

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

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NO. 8

THE PEAK of increasing prices has apparently broken. The vicious circle is commencing to flatten. The higher cost of living has required higher wages, resulting in increased costs of production, and higher prices to the consumer, thus necessitating higher wages; and again we have found ourselves at the top of the circle, forced to repeat the same round.

High prices are the logical result of such a world cataclysm as we have just passed through, but when to natural high prices we are forced to add the excessive exactions of illegal speculation, and the unreasonable demands of organized labor, it is too much like demanding strength of a sick man.

For four years, due to the war, the world forces have been destructive rather than constructive. The United States was called on to counteract this loss of necessities; called on at a time when four million of her best producers had been called out of her industrial life. After the demand for the United States to aid in Europe's reconstruction has abated, and only after all of her four million bread earners have again become producers instead of consumers, will prices gravitate toward prewar levels.

Labor should not become impatient. It should remember its weaker brother, the salaried man. It is he who has been the greater sufferer, and yet he is the more patient. It is he who realizes that a sick world must have time to become stronger; that longer hours instead of shorter hours; that increased production instead of decreased production, and that careful saving instead of reckless extravagance are the medicines which will bring the cure.

The merciless exposure and prosecution of those parasites who would rob and live off the unprotected will help; the releasing of army food will help, but the amount allotted at the present time for sale through municipalities and by parcel post is reported to be only about three-quarters of a pound of bacon and a little over one and a half cans of food to each person in the United States. The forced releasing of cold storage produce will aid. But all of this is only small doses of medicine; it is not the cure.

The permanent cure has nowhere been better stated than in the Federal Reserve Board's suggestions to the United States Senate that:

"Whether viewed from an economic or financial standpoint, the remedy for the present situation is the same, namely to work and to save; to work regularly and efficiently in order to produce and distribute the largest possible volume of commodities; and to exercise reasonable economics in order that money, goods and services may be devoted primarily to the liquidation of debt and to the satisfaction of the demand for necessities, rather than to indulgence in extravagances or the gratification of a desire for luxuries. The war is over,—in a military sense—and while the bills have been settled by loans to the Government, these obligations, so far as they are carried by the banks, must be absorbed before the war chapter of the financial history of the country can be closed."

The attack has been made at the logical point, for high prices must first subside before wage scales can be lowered. The laborer has been introduced to a new life during the past four years, and wages, if reduced, must still permit of the necessities and comforts which have become a fixity in his standard of living.

He should remember that while increasing commodity prices preceded his wages, these same prices will again precede his wages in their decreasing trend. For when the climax is reached, wages never drop as rapidly as prices. Thus the law of compensation may yet result in favor of labor.

At the expense of being criticized for repeating, it may be said, because of its fundamental truth, that labor must realize that increases in wages do not achieve the desired result, for prices rise rapidly on the heels of wages and wipe out the increase. There are only three ways in which labor can permanently better its condition—to increase production, reduce excessive profits, and economize.

If labor is too mobbish to obey its own leaders and thinks it can demand by threats and strikes, it should remember that the world has already voiced its opinions of the rule of might; that labor may yet find itself penitent before the closed doors of factories, closed by labor's own folly. It is only a step around the corner of the closed factory to the bread line. This is straight and clear thinking.

Not a little of the unrest growing out of the high cost of living problem is psychological, rumors of proposed or pending advances in prices, unsupported charges of illicit gains, and claims by dealers of marginal profits, attempts of one group in the economic chain of production and distribution to place upon another group responsibility for high prices, charges and counter-charges of profiteering and price manipulation. The uncertainty, the inability to place the blame where it belongs, spreads the contagion of dissatisfaction and unrest. Undoubtedly some definite action on the Peace Treaty would tend to quiet this unrest.

Many are contending that an inflated currency circulation is the cause of high prices, and there seems to be the popular understanding that we have a constantly increasing currency inflation. This is a fallacy. Rather, we are now having a constant deflation of currency.

Again referring to the Federal Reserve Board's report we find that from December 1, 1918, which marks the beginning of the post-war period, up to August 1, 1919, gold coin and certificates in circulation decreased \$133,199,000; silver dollars and silver certificates, including Treasury notes of 1890, decreased \$130,984,000; Federal Reserve notes decreased \$102,692,000; Federal Reserve Bank notes increased \$78,552,000; all other currency decreased \$44,772,000; being a net decrease in circulation for the post-war period of \$333,095,000, or \$2.97 per capita.

How, then, are those who contend that inflation is the cause of high prices going to reconcile the fact that, while there has been a deflation of \$333,000,000, prices have been continuously increasing?

