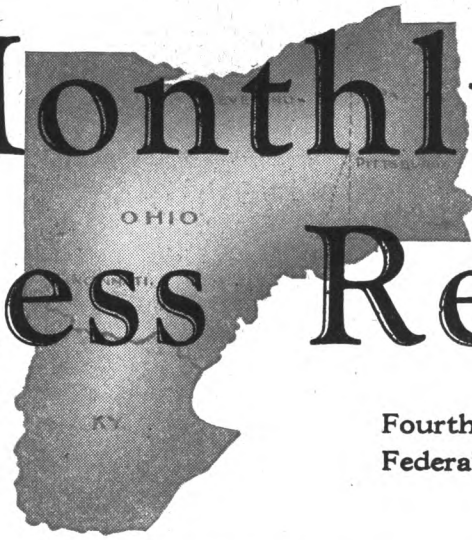
Monthly Business Review



Covering financial, industrial and agricultural conditions

Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

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REVIEW OF 1944

Three full years of war bear testimony to the ingenuity of American industrial enterprise which, as a whole, has produced "guns and butter, too". An overwhelming majority of war production quotas have been satisfactorily met, while the civilian economy has, as yet, experienced no significant lowering of its standard of living. There has been, of course, a slight, but continuing drop from late 1943 production and employment records. The decline in production has been less than for employment and denotes increased efficiency and organization of industry in the face of a steady reduction in the labor force.

Industrial activity declined during most of 1944. Fourth district production followed the downward trend of the Nation—a result which could be expected because of the diversity of the district's industry. The index of industrial production, compiled by the Board of Governors of the Federal Reserve System, reached a high of 247 percent in October and November of 1943, in terms of a 1935-1939 average at 100, and was down about seven percent from that peak at the end of 1944. The decline may be attributed chiefly to contract cancelations and necessary revisions of war production schedules, underlaid by a drastic shortage of manpower.

Production for war continues to account for the majority of industrial activity and dominates all enterprise in the durable goods field. Civilian durable goods output, despite a move toward relaxed production controls, has increased but little, while civilian nondurable goods exist in relatively large quantities. The closing months of 1944 have witnessed a virtual freezing of that part of civilian production subject to wartime controls, and have seen a renewed, all-out emphasis on war schedules.

Government continues to constitute the greatest market for all output, but the relatively large supply of civilian goods, in conjunction with considerable price increases and "upgrading" in some lines, has resulted in a record dollar-value civilian consumption. Current evidence of the continued buying wave exists in fourth district department store sales, which in the four-week period ended December 16 were at record-high dollar levels and 16 percent larger than in the comparable period of 1943. As a consequence of such sales records, many authorities hold that over-all civilian consumption is at the highest level yet attained, when considered from the viewpoint of its broad distribution to the mass of consumers. This is, in part, reflected by retail sales that continue to mount and, even when adjusted for price increases, indicate a high level of real consumption.

Many important consumer durable goods are still absent from the market, but the total of civilian wares continues to appear in large quantities. A disproportionate quantity of such goods are in the luxury category, a fact that is, in part, evidenced by record luxury tax collections, and is clear proof that more and more purchasing power is being channeled to this kind of product despite high individual tax rates. This raises considerable question as to the effectiveness of some of the production controls, or the absence thereof, which have been responsible for the character of civilian goods available to the domestic market.

Manufacturing employment declined during practically all of 1944, and is reflected to a lesser degree in the reduced value of manufactured goods, while total wage payments reached higher levels. Since mid-summer, war industries have been harassed by employees switching to jobs with greater post-war prospects. By year-end, however, this tendency seemingly had run its course, and the trend may be reversed by the joint efforts of various Government agencies in cooperation with the War and Navy Departments. In general, manpower shortage has been the most difficult problem limiting production, although there are an increased number of reports relating to an abundance of women willing to work. The greatest deficit appears to be in skilled and semi-skilled male workers. Shortages are more extreme in civilian employments, but certain of the strategic military lines are also curtailed because of manpower deficits and absenteeism.

A FINANCIAL REVIEW OF 1944

Although banking and finance have been subject to the same sort of influences during 1944 as prevailed during preceding war years, the impingement of those influences brought about several noteworthy changes in detail of the financial mosaic.

Deposits For the seventh consecutive year, total deposits of fourth district weekly reporting member banks established new high levels. The gain this past year, however, was somewhat smaller than during the record year 1943, which alone accounted for nearly one-third of the five-year wartime expansion of 110 percent.

The composition of the 1944 increase likewise did not conform entirely to the pattern of earlier years. The wartime expansion of time deposits, which began to develop during the latter part of 1942, reached record-breaking proportions. The rate of growth of time deposits during 1944 was 20 percent, as against only 14 percent for all other (demand) deposits. In each of the two preceding years, demand deposits (including Government and interbank) had risen approximately 25 percent.

