

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. 2

THE backfire of deliberate restricted production takes on the action of a boomerang and strikes its restrictor between the eyes.

The American working man is "fed up" with the fallacy that high pay is the only force that enters into the cost of living; he has begun to realize that production is a matter that is vital to him, and with this awakening one of the greatest problems with which the American business man has been confronted during the war and post-war period is slowly but surely passing into the discard.

The fundamental law of supply and demand, which may be temporarily submerged or suppressed by reason of some unusual condition, will inevitably rise to the surface and dominate our economic life. This fact we must all recognize, whether we wish to or not. And we believe we see in conditions today evidence that our people realize relief from our present high cost situation may be found only in a return to normal production. The quicker the return, the sooner will relief be had.

We are glad to say that under-production cannot be laid at the door of organized labor alone. The practice is too general. Organized labor constitutes but about 15 per cent of our national productive strength, while under-production exists today in practically all lines of human endeavor. Both skilled and unskilled labor are affected and society in general shares its evil consequences.

It is an indisputable fact that there exists today a world-wide shortage of goods. It is equally true that this shortage must be met. Whether this is done by our own people or by some of the foreign countries depends upon the ability of the American working man to see the danger to himself in the present situation and the quickness with which he takes the necessary steps to avert it. Reduced production here means nothing but stimulated effort elsewhere. As European countries increase their output (and let us not deceive ourselves as to their ability to do so) our workmen must then compete with low-paid foreign labor in the markets of the world, including our own.

Production bears a definite relation to price. Where production equals consumption, normal prices prevail. When production cannot equal the demand, prices advance out of proportion to the shortage.

It has been demonstrated that a 9 per cent reduction in output has resulted in a 68 per cent advance in the price of a certain commodity. And therein lies the primary cause of the exorbitant prices of today.

That profiteering exists in some lines no one questions. It has always been with us, though the opportunity to practice it has never before been so great. Probably profiteering does not exist to anything like the extent it is popularly supposed; but even should that be the case increased output is without question the most effective weapon with which to fight it.

It is a regrettable fact that in many plants organized efforts have been made among the workers to restrict output. That this is a boomerang is beginning to be felt, and this strengthens our faith for the future. Just as soon as workers generally find that restricted production works in a circle, and eventually strikes directly at them, will the cost of living fall and a better feeling prevail in our industrial ranks.

The worker who today is not producing his best is by his own action increasing the cost of living for himself as well as for others. He is forced to bid against others in the market for things of which there are not enough to go round. He forces others to pay high prices for the product of his labor, while other men by doing the same thing are forcing up prices on him.

High wages are not a panacea for the ailment. They are inevitably passed on to the consumer in higher prices, and as our working people form the larger part of our population and consequently do most of the purchasing, they are shifting the burden of the high cost of living largely to *themselves*. An unfortunate feature is that those workers engaged in non-productive (although quite necessary) occupations are called upon to share the burden. To illustrate this point, let us take a concrete case.

It has been proven by exhaustive research that on a general average labor constitutes two-thirds of the cost of manufacture, and every increase in wages calls for a raise in another industry.

A hatter, say, is receiving \$1 for certain work. He strikes for a 10 per cent raise and gets it. The manufacturer naturally puts this increased cost on his product. He was getting \$1.10 for a hat and

raises his price to \$1.21. The retailer, in turn, raises his figure, and the consumer pays \$1.65 for what formerly cost him \$1.50. The shoemaker finds that his wages will not permit him to pay \$1.65 for a hat, so he demands a 10 per cent raise, and gets it. The clothier, the shirtmaker, etc., following the shoemaker, get raises. The latter finds that his 10 per cent increase is not enough to meet the extra cost of shoes, clothing, etc., so he asks for another 10 per cent. Then the shoemaker demands more pay, and in turn is followed by the tailor and shirtmaker. This pyramiding goes on and on, until the purchasing power of the dollar is reduced to fifty cents. Finally the pyramid tumbles over, and business finds itself in a state of uncertainty.

The amount of wages is of no importance, but the amount each of us produces for what he receives is of absolute importance, since it determines how much we can buy with what we receive.

One large employer of labor in addressing a gathering of his employees recently stated that, while their numerical strength had increased 11 per cent, this augmented force was actually producing 14 per cent less than the former force. An official of one of our largest railroad systems has publicly stated that it now takes 127 men to do the work accomplished by 100 men in pre-war days.

Plenty of Money for Legitimate Uses; Interest Rates are Higher

The action of the Federal Reserve Bank in raising the discount rate is reflected in a more careful scrutiny by bankers of applications for loans to determine the purposes for which they are to be used. Bankers generally report that plenty of money is available for legitimate uses but none to be had for speculative purposes. Bankers feel that with the expansion of present business and the advent of new industries which are sure to come, they can employ their money more profitably than in speculation.

