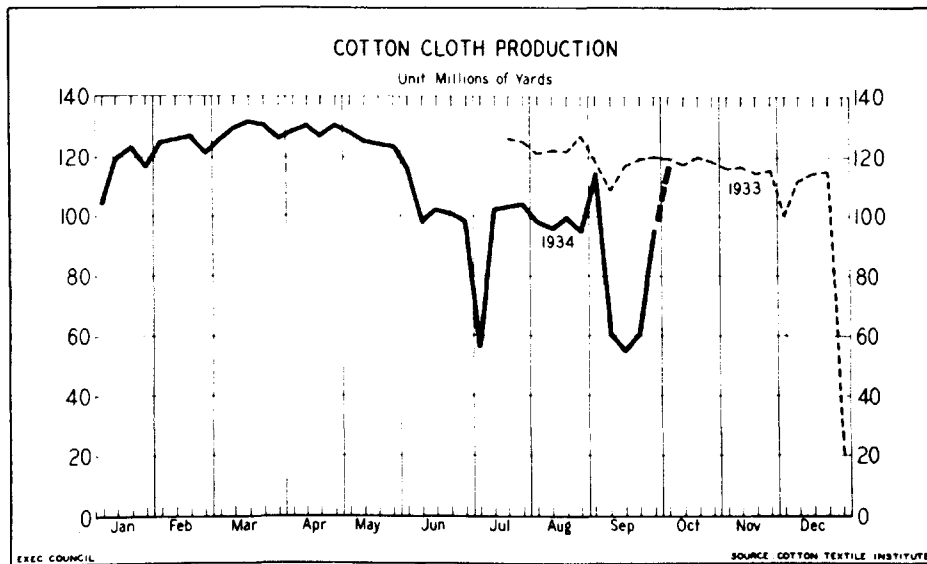
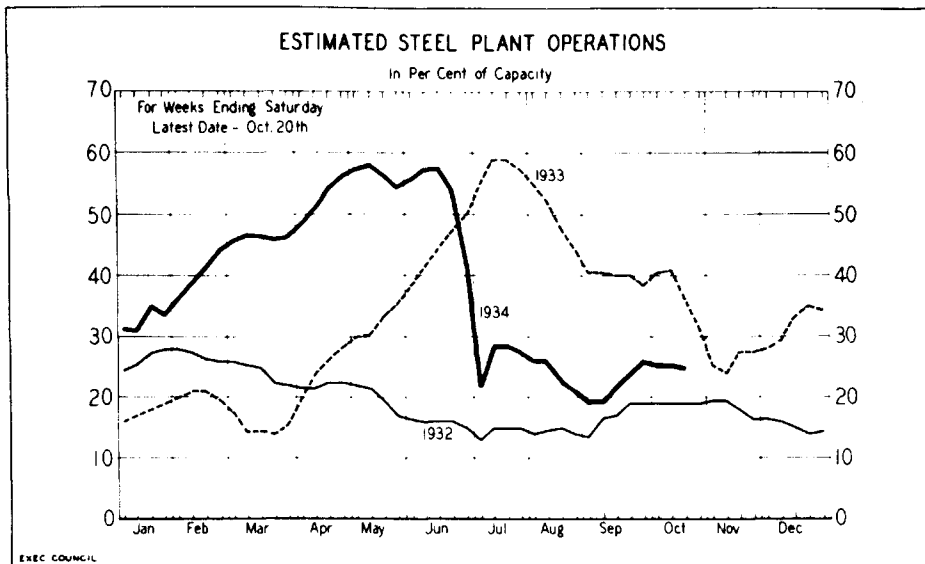
the Far West and in that part of the South which was least affected by the drought. Even states in the heart of the drought area, however, have shown some increase.

Retail trade in urban areas is also running higher than last year but by a much smaller amount. Taken as a whole, the sustained movement of commodities into consumers' hands during recent months is the strongest element in the current business picture.

Office of the Economic Adviser
to the Executive Council

October 16, 1934.

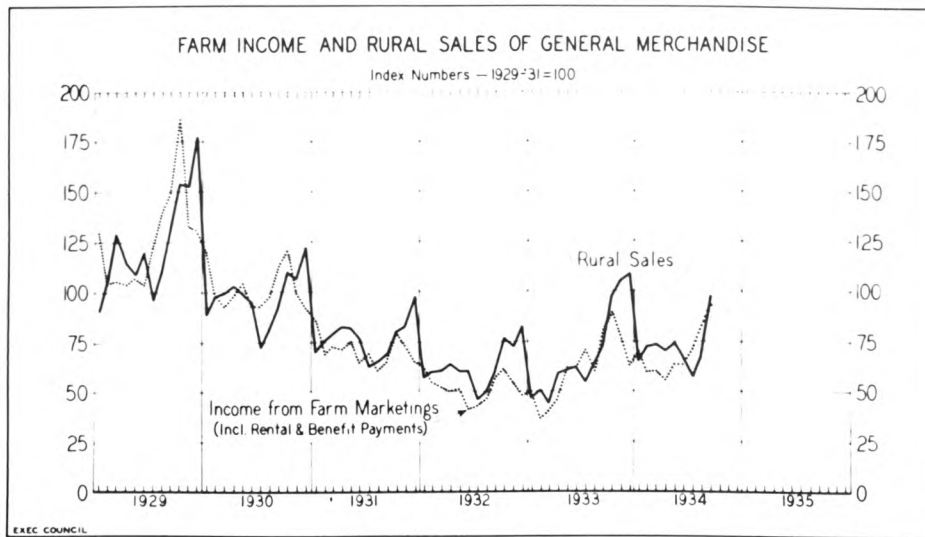
PRODUCTION



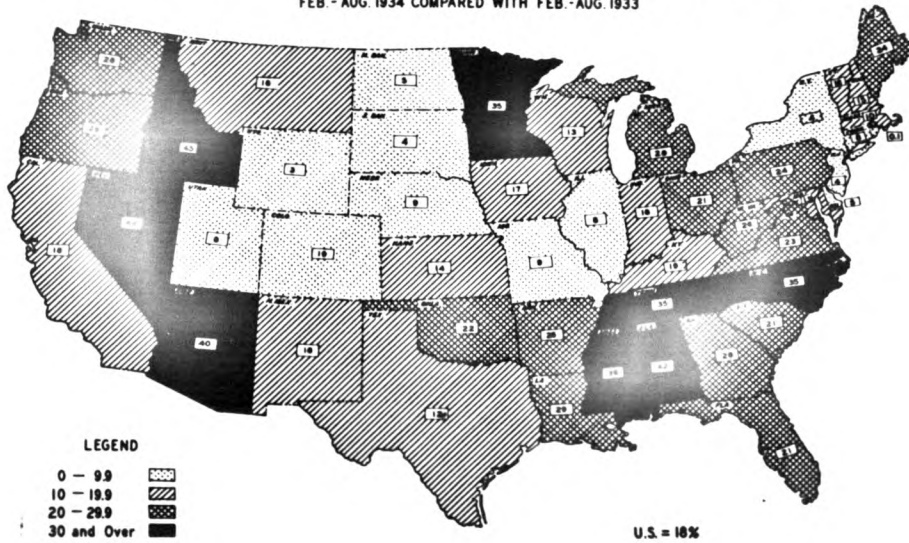
Office of the Economic Adviser
to the Executive Council

October 16, 1934.

RETAIL TRADE IN RURAL AREAS



PERCENTAGE INCREASES IN MAIL ORDER AND RURAL CHAIN STORE SALES
FEB. - AUG. 1934 COMPARED WITH FEB. - AUG. 1933



The Economic Adviser to the
Executive Council

October 2, 1934

ECONOMIC SITUATION

Summary.

Business is now at the end of the decline which began in June, a recession which ran deeper and persisted longer than was generally expected at that time. As compared with May, when operations reached their peak for the current year, the final figures for August show a drop of 15 per cent in production in basic industries, of 4 per cent in factory employment and 6 per cent in factory payrolls, notwithstanding an increase during August in the seasonally active food and clothing industries sufficient to increase factory employment by one per cent. In September the recession was extended further, with factory employment estimated to have declined by an additional 4 per cent.

From a short-time point of view, the initiation of this summer recession can be attributed largely to conditions in two industries, textiles and steel, in both of which operations were maintained in excess of consumer demand during the spring. The consequent slump was accentuated by the drought which had the effect of delaying the placement of orders for fall merchandise, by the break in the bond market, and finally by the strike in the textile industry which reduced operations sharply over a wide area.

These same short-time factors now point to some recovery during the final quarter of the year. Sustained volume of retail trade

-2-

has remained a favorable factor during the summer and in September; the textile strike has been settled; the formerly excessive inventories of textiles and steel have been reduced and steel output is again beginning expand, with more orders in prospect.

Moreover, prices have moved into closer adjustment, and in the wholesale markets the major groups of commodities are more nearly in balance than at any time since before the depression. Farm prices have moved up in recent months, while industrial prices have remained generally stable.

The extent to which the rebound of activity now beginning will generate a progressive movement toward recovery depends on deeper and more far-reaching factors. In 1929 and preceding years, our people by and large found employment and income in the production, transportation, and marketing of four major groups of commodities, first, perishable commodities for general consumers--commodities such as food and clothing which are continuously in demand and are required in the immediate process of living; second, consumers' commodities of a more durable character such as automobiles, radios, electric appliances and homes. These are products which require relatively large expenditure per unit and are frequently financed on credit. They are a symbol of our productivity, the expression which it has taken in our standard of living. The third and fourth major industrial groups also employ large numbers of people but touch the consumer less directly, being concerned

-3-

with the maintenance and expansion of our plant and equipment.

By 1932, our economy had sunk almost to a subsistence level, with the major sources of employment outside the public services and professions confined to the production, transportation and merchandising of perishable commodities. We continued to use commodities of a more durable character such as automobiles, electric appliances and radios, but we were not renewing them. We continued to live in houses, but they were houses built prior to 1929. In other words, our actual standard of consumption was higher than our output, and we were living as a nation in large part on our capital. It is this element of demand which has expanded most sharply since that time. Outside of housing there is every indication that the ultimate consumer has confidence and is spending his income freely, on automobiles and vacations as well as on food and clothes. There is no evidence, furthermore, that this demand is subsiding. Notwithstanding the expansion in automobile output during the past fifteen months we are probably producing new cars at a rate somewhat less than that at which old ones are wearing out. These renewed elements of demand can, then, be expected to persist. It is difficult to measure even approximately their relative importance but they have probably been the major factor in raising our average level of factory output and employment from around 64 per cent of its 1923-1925 average in 1932 to nearly 80 per cent for the current year.

A continuing advance from these average levels will depend, first, on a revival of housing activity, second, on a widespread resumption of plant maintenance and purchase of equipment of all kinds, and, finally, on a renewed expansion of our productive facilities. This last cannot be looked for until we are fairly well out of the depression, until the level of business activity has risen to a point where it indicates the time and direction in which additional facilities are required.

For the immediate future--say, the coming year--therefore, we are dependent for further advance largely on the success of the housing program which is now getting under way, and on the extent to which industry copies what the consumer has done during the past year in again undertaking to maintain and renew its capital equipment.

The factors which determine the rate and scope of activity of this kind present peculiar analytical difficulties. They depend to a large extent upon intangible considerations--considerations powerful enough to move business men of all types to change from a policy of caution in which every effort is made to conserve a liquid cash position to a policy akin to advance planning. There are certain definite conditions, however, under which this transition takes place and certain signs that forecast their coming.

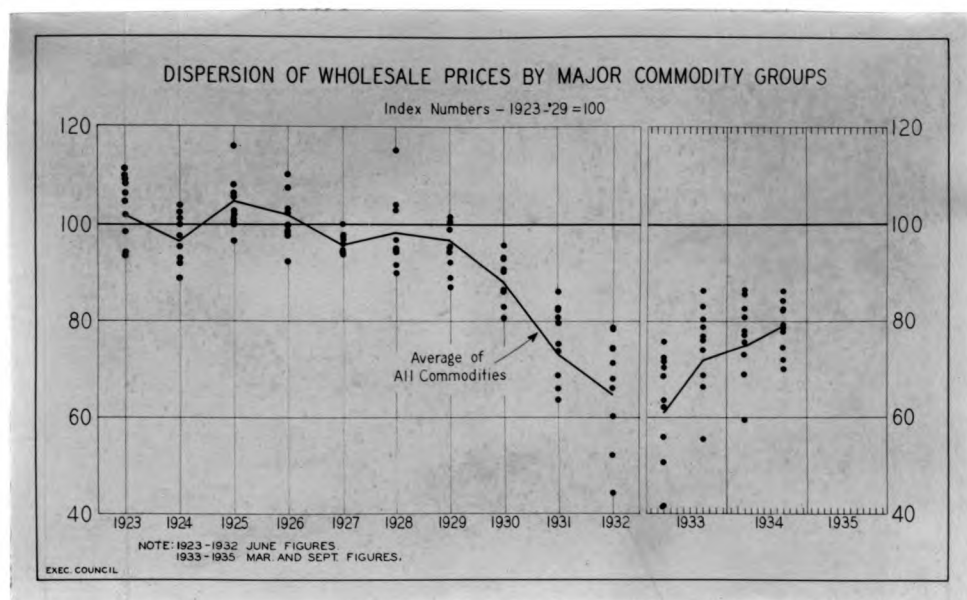
Most important of these is the actual current rate of industrial and business activity. The mere existence of obsolescence and de-

terioration determines the need for replacements, but actual disbursements are usually deferred until the prospect of immediate use is at hand. In most industries there is sufficient equipment in good condition to handle a moderate volume of orders efficiently. It is not until orders increase to levels which necessitate the use of less efficient equipment that the signal is given for the investment of depreciation reserves. Then the mounting level of operating costs of itself calls attention to the need for replacement and constitutes an almost automatic source of demand for the products of industries dependent on replacement needs. Thus these industries quickened last spring with the increase in general business and subsided when that business volume declined. It is difficult to determine at just what level of general activity demand for equipment will become an important independent factor capable of sustaining business. Probably, however, we were near that level this spring. With other factors remaining favorable, a level of activity somewhat higher than that which prevailed during the second quarter and lasting moderately longer would be sufficient to turn the huge current need for maintenance and equipment into an active source of demand of important dimensions.

We will be able to trace the recurrence of this demand during the autumn in the behaviour of the financial markets. The replacement of equipment does not require the issue of new securities since it is not charged to capital account but to reserves previously set aside for depreciation and obsolescence. It must,

however, be paid for, and is affected directly by current cash balances. When credit is strained or maturities are pending, replacement is deferred. The ease with which commercial funds may be borrowed or maturing securities refunded, therefore, has an important bearing on the amount of replacement business which may come out. During recent weeks, the bond market has been unfavorable to refunding issues, but commercial loans have shown a marked increase. It is impossible to tell as yet how significant this expansion is, since some growth in commercial loans is customary at this season and a larger expansion than usual would be expected to result this year from the higher level of prices for farm products. The development may, however, prove a significant factor in the autumn business picture, especially if it is accompanied by renewed strength in the bond market and an increase in refunding activity.

WHOLESALE PRICES

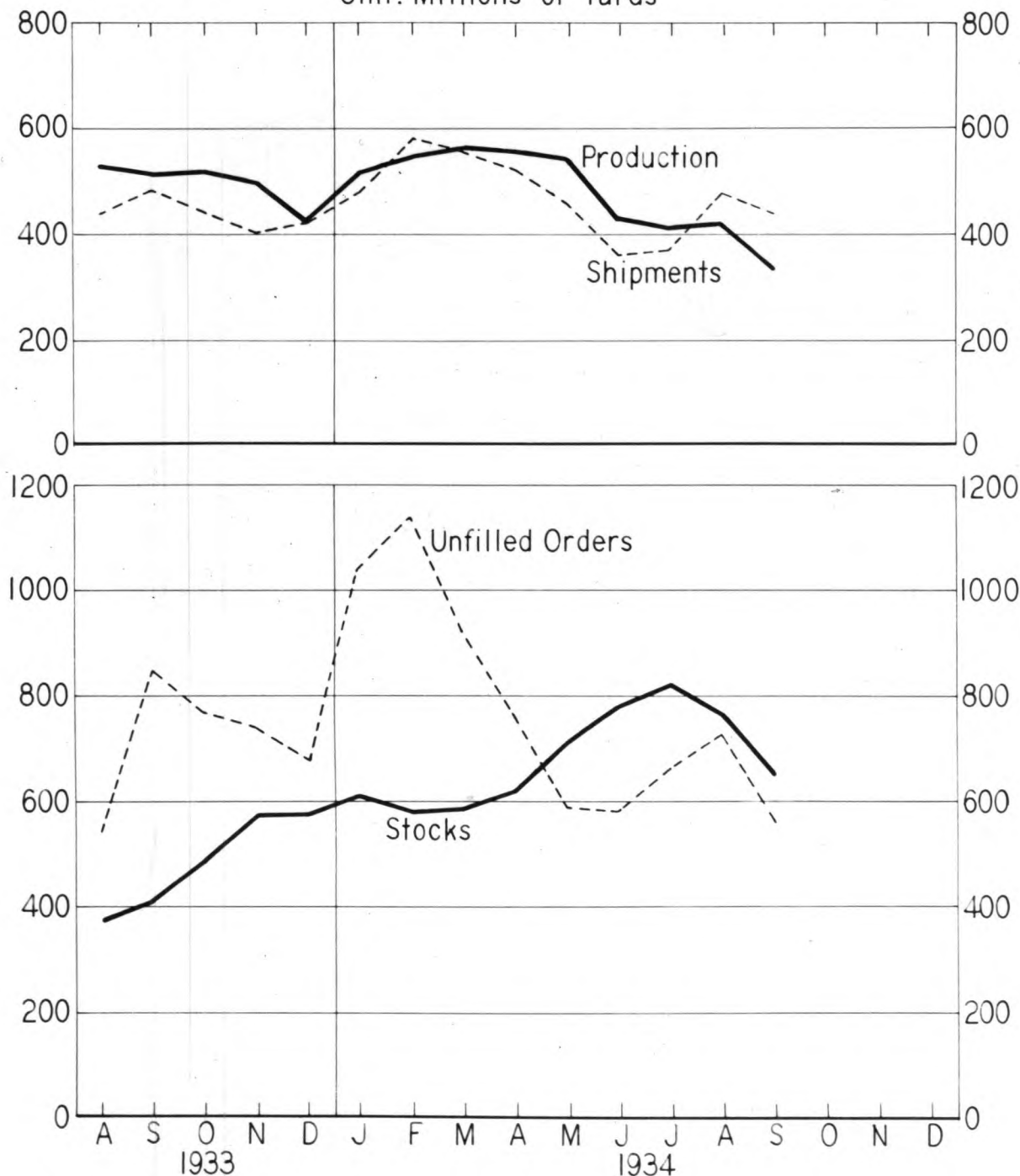


This chart shows indexes of average wholesale prices for ten groups of commodities, ranged above and below the index for all wholesale prices. The commodity groups are farm products, foods, textiles, building materials, etc. The figures are related to the average prices for 1923-29.

The different groups did not vary widely from the average during the years 1923 to 1929, but the range widened greatly during the depression, as indicated by the wide spread between the indexes in 1932 and 1933. Recently the movements of prices in the different groups have brought them more nearly into a balance like that of earlier years.

THE COTTON TEXTILE INDUSTRY

Unit: Millions of Yards



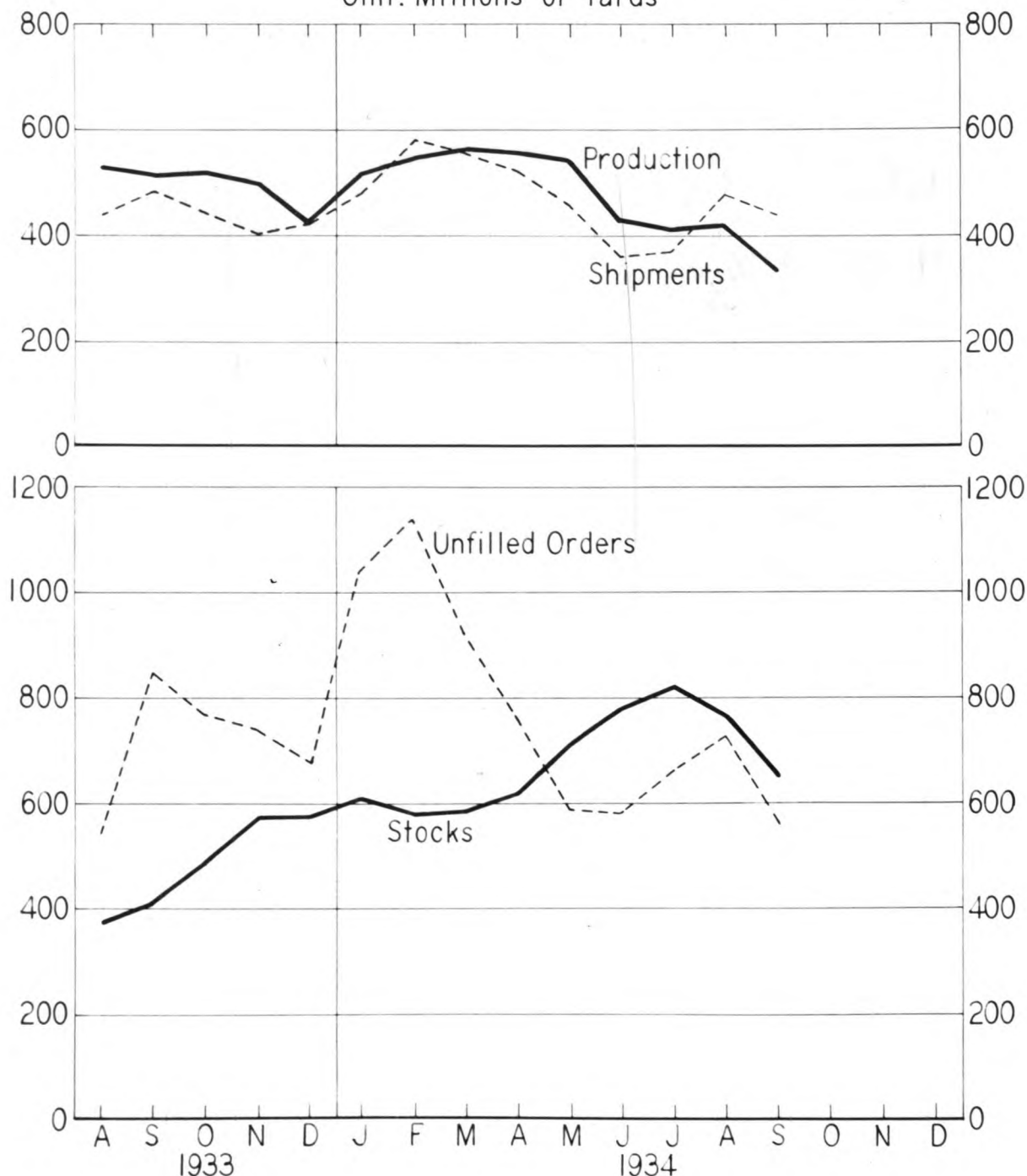
EXEC. COUNCIL

Production of cotton cloth exceeded shipments during nearly every month from August, 1933, until August, 1934. Stocks, which normally represent a little more than one month's output, consequently rose to twice that amount by the end of July. At the end of September, when the strike was over, stocks had been reduced, and some expansion of output may now be expected.

Note: All September figures estimated.

THE COTTON TEXTILE INDUSTRY

Unit: Millions of Yards

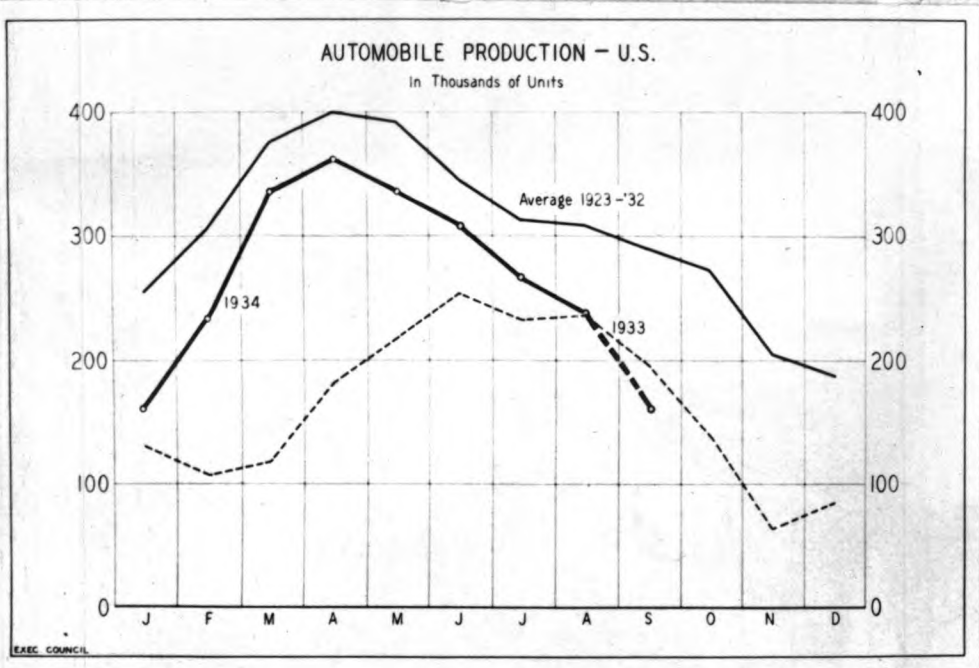


EXEC. COUNCIL

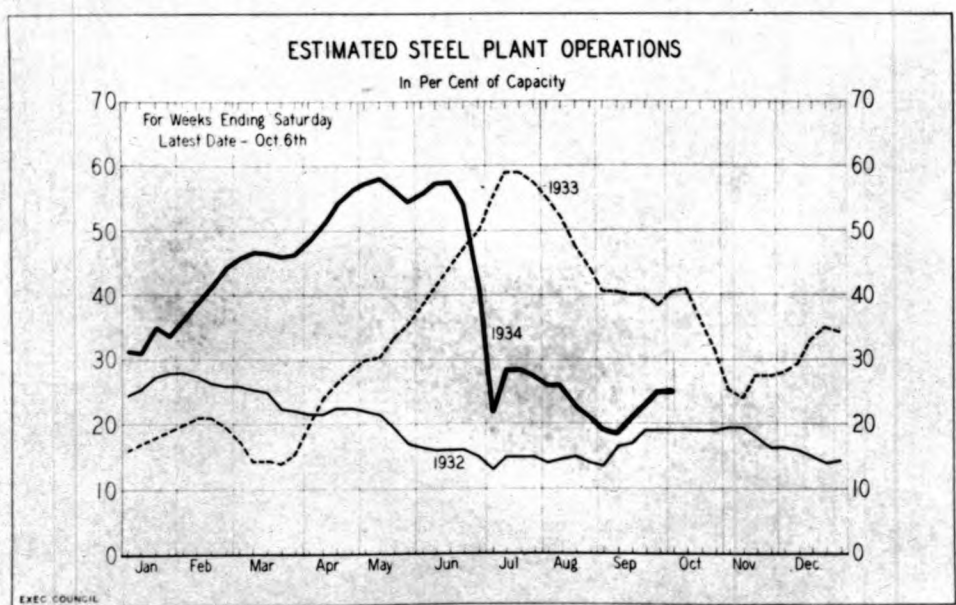
Production of cotton cloth exceeded shipments during nearly every month from August, 1933, until August, 1934. Stocks, which normally represent a little more than one month's output, consequently rose to twice that amount by the end of July. At the end of September, when the strike was over, stocks had been reduced, and some expansion of output may now be expected.

Note: All September figures estimated.

AUTOMOBILE AND STEEL INGOT PRODUCTION



Automobile output has dropped off a little more than seasonally since May, following the most active spring season in several years. Demand has held up well, so that dealers' stocks are now reduced to moderate totals, after being high in April and May. A further decrease in output may be anticipated in October, while model changes are being made, but production will probably expand again in December. Employment and payrolls will decline less than production.



Steel ingot production has advanced since the beginning of September and is estimated for the current week at 25 per cent of capacity. Stocks are low again after three months of small operations, but new orders have been delayed in the hope that prices would be reduced. With larger requirements in prospect for automobiles, PWA projects and farm machinery, it is expected that demand will pick up in October.

August 21, 1934

ECONOMIC SITUATION

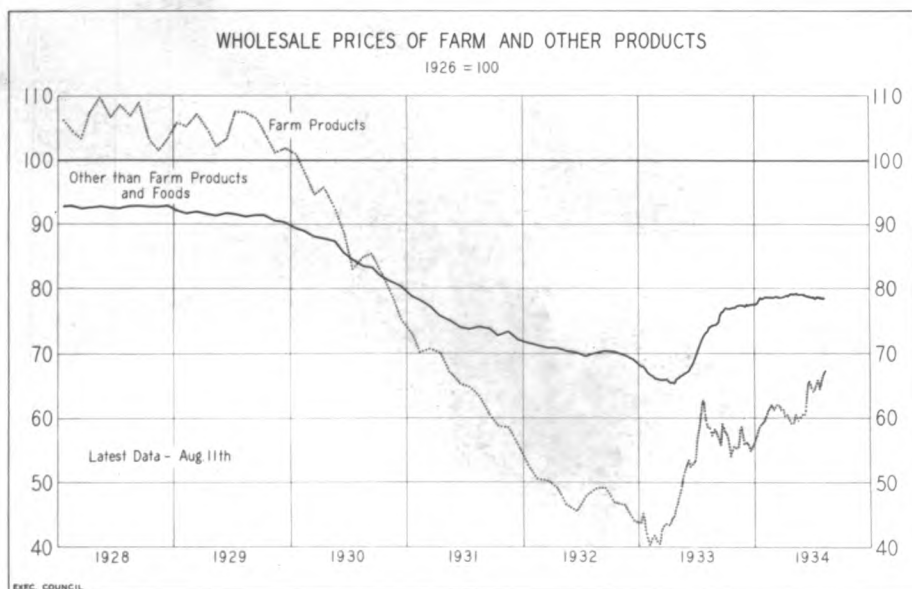
Summary.

There has been little change in the business situation during the past few weeks, except in those industries directly affected by the drought. Industrial activity in general continues near the low levels reached in July and autumn expansion will probably not begin in any volume until some time after Labor Day. Retail trade, however, has been relatively well maintained, especially in the South and along the Pacific Coast, although sales have been slower in the drought areas. Since farm income for the country as a whole will be larger this year than last, aggregate volume of rural sales may be expected to increase in the autumn.

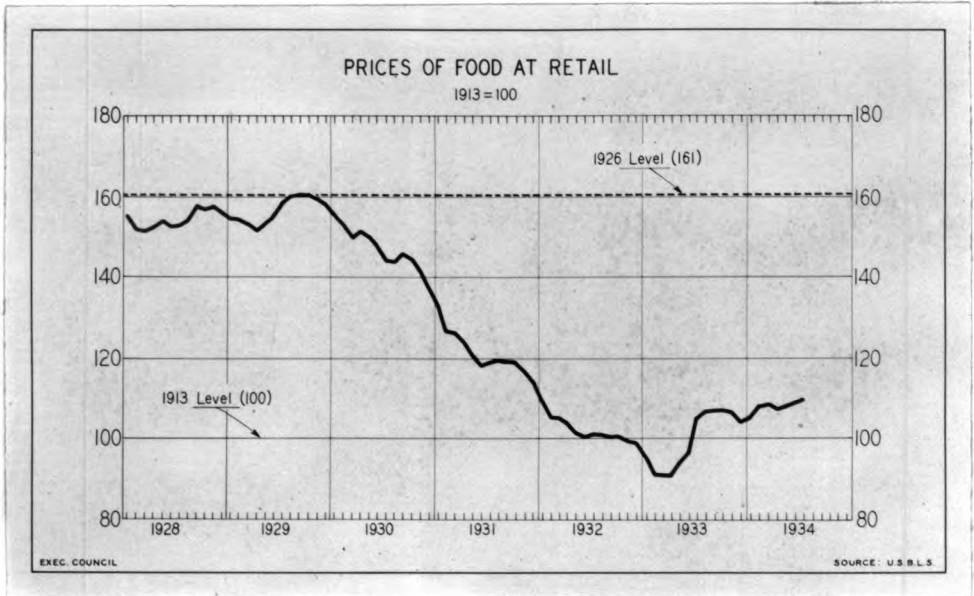
The stock market has reflected the dullness of the business situation in a period of slow trading, although prices have made some recovery during the past two weeks from their sharp declines in late July.

Prices.

In wholesale commodity markets, activity has continued to center in farm products and foods affected by the drought. Prices of farm products have advanced by 12 per cent since the latter part of May, while, except for foods, other prices have weakened somewhat.



Accompanying this rapid advance in wholesale prices, there has been a more moderate rise in the cost of food at retail. The Bureau of Labor Statistics retail food price index showed an increase of about 2 per cent from the end of May to the end of July, while wholesale prices of foods were advancing 7 per cent. Although retail food prices are already 20 per cent above their low point for the depression they are still well below the levels to which they had declined by the end of 1931.



The lag of retail behind wholesale prices has ordinarily been such as to indicate that a further rise in cost to the consumer is in prospect. Substantial advances are to be expected for pork products, eggs and dairy products, and later, for beef. They will be spread over several months, and the full effect of present conditions will probably not be realized until late winter. However, wholesale price is only one element in the retail cost of food, and consequently the rise in retail prices will be less marked.

Production.

In industry, more complete reports for July indicate a sharp drop in aggregate output of basic products to a level more than 10 per cent below the peak reached in May. Although many industries

shared to some extent in this decline, the recession was concentrated mainly in iron and steel. Stocks accumulated by steel consumers in the second quarter were larger than was generally realized, and demand for steel products has not yet revived. With the completion of orders for railroad steel, operations declined last week to 23 per cent of capacity and are forecast for the current week at about the same rate.

In the principal non-durable goods industries, where the summer recession came earlier than in steel, changes in activity during July were largely seasonal. Output in the textile industries is still small. Most active at present are the food-processing industries, especially meat-packing, and fruit and vegetable canning.

Employment.

In consequence of diminished industrial activity and smaller demand for agricultural labor, employment in private industry was reduced by nearly half a million during July. The Secretary of Labor reports a decline of 3 per cent in factory employment, more than is usual at this time of year.

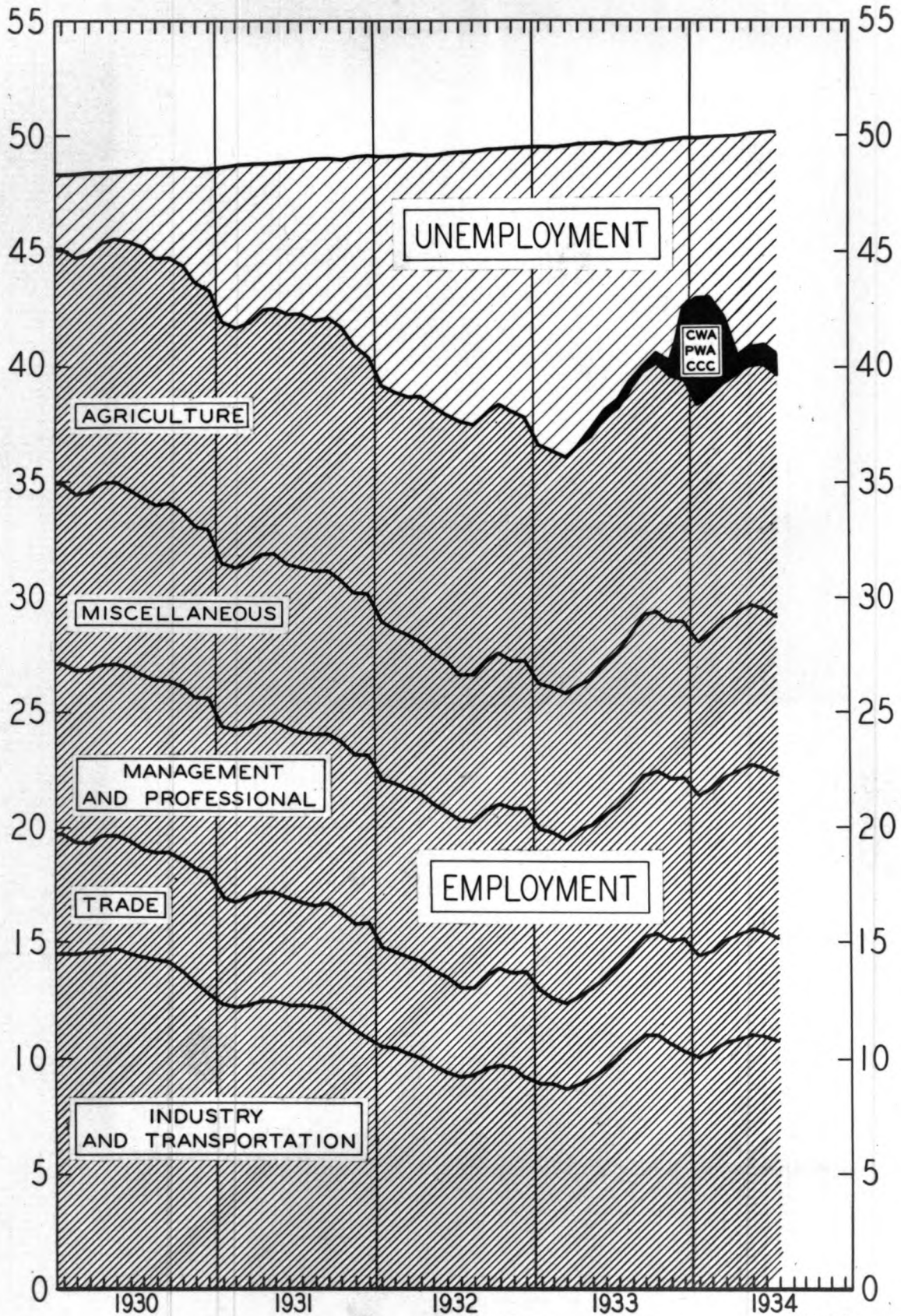
The emergency agencies of the Federal Government, however, employed more men during July. The Civilian Conservation Corps again brought enrollment up to its full strength, and PWA contractors added to their payrolls. PWA activities continued to expand until early August, and are now beginning to level off as the seasonal peak is reached.

Business Failures.

The rate of business failures has continued to decline in recent weeks, and, according to the special report prepared by Dun & Bradstreet, insolvencies in July were not only far less numerous than last year, but were at the lowest level since 1920.

EMPLOYMENT AND UNEMPLOYMENT IN THE U.S.

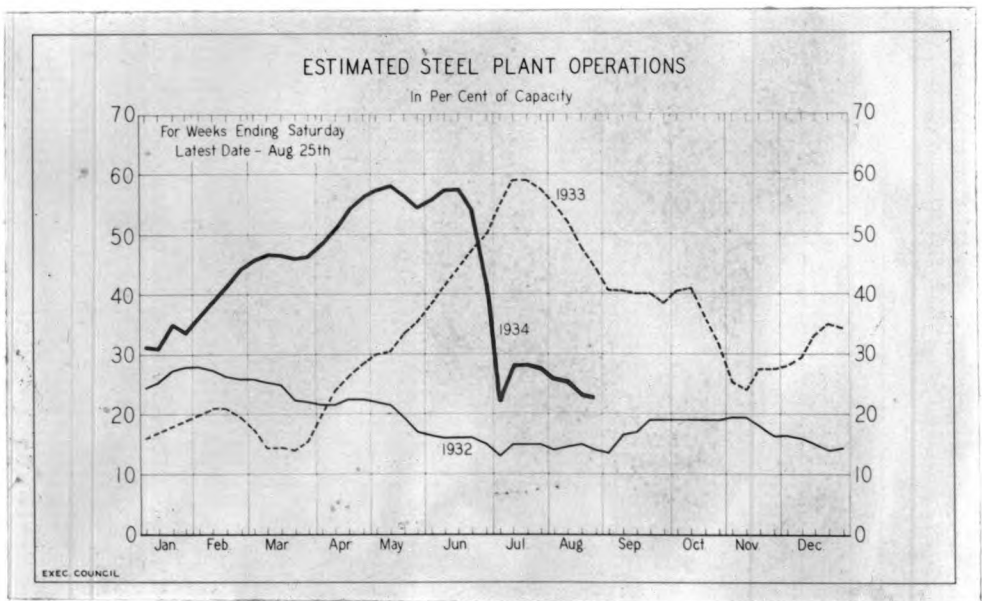
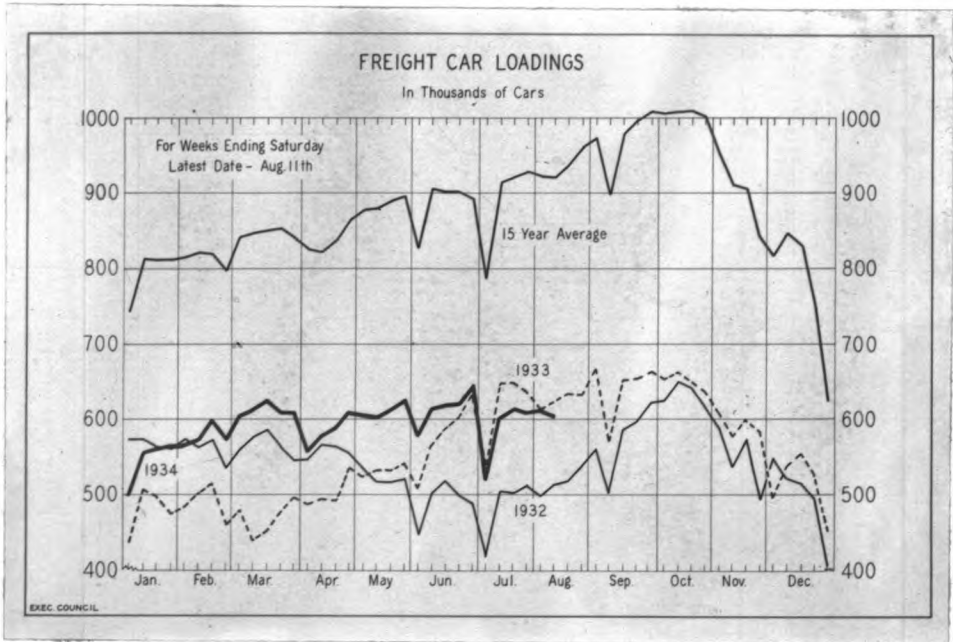
Millions of Workers



LATEST DATE: JULY 15TH

SOURCE: A.F. OF L.
U.S.B.L.S.
U.S. DEPT. AGRI.

EXEC. COUNCIL



August 7, 1934

ECONOMIC SITUATION

According to present indications, business activity may be expected to remain at its current lower level throughout the remainder of August. The recession, which developed at the end of June, has been most severe in the iron and steel industry, but has also been marked in the cotton textile, tin plate and tire industries, in all of which inventories had accumulated during the spring. As a consequence, factory output, payrolls and employment have dropped by considerably more than the usual seasonal amount during the past five weeks, and freight movements have also declined to some extent. On the other hand, retail sales have remained fairly constant in dollar volume except for purely seasonal changes or changes directly affected by drought conditions, and electric power consumption has continued to rise, largely in response to increased domestic demands.

Commodity prices as a whole, after reaching new highs since 1931, have shown little further change in recent weeks, strength in prices of cotton, grains and cereal products being offset by corresponding declines in livestock, hides, and certain other commodities. In the security markets, a sharp break in common stocks, especially railroad stocks, has carried the general averages back to the low levels of last autumn. Bonds have also receded somewhat but remain at high levels.

In all probability, the first signs of autumn revival would now be making their appearance were it not for two new factors which have entered the situation during the past month, namely, a much further extension of the drought, and the renewed tension abroad. It is still too early to foretell what the ultimate effect of these developments may be upon the general business situation, but it is clear that they are acting at present to retard the normal pick-up in autumn orders. In this country, for example, the drought is bringing about a radical shift in the consuming ability of agricultural regions. In the drought areas themselves, the reduction in farm income to subsistence levels will continue to act as a depressant on business activity for some time. Ultimately, this reduction will tend to be counterbalanced in part at least by increased agricultural income outside the drought areas where farmers will have greater purchasing power because of the rising prices of farm products. It may also be reflected ultimately in increased exports of automobiles and agricultural implements to predominantly agricultural communities outside this country in which farm purchasing power is also being raised by the higher level of farm prices. These counteracting effects, however, will not make themselves felt until later in the year, and they will not affect the present tendency of the drought to retard the fall recovery.

Public Relief.

The demand for public relief has remained heavy during the past year in spite of the marked revival in wage-earners' employment and

income. During the year ending May 1934, the latest month for which reasonably complete figures are available, total employment both public and private expanded by around 3,600,000 workers. The burden of public relief decreased during this same period but by a much smaller amount. In May 1934, there were still 3,750,000 families on public relief or receiving income through Emergency Work Program, a decrease of only 500,000 families or 13 per cent from a year earlier.

The individuals making up this total, however, were not identical but showed a fairly rapid turnover from month to month as demands for relief varied in different areas. Between February and May, for example, a period when total demands for relief increased, more than 2,400,000 individual cases were dropped from the rolls.

An analysis of relief and employment figures by states indicates the main causes for the small drop in the amount of public relief. Taking the forty-nine governmental units, comprising the forty-eight states and the District of Columbia separately, it appears that the trend of relief has not been uniform but has varied enormously in different localities. There were only four states (Connecticut, Illinois, Tennessee, and Vermont) where the number of families on relief in May changed by 10 per cent or less as compared with May of last year. Of the remaining 45 governmental units, the number of families on relief decreased by about 28 per cent in the aggregate in the case of 29. In the remaining 16 governmental units,

on the other hand, the burden of relief increased in the aggregate by about 32 per cent. The failure of the total number of families on relief to decrease more rapidly, therefore, reflects primarily conditions within these sixteen areas.

Two factors, in the main, appear to account for the increase in relief in these states: first, the drought, and second, the more adequate organization of relief activities under the FERA. The first point is indicated by the fact that several of these states are located in the drought area, and the second by the fact that relief in nearly all of these states was inadequately organized last year and the percentage of families on public relief in most of them was below the national average. Improved standards of relief have brought on the rolls many families who were formerly struggling along on an insufficient subsistence basis.

These factors appear to have had more immediate influence on relief demands in these areas than the revival in employment. In the industrial states in which relief demands declined rapidly, factory employment increased by 40 per cent. In the eastern industrial areas, on the other hand, where demands for relief increased, the pick-up in factory employment, while somewhat smaller, still amounted to 27 per cent.