Iron and Steel Continue to Gain. All along the line, the improvement in the iron and steel trade situation, which first appeared in substantial form in June, was speeded up in July. The clearest exhibit of the growth of business volume is given in the pig iron statistics for July as compiled by the *Iron Trade Review*. The feature of this report is the surprisingly large gain in the number of blast furnaces in operation. At the close of the month there were in operation 48 more furnaces than at the corresponding period of June. The total was 247, compared with 199 in June and 197 in May. Of this increase, 37 furnaces were of steel works groups,—that is, those companies which make iron for their own consumption. Not a single steel works furnace was blown out during the month. The remaining eleven furnaces to be gained were supplied by the merchant furnaces. Total output of pig iron in July showed an increase of 360,626 tons over June. The July output was 2,474,654 tons against 2,114,028 tons in June and 2,107,729 tons in May. It is apparent from these figures that August starts off on a considerably higher rate of production than was shown in July.

Steel works activities have kept on expanding in a degree corresponding to the gain in pig iron. It is probable that 70 to 80 per cent. of capacity would be a fair expression of steel works operations at the end of July. In some lines, notably sheets, wire, tubular goods, bars and tinplate, the outgo has been considerably above this level, but the average has been brought down by the more backward markets in plates, shapes, rails, etc., or the so-called heavier materials. The volume of plate and shape business, however, has been growing, and this betterment has been more pronounced in

plates, especially during the past few weeks. A significant fact in this improvement is the appearance of a number of orders for material for car repairs, heretofore an absent factor. More new tonnage also is being called for by shipbuilding, somewhat as the result of new contracts, but principally because of the further release of deferred contracts by the Emergency Fleet Corporation. Deliveries on the more active lines of finished steel have been falling back steadily. In wire the makers have sufficient business booked to keep them engaged for three months at least. The largest producer of lapweld pipe is sold up five to six months. Mill tonnage entered in sheets in July was close to the high record for that product. The shortage of semi-finished steel is reflected by the fact that the Steel Corporation is shipping sheet bars from Chicago into the Pittsburgh District despite the disadvantageous freight rate.

Altogether the month has added materially to the unfilled tonnage on mill books, inasmuch as specifications from buyers against their contracts have been in excess of shipments in many lines. Furthermore, labor disturbances have been having some curtailing effect upon production here and there. At Cleveland the operations of a large wire producer have been interfered with by a strike of the trainmen from the company's subsidiary railroad which carries hot metal to its steel works. At Chicago, a shortage of cars and motive power, resulting from the railway shopmen's strike, has forced the banking of some blast furnaces. A strike of the dockmen at upper lake ports caused difficulty to the vessels in taking on ore cargoes and in carrying back coal. Some boats temporarily have been held in port.

While a number of price advances have been made in individual lines during July, notably in wire, tubes, rivets, rerolled bars, bolts, and other miscellaneous lines, producers take the attitude that regardless of the strength of underlying conditions, further additions are inadvisable at this time.

Pig iron buying in July continued in large volume, although it was not equal to the unusually heavy movement in June. Many consumers now are covered to the end of the year, and, as the furnaces have liberal order books, they are not inclined to seek new business very aggressively. Consumers in an increasing way, now, are seeking to cover on their requirements through the first quarter and half of 1920, and while some business has been booked for that portion for advances up to \$2 in some cases, the general attitude of producers is against encouraging the placing of contracts so far ahead. Advances ranging from 50 cents to \$1.75 per ton for this year's delivery have been made by individual producers at Cleveland, Buffalo, eastern Pennsylvania and in the South.

Continued Improvement in All Manufacturing Lines. There is continued improvement in practically all lines of manufacturing, although there is a unanimity of opinion among manufacturers that the labor situation is unsatisfactory, and that unreasonable demands by employes are becoming increasingly common. In the metal trades particularly, the situation is disturbing. In these trades the volume of orders and production has increased considerable during the past month, and on the average the concerns in this line are operating about 70 per cent. capacity; some of them are working up to 100 per cent. All of them, however, are fearful that the restlessness manifested by their employes will develop into a more or less general strike. Pattern makers have demanded \$1 an hour, with twenty-four hours for a reply.

Shoe manufacturers are working full capacity except where scarcity of labor and raw material prevents. They, too, are experiencing difficulties similar to those experienced by the metal trade concerns.

Automobile manufacturers report a steady gain in production, and are naturally optimistic concerning business in the near future and 1920. Manufacturers of auto accessories and storage batteries, 90% of whose business is done with auto manufacturers and the auto-buying public, report conditions identical with those of the auto manufacturer. One manufacturer of storage batteries reports, however, that their present output exceeds that of pre-war times by 25 per cent.

Manufacturers of screw machine products, who a month ago reported that they soon would regain a peace-time basis, now report that they have just about reached their pre-war status.

The electric manufacturers report that business is holding up in a magnificent way, and a large number of orders are booked. July was a particularly good month and August is looking very healthy. Nice orders for electric goods are being received from public service corporations, and inquiries for new apparatus are being made in large numbers. Collections are very good, and the amount of paper offered is the smallest amount of any recent month.

Sandusky manufacturers are very optimistic. All the factories are virtually operating at capacity with both domestic and export orders being received daily. A substantial industrial growth is recorded.

Coal Shortage Still Predicted. The outlook of the coal situation hangs largely on the action of the miners' convention in September. Rumors are that radical action is to be taken for a six-hour day and for a five-day week.

Since July 15, coal production has greatly decreased, due to shortage of labor and cars. In some instances mines have worked only about one-third of their capacity.

The shortage in anthracite coal continues, with seemingly no possible chance of relief. The demand is very heavy and some buyers are paying a large premium to obtain it.

Pocahontas lump is hard to obtain and going at a high price, with no relief in sight. Other grades are coming in fairly satisfactorily, but deliveries are slow.

Oil output is gradually increasing, prices are still high and development of new territory continues. Barring a possible railroad strike and labor troubles, the situation of oil in this District is favorable. However the coke ovens are not running on anything like the capacity of the steel plants throughout the District, which are running on a basis of 70 to 80 per cent.

Movement of Iron Ore and Coal on the Great Lakes. The labor trouble which started at Ashland on August 1 and spread to all the other ore-shipping ports in a week, cut off shipments and the movement for August will show a big loss compared with July, when the fleet moved 9,173,429 tons. All the ore handlers, however, did not strike, remaining on the job until shipments from the mines were cut off, owing to the strike of the railroad shopmen.

Ore was moving at the rate of more than 300,000 tons a day when the trouble started. As a result of the tie-up a large number of vessels were sent to the docks, and will be held until the trouble is settled.

With good stocks at both ends of the route there will not be a shortage of ore or coal, unless the strike of the railroad shopmen and the dock workers is a long-continued one.

Ore shipments up to August 1 were 25,181,848 tons, which is a decrease of 4,427,085 tons, or 14 per cent., compared with 29,608,933 tons for the same time in 1918. At the opening of the season, it was figured that the requirements of the furnaces using Lake Superior ores would be 10,000,000 tons less than last season. This means that, unless considerable time is lost, the fleet can move all the ore that is needed.

The boats that have been dropped, owing to the strike, are keeping steam up and their crews are kept aboard under pay, so that a start may be made in a short time.

The car shortage has made a big cut in receipts of lake coal, but as a large amount of coal was carried over at the opening of the season at upper lake ports and the movement up to August 1 was more than a million tons ahead of last season, the Northwest is sure to have a good supply.

Crop Reports Show a Falling Off Over Previous Estimates. Heavy rains which fell throughout Ohio the first two weeks of August caused a great improvement in crop conditions, according to reports received by the Ohio State Board of Agriculture. The crop report dated up to August 4 showed that wheat, corn, potatoes, fruits, vegetables, and, in fact, every food product in the state fell off, compared with the condition July 1.

CROP ESTIMATES FOR FEDERAL RESERVE DISTRICT No. 4. (CLEVELAND)

These figures refer to the States of Kentucky, Ohio, Pennsylvania, and West Virginia. They exclude the counties in the western part of Kentucky, which are in District 8; the counties in the eastern part of Pennsylvania, which are in District 3; and the counties in the southern part of West Virginia, which are in District 5.

Crop	Acreage, 1919	Forecast of produc- tion based on condition August 1, 1919	Acreage, 1918	Production, 1918
	Acres	Bushels	Acres	Bushels
Corn	5,273,000	192,440,000	5,442,000	184,232,000
Winter wheat	2,924,000	58,830,000	2,838,000	51,690,000
Spring wheat.....	30,000	458,000	15,000	322,000
Oats .....	.....	69,600,000	2,432,000	101,356,000
		Tons		Tons
Hay (all) .....	.....	6,009,000	4,397,000	6,122,000

The copious rains after the first of the month worked wonders with corn. Farmers are now counting on making up losses on their wheat by gains on corn, potatoes and other produce.

Threshing is still in progress in many sections of the state, and reports are far from satisfactory, judging by the statements of farmers who have given the grading of the crop close attention. Some wheat is running as low as No. 5 and still another classification has been added, that of "sample." The elevator man buys this grade of wheat by the sample submitted and he pays what he thinks it is worth, notwithstanding the Government price of \$2.46 Baltimore basis, which is approximately \$2.12 Columbus basis. In some sections farmers are using this "sample" grain for feed rather than accept the lower price which is offered.

The excessive rain caused considerable damage to unthreshed grain. The tangled condition of the straw and the scarcity of labor has made the proper shocking impossible.

The corn which has not eared, but is approaching that stage, will be very much benefited by the rain, although many fields were lodged by the storm, so that it may not become sufficiently erect to ear properly.

The early potato crop is a failure, but there are hopes for a fair yield of late potatoes according to the present stand. The dry weather very much affected the number of plants in the field, which will necessarily cut down the yield.

Burley tobacco is coming along very nicely. The crop will probably be as large as last year's, and, according to present indication, the quality will be satisfactory.

The condition of Spanish tobacco in the Miami Valley is not nearly so good. Because most of last year's crop is still being carried by the growers, this year's acreage has been materially reduced, and it also seems that the quality of the plants is below par. The prospects for the growers of this tobacco to dispose of last year's and this year's crop at a profit are not very bright.

From northwestern Ohio comes the report that crops generally, especially late potatoes and sugar beets, were greatly benefited by rains during the first of August. Sugar beets promise a big yield. Large yields and big prices are making Alsike seed an unusually profitable crop for many farmers in this section.

Heavy rains have greatly improved the crop prospects of orchards and vineyards of Erie and surrounding counties, and have made conditions very favorable for maturing of the fruit; however, with the exception of grapes, yield of all fruits will be very much below the average. Prospects of grapes in the Sandusky and Lake Erie island section, as compared with a five-year average, is estimated by growers at 110 per cent.; as compared with the crop of 1918 the increase is over 200 per cent. The quality and general condition of the grapes is excellent. While many apple orchards also show fair crops, prospects generally are not encouraging. The quality of early ripening varieties is below standard, owing to the dry season. Lack of rain during July caused a serious dropping of peaches; the estimated yield in Ottawa and Erie counties, as compared with a five-year average, is less than 10 per cent.

The farm help problem is far from solution, according to farmers who have sought in vain for helpers from the cities. Even the payment of 50 cents an hour, with board and lodging, failed to secure enough men in certain sections of the state to care for the wheat, much of which is still standing in the field. As a result, following the heavy rains, some wheat is sprouting in the fields.

Building Gaining, But Skilled Workmen and Materials Short. A candid statement must recognize that there exists in Cleveland today a very serious shortage of labor for the production of materials of all descriptions, the distribution of materials, and the execution of work on building projects. The lack of a sufficient number of building mechanics and laborers is now handicapping operations to a marked extent, and conditions will unquestionably become worse in this respect within the next thirty to sixty days. Wages in excess of established scales are being paid in many of the skilled trades without appreciably increasing the number of men available.

The supply of materials of all description is inadequate. A number of basic commodities are almost impossible to secure except upon long deliveries. This shortage is partly due to the increasing demands from Europe and from the extreme western sections of our country. It is estimated that it will take three or four years to catch up with the demand which is now apparent. While there is a great deal of activity, yet the construction of houses and apartments is not progressing satisfactorily. The banks have been criticized because of their failure in financing this industry, but it must be borne in mind that they are still carrying much of the war obligations and must continue to finance the Government.

The enormous demand for small buildings of various types, particularly dwelling houses, has taxed the capacity of the building industry to the limit. Just what the situation will be when the many large operations now projected are fairly under way is difficult—if not impossible—to judge.

New building in Pittsburgh continues on the level of May and June, but the construction is almost entirely of dwelling houses and apartments. Houses are scarce and rents are 40 per cent above those of 1915. The Westinghouse Air Brake Company and the Carnegie Steel Company have both launched million-dollar home-building projects in the interests of their employes. The city of Pittsburgh recently passed bond issues authorizing the expenditure of \$22,000,000, of which \$6,000,000 will be for a subway loop, \$10,000,000 for boulevards and streets and the balance for general improvements. The county has several large bridge projects and a tunnel to a Pittsburgh suburb under consideration, but practically none of this work will be started this year. The largest contract in this section in months was awarded by a utility corporation, which provides for the erection of a \$15,000,000 power plant at Cheswick, on the Allegheny River. A foundry concern has bought a large tract near the prospective plant and will erect its factory there.

In analyzing the building reports for the month of July, 1919, we find that comparative statistics show a large increase in every instance, over the same month in 1918. The cities are listed in their order of increase: Akron, \$3,810,692; Cleveland, \$3,782,675; Cincinnati, \$1,166,242; Springfield, \$780,445; Dayton, \$760,076; Columbus, \$528,805; Pittsburgh, \$383,407; Youngstown, \$213,245; Lexington, \$103,500; Erie, \$93,020; Wheeling, \$15,008. This gives us a total of \$11,637,115.

Cincinnati cost of improvements for the first seven months of this year totals \$5,137,675.

The building permits issued by the City Building Inspector's office at Akron for the first seven months of 1919 aggregated \$14,529,257. Of these, there were 2,122 permits for dwellings aggregating \$8,081,750 in value.

The cost of new buildings from January 1 to August 1, as reported by Cleveland, was \$20,256,390, this being a gain of \$9,720,480 over the same period of 1918.

Scarcity of Textiles, with Increased Costs. Merchants are operating with confidence but with reasonable caution. Due to the present fever of unrest they are hesitating about doing anything unusual.

Most merchants have accepted the fact that merchandise is very scarce, and that prices are going to remain high for some time. One of the largest stores in the District says that they are in receipt

of from five to twenty letters a day from manufacturers asking for advances in price from 5 per cent. to 20 per cent. on contracts that were made last February and March. Most garment manufacturers, particularly in the East, are confronted with this condition because of the greatly increased costs in the production of goods. Many are frankly laying their problems before their customers asking retailers to agree to a higher price on old contracts in order to enable the manufacturer to obtain a fair margin of profit. Many retailers are acquiescing to this request.

In practically all lines the volume of business is unprecedented. Fall merchandise when displayed has found ready buyers at the increased prices which are being asked. Jobbers are so busy that many of their salesmen have been called in off the road. Inability to get goods from the mills seems to be the great handicap in the jobbing business.

Figures from one of the larger Cleveland department stores show that sales for the month increased 24.5 per cent.; for the year, 36.25 per cent. Some of the largest increases for the month were furniture, 65 per cent.; decorative art ware, 100 per cent.; men's clothing, 67 per cent.; and women's clothing, 40 per cent. Collections show a slight decrease, but are about normal for this season of the year.

Some dealers say that a slight reaction is being felt in the shoe department, although, generally speaking, it seems to make little difference with the shoppers that prices continue to have an upward tendency.

Textile prices continue in their upward trend. The knitters in the Cleveland factories are busy and this industry is rapidly recovering from the temporary slackening which the cancelling of war contracts produced. Woolen mills are still delaying their opening, and promise very much reduced products for the spring season. Deliveries on old contracts continue unsatisfactory and slow.

Manufacturing of Clay Products Hampered. Sewer pipe manufacturers are seriously hampered by present labor conditions and inability to keep a sufficient number of men to operate their plants. The car shortage is also proving troublesome. During the war very little municipal work was done. Now, since contractors are having so much trouble in finding men to do their work, many contracts for much needed municipal improvements have not been placed, because of lack of bidders. It is the belief of the sewer pipe manufacturers that their business will not resume its normal condition for some time.

Railroad Carrying Tonnage Increasing. From every side comes the cry of a shortage of cars for loading. All of the grain-type cars are being sent to grain-producing regions for the movement of crops. From the comparative statement given below, issued by the Cleveland Chamber of Commerce, we find that the figures show a decrease in the number of inbound cars, but an increase in the tonnage received. On the outbound cars an increase in both the number of cars and the amount of tonnage is shown. Altogether there is an increase in traffic shown over the month of June. The tonnage for this year, however, is still lower than that for the corresponding period last year.

June, 1919	Inbound	Outbound	Total
Cars	40,384	25,948	66,332
Tons	1,228,185	850,865	2,079,050
July, 1919			
Cars	38,818	28,126	66,944
Tons	1,402,088	1,006,646	2,408,734

Movements of freight from the Pittsburgh district are reported quite satisfactory in most instances. One report states that 14,000 new cars are now standing in the shops and railroad yards waiting to be stenciled and put into service.

Foreign Finances in Great Need of American Money. There is a continued demand for loans, and many of the banks are possibly as near their reserves as they care to go.

The recent sharp decline in security values, as reflected on the stock exchange, has stiffened the call loan rates, practically all of which now run at 6 per cent. The highest grade commercial loans

are running at 5½ per cent., although 6 per cent. could still be considered the prevailing rate on commercial paper as well as on collateral loans. The commercial demand has strengthened during the past thirty days, and to all appearances, reflects the borrower's seasonal needs for the fall business.

There is little change in the trade acceptance situation in this District. The number of country banks purchasing these bills shows a slow but steady increase. The existence of more attractive rates in other forms of investment is the reason given for the slackness in buying this kind of paper.

The organizing of new companies has been large. In Ohio, alone, 374 companies were organized with authorized capital of \$25,445,000. The increases to existing companies amounted to \$78,435,000, giving a gross gain of \$103,880,000. The decreases were \$835,000, so that the net gain was \$103,045,000.

Much discussion is still going on as to providing ways and means for the establishment of foreign credits in handling export business. It is reported that a great deal of foreign trade is being offered in this District contingent, however, upon the ability to meet excessive exchange conditions in settlement. Nevertheless, a considerable volume of export trade is being carried out.

It is well understood that Europe at present has neither the goods nor the gold with which to meet her indebtedness to us, and that we must extend to her credit in very liberal amounts; short time credits to meet immediate needs, and longer credits representing fixed investments. It is imperative that these credits shall be forthcoming, if Europe is to continue to buy from us as she must, since we are the only important, immediately available reservoir upon which she can draw.

A number of credits have been arranged in this country, and others are pending, but these are only a drop in the bucket compared with Europe's financial needs. The Foreign Finance Corporation is being organized. The Edge bill and other proposed measures are under discussion, but little actual progress toward relieving a very serious situation seems to have been made. It is now obvious that, with the urgent need for credits running into billions of dollars, no single agency can be depended upon to meet the situation. It calls for co-operation of bankers, manufacturers, government agencies, and the investing public. The longer such co-operation is delayed the more serious the situation will become.

Meantime foreign exchange on London, Paris, Berlin, etc., has reached the lowest levels ever known, selling at discounts below gold par of from 10 to 67 per cent., on different countries. This decline in exchange places an automatic embargo on our trade with Europe, except for such goods as she must have at any price, and decreases the purchasing power of the nations with which we must transact business in increasing volume if we are to reap the full advantage of our new foreign trade opportunities. An early solution of this foreign exchange situation, in which the United States has most at stake, is imperative. The solution lies in the prompt mobilization of our credit facilities to be placed at the service of foreign buyers of our goods, and in our readiness to invest in the securities and liens against future production of foreign peoples. This latter involves a willingness and a capacity among the rank and file of our people to continue the practice of that intelligent economy and thrift which made possible the raising of war billions to insure world freedom.

Banks Entering the Federal Reserve System. The following state banks have entered the Federal Reserve System since the last issue of the *Review*:

	Resources
Hubbard Banking Company, Hubbard, Ohio	\$921,000
Middlefield Banking Company, Middlefield, Ohio	371,000
Pemberville Savings Bank Co., Pemberville, Ohio	585,000

The following national banks have been organized, and became members on organization:

	Authorized Capital
First National Bank, Cumberland, Ohio	\$40,000
First National Bank, Sycamore, Ohio	50,000
First National Bank, Jefferson, Pa.....	25,000

BUILDING OPERATIONS FOR MONTH OF JULY

	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.....	652	152	103	51	3,641,692	389,390	601,715	43,325	3,810,692	881.9
Cincinnati.....	143	82	582	430	940,320	81,853	621,670	314,795	1,165,342	294.1
Cleveland.....	446	184	902	689	4,694,500	1,108,600	470,575	273,800	3,782,675	273.7
Columbus.....	264	66	95	56	533,000	99,260	125,710	30,645	528,805	409.3
Dayton.....	250	108	95	43	1,032,324	270,584	52,021	53,685	760,076	234.5
Erie.....	102	116*	53	...	182,620	206,903*	117,303	.....	93,020	45.1
Lexington.....	50	3	52	33	90,000	6,000	22,000	2,500	103,500	1287.5
Pittsburgh.....	282	155	128	117	1,151,662	834,963	210,387	143,679	383,407	39.1
Springfield.....	55	6	22	13	736,145	17,375	64,000	2,325	780,445	4105.2
Toledo.....	227	79	165	66	496,162	392,103	124,067	27,819	200,307	47.8
Wheeling.....	39	19	29	30	28,110	13,954	4,463	3,611	15,008	88.2
Youngstown.....	225	195	38	26	697,750	492,520	19,990	11,975	213,245	42.2
TOTAL.....	2735	1165	2264	1554	14,224,285	3,913,505	2,433,901	908,159	11,836,522	245.5

*Figures include new construction and alterations.

CLEARINGS

	July 16 to August 15		Increase or Decrease	Percent of Increase or Decrease
	1919	1918		
Akron.....	45,998,000	24,559,000	21,439,000	87.2
Cincinnati.....	267,624,021	267,334,243	289,778	.1
Cleveland.....	484,506,728	396,956,660	87,550,068	22.
Columbus.....	68,607,700	55,710,600	12,897,100	23.1
Dayton.....	21,621,127	17,295,106	4,326,021	25.
Erie.....	9,747,133	9,866,455	119,322	1.2
Lexington.....	6,875,825	4,597,631	2,278,194	49.5
Pittsburgh.....	620,427,920	565,826,780	54,601,140	9.6
Springfield.....	7,145,807	5,494,183	1,651,624	30.
Toledo.....	64,550,000	49,972,715	14,577,285	29.1
Wheeling.....	23,342,882	18,345,871	4,997,011	27.2
Youngstown.....	23,540,831	16,030,918	7,509,913	46.8
TOTAL.....	1,643,987,974	1,431,990,162	211,997,812	14.8

Special Report on Akron's Rubber Industry. In reply to a request from the Federal Reserve Board that a special investigation be made each month of an industry peculiar to this District, there is here given a special report of the rubber industry at Akron.

Akron is the greatest center of manufactured rubber products in the world. Probably few people fully realize the vastness of the rubber industry in this District, employing an army of 70,000 workers, with an invested capital of \$250,000,000.00, and with total sales for the last fiscal year amounting to \$332,000,000.00.

The accompanying table shows the division of this capitalization among the various companies:

Amazon Rubber Co.	\$ 340,000	Brought Forward	\$235,971,600
American Rubber & Tire Co.	650,000	Lyon Rubber Co.	150,000
American Hard Rubber Co.	1,461,000	Napeer Rubber Co.	30,000
Anderson Novelty Rubber Co.	20,000	Majestic Rubber Co.	10,000
Denmead Rubber Co.	50,000	Miller Rubber Co.	7,200,000
Firestone Tire & Rubber Co.	15,000,000*	Mohawk Rubber Co.	2,000,000
General Tire & Rubber Co.	1,000,000	Philadelphia Rubber Works Co.	2,256,000
B. F. Goodrich Co.	109,000,000	Phoenix Rubber Co.	125,000
Goodyear Tire & Rubber Co.	100,000,000	Star Rubber Co.	834,618
Gregory Rubber Co.	34,600	Swinehart Tire & Rubber Co.	936,200
Kelly-Springfield Tire Co.	8,416,000	Western Reserve Rubber Co.	25,000
Total	\$235,971,600	Total	\$249,538,418

*Note: Increasing to \$75,000,000.

The jar of the world is absorbed by the products of this little army of workers in rubber. They produce daily several thousand solid tires, and 65,000 pneumatic tires, and in one year they turn out some 50,000,000 rubber heels.

The rubber industry of Akron is not confined alone to the making of pneumatic or solid tires. A large industry is carried on in mechanical and hard rubber goods, bicycle, and motorcycle tires.

Although the supply of rubber—which is mostly obtained from the Malay countries—is plentiful, the production of rubber products has been curtailed by the lack of housing facilities in Akron. While a very large number of new houses are being built this summer, many of the workers are living in tents. There is an actual need of 10,000 new houses.

There has been very little discontent among the workers in the rubber factories. Labor, which is largely based on piece work, is well paid, and the welfare of the workers is well taken care of. The Goodyear Tire & Rubber Company is now building a \$500,000 club house for its employes. Other companies are doing much along the line of welfare, pensions and insurance for their workers.

The rapid growth of the city of Akron is shown by the following interesting comparative figures:

The postoffice receipts for the fiscal year ending June 30, 1919, were \$988,878.93 as compared with \$315,442.43 for the fiscal year ending June 30, 1910. The July receipts under two-cent postage were \$91,601.46 as compared with \$70,284.46 under three-cent postage for July, 1918.

The total deposits in the Akron banks on June 30, 1919, were \$67,530,443 as compared with \$11,113,625 on November 1, 1910.

The industrial payroll in Akron for 1918 was about \$75,000,000 as compared with about \$25,000,000 for 1915. The value of manufactured products from the Akron plants for 1918 was \$411,000,000 as compared with \$156,000,000 for 1915. Indications are that the payroll and output of Akron's factories will be considerable larger in 1919 than in 1918.

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

August 15, 1919.

RESOURCES

Gold coin and certificates.....	\$27,340,000	
Gold settlement fund with F. R. Board.....	43,315,000	
Gold with Federal Reserve Agent.....	121,096,000	
Gold redemption fund.....	275,000	
TOTAL GOLD RESERVE.....	192,026,000	
Legal tender notes, silver, etc.....	965,000	
TOTAL CASH RESERVE.....		192,991,000
Bills discounted—Secured by Government War Obligations.....	110,082,000	
Bills discounted—All other.....	10,810,000	
Bills bought in open market.....	54,573,000	
Total bills on hand.....	175,465,000	
U. S. Government Bonds.....	1,084,000	
U. S. Government Victory Notes.....	10,000	
U. S. Government certificates of indebtedness.....	19,959,000	
TOTAL EARNING ASSETS.....		196,518,000
Uncollected items and other deductions from gross deposits.....	67,993,000	
5% Redemption fund against F. R. bank notes.....	927,000	
All other resources.....	1,503,000	
TOTAL RESOURCES.....		459,932,000

LIABILITIES.

Capital paid in.....	\$9,336,000	
Surplus fund.....	5,860,000	15,196,000
Government deposits.....	5,749,000	
Due to members—Reserve accounts.....	129,203,000	
Deferred availability items.....	59,907,000	
Other deposits.....	7,711,000	
TOTAL GROSS DEPOSITS.....		202,570,000
Federal Reserve notes in actual circulation.....	222,903,000	
Federal Reserve bank notes in circulation—net liability.....	18,223,000	
All other liabilities.....	1,040,000	
TOTAL LIABILITIES.....		459,932,000

PICKUPS ON BUSINESS TOPICS

THE Federal Reserve Board has announced the resignation of Mr. J. A. Broderick, Secretary of the Board.

Mr. Broderick becomes Vice-President of the National Bank of Commerce of New York. He has been connected with the Federal Reserve Board since its organization in 1914, and has been in charge of the examinations of all the Federal Reserve Banks since that time. Prior to joining the Federal Reserve organization, Mr. Broderick was connected with the Banking Department of the State of New York, where he rendered conspicuous service in introducing a system of foreign exchange department examinations. In this connection, in 1912, he went to Europe and was the first American official to examine banking branches abroad. During the same year, he organized the Credit Bureau of the State Banking Department. He has also been prominent in the educational activities of the American Institute of Banking.

Mr. Broderick was born in New York City and entered the banking world as an office boy. He was for years associated with the State Trust Company, later the Morton Trust Company. As an official of the New York State Banking Department he assisted District Attorney Whitman in famous prosecutions against mismanaged banks. He was one of a committee appointed by Secretary of the Treasury McAdoo to study technical details of Federal Reserve banks upon the inception of the Federal Reserve System. He left the New York State Banking Department to become Chief Examiner of Federal Reserve Banks. He is regarded as one of the foremost banking technicians of the country.

The War Industries Board has issued a report on prices during the Civil War and the World's War, which reads:

The movement of prices in the two great wars is strikingly similar on the whole. The chief difference in movement are the following:

The rise began in the Civil War. The median rose from 96 to 100 in the first six months of the Civil War; while in the case of the World War the median did not change from its pre-war level until the end of a year of hostilities.

The rise was not extreme in the Civil War. The highest point touched was 216 in January, 1865. This is 49 points higher than the median on the corresponding date in the present war (177 in January, 1918).

The fall began earlier in the Civil War. A drop of 26 points had occurred when Lee surrendered in April, 1865. The German surrender came in the autumn of the corresponding year and was not preceded by a decline of prices.

But, to repeat, these differences are on the whole less striking than the general similarity of the movements. This similarity exists in spite of a great contrast in the underlying economic factors which influenced prices in the two wars.

According to Attorney-General Palmer, Federal Court judges will hereafter be compelled to pay a tax on that portion of their income which is paid them as a salary by the Government. He interpreted the constitutional clause which states that the salary of a judge shall not be decreased during his term of office by pointing out that it was the intention of the tax law to collect revenue for the Government and not to reduce the salary. It was under this same law that President Wilson paid his income tax. Exemption is still made in the case of salaries of state officials.

Great Britain is suffering from high cost of living to an even greater extent than we in this country, especially in the matter of food and clothing. For example, eggs are \$1.25 a dozen, milk is 18 cents a quart. The British Food Controller has announced that the government has definitely decided to continue food control over the winter. Profiteering on a large scale has already been proved.

Retail food prices in the United States showed a decrease of less than one-half of 1 per cent in June as compared with the preceding month. June prices were only 1 per cent lower than those of last December when retail food prices reached their highest point. In June the cost of food was 14 per cent higher than a year ago and 88 per cent higher than in 1913.

CHAIRMAN Hurley announced the sale by the Shipping Board of 100 steel coal-burning ships at \$210 per ton, the tonnage ranging from 3,300 to 3,600 dead weight tons.

The United States Shipping Board now has 289 ships of 4,248,973 deadweight tons engaged in the general commerce of the seas, exclusive of more than 2,500,000 tons still in war service for the Army and Navy and in overseas civilian food relief work.

The Board has established and now has under operation 62 regular general cargo liners serving in trade routes which have been opened in the last six months as one of the first steps in conversion of ocean tonnage released from war work to the pursuits of peace.

There are 172 steamships of 1,351,305 deadweight tons employed in the trade routes which have been given regular cargo liner service. The remainder of the commerce fleet is engaged in general cargo and tramp service.

Additional trade routes will be opened and more ships utilized as other tonnage becomes available through release from war and food relief work and deliveries of new ships.

Ten thousand persons were placed in jobs of all kinds each working day for 18 months, according to the U. S. Employment Service, without costing them or their employers a cent and at a cost to the whole country of but \$1.34 per placement. The saving in fees to the men and women directed to employment by the Government, in co-operation with States and municipalities, is estimated at not less than \$10,000,000, while the saving to the country in hours of labor gained by minimizing the time lost by these workers between jobs and in reducing labor turnover is estimated at many more millions.

Bankers and business men are engaged in a discussion of plans for the formation of a foreign credit clearing house as a means to simplify present methods employed in gathering and distributing credit, information from abroad, and the elimination of much wasted effort. Among the organizations studying this subject are the Chamber of Commerce of the United States, the American Bankers Association, and the Investment Bankers Association.

Pittsburgh was the first city to be visited by the Belgian Commission which has come to this country to provide for the purchase of materials most urgently needed in the reconstruction of Belgium. A large number of machine tools, quantities of raw materials, leather belting, piping, etc., are to be purchased. The Commission is to visit other manufacturing cities of the Middle West and East.

Railroad material is noteworthy in the export trade. A total of 6,000 cars is wanted for France and 1,050 for Cuba. Of over 400 cars lately bought, 380 were for Cuba. The American Locomotive Company has taken orders for twenty-three locomotives, two for Chile, six for Argentina, twelve for Java and three for Formosa.

The aggregate capitalization of new oil companies formed during the month of July, 1919, was greater than the total capitalization of such concerns during the whole year of 1918. The number of new companies during July was 161, with total capital of \$586,216,500.

The Treasury Department has advanced an additional credit of \$157,549,000 to France, bringing the total loans to that country to date up to \$3,010,026,800. The United States has, up to the present time, loaned to the allied nations a grand total of \$9,615,400,927.

The number of business failures in July reached the lowest mark in more than 25 years. There were only 452 defaults in the United States, exclusive of banking failures, and personal bankruptcies.

Plans have been completed for two gigantic oil burning ocean liners designed for a speed of 30 knots an hour, and capable of crossing the Atlantic in less than four days.

Rate of postage on mail carried by airplane has been fixed at 2 cents an ounce.