There has been very little activity in the acceptance market since the raise in discount rates the latter part of January. Before this time high money rates and the tightening of credit greatly curtailed the movement of acceptances, which were just beginning to regain their equilibrium after the December increase in discount rates. The supply and variety of bills in the open market is good, but in spite of

In such a critical period as this such facts are amazing and disturbing. The remedy is simple, and we must use every effort to have it applied. We must quit wasting our time as we have been wasting our money. Every man *must* do his full share and encourage his neighbor to do *his*. Increased effort means increased production and increased production means lower prices.

Coordinated and cooperative effort is as necessary today to win the struggle against high costs as it was necessary to win the war, and there is no place in America today for the industrial shirker who wilfully practices or advocates restricted production.

If an individual maliciously restricts his production, whether it be brain or brawn, at office desk or shop bench, he must suffer a psychological reaction. For no man can be an honest workman unless he gives the best he is capable of giving; unless he gives an honest day for an honest pay.

In such an act a workman innately knows he is cheating his employer, and such knowledge makes him less a man, and to that extent weakens his ability as a workman and his powers for production.

this the market has remained dull due to the lack of available funds for any form of investment. An encouraging feature since the first of the year has been the number of new purchasers, who have found the higher return on acceptance investments an incentive to enter the market, but still the demand remains small due to the liquidation of credits, and is insufficient to bring about the desired balance in the market.

Previously low money rates were indicative of an increased demand, but in spite of the comparatively low money rates of the past week there has been no change in the general condition of the market. Dealers are purchasing as few bills as possible, and are quite reticent in bidding on future deliveries, due to lack of credit accommodations and the fear that the open market rates may again increase in order to stimulate an essential demand. The open market rates for prime bills are as follows:—90 days $5\frac{3}{4}$ to $5\frac{1}{2}$ —60 days $5\frac{5}{8}$ to $5\frac{3}{8}$ —30 days $5\frac{1}{2}$ to $5\frac{1}{4}$.

Domestic Demand for Iron and Steel Cannot Be Met; Export Business Diminishing; Lack of Materials Handicapping Greater Production

Disturbed financial conditions in their acute form in the past several weeks have left no perceptible effect upon the trade situation in the iron and steel industry. The situation has continued one where the demand has been largely in excess of the supply, and if anything, the shortage of material with a consequent anxiety of consumers to obtain tonnage has been intensified. In certain lines in reality, the past several weeks has witnessed a more urgent de-

mand than any time previously and the amount of business which producers have been forced to reject because they could not accommodate it, has been greater. The market has continued to be a sellers' market and from all present indications promises to remain of this character for an extended period. This conclusion is unescapable considering present production and the extent of the immediate and prospective demand.

If present exchange conditions operate to restrict export trade in iron and steel, this promises not to be of serious consequence; in fact such a development would not be disturbing to the producers but rather would be welcomed by them, because of their over-sold condition and the heavy insistent demands of domestic consumers. For several months past export business in iron and steel has been in diminishing volume, but this apparently has been due more to the inability of the mills to quote because of the lack of material than to fall in exchange with Europe. A significant analysis along this line made by the Iron Trade Review, shows that December exports of iron and steel were but 8 per cent of production for that month, whereas for the full calendar year of 1919 they averaged about 17 per cent. Furthermore a considerable portion of export business has been with the Far Eastern and South American countries where exchange conditions are more favorable.

Some falling off of general export demand has accompanied the recent financial flurry, but there is still a very substantial volume of inquiry which is receiving a minimum of attention from the filled-up mills.

Car shortages have been a big factor in iron and steel distribution during the past several weeks and they are continuing to have an important bearing both upon operating and market conditions. In a number of cases producers of iron and steel have been forced to scale down their operations either because of a lack of essential materials, such as coal, or because they had stocked about all the tonnage of finished rolled steel which their yards could accommodate. The Carnegie Steel Company at one time had in its yards from 150,000 to 160,000 tons of finished steel which it could not ship to its customers because the cars were not available. Independent companies in the Pittsburgh and Youngstown districts particularly, were affected to a corresponding degree. Some consumers who are running close on steel supplies in turn were affected adversely in their activities by the failure of material to arrive promptly. At the same time it sent them into the market in search of early tonnage and this has tended further to bid up prices. While transportation conditions have been showing some spotty improvement they still are interfering seriously with the daily movement of materials and consequently with production, and with severe winter conditions recently prevailing, this disturbance promises to be prolonged.

With the return of the railroads to private control, March 1, a large volume of business in iron and steel is expected to be released gradually, since it is known that the needs of these systems for rehabilitation and maintenance are tremendous. Already a number of negotiations preliminary to the restoration of private operation are under way, especially in cars, locomo-

tives, bridge work, etc. While the steel mills are crowded with business for months ahead, producers are deeming it good policy, considering the essential character of adequate carrying facilities in their own business, to take care of promptly the needs of the railroads up to a reasonable degree. While this policy will tend to further congest mill books and doubtless prolong deliveries to other consumers it is generally accepted by the larger interests as being a matter of absolute necessity under the circumstances.

With iron and steel continuing to hold a sellers' market, prices have maintained an uninterrupted advance during the past several weeks. These prices have been set largely through the bids of the buyers themselves, who apparently have made cost a secondary matter in their anxiety to provide themselves with material, for deliveries throughout the year of 1920.

Pig iron buying during the past four or five weeks has been of tremendous volume and it is estimated by trade authorities that total sales in that period exceeded 1,000,000 tons. Consumers have bought freely at rising prices to January 1, 1921, and as a result, many furnace interests now find themselves sold up on the bulk of their expected output to that date. The advance in pig iron prices of the past month has ranged from \$3 to \$6 per ton. In a number of districts \$45 for the base grade now is being quoted.

Heavy inquiries for plates are reported mostly for the building of tank cars and oil tanks. The mills are booked for months ahead and are taking new orders only for regular customers and long deferred delivery. Specifications for tin plate are received for delivery as far away as June. Stocks of nails in jobbers and consumers hands are largely depleted, with no abatement in demand.

The opening of the Lake Superior iron ore market for the season of 1920, at an advance of \$1 per ton, has been attended by exceptionally heavy sales for so early a date. It is estimated that transactions in the open market and engagements of ore with operating companies by associated blast furnace interested, to date represent 25,000,000 to 30,000,000 tons. Predictions now are being made of a season's movement of 60,000,000 tons. The new prices on iron ore are the highest in history for Mesabi ores and the highest on old range ores since 1881 and 1882.

January production of pig iron showed a further encouraging expansion according to the statistics compiled by the Iron Trade Review. The output of coke and anthracite pig iron for that period was 3,017,192 tons, the highest since March, 1919, and an increase of 391,118 tons over December. The gain in active furnaces was 24, including 9 merchant and 15 steelmaking stacks. The number of furnaces in operation January 31 was 286 against 262 on December 31.

Unusually Active Season Forecasted For Lake Shipping In 1920

Sales of Lake Superior ores were made early in February at a general advance of a dollar a ton over the 1919 prices, and at the rate orders were booked at the new figures the furnaces and steel plants are figuring on working pretty close to top speed during the next year. Reservations were turned into contracts as soon as the prices were announced and the sales amounted to millions of tons during the first ten days. A number of big orders were booked in the eastern market, and shipments of lake ores to that district will be much heavier than they were last season.

The sales indicate a big increase in shipments over 1919, when the fleet delivered 47,177,395 tons, and shippers that follow the game closely figure that the mines will send forward about 60,000,000 tons. In order to reach that figure, boats will have to get good dispatch at both ends of the route; but it is feared that the freighters will spend much time in port unless the rail situation shows improvement. Railroad equipment is in bad shape, and there is a shortage of cars and motive power all along the line.

Manufacturing Suffering from Lack of Fuel and Shortage of Cars

The only clouds on the industrial sky are the transportation and fuel situations. There have been suspensions of operations in some factories on account of the inability of the railroads to get material either into or out of their yards. The complaint is general throughout the District, and if the condition is not improved it will result in a still further reduction in output.

There seems to be a tendency among manufacturers to safeguard their raw material stocks and even their finished products, perhaps to the extent of hoarding, on account of the uncertainty of this situation.

While some complaint is heard of lack of sufficient labor, there has been an improvement in this regard during the past sixty days. Manufacturers generally are now more concerned about the efficiency of what labor they have. The great difficulty is, as a large employer of labor states, "to get men who are willing to really work."

Many factories, particularly in Ohio, have been running on a "hand-to-mouth" basis in the matter of fuel.

Automobile makers report no let-up in the demand for cars, and the number made will be limited only by the ability of the factories to turn them out.

Business in the tool manufacturing line is extremely active, with the demand continuing for high speed steel tools for automobile manufacturers.

The brick industry reports a veritable flood of orders for fire clay and silica brick. The industry as a whole is reported running at about 50 per cent of capacity, whereas the volume of business would warrant full capacity except for a shortage of cars. One building-brick concern reports they are 250 cars behind ordinary allotment.

Coal is going forward from the upper lake ports as fast as the railroads can handle it and stocks will be low all around by the opening of the shipping season. An effort is being made to send coal to Lake Michigan ports by rail, but the shippers are meeting with very little success in that operation owing to the short car supply and the big demand in local trades.

The outlook in the lake trade is very good and business is offered freely at both ends of the route. Barring labor trouble (which cut quite a figure last season) the fleet will be kept busy from start to finish if the ore and coal carrying railroads can make good and take care of their ends of the business.

Ore is slow going forward to the furnaces from the Lake Erie ports on account of the short car supply and there will have to be a marked improvement along that line to put the docks in good shape at the opening. The vessel men are quite confident that carrying charges will be put back to 1918 rates, when chartering was done on the basis of a dollar a ton net from ports at the head of Lake Superior. A general cut of 20 per cent was made in rates last season.

Makers of tin cans report an active demand and orders on file to carry them well into the summer.

The glass industry is entering into what would appear to be one of their most prosperous years. The demand for all grades and kinds of glassware is insistent, and many concerns now have orders booked to assure capacity production for 1920.

The activity of the general ware pottery industry this year is indicated by the fact that more kilns will be added to the capacity of the country this year than for probably 10 years. There is now assurance that at least 34 new updraft kilns will be placed in operation this year in the East Liverpool section, in addition to the erection of one five-tunnel kiln pottery, and these kilns are said to have a capacity at the ratio of five to one of the updraft kilns. The possible increased production of general ware this year is therefore equal to that of 59 kilns.

The demand for American pottery products is now showing the highest point in the history of the trade. Importations are far below normal, and buyers of foreign wares who have recently visited Europe and returned home declare it will be some few years before imported chinaware and earthenware will have any effect toward creating any decline in the general demand for American pottery products, but as the country grows so will the demand for the American output.

Manufacturers of textiles are optimistic concerning their lines for the year 1920. Prices of woolen goods show considerable advances over those of a year ago, but the buying demand appears as strong as ever. Retail stocks of woolen goods are low for the most part, and large orders are being booked for the fall trade.

Fourth District Business Forecast for 1920

We present to our readers this month a tabulated forecast of business conditions for the year 1920, compiled from questionnaires received from 21 manufacturers or producers in this District representing as many different industries.

Many problems face the business man today, and upon a correct solution of them depends largely the success that will come to him. We offer this tabulation, representing the views of prominent business men, as an aid to him in working out his policy for the year.

While opinions are in agreement on many points, on others we find a wide divergence, running from what seems to be prejudice and bias on the one hand, to extreme caution on the other.

The answers received were in response to the following questions:

1. Do you expect any material changes in general price levels?
2. What do you consider will be contributing causes to such changes?
3. How long do you think our present prosperity will continue?
4. What causes will bring about a change?
5. Should we experience business depression, what classes will be least affected?
6. Do you believe that the labor situation will improve as regards stability and efficiency?
7. What, in your judgment, will be the trend of wages in 1920?
8. What is your opinion of the outlook as regards our foreign trade?
9. Do you anticipate an attempt at price cutting in your goods during 1920?
10. Do you expect the present public extravagant purchasing to continue?

A summary of the replies received is given below.

1. Do you expect any material change in general price levels?

Replies:

Increase in prices	10
Decrease in prices	4
No changes	7

2. What do you consider will be contributing causes to such changes?

Replies:

Increase or decrease in production (depending upon views as to price advance or decline)	9
Refusal of public to purchase at current price levels	2
Reduced foreign demand	6
Restriction of credits	2
Increased manufacturing costs.....	4

In further reply to this question, No. 17 (Tool manufacturer) says: "Business activities and extravagant buying, together with restricted production, would all point to higher prices for the near

future, but the restriction of credit facilities by the banks would seem to indicate that the long run movement would be downward."

3. How long do you think our present prosperity will continue?

Replies:

Several years (2 to 7)	8
One year	6
Less than 1 year	1
Dependent upon conditions	4

Manufacturer No. 8 (Clothing) sees prosperity ahead "so long as high wages continue and war economies remain unspent." No. 4 (Wholesale Dry Goods) regards it in this light: "Prosperity will continue as long as the tremendous demand for automobiles continues to exceed production." No. 10 (Farm Implements) says: "The producers of raw materials are probably six months behind orders and it will take some time to catch up, but it is the writer's opinion that in many instances the shortage of materials is apparent rather than real as manufacturers have found it necessary to anticipate their requirements by at least six months to insure a balanced inventory that would permit uninterrupted production. We feel that it is reasonable to look for some recession from the present high degree of prosperity which is based upon price inflation, and decreased production, following which there should be several years of a more real prosperity upon a more solid foundation." No. 21 (Pottery) indicates his belief that prosperity will remain with us "so long as Europe remains idle."

4. What causes will bring about a change?

Replies:

Increased production	9
Restriction of credits	3
Labor difficulties	2
General business depression.....	1
Reduced foreign demand	4
Decreased demand.....	1

Number 10 (Farm Implements) says in this connection: "As to just what causes will bring about a change, it is difficult to say, but the most effective cause will be a stoppage of unnecessary purchases, and it would appear that the present unsettled situation may contain the elements which will afford the necessary object lesson to exert a sobering and restraining influence upon the great American public."

5. Should we experience business depression, what classes will be least affected?

Replies:

Salaried or income class	5
Dealers in or producers of foodstuffs....	6
Automobile and allied industries.....	2
All classes	7
The thrifty	2

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Business Forecast for 1920

	Do you expect any material changes in general price levels?	What will be contributing causes to change?	How long do you think our present prosperity will continue?	What causes will bring about a change?	Should we experience business depression what classes will be least affected?	Do you believe the labor situation will improve as regards stability and efficiency?	What will be the trend of wages in 1920?	What is your opinion of the outlook as regards foreign trade?	Do you anticipate an attempt at price-cutting in your goods?	Do you expect public extravagant purchasing to continue?
(1) Stove Mfr.	Yes; increase.	Supply and demand.	Three to five years.	Increased production.		Yes.	Slightly upward.	Not very encouraging.	No.	Yes.
(2) Scale Mfr.	Not soon.	Supply and demand.	This year.	Changes of administrative policy and interest rates; contraction of currency and credits.		No.	Upward.	Discouraging unless improvement in foreign money market.	No.	Yes.
(3) Wholesale Milliner	Not in 1920.		This year.	Increased production.	Dealers in and producers of food stuffs.	Yes.	Upward if any change.	Gradual increase.	No.	Yes.
(4) Wholesale Dry Goods.	Not for next few months.	Refusal of public to purchase at present prices.		Over-speculation or collapse of foreign markets.	Salaried class.	Yes.	Continued high wages.	Good if credits can be established.	No.	No.
(5) Mfr. of Canvas Goods.	Possibly upward.	Decreased production, curtailed exports.	Until production more nearly equals consumption.	Increased production; saner spending.	Food producers.	Yes.	Slightly upward.	Good.	No.	No.
(6) Producer of Petroleum and Petroleum Products.	Possible advance.	Decreased production.	Dependent upon conditions.	General strikes or financial difficulty.	All classes.	No.		Good if satisfactory credits are arranged.	No.	Yes.
(7) Meat Packers.	Gradual reduction in near future.	Increased production; reduced buying demand; lack of foreign trade.	Several years.	Increased production; unfavorable foreign exchange situation.	Agricultural and allied interests.	Yes.	No change.	Poor; depends upon exchange and credits.	No.	Yes.
(8) Clothing Mfr.	Not within year or 18 months.	Reduced exports.	So long as high wages continue.	Decreased demand.	Those with fixed incomes; labor.	Only if demand for labor subsides.	Upward first half; downward second half.	Foreign trade will show net loss.		Yes.
(9) Auto Truck Mfr.	Probably upward.	Decreased production.	No present tendency to diminish.	General business depression.		Yes.	Upward.	Prospect splendid.	Generally, yes.	No.
(10) Agricultural Imp. Mfr.	Substantial reduction in near future.	Restriction of credits; lack of foreign demand.	Several years.	Curtaiment of unnecessary expenditures.	Salaried class.	Yes.	No change.	Excellent if exchange situation improves.	No.	Yes.
(11) Machine Tool Mfr.	Not for some time.		One year.	Unreasonableness of labor; social Bolshevism.	Producers of food-stuffs.	Yes.	No change.	Excellent but depends on exchange situation.	No.	Yes.
(12) Auto Mfr.	No.		Two to five years.	Increased production.	The thrifty class.	Gradually.	No change.	Hopeless unless credit situation improves.	No.	No.
(13) Office Equipment Mfr.	Possible slight advances.	Increased cost of labor and material.	At least this year.	Reduced foreign demand.	Producers of and dealers in food-stuffs.	No.	No decrease.	Unfavorable generally.	No.	Yes.
(14) Textile Mfr.	Slight recession.		Three to five years	Increased production.	The frugal class.	Yes.	No change.	Fine.	To no great extent.	No.
(15) Wholesale Grocer.	Gradual increase.	Under production; higher wages.	One year.	Lack of funds for extension.	Dealers in necessities.	No.	Upward.		No.	Yes.
(16) Coal Producer.	No.		Two to seven years.			Yes.	Slightly upward.	Dependent upon credits.	No.	Yes.
(17) Tool Mfr.	Slight decrease.	Restriction of credits.	Five to six months.	Restriction of credits.	Salaried class.	No.	Upward first half; downward second half.	Discouraging except for food-stuffs.	No.	Yes.
(18) Mfr. of Hoisting Machinery.	Yes.	Increased European production.	18 months	Increased European production.		Yes.	Upward first half; downward second half.	Good.	Probably last half of year.	No.
(19) Mfr. of Rubber Goods.	Yes.	Increased cost of raw material and labor.	Two years.	Increased production.	Steel and automobile and allied industries.	No.	Upward.		No.	Yes.
(20) Steel Products Mfr.	Yes.	Lack of foreign demand; limited production.	Three years.	Increased production.	Steel, automotive, oil industries.	Yes.	Upward.	Bad.	No.	Yes.
(21) Pottery Maker.	Yes, advances.	Increased Mfg. costs.	See remarks.	Increased production, conservatism and thrift.	Salaried class and necessary labor.	No.	No change.	Bad—due to domestic demand.	No.	Yes.

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Number 14 (Textiles) answers this question by declaring that the classes least affected will be "the frugal, and business concerns who are not greatly in debt."

6. Do you believe the labor situation will improve as regards stability and efficiency?

Replies:

Yes	13
No	7
If demand subsides	1

7. What will be the trend of wages in 1920?

Replies:

Upward	12
Downward	0
No change	8

Three of the replies to this question stated that wages will show a downward trend during the latter half of the year.

8. What is your opinion of the outlook as regards foreign trade?

Replies:

Good	9
Bad	9

Practically all replies to this question were qualified by expressions regarding exchange rates, although a preponderance of opinion regards the situation favorably if satisfactory credits are provided for.

9. Do you anticipate an attempt at price cutting in your goods?

Replies:

No	18
Yes	2

On this question, business seems to be in accord.

10. Do you expect the present extravagant purchasing to continue?

Replies:

Yes	15
No	6

Number 19 (Rubber Goods) says, with reference to this question: "We look for the present public extravagant purchasing to continue just as long as the workmen are earning such high wages. A good many of them have never earned much money before, and do not appreciate the value of a dollar. Neither do they consider the future, feeling that this year's wages will continue indefinitely. It seems that a little money has had a tendency to burn a hole in their pockets and their single aim has been to dispose of it in some manner. Some of the working people who were not extravagant so far as purchasing high priced clothes or automobiles were concerned, have considered themselves wise investors, and bought stock in oil or gas well propositions. These high wages from this angle have proved to be a bonanza for unscrupulous promoters who have fleeced the working people out of millions of dollars on different kinds of schemes where it was simply a case of heads I win, tails you lose. In a large percentage of these stock promotion schemes, no one but the promoter makes any money."

It is evident from the cheerful tone of a majority of the replies received that there are no breakers ahead for American business in the near future. The foreign situation is causing some concern, and will unquestionably influence domestic conditions.

The outlook appears to be for high or even higher wages, but a compensating off-set is found in the belief that the efficiency of labor will improve.

The consensus of opinion is that extravagant purchasing will continue, though the reports we receive from dealers who are in closer touch with the people reflect the opposite opinion.

The judgment of these manufacturers seems to confirm our belief, stated in our last Review, that "We cannot bring ourselves to the pessimistic prediction for 1920 which is being expressed by some of our statistical and economic experts. While without question there are many grave problems confronting us, yet the ability of our country which settled just as grave ones during 1919 strengthens our courage and optimism for 1920."

Mine Activities Hampered by Lack of Cars; Oil Production Barely Sufficient to Meet Growing Demands

Reports indicate that the car supply at the mines has seldom been above 50 or 60 per cent since the strike, and that it has averaged as low as 30 per cent at some points. In many places miners have been able to work but two or three days during the week, and remain idle until another lot of cars arrives. By reason of this condition, the coal output in this District is disappointing, and the effects are now being felt in various industries. As we have previously stated, coal production is dependent upon car supply, and mines cannot operate at capacity until the car problem is solved.

The production of coke has fallen off for the same reason. At the close of the first week in February, the Connellsville region reports indicate a lower average output of coke than for some months past,

though the first few days of the second week indicate that some improvement is probable.

Petroleum producers are confronted with an abnormal demand for all grades of oil, yet more and more must be diverted to by-products to meet the extraordinary demand for lubricants, and the fuel needs of automobiles and tractors. Some new drilling has been begun, but all indications point to a comparative scarcity in the future unless productive effort is greatly stimulated.

During the past year the Kentucky fields have increased their oil output to more than double that of 1918, the production last year being 9,139,317 barrels as compared to about 4,000,000 barrels the previous year.

“Flu” Epidemic a Restraining Factor in Mercantile Lines; Luxury Buying a Feature in Grocery Trade

The recurrence of the epidemic of influenza has naturally dampened the spirit of shopping, keeping many at home who would otherwise be on the streets and purchasing. This has not been true to such an extent that sales are less than a year ago, but the increases have not kept pace with previous months, although still large.

Department stores report a quite satisfactory trade, with prices showing a tendency to harden

somewhat, and buyers showing more conservatism in their purchases.

Retail grocers report unusually good business with a brisk demand for the higher grades of goods, especially among the laboring class. The retail trade is anticipating a gradual reduction in the line of groceries. Poor rail and express delivery together with inexperienced help has made it difficult to carry on business.

Leather Prices Advance; Brisk Demand for All Leather Products

Conditions in the hide and leather markets have not greatly changed during the past 30 days.

The advances in raw material values following the clean-up sales in December were maintained for a few weeks and quite a volume of leather sales were consummated during January at slight variations in price.

The recent high money rates and decline in stocks, however, have had a deterring effect upon new purchases of leather, as well as hides and skins, and at the present writing there is evident a decided tendency to await developments and buy only for the needs of the moment.

The underlying conditions in the leather industry are practically unchanged. All commodities manufactured of leather are in excellent demand. Users of leather are in general carrying very small stocks, and it has not yet been evident that there is any surplus of leather over domestic requirements.

Tanners have supplied themselves more or less liberally with hides in the endeavor to avoid buying the undesirable winter take-off, these purchases being made at prices which permit of no decline in leather values if a profit is to be realized, and it is reasonable to assume that if financial conditions take a turn for the better there will be a continued demand for leather in good volume at steady prices.

Shortage of Labor Will Decrease Food Production; Wheat is Damaged by Fly. Live Stock Market Sags

The shortage of labor is giving farmers serious concern. There is no question that this will affect the management of many farms and no doubt result in a lesser production of those crops which require the most labor.

There is also a growing feeling among the farmers that until they are assured of more and better help, the only solution of their problem will be found in reducing acreage.

Reports are a unit in declaring that considerable damage has been done to early sown wheat by the Hessian fly, though the effect cannot be measured before Spring.

Estimates of the damage vary from 20 to 30 per cent. The spell of warm weather during the past month and the subsequent freeze has covered many fields with ice. Some damage may result, although entire sections report wheat now unharmed notwithstanding this condition.

The tobacco crop has for the most part been marketed, though there has been some discontent over prices and hesitancy in the final sales.

The Government report of live stock on farms on January first shows that, the country over, cattle on farms are on a par with 1919, but show an increase of about 10 per cent above a ten year average. Hogs are 2,600,000 short of 1919, but the increase is about 8 per cent over a ten year average and with the gain in weight of the hogs this winter over other years, the yield in product will be equal in pounds with the packing records of 1918-1919.

Prices of live stock show a slight downward tendency, in spite of a heavy domestic demand. Foreign competition is almost entirely absent from the markets.

Car Shortage Acute; Freight Embargos Declared at Some Points

A shortage of transportation facilities is the subject of much discontent in all classes of industry. Coal mines are unable to send fuel forward in the desired quantities, and unless relief comes soon there may be enforced periods of idleness in many shops and factories. Raw materials as well as finished products are being offered for shipment in amounts beyond the capacity of the railroads to care for them. Freight embargoes have been declared at some points until present congested conditions are relieved. Toledo yards are said to hold several thousand cars—both loaded and empties.

The empty car situation is a very serious one and it is doubtful if all of the car-producing plants in the country will be able in less than two or three years to furnish the equipment necessary to satisfactorily move the larger portion of the tonnage offered.

When it is understood that with the 2,700,000 freight cars in existence it requires about 100,000 new cars each year to take care of the depreciation by the entire loss of cars, and further that when the tonnage to be transported doubles itself during every period of ten to twelve years, it can be readily seen that unless three or four hundred thousand new cars are built each year, the carriers cannot possibly keep pace with the industrial growth.

The table below shows car movements in the Cleveland district during the month of January:

	1919		1920	
	Cars	Tons	Cars	Tons
Received	27,647	959,913	34,985	1,191,277
Forwarded	17,747	499,778	18,408	472,159
Total	45,394	1,459,691	53,393	1,663,436

European Trade Disturbed by Drop in Exchange; Outlook Bright in Latin-America and Far East

The foreign trade of this District received a severe shake when foreign exchange took a slide to levels undreamed of. According to reports, however, the damage to the exporters is not as great as might be expected. Cancellations of orders were comparatively few; shippers expect that the effects will be felt more during the next few months by a curtailing of orders until rates are nearer normal.

The shippers followed opposite courses of action—some withdrawing from thirty-day or sixty-day sight procedure to cash in New York, while others ex-

tended longer time. Those firms operating on a fixed rate of exchange or who are leaving their funds abroad felt very little effects.

Trade from other parts of the world continues to hold good, and there is an increasing number of manufacturers directing their energies to South America and the Far East. The 1921 exposition of American goods in Buenos Aires is already receiving the attention of Cleveland exhibitors.

Recent activities indicate that the St. Lawrence route to the sea will receive considerable more attention this coming year than it did last year.

Building Operations Show No Decided Change

There is no important change in building conditions throughout the district as a whole. Some improvement is shown in the smaller centers, but in all of the larger cities a large shortage of housing facilities is reported.

While the construction of new homes has shown a tendency to decrease, due to the greatly increased cost of erection, the building of manufacturing plants goes on in considerable volume.

Unusual activity is being shown in Cleveland, Cincinnati and Akron. During the month of January building permits were issued in Cleveland covering a total of \$7,000,000—an amount never before reached or even approached.

Builders are looking forward to one of the best years in their history.

A tabulated statement of building permits issued in the larger cities of the district appears elsewhere in this *Review*.

Hoover Urges Cooperation in Food Draft Plan

A new plan making it possible for those in this country to help supply foods to relatives or friends they may have in the section of Europe most affected by the food shortage, has been announced by the American Relief Administration of which Mr. Herbert Hoover is chairman. The plan, which compre-

hends the purchase of "Food Drafts" in this country, which will be honored, not by cash but by actual food when presented in certain European cities, seems eminently sound in view of conditions generally. Mr. Hoover, in a letter, outlines the plan as follows:

"American Relief warehouses, established in Warsaw, Hamburg, Vienna, Budapest and Prague, are now being stocked with the following commodities: Flour, bacon, beans, canned milk, corned beef, lard and cotton seed oil. We have arranged with the American Bankers' Association to circularize immediately their twenty-two thousand banks in America, requesting the assistance of each bank in selling Food Drafts in denominations of ten and fifty dollars to customers desiring to help individuals and friends in Poland, Germany, Austria, Hungary, and Czecho-Slovakia. The purchaser receives a Food Draft to be mailed to the person he desires to assist in one of the above named countries, who will be entitled to receive upon presentation of this Food Draft at nearest

central warehouse the food designated on the Draft of an equivalent value to the cost of the Food Drafts. There are two ten and two fifty dollar Food Drafts, designated to meet Christian requirements and Jewish requirements. This plan has been presented to and approved by the State Department, Federal Reserve Board and the United States Treasury, and also by each of the European countries concerned. The European Governments will hold all contents of American Relief Warehouses free of requisition and will assist in transportation and entry of all foods. Should any profit accrue from the operations, it will be turned over to the Children's Fund."

It is very desirable that bankers generally should cooperate in making the "Food Draft" plan possible.

The following banks have been admitted to membership since our last report.

	Resources.
Atwater Savings Bank, Atwater, Ohio.....	\$312,000
New National Banks	
First National Bank, Davidsville, Pa.....	\$ 25,000
Citizens National Bank, Ellwood City, Pa.....	100,000
Citizens National Bank, Bluffton, O.	50,000

Clearings

			January 16 to February 15		Increase	Per cent of Increase
			1920	1919		
Akron	-	-	50,504,000	28,452,000	22,052,000	77.5
Cincinnati	-	-	290,023,566	269,495,619	20,527,947	7.6
Cleveland	-	-	506,679,342	403,266,065	103,413,277	25.6
Columbus	-	-	62,310,300	50,272,700	12,037,600	23.9
Dayton	-	-	20,982,390	17,197,440	3,784,950	22.
Erie	-	-	9,788,277	8,757,818	1,030,459	11.7
Greensburg	-	-	4,985,009	3,953,863	1,031,146	26.
Lexington	-	-	9,744,739	7,106,704	2,638,035	37.1
Pittsburgh	-	-	657,684,655	576,992,423	80,692,232	13.9
Springfield	-	-	6,540,938	5,549,720	991,218	17.8
Toledo	-	-	62,652,148	47,183,883	15,468,265	32.7
Wheeling	-	-	21,812,281	19,135,973	2,676,308	13.9
Youngstown	-	-	20,473,627	15,983,683	4,489,944	28.
Total	-	-	1,724,181,272	1,453,347,891	270,833,381	18.6

Total Debits by Banks to Individual Accounts

			Week Ending		Increase or Decrease	Per cent of Increase or Decrease
			Feb. 11, 1920	Feb. 12, 1919		
Akron	-	-	27,991,000	16,086,000	11,905,000	74.
Cincinnati	-	-	58,974,000	49,168,000	9,806,000	19.9
Cleveland	-	-	148,918,000	103,922,000	44,996,000	43.2
Columbus	-	-	27,678,000	21,812,000	5,866,000	26.8
Dayton	-	-	11,468,000	10,877,000	591,000	5.4
Erie	-	-	6,304,000	5,858,000	446,000	7.6
Greensburg	-	-	4,029,000	2,760,000	1,269,000	45.9
Lexington	-	-	11,550,000	8,951,000	2,599,000	29.
Oil City	-	-	1,865,000	1,984,000	119,000—	5.9—
Pittsburgh	-	-	173,188,000	154,406,000	18,782,000	12.1
Springfield	-	-	3,135,000	2,717,000	418,000	15.3
Toledo	-	-	23,477,000	21,449,000	2,028,000	9.4
Wheeling	-	-	7,223,000	6,481,000	742,000	11.4
Youngstown	-	-	16,050,000	12,550,000	3,500,000	27.8
Total	-	-	521,850,000	419,021,000	102,829,000	24.5

Building Operations for Month of January

	Permits Issued				Valuations				Inc. or Dec. of Total Valuations 1920 over 1919	Percent of Inc. or Dec.
	New Construction		Alterations		New Construction		Alterations			
	1920	1919	1920	1919	1920	1919	1920	1919		
Akron	170	112	29	27	3,466,373	293,113	30,150	29,185	3,174,225	985.7
Cincinnati	93	40	335	237	1,311,500	11,325	307,160	138,935	1,468,400	978.6
Cleveland	148	113	285	318	6,891,000	761,200	369,925	166,700	6,333,025	683.1
Columbus	65	46	36	49	870,755	91,555	84,220	31,805	831,615	675.6
Dayton	35	69	22	22	573,486	125,845	49,220	11,527	485,334	354.
Erie	20	41	10	22	73,322	76,035	16,631	40,999	27,081—	23. —
Lexington	21	17	459	259	1,110,150	212,225	867,150	75,579	1,689,496	588.5
Pittsburgh	88	70	47	59	734,545	175,372	124,065	106,199	577,039	205.3
Springfield	4	1	6	1	2,250	800	9,700	800	10,350	1000.
Toledo	43	64	37	36	751,874	114,665	45,700	24,421	658,488	473.3
Wheeling	8	3	4	12	13,525	1,900	200	1,065	10,760	500.
Youngstown	36	52	6	11	156,475	118,275	60,000	4,475	93,725	76.2
Total	731	628	1,276	1,053	15,955,255	1,982,310	1,964,121	631,690	15,305,376	585.5