In terms of dollars, the time deposit increment constituted an important item in deposit changes for the first time in many years by accounting for nearly one-fourth of the composite net gain.

Notwithstanding three war loan campaigns, there were only five weeks during 1944 when time deposits failed to show an increase, suggesting that this strong upward trend is hardly subject to reversal by purely casual developments.

Loans During the past year, total loans virtually repeated the eleven percent increase shown the year before. These two successive yearly gains more than erased the 1941 loan liquidation and brought the loan total to the highest level in a number of years. However, the increase was confined almost exclusively to collateral loans, particularly those secured by U. S. Treasury obligations. Loans of this kind, notably those negotiated by others than brokers and dealers, expanded sharply during each of the three war loans in 1944. Such borrowings effected during the January-February Drive were all liquidated prior to the June-July (Fifth) War Loan. However, only about one-half of the bank indebtedness incurred by non-brokers during the mid-year Drive had been paid off when the Sixth Loan offering induced another expansion in Government security loans to a long-time high.

During the late summer and fall, between the Fifth and Sixth War Loans, there was considerable corporate and municipal financing. Chiefly in response to this activity, loans to brokers and dealers, collateraled by other than Government securities, reached the highest levels in recent years on November 1.

In contrast to the rise in collateral loans, other types of bank loans moved slowly and were unchanged or lower at the end of 1944. Commercial, industrial, and agricultural loans declined during the first half of 1944, but, after reaching a ten-month low, a modest but irregular recovery ensued during the latter part of the year.

Real estate loans dropped further to a new long-time low, although the volume of new loans made was nearly sufficient to offset the steady reduction in principal of existing loans. "All other" loans also declined rather consistently to new low ground.

New elements which came into the picture during 1944, but whose precise effect upon bank loans is yet to be determined, were the proposed plans for "credit pools" as a means of making bank credit more readily available to business concerns in the post-war period, and, secondly, the enactment of the "G. I. Bill of Rights", which provides for the use of bank credit under new and untried conditions.

Investments For the fourth year in succession, weekly reporting member banks of this district made substantial additions to their investment portfolio. The increase during 1944, however, was only about two-thirds as large as the record amount added during 1943.

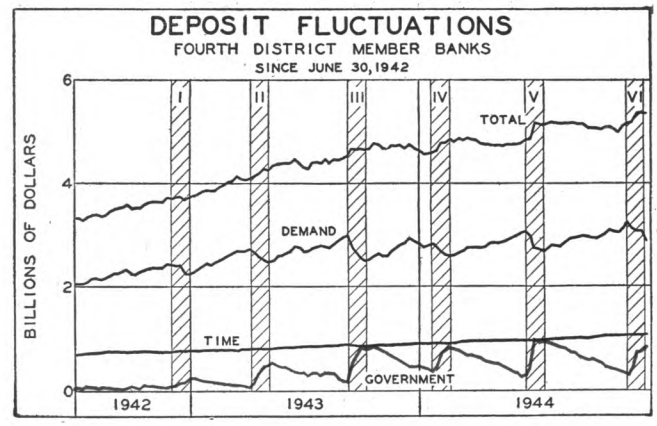
The 20 percent increase was limited wholly to Government securities, being distributed rather equally among certificates, notes, and bonds. Holdings of Treasury bills actually declined, chiefly in consequence of a tighter member bank reserve position.

Most of the newly-acquired certificates, notes, and bonds were obtained from noncommercial bank investors and largely during war loan drives. A small quantity was purchased directly from the Treasury in accordance with a formula announced prior to the Fourth Loan whereby a commercial bank could subscribe for notes or bonds up to $200,000 per annum or ten percent of its time deposits, whichever was less. This limit was raised to $500,000 for the Sixth Drive.

Holdings of Government-guaranteed securities were more than cut in half, as the result of the Treasury's policy of replacing such issues by direct obligations at the time of retirement. The total of corporate, municipal, and other non-Federal securities continued its long-time decline until about mid-year, after which a slight increase took place during the most active period of corporate financing and refunding during 1944.

Reserves The maintenance of legal reserves was a matter that called for increasing attention during all of 1944, especially among the larger banks of the district. The period of greatest stringency occurred during the first half of April, when excess reserves of reserve city banks of the fourth district reached a long-time low of $26,000,000, or only 4.3 percent in excess of the legal minimum. During that two-week period, the volume of Treasury bills sold to the reserve bank under repurchase option rose to a record high of $170,000,000.

By July 5, such option holdings at the reserve bank had receded to $29,000,000—the year's low—when the reserve-exempt war loan deposits reached their highest point of the year. During the second half of 1944, somewhat greater use was made of the lending facilities of the reserve bank, with rediscounts and advances to mem-



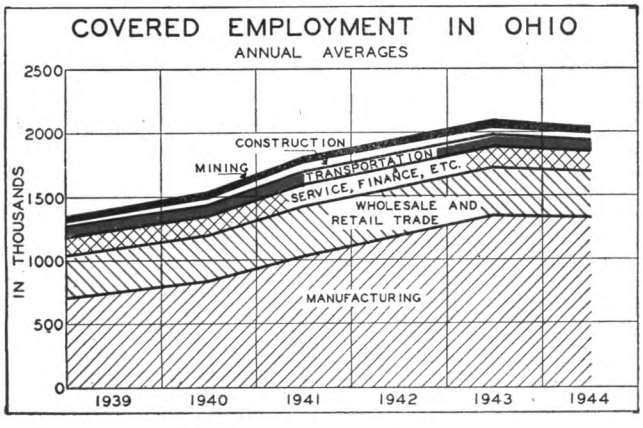
ber banks attaining a long-time peak of $15,000,000 on November 8. However, the largest source of reserve funds resulted from the open market purchase of approximately $6,500,000,000 of Treasury bills and certificates for System account. Both directly and indirectly through the interdistrict flow of funds, open market operations on such a scale inevitably provided needed reserves to member banks in the fourth district.

Three factors contributed to the relatively tight reserve position throughout 1944. One was the continued growth of deposits subject to reserve requirements. At the start of the year, excess reserves of reserve city banks stood at only $43,000,000, whereas the 1944 increase in requirements amounted to $56,000,000. Another factor was a sustained outflow of gold from this country, which affected member bank reserves of the fourth district either directly or indirectly. There was some let-up in this movement during the closing months of 1944. A third and most important factor was the net outflow of currency into circulation. During 1944, weekly reporting banks in this district paid out approximately $200,000,000 of currency which did not return to the banking system. With respect to all banks of the district, this drain on reserves was close to $400,000,000.

One of the more constructive financial developments of 1944 was the 5½ percent increase in the capital accounts of weekly reporting member banks. In terms of dollars as well as in percent, this constitutes perhaps an unprecedented addition to bank equities in the fourth district. However, because of the seven-year growth of bank liabilities, the ratio of capital to total assets is now measurably below former standards, and a continuation or even accentuation of the 1944 trend of capital accumulation would be desirable in every respect.

OHIO EMPLOYMENT AND UNEMPLOYMENT

The necessity of concentrating all energies on the prosecution of the war relegates the problems of long-term full employment and potential unemployment during the post-war transition period to a position of secondary importance. Nevertheless, since considerable unemployment in war industries is quite likely to accompany even a partial shift from a war to a peace economy, it seems appropriate to examine employment changes in Ohio brought about by the war and preparations that are being made by the Ohio Bureau of Unemployment Compensation to handle problems that may develop in conjunction with reconversion and post-war unemployment. Ohio's planning is considered typical of the work being done in many of the States.



Under the stimulus of an all-out effort for war production, the number of employed persons covered by the Ohio Unemployment Compensation Law has increased from 1.4 millions in 1939 to a high of 2.1 millions in 1943. Tabulations for the first two quarters of 1944 showed a slight drop to approximately 2.0 million covered workers by the end of the second quarter, but there was also a marked tendency to stabilize. Estimates by the United States Bureau of Labor Statistics of the total number of employees in non-agricultural establishments in the State indicate a rise in employment from 1.7 millions in 1939 to approximately 2.3 millions in 1944. This figure reflects a small decline from the 2.4 millions maintained during most of 1943.

The increase of approximately 700,000 gainful workers plus replacements for that portion of the 500,000 removed from the labor market by the armed forces indicates a gain of between 1.0 and 1.1 millions of workers in the State during the war years. In 1939, the number of unemployed in the State actively seeking employment totaled almost half a million persons. By early 1944, this number had dwindled to 20,519, according to records of public employment offices in Ohio. Thus, the ranks of the unemployed unquestionably represented the greatest single source of new workers added to the labor force in Ohio during the war years. The remainder of the increase can be accounted for by: (1) in-migration of workers from outside the State, (2) the shift from domestic service, self-employment, and agriculture into factories, (3) the addition of young people to the labor force, and (4) persons not usually in the labor market who have taken jobs for various reasons.

The war period has emphasized employment concentration, with large employers adding still more employees to their labor forces, while the new ordnance plants recruited their entire personnel. This period of wartime expansion was accompanied by a drop of approximately 7,000 in active employer accounts from a peak of 57,169 in 1940. In October 1944, there were 50,200 active accounts. Practically all of the discontinued accounts represented small employers embarrassed by labor and material difficulties, or those who closed their businesses for other reasons associated with the war.

An amendment to the compensation law in 1943 took cognizance of changes in the distribution of the labor force and provided for a war surtax rate for employers whose payrolls have increased by 50 per cent or more during the war period. The measure was an attempt to obtain contributions from the war industries of the State proportionate to the unemployment risk for which they may be responsible. The new surtax rate affected three industries particularly: aircraft, ordnance and accessories, and shipbuilding—industries which experienced an enormous expansion of plant facility with a consequent large increase in total number of employees. Employment in all three lines was negligible prior to 1940.

As unemployment in the State reached the lowest point on record because of the war program, benefit payments dwindled accordingly. In 1940, the high year in benefit payments in the five-year history of the program, they amounted to $24,615,596. In that year, 1.5 millions of

employees were covered by the plan. In 1943, benefit payments of $1,521,000 were made, while 2.1 millions of employees were covered by insurance. As a result of contributions based on growing payrolls in the State during the war years, the trust fund reserve has increased steadily from $132 millions in 1939 to nearly $422 millions by October 1944. This amount would support a total of almost 28 million man-weeks of unemployment at an average benefit check of $15 per week.

When employment ends, the Bureau of Unemployment Compensation's job begins. In an effort to ascertain what the post-war unemployment picture might possibly be, the BUC during the past three months has questioned 640 Ohio employers, representing approximately 70 percent of the workers in the State engaged in manufacturing and mining, or nearly 50 percent of all covered workers in the State. This was done in an effort to obtain answers to four problems:

(1) The capacity of the present 115 USES offices, equipment, and personnel to handle the potential unemployment application load.

(2) The determination of the number of possible employees who will require unemployment benefits, and the designation of the offices through which they will place their applications.

(3) The estimate of the number of employees who have worked in Ohio, but who will return to other States from which they will file their unemployment applications.

(4) The ability of the more than $400 millions in the fund to meet the strains placed on it.

The Bureau has present facilities for taking more than 32,000 claims per day or approximately 150,000 per week. With certain alterations and use of additional space in a number of local offices, the Bureau estimates that it could increase its State-wide claims capacity to about 84,000 per day or some 400,000 per week.

Since the Ohio employers' reports, representing the industries in which unemployment is most likely to occur, estimate that the number of layoffs within 90 days after the end of the war with Germany will total approximately 190,000, it is clear that the capacity of the offices should permit considerable expansion of unemployment applications beyond present anticipations. Such a low estimate of State unemployment during the transition period, even when projected to the total of covered employment industries, will require considerably expanded employment above 1940 levels, inasmuch as the number of covered workers in Ohio increased some 660,000 between March 1940 and the peak employment month of 1943 in which there were 2,100,000 covered workers.

No means was discovered by which an estimate of the number of non-Ohio workers, who will want to return to their home States, could be made. While it is known that many nonresident workers in Ohio expect to return to their home States, this problem will be offset, in part, by out-of-State workers who wish to return to Ohio. The procedure in either instance is that the employee will draw benefits from the State in which he was employed, but that claims will be filed in the nearest local claims office. Emigration of out-of-State workers in Ohio will relieve Ohio local offices of claims-taking, but will add much to the burden of the State office where interstate claims are processed and benefit checks written and mailed.

Although some concern has been expressed regarding the ability of unemployment reserve funds to bear the burden of possible post-war unemployment claims, the position of Ohio is near the top among the States. The Bureau estimates that it could pay average maximum benefits of $15 for 18 weeks to 78 percent of all covered workers. Its ability to make such payments, however, will be affected by anticipated legislation which likely will increase both the benefit limit and the length of payment period. If unemployment in Ohio becomes so serious that the fund is unable to cope with it, Ohio, like other States, may draw on the funds "earmarked" by the War Mobilization and Reconversion Act of 1944 after June 30, 1945. One section of this Federal law provides for a Federal Unemployment Account whereby any surplus arising from a tax of three-tenths of one percent paid the Federal Government by all affected employers over expenses will automatically go into this account. At present, this fund is approximately $400 millions, and it is anticipated that it will grow at an annual rate of more than $100 millions. Although this measure increases the uniform strength of the program, the real answer to the security of the Unemployment Compensation System lies in the speed with which transition from war to civilian production can be made and the ultimate attainment and maintenance of a high level of peacetime employment.

MANUFACTURING AND MINING

Steel

Although steel production totals for the first eleven months of 1944 exceeded output for the same period last year, the percentage capacity of the industry engaged in production has been somewhat lower since April of this year. Manpower shortages were, in part, responsible for this decrease as were cut-backs in steel orders for special items in military requirements. In general, however, steel has been in sufficient supply throughout the year all along the line. As order backlogs have decreased, the steel situation has eased and some strip mills, converted to the production of plate, are now reconverted to the production of strip. There are a few exceptions to this generally favorable position of the industry. Outstanding is the critically tight supply of castings for truck manufacture.

Indicative of the change now appearing in the industry as a direct result of alterations in the military picture is the price of steel-making scrap. Recovering from its decline of September and October, the scrap price average has again reached the ceiling level at which it held from April 1941 until early this fall, when optimism as to the end of the European war caused a break. In spite of the present show of strength, the long-term outlook for steel appears to be one of gradual decline in demand due chiefly to lessened shipbuilding activity and prospects for an increase in the volume of contract terminations. In mid-December, steel operations held at slightly above 94 percent capacity. Ingot production for November totaled 7,258,534 net tons, approximately 356,000 less than October's production and 113,000 tons less than output for the same month last year. Output for the eleven-month period to November 30 totaled 82,197,288 tons, compared with 81,581,222 tons for the same period in 1943.

Coal Despite a difficult manpower situation, bituminous coal production for the year probably will exceed last year's production by over 30,000,000 tons. Production in the fourth district for November accounted for 18,900,000 tons of the national output of 50,215,000 tons. Coal production has declined slightly, but at a fairly consistent rate throughout the year. The increase of approximately six percent over last year's production can be accounted for by the absence of sporadic work stoppages which occurred frequently throughout last year. Manpower continues as the major problem of the industry, with high absenteeism as an important obstacle hindering production.

Lake Shipping The lake shipping season for 1944 closed with an all-time record of tonnage moved. Ore shipments for the season reached a total of 81,170,538 tons, compared with a total of 84,404,852 tons last year. However, coal and grain shipments have established new records, and over-all tonnage is substantially in excess of any previous year.

Rubber Production of large truck and bus tires increased slightly during November. Announcement has been made recently of a new construction program to expand heavy duty tire production by 4,000,000 tires per year. The program also includes the expansion of existing facilities to increase annual production by another 6,000,000 units. Current production is at the rate of 16,400,000 heavy duty tires per year, according to WPB estimates.

Machine Tools Recent shipments of the machine tool industry have been at the rate of $37,000,000 monthly, due to manpower shortages and bottlenecks in the supply of parts. The need for approximately 6,000 machine tools to implement the new plants being built to accommodate the expanded artillery shell program places the industry in one of its most critical positions since the start of the war. Skilled tool makers are not to be obtained in the labor market at this time. Another difficulty is the fact that many machine tool manufacturers are engaged at present in the manufacture of war goods other than tools, having converted early in the year to the production of military items for which it will be difficult to find other plant facility. Total production of machine tools this year is estimated at $507,000,000, compared with $1,200,000,000 and $1,320,000,000 in 1943 and 1942, respectively.

Paper A progressive and increasing shortage in paper supplies for civilian use is in prospect for the next several months. Manufacturers continue to report manpower as the underlying problem throughout all branches of the industry. Wood pulp inventories on November 1 reached the lowest point on record, showing a decrease of 30 percent from the same date last year.

Glass The container branch of the glass industry anticipates rounding out the year's production at approximately twelve percent above last year's level. Output will total in the neighborhood of 100,000,000 gross for the year, establishing a new record for the industry.

Pottery The dinnerware branch of the pottery industry continues to report a large backlog of orders and an increasing shortage of manpower. The industry is booked through mid-1945 and anticipates improved production conditions for this winter, due to a more adequate supply of natural gas now that the pipe line from the Texas fields has been completed.

Textiles, Clothing An increase in orders by the Army and Navy indicates a further curtailment in supply of worsted and woolens for domestic consumption. Labor shortages make an increase in civilian supply impossible before mid-1945. The Woolen and Worsted Advisory Committee has recommended that the War Production Board "freeze" for rated orders the entire worsted production and between 50 and 60 percent of woolen output for the first and second quarters of 1945.

Current operations in the clothing industry are devoted to an increasing extent to the manufacture of items of apparel for all branches of the military service. The Army Quartermaster Division recently has called for large quantities of items in both wool and cotton. Material for civilians is being further restricted, and volume of clothing available for this market next summer and fall probably will be far below supplies of previous years.

AGRICULTURE

Declining Soil Productivity *The inherent productive capacity of the Nation's farm land is declining.* This simple statement is undoubtedly of far greater importance and has a much more direct influence on all segments of the economy than commonly recognized. That the statement is true seems well established, despite the fact that long-time records have shown a trend toward increased yields for some of the major crops. However, soil authorities generally attribute the upward movement in yields to improved farming practices, such as the greater use of fertilizers, better tillage, and superior crop varieties. These improved methods have achieved remarkable results, but from the point of view of average yields they have been partially offset by declines in the natural capacity of the soil to produce. In other words, if it had not been for soil productivity losses, the trend of crop yields might have been far more impressive.

In Ohio, much study has been devoted to the factors involved in soil deterioration and soil improvement. Through years of experimentation and analysis, the College of Agriculture at Ohio State University has developed a method of measuring the net effect of the many factors which either build or destroy soil productivity. The method includes the assignment of indexes to various individual crops which represent approximately their effects upon the productivity of the soil in one year's time. These indexes may be either negative or positive, depending upon whether a particular crop has a soil-depleting or a soil-improving effect. For example, corn (as grain or silage) is assigned a soil productivity index of -2.0 percent, whereas the common clovers (as hay or pasture) are assigned an index of $+2.0$ percent. When the net influence of the cropping system is combined with *credits* for fertilizer and manure application and with *debits* for soil erosion, an indicator of the annual "soil productivity balance" may be calculated for any area. This "balance" is the percentage change in productive capacity of the soil that may be expected to occur annually.*

For a number of years, the "soil productivity balance"

for the entire State of Ohio has shown a net loss in the soil's productive capacity. The following annual "balances" indicate the amount of the yearly deterioration and that the seriousness of the declining productivity has increased during the war years. They also show the great need for reversing the trend and thereby restoring the State's soil resources.

"Soil Productivity Balances"
Ohio

1929 — minus .65%	1941 — minus .57%
1935 — minus .61%	1942 — minus .61%
1939 — minus .51%	1943 — minus .64%
1940 — minus .54%	1944 — minus .76%

Although the increasing losses in soil productivity are justifiable causes for real concern, there are, nevertheless, some encouraging aspects in recent movements to correct the situation. One of the most significant of these corrective movements exists in the growth of soil conservation districts. This development has already achieved considerable importance in the Fourth Federal Reserve District and appears to have even greater post-war possibilities. In addition to the importance of this program to farmers, it may also have a marked influence upon allied industries and occupations through its effects upon the economic and social life of farm people. The following description of the organization and operation of soil conservation districts is presented primarily to aid those who are interested in the development, but who have not been able to follow it by participation or firsthand observation, and also, perhaps, to create an interest among those who may be unacquainted with the program.

Soil Conservation Districts

The soil conservation district movement has its origin in the soil conservation demonstration projects set up by the United States Department of Agriculture early in 1934. These projects pointed conclusively to the need for increased community action in soil and water conservation, and for greater assistance and wholehearted participation on the part of all the people affected by the impoverishment and ruin of productive soil. As a result, demonstration soon led to practical application by the formation of soil conservation districts. Today there are about 1,200 districts in the United States covering approximately 640 million acres and including more than two million farms.

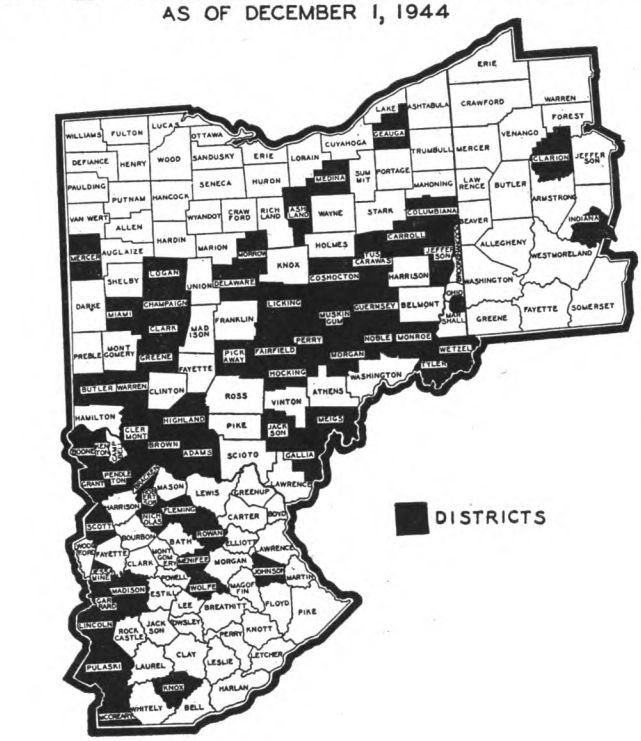
Soil conservation districts are "grass roots" organizations. Although they are formed by farmers and operated by farmers, the movement is usually strengthened by the voice of the entire community. A soil conservation district is organized only upon the petition of landowners and then not until the will of the majority has been expressed in a referendum. After an approving vote, and if the proposed district is said to be practicable and feasible by the State Soil Conservation Committee, the soil conservation district is declared organized. It is established under State law and thus becomes a legally constituted unit of local government. It owes no allegiance to any State or Federal Bureau or agency, or to any local organization. It does not have taxing power nor the right to make assessments.

The operations of the district are placed in the hands of a board of five supervisors who are elected by the farmers of the area. These men draw up a program, including the aims of the district, its land-use policies, and the soil and moisture conservation measures it recommends. In most States, the cooperation of farmers with the program is entirely voluntary. The success of every district is dependent upon education, community interest, and an understanding of the land-use problems involved.

In the Fourth Federal Reserve District, there were 59 soil conservation districts as of December 1 (see map). All areas except two in the West Virginia Panhandle and one in Pennsylvania included a single county. Considering the newness of the movement and the fact that its expansion has been hampered by wartime conditions, the growth to date has been significant.

Soil and water conservation practices which have been emphasized by the areas organized in the fourth district include proper land use, sound rotations, contour farming, strip crop, terracing and diversions, sod waterways, pasture improvement, woodland management, reforestation, farm ponds, and protection and conservation of wild life. In these activities, the districts operate essentially as self-help organizations, but because of their legal status they may call upon local, State, and Federal agencies for such assistance, technical and otherwise, as the agency may be able to provide. The bulk of the technical assistance that has been given the districts thus far has been furnished by the U. S. Soil Conservation Service. In fact, the greater part of the money appropriated by Congress to the Soil Conservation Service is earmarked for cooperative activity with the local soil conservation districts.

Although many districts have special programs designed for their particular needs, the work which is common to all districts and which forms the major approach to soil



*For more detailed information on Ohio soil productivity indexes and the calculation of a "soil productivity balance," consult "Our Heritage, the Soil," Bulletin No. 175, Agricultural Extension Service, Ohio State University.

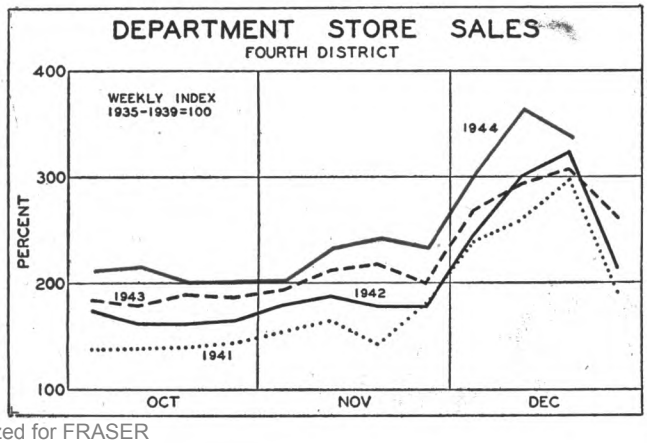
and water conservation is the planning of erosion control measures and long-time improved farm practices for individual farms. The natural capabilities of every acre are determined, plans are made according to the needs of individual fields, and a long-time management program is worked out. This work has already produced some excellent results. However, like most efforts that deal with the processes of nature, the major benefits will accrue over a period of several years.

To country bankers, the development of soil conservation districts presents two opportunities: (1) the chance of entering into a worthwhile community-building program by encouragement of its activities, and (2) the possibility of financing those conservation practices which require a money outlay. Many of the practices which farmers will find necessary to bring about a positive productivity balance on their farms will require either hiring labor or purchasing materials (lime, tile, fertilizer, etc.) Commercial banks may facilitate these conservation activities by providing the necessary credit. Special types of loans may be necessary owing to relatively slow returns from conservation expenditures. The period of time involved, however, is ordinarily well within the legal limits of commercial bank lending. Many banks in various parts of the country have found that a conservation loan is not only an excellent medium for building community good will but also a sound and remunerative credit extension.

TRADE

Retail Fourth district department stores have just experienced the largest dollar volume of Christmas business in their history. The greatly increased wartime incomes of many consumers and higher prices on certain types of gift merchandise were important factors contributing to this record-high sales level. The accompanying chart shows weekly sales indexes for October through December 1944 compared with the corresponding weeks of the previous three years. As indicated on the chart, sales throughout the entire Christmas season this year have been larger than they were in the past, with substantial increases being reported for the first part of December.

As was the case during other wartime years, a considerable portion of the Christmas buying which formerly occurred in December was shifted to October and November. Buying was quite active during the first part of October prior to the mid-month deadline for overseas mailing. Later in the month there was a slight decline, until gift buying for civilians and service people stationed in this country stimulated business early in November.



The sharpest advance in sales, however, occurred the first part of December. During the week ended December 9, department stores experienced the greatest one-week dollar sales volume in their history. The gain of 23 percent over the corresponding week of 1943 was the largest year-to-year increase that merchants have reported for several months. During the following week, there was a slight decline in sales, which is very unusual for that period when pre-Christmas buying reached its peak in previous years. The exceptionally severe weather prevalent throughout most of the district was largely responsible for this decrease in sales from the preceding week. Then, too, with the very large amount of business that had occurred during the previous weeks, stocks of many items were depleted, and shipments of some new merchandise were delayed because of the bad weather. During the two weeks ended December 16, sales were up 17 percent from the corresponding period a year ago.

November sales were 14 percent larger than those of the same month of 1943 and up 15 percent from October. This increase over the previous month was greater than usual, and the seasonally adjusted index advanced 14 points to 204 percent of the 1935-39 average, the highest on record. Sales for the year probably will show a gain of approximately ten percent over 1943, despite the fact that, following the holiday season last year, it was generally felt that it would be very difficult to duplicate the record dollar volume experienced that year, in view of the shortages of many types of merchandise and the limitations on civilian production.

Consumers used a large portion of their increased earnings for the purchase of many of the luxury items. Sales of silverware and jewelry, cosmetics, handbags, and luggage—all of which are subject to the 20 percent federal excise tax—were larger this season than last. Fur sales, however, were off 19 percent. The luxury tax has been felt more sharply in the fur departments than in the sale of any of the other taxable items. Departments selling other gift articles, such as toys, men's furnishings, hosiery, and women's underwear, also reported year-to-year gains in their November dollar business. Homefurnishings are proving to be popular gift items, with sales of furniture at department stores last month up 18 percent from November 1943, china and glassware 16 percent, and domestics, linens, and blankets 9 percent. Reporting furniture stores in the fourth district experienced a year-to-year gain of 15 percent in their sales last month.

Department store inventories were reduced five percent during November, largely as a result of the heavy sales volume, and at month-end were down one percent from November 30, 1943. In order to receive as much merchandise as possible for Christmas selling, merchants increased their dollar volume of outstanding orders during November by seven percent to a level four percent greater than November 30, 1943.

Wholesale November sales at 171 wholesale firms in the fourth district were four percent greater than they were in the corresponding month last year. Firms selling automotive supplies, paints, electrical goods, and meats reported that their dollar volume was substantially

larger this November than last, while sales of furniture, confectionery, and tobacco and its products were smaller. Wholesale inventories as of November 30, 1944, were down nine percent compared with the same date a year ago.

Fourth District Business Indexes

(1935-39 = 100)

	Nov. 1944	Nov. 1943	Nov. 1942	Nov. 1941	Nov. 1940
Bank Debits (24 cities)	227	192	167	147	120
Commercial Failures (Number)	1	18	52	67	85
" " (Liabilities)	a	14	15	22	65
Sales—Life Insurance (O. and Pa.)	117	107	77	103	88
" —Department Stores (97 firms)	244	214	189	164	138
" —Wholesale Drugs (4 firms)	197	189	147	136	126
" — " Dry Goods (4 firms)	181	168	155	154	124
" — " Groceries (40 firms)	162	155	137	109	101
" — " Hardware (23 firms)	143	137	127	173	118
" — " All (71 firms)	171	164	147	137	110
" —Chain Drugs (5 firms)*	168	173	156	131	108
" —Chain Groceries (4 firms)	165	150	150	137	116
Building Contracts (Total)	56	122	381	149	200
" " (Residential)	20	144	136	211	249
Production—Coal (O., W. Pa., E. Ky.)	151	126	154	124	121
" —Cement (O., W. Pa., E. Ky.)**	76	129	222	196	183
" —Electric Power (O., Pa., Ky.)**	200	199	176	160	134
" —Petroleum (O., Pa., Ky.)**	108	105	100	99	98
" —Shoes	86	87	82	89	65

* Per individual unit operated.
** October.
a Less than 0.5.

Indexes of Department Store Sales and Stocks

Daily Average for 1935-39 = 100

	Without Seasonal Adjustment			Adjusted for Seasonal Variation		
	Nov. 1944	Oct. 1944	Nov. 1943	Nov. 1944	Oct. 1944	Nov. 1943
SALES:						
Akron (6)	282	241	262	239	227	222
Canton (5)	296	253	273	243	232	224
Cincinnati (9)	259	206	215	205	194	171
Cleveland (10)	230	191	213	201	191	187
Columbus (5)	285	238	242	237	227	201
Erie (3)	280	223	262	234	208	218
Pittsburgh (8)	223	185	188	188	175	158
Springfield (3)	300	245	272	266	232	240
Toledo (6)	255	215	221	214	198	186
Wheeling (6)	221	183	174	187	181	148
Youngstown (3)	267	222	226	222	211	188
District (97)	244	204	214	204	190	178
STOCKS:						
District (51)	162	170	163	141	148	142

Wholesale and Retail Trade

(1944 compared with 1943)

	Percentage Increase or Decrease SALES November 1944	SALES first 11 months	STOCKS November 1944
DEPARTMENT STORES (97)			
Akron	+ 8	+ 2	— 6
Canton	+ 8	+ 4	a
Cincinnati	+20	+12	— 4
Cleveland	+ 8	+ 4	— 3
Columbus	+18	+14	+ 1
Erie	+ 7	+ 5	+ 6
Pittsburgh	+19	+11	+ 1
Springfield	+11	+ 4	a
Toledo	+16	+12	+ 3
Wheeling	+23	+17	+13
Youngstown	+18	+12	a
Other Cities	+15	+ 3	a
District	+14	+ 8	— 1
FURNITURE (73)			
Canton	+17	+12	—20
Cincinnati	+12	— 1	+ 9
Cleveland	+ 6	— 6	—21
Columbus	+12	+ 6	—26
Dayton	+ 1	—23	a
Pittsburