

The Monthly Business Review

Covering business and industrial conditions in the Fourth Federal Reserve District

FEDERAL RESERVE BANK OF CLEVELAND

D. C. Wills, Chairman of the Board

VOL. I

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NO. 5

WE ARE no longer awaiting prosperity; it is already with us. Business is breathing easier. The announcement of the Peace Treaty, the convening of Congress, the statement given by experts that building prices east of the Mississippi are settled, and the policy of the open market, have all acted as stabilizers to the clearing up of the business situation.

The public is slowly adjusting itself to the conviction that there is to be no rapid post-war drop in prices, and is reconciling itself to the probability that the old pre-war prices may never again be reached.

One of our correspondents has given his reasons why prices will not revert to pre-war basis, by saying that, "A new generation of men has come into business since the pre-war prices and wages were considered normal; a group, consisting of many hundreds of thousands, to whom what you and I call the abnormal rates of today are altogether normal; a group, which because of its youth—a word sometimes spelled 'optimism'—and because of its abounding vitality, exerts an influence upon the thought of the time and the tendency toward new undertakings that is anything but negligible. Second, the adoption of the Federal Reserve System makes for a freer and more rapid flow of credits which, so far as prices and wages are concerned, is a near equivalent of an increase in the volume of money and what we call money. These two facts weigh heavily against a return to pre-war levels."

What would have been accepted as a good pre-war volume of business is much less likely to be acceptable as sufficient volume for our reconstruction work. The law of price and cost is apparently controlling conditions rather than the law of supply and demand.

The rise in commodity prices has been accompanied by a considerable increase in the amount of money in circulation and an increase in bank deposits. The amount of money in circulation per capita during the past five years has increased 59 per cent. During the same time the bank deposits have increased almost threefold.

Conditions generally have taken on a slow but substantial growth during the month of May. A significant event in the business situation was the resignation of the Government's Industrial Board, which terminates the price stabilization program and creates an open market free for competition. This means that all lines of business, such as building, construction, metal trades and manufacturing will proceed on their own readjustment plans from a war to a peace basis. It is thought by the steel industry that the creation of an open market will probably force greater activity.

The realization that there is to be no probable return to pre-war prices has encouraged buyers to place orders with more confidence. As a result, business prospects have improved, retail trade has increased in volume, prices are becoming more stable, and business generally is on a firmer footing.

Manufacturing.—Two important factors which are sure to stimulate manufacturing in the district are the lifting by the administration of the embargo on ship building for foreign countries and the definite adjustment of steel prices.

While manufacturers are awaiting developments, prospects are strong in changes for the better in the near future. There is a feeling that if natural competitive conditions are restored a reasonable resumption of activity in this field may be expected. While many of the mills in the Pittsburg Area are reported running only about three days a week, confidence is not lacking, and a satisfactory line of inquiries for new goods is being made.

Manufacturers of automobile accessories report improvement, and, while makers of automobiles, both trucks and pleasure cars, are working at full capacity, they are unable to keep up with the inflow of orders.

The shoe manufacturers also report more orders than they can fill, with prices high and firm, and merchants placing large orders for fall trade. Clothing merchants are buying better grades at fancy prices.

The machine tool business is less active, and little encouragement is held for the immediate future. Plants are endeavoring to hold their organizations together by working on stock.

Iron and Steel.—It is to be hoped that steel has turned the corner. Mills are running at from 50 to 75 per cent of capacity. The final declaration of open market for iron and steel products has caused an optimistic feeling among the manufacturers. There is no positive evidence of improvement by the placing of new orders, but it is thought that the turning point has been reached. Materials are plentiful and there is an abundance of labor. The principal demands are from the automobile and oil field trades, in the form of piping and sheets.

The announcement of bids for a 400,000-ton order for steel rails to be placed by the Railroad Administration will doubtless tend to stimulate further orders.

The pig iron market is practically void of new inquiries. Blast furnaces continue to close down, and only small lots of foundry iron are being delivered. It is thought that the output in the Pittsburg Area for the past thirty days will prove to be the smallest for some time.

The demand for semi-finished steel is quiet. However, boiler tube makers report increased demands, with an encouraging future, while the makers of nuts, hoops and bands are able to keep their plants running at about 50 per cent capacity. Efforts to keep the tin plate mills going at anything like full time have been abandoned.

Agriculture.—The salient feature in the agricultural field is the promise of an enormous wheat crop. The increase for the district is estimated at 33 per cent over that of last year. The Government's guarantee on the price of wheat, together with the prospective yield, has made the farmer enthusiastic over the outlook.

The farmer has been caused some concern by reason of the wet weather, which has delayed oat sowing, and, inasmuch as the season is now late and the time for corn planting is so near at hand, it is thought that a large number of the farmers will cut down the acreage for oats. Many of them are carrying over quantities of last year's extra large crop, which will be kept to offset the shortage, and for those who did not hold over last season's crop the unusual quality of the early oat crop will doubtless overcome a shortage in acreage.

Some farmers claim that the heavy frost in April was a benefit to the grain crop in retarding the growth and thereby strengthening the stock.

Favorable weather will be needed for corn planting, as the cold and heavy rains have necessitated the postponement of extensive planting until about June first.

All grass and pasture lands are reported to be in excellent condition, and this, together with the high price of beef, gives to the farmer every incentive to increase cattle raising.

The backwardness of the season saved much of the early fruit from the April frost, but the damage is estimated at from 5 to 50 per cent according to locality, sweet cherries being most harmed. Fruit men expect a large peach and late cherry crop.

Considerable interest is being shown in tile drainage in northern Ohio, and the banks, railroads, farm bureaus and farmers are co-operating in the movement.

Fuel.—With the opening of lake transportation there is a noticeable improvement in the coal situation in the Pittsburg Area. Better buying on the part of the railroads is reported. The general demand is fair, with prices firm.

The reports from the Lexington and Columbus Areas are less favorable, and indications point to a continued decline, the production at present being about 50 per cent of that of last year. Many of the mines have closed down, particularly the small ones, with the miners in a very restless state of mind.

The coke industry seems to be at a standstill. The free coke supply is exhausted. Some slight renewed activities are looked for, with prices slightly advancing. The situation is somewhat affected by the fact that large consumers are to a great extent supplying their needs from their own by-product coke ovens.

The demand for gasoline and coal oil continues strong, while the demand for crude and lubricating oils is weak, due to the closing down of factories and the inability to secure bottoms for export trade. There is increased production from the oil wells in the Lexington Area, with new wells being sunk. A distinct reduction is noted in the production of oil from the Ohio fields.

Mercantile Lines.—The volume of mercantile trade continues strong, and jobbers are having increased demands for merchandise in larger quantities. Instead of a decline in prices, a rising tendency is expected. A healthy fall business is predicted, with fall delivery orders exceeding expectations. Retailers are even more emphatic in expressing their optimism, reporting a 40 to 60 per cent sales increase. The report of the National Retail Dry Goods Association Convention held in May confirms this large increase, covering practically the entire east and middle west.

While retail dealers are still operating with caution, they are buying more often and with greater confidence, and are also showing a marked preference for goods of better quality. The markets are largely cleaned out on high grade merchandise, and future increases depend upon the ability of the manufacturers to deliver in time.

Labor.—The two largest labor disturbances of the month have been the strike of the employees at the Willys-Overland automobile factory at Toledo, and the Pittsburg street car strike. The strike at the Willys-Overland factory is now passing into its third week. The workers are demanding a forty-four hour week, while the company is maintaining a forty-eight hour week. After continued efforts to effect a settlement, negotiations have practically ceased and both sides are consistently marking time.

The Pittsburgh street car motormen and conductors walked out when they failed to reach an agreement with the receivers of the Pittsburgh Railway Company on the question of submitting a wage dispute to the War Labor Board. This dispute is the outgrowth of a demand for an increase in pay of twelve cents per hour. After a four-day tieup, the cars have resumed running, following a conference between the receivers and the employees at which it was agreed to arbitrate the matter with the War Labor Board. Upon report of the Board it is agreed that the receivers will petition the United States District Court for permission to put into effect the terms prescribed by the War Labor Board. If after twenty days the Court takes no action, the conditions shall be no longer obligatory upon the railway employees.

Generally throughout the district the army of unemployed is rapidly decreasing — the Federal Employment Bureau at Cleveland reporting local conditions at a near return to normal. A labor shortage is predicted, and many employers are taking on extra help to insure themselves against such a shortage. An immediate shortage is found in agricultural labor, while the greatest surplus is found in the coal and steel industries and in the building trades.

Building.—Operations in the Cleveland Area increased 10 per cent during May over those of April. This was principally small work, such as dwellings. It is thought that added operations on larger construction work will follow the rather definite announcement of experts that present building prices are stable and that no further reductions may be expected. Aside from the cost of materials, the increased demands for higher wages among several of the building trades will tend to maintain the high cost of construction work.

There are ample funds available for construction projects; skilled labor is waiting; the need is great; the prices are pronounced stable. Therefore, it would seem that nothing can be gained by delay.

Clay Products.—The entire clay industry continues its exceptional prosperity, with plants running full time, raw materials obtainable and labor plentiful. The pottery and stoneware business is good. There is an increasing demand for drain tile and hollow tile for dwelling construction and silos.

Makers of fire brick are having a good demand, largely from furnace owners, for relining purposes. The demand is less for other grades of brick.

Collections.—Collection conditions throughout the District average from fair to good. While considerable paper has been offered in some sections, the amount has not created any uneasiness. Some difficulty may be experienced in the immediate future, until after the next income tax payment.

Textiles.—Continued improvement is found in textile lines. Although retailers still show a disposition to restrict buying to scarcely more than for current needs, there has been a noticeable improvement in the demand, in spite of a tendency toward higher prices. Wholesalers of dry goods, notions and men's furnishings report orders increasing both in number and amount.

The weaving and knit goods industries show some slight increase in activity.

Transportation.—Slight gains are noted in both electric and suburban train service, while slightly better steam transportation is reported.

There has been a distinct falling off in the demand for transportation to Europe on the part of the foreigners in the District, possibly due to an increased realization of the difficulties of obtaining such accommodations at the present time.

Money and Investments.—While the distribution of the Victory Liberty Loan was not as large as the Fourth Liberty Loan by approximately a million buyers, it was very gratifying and sufficient to leave the banks free to handle the needs of industry.

There is a very good demand for money, with rates holding firm. A slight decrease of savings deposits in foreign departments is noticed, but banking conditions generally are very satisfactory. A wider use of bankers' acceptances and trade acceptances is noticed, and a greater use of them is anticipated. The demand for commercial investments is not as yet developed, but a large volume is being held up awaiting the settled conditions which are expected in the near future.

The stock market reflects the improved outlook by a stiffening in the bids and prices asked. A rampant speculation in oil stocks is reported.

New Banks Entering System.—The following banks were admitted into the Federal Reserve System of the Fourth District, from May 1 to the 22 inclusive.

		RESOURCES.
The Farmers & Merchants Bank Co.,	Metamora, O.	\$ 298,000
The Peoples Bank Company,	Frazeyburg, O.	483,000
The Security Trust Company,	Wheeling, W. Va.	2,827,000
The Firestone Park Trust & Savings Bank,	Akron, O.	3,490,000
The Farmers Bank Company,	Pandora, O.	2,231,000

BUILDING OPERATIONS FOR MONTH OF APRIL

	Permits Issued				Valuations				Increase or Decrease of total valuations 1919 over 1918	Per Cent of Increase or Decrease
	New Construction 1919—1918		Alterations 1919—1918		New Construction 1919	New Construction 1918	Alterations 1919	Alterations 1918		
Akron.....	685	202	126	81	2,468,000	452,741	122,775	59,215	2,078,819	406.0
Cincinnati.....	178	146	510	512	205,955	188,760	229,895	201,125	45,965	11.7
Cleveland.....	323	194	951	952	1,204,100	1,503,300	333,260	293,900	259,840	14.4
Columbus.....	274	162	128	110	462,225	231,815	122,980	210,245	143,145	32.3
Dayton.....	268	154*	67	...	551,784	417,053*	99,295	.....	234,026	56.1
Erie.....	231*	179*	.....	.....	229,059*	197,013*	.....	.....	32,046	16.2
Lexington.....	107*	37*	.....	.....	133,868*	37,280*	.....	.....	96,588	259.0
Pittsburgh.....	355	197	183	152	480,931	577,488	532,452	193,893	242,002	31.3
Springfield.....	39	18	19	8	41,230	21,500	11,650	3,200	28,180	114.0
Toledo.....	253	92	180	128	482,237	105,181	114,743	79,558	412,241	223.1
Wheeling.....	14	8	51	45	11,319	8,715	13,993	11,165	5,432	27.3
Youngstown.....	159	109	28	32	312,112	223,940	15,195	18,625	84,742	34.9
TOTAL.....	2886	1498	2243	2020	6,582,820	3,964,786	1,596,238	1,070,926	3,143,346	62.4

*Figures include alterations and additions.

POST OFFICE RECEIPTS

	April 1919	April 1918	Increase or Decrease	Percent of Increase or Decrease
Akron.....	96,233	77,921	18,312	23.5
Cincinnati.....	.....	322,210	.....	.....
Cleveland.....	522,822	452,664	70,158	15.4
Columbus.....	142,045	135,389	6,656	4.9
Dayton.....	79,785	66,758	13,027	19.5
Erie.....	36,795	35,070	1,725	4.9
Lexington.....	23,276	18,022	5,254	29.1
Pittsburgh.....	.....	443,727	.....	.....
Toledo.....	126,128	108,814	17,314	15.9
Wheeling.....	29,880	30,003	123	.4
Youngstown.....	40,166	42,436	2,270	5.3

Error Correction—In May issue the Toledo postal receipts were inadvertently shown as a decrease instead of an increase.

CLEARINGS

	April 16 to May 15		Increase or Decrease	Percent of Increase or Decrease
	1919	1918		
Akron.....	36,978,000	23,696,000	13,282,000	56.0
Cincinnati.....	230,038,411	246,420,714	16,382,303	6.6
Cleveland.....	380,649,307	332,414,313	48,234,994	14.5
Columbus.....	49,627,300	43,535,000	6,092,300	13.9
Dayton.....	16,625,149	17,291,081	665,932	3.8
Erie.....	8,876,175	9,517,389	641,214	6.7
Lexington.....	6,110,881	4,300,294	1,810,587	42.0
Pittsburgh.....	566,207,502	478,423,103	87,784,399	18.3
Springfield.....	5,491,735	4,734,332	757,403	15.9
Toledo.....	53,865,825	44,389,579	9,476,246	21.3
Wheeling.....	17,460,576	17,705,589	245,013	1.3
Youngstown.....	18,005,801	14,829,737	3,176,064	21.3
TOTAL.....	1,389,936,662	1,237,257,131	152,679,531	12.3

**STATEMENT OF
FEDERAL RESERVE BANK OF CLEVELAND.**

MAY 16, 1919.

RESOURCES

Gold coin and certificates.....	15,431,000
Gold settlement fund with F. R. Board.....	69,520,000
Gold with Federal Reserve Agent.....	142,853,000
Gold redemption fund.....	1,143,000
TOTAL GOLD RESERVE.....	228,947,000
Legal tender notes, silver, etc.....	1,187,000
TOTAL CASH RESERVE.....	230,134,000
Bills discounted—Secured by Government War Obligations.....	115,743,000
Bills discounted—All other.....	4,923,000
Bills bought in open market.....	20,464,000
Total bills on hand.....	141,130,000
U. S. Government long term securities.....	1,083,000
U. S. Government short term securities.....	16,004,000
TOTAL EARNING ASSETS.....	158,217,000
Uncollected transit items.....	63,028,000
5% Redemption fund against F. R. bank notes.....	797,000
All other resources.....	1,249,000
TOTAL RESOURCES.....	453,425,000

LIABILITIES.

Capital paid in.....	9,200,000
Surplus fund.....	3,552,000
Government deposits.....	17,155,000
Due to members—Reserve accounts.....	130,508,000
Deferred availability items.....	50,338,000
Other deposits.....	265,000
TOTAL GROSS DEPOSITS.....	198,266,000
Federal Reserve notes in circulation.....	225,171,000
Federal Reserve bank notes in circulation.....	15,129,000
All other liabilities.....	2,107,000
TOTAL LIABILITIES.....	453,425,000

PICKUPS ON BUSINESS TOPICS

First honors in the building of ships during the war were awarded by the Shipping Board to the Great Lakes District. Held by canal restrictions to a lighter type of vessel than was built on the seaboard, the district did not produce so many net tons as other sections, but outstripped all other districts in the number of ships. In one year it put into service 125 more vessels than were delivered from all American yards in the year before the United States entered the war.

The Industrial Board of the Department of Commerce has closed its doors and moved away the furniture. Secretary Redfield has said no further effort of any kind will be made to stabilize prices.

According to estimation 74.1 of the 96.3% of the world's production of coal-tar dyestuffs was produced by Germany prior to the war. The United States produced 3.3%. While in 1914 there were only six dye factories in the United States with a production of 3,000 tons yearly, there were, in 1918, fifty factories with an annual output of 35,000 tons.

The tax on the transportation of persons is 8% of the amount paid. The tax on the transportation of property by freight is 3% of amount paid.

Shipments by express are subject to a tax of 1 cent for each 20 cents of the amounts paid.

While we hear many complaints regarding increase in prices, yet we should be somewhat comforted when we read that we have suffered less than any of our allies. While the rise in the United States was 107% over the average of the year 1913, Canada's highest price level was 115%; that of the United Kingdom 133%, while in France the increase was 235%.

Conservative estimates place the average annual requirements of new dwelling houses in the United States at 600,000, and a recent official estimate placed the present shortage at 1,000,000 houses. At the very low average of \$2,000 each, this would mean \$2,000,000,000 of new construction right now awaiting reasonable assurance concerning the stability of existing average cost of material and labor.

According to latest official estimates this country's aggregate crop acreage under cultivation in 1918 was 367,738,000 acres—more than 574,000 square miles. Taking the estimated number of farmers, 6,717,000, the average for each was less than 55 acres. Within the past ten years there has been an addition of more than 56,000,000 acres to the total in use for crop purposes. The value of farm lands is steadily increasing. The value of what is classed as plow-lands on March 1, 1919, was \$74.31 an acre, against \$68.38 a year ago, \$62.17 two years ago, and \$58.39 in 1916. The present average by states ranges from \$169 an acre in Iowa, where 21,613,000 acres were cultivated last year, to \$24 an acre in Alabama, which last year had 10,569,000 acres under cultivation.

Reports of the Federal Farm Loan System show that 3,800 Farm Loan Associations have been organized and over 84,000 loans have been closed, amounting to over \$210,000,000. The greatest users of the system are the districts in the order given: Spokane, Omaha, St. Paul, Houston. By States they are: Texas, Iowa, North Dakota and Kansas. The average loan is \$2,520.

It is reported that Lenine has flooded Germany with perfect counterfeits of money. It is stated that similar counterfeits of British and French money have been printed. The situation thus created is very serious in Germany and strict measures are being taken to counteract the menace in France and England. The object of Lenine is to destroy the value of all paper money.

Inasmuch as European countries are unable to pay cash for goods, the only way for us to sell is to extend to them the credit they need. To do this movements are being started to interest the private investor in the purchasing of foreign securities.

Questionnaires, sent out by the Department of Labor to several thousand building and loan associations disclosed that more than 40% of them did not have available funds to meet the applications for building loans. The movement to establish Federal Home Loan Banks was approved by more than 90% of 1200 associations.

The organization of the new French-American Banking Corporation by the Comptoir National d'Escompte de Paris, the First National Bank of Boston and the National Bank of Commerce in New York, is of special significance to those interested in the development of the Federal Reserve system.

Several combinations of American national banks for international purposes already have been made, under the provisions of the amendment to the Federal Reserve Act; but this is the first case in which a foreign bank becomes part owner. The French bank is owner of half the stock. The capitalization is \$2,000,000, with a surplus of \$500,000.

There is intimation that the new Congress intends to enact strong legislation for the purpose of suppressing Bolshevism in the United States. The opposition to such legislation may be based on the question of its rights to curtail free speech.

Experts in the Bureau of Internal Revenue are making a study of business practices in regard to amortization, depletion, salaries, etc., which will be the basis for future regulations.

The date set for the return of the telegraph and telephone service to private ownership is July 31.

The balance of trade in favor of the United States has amounted up to 15 billions of dollars in four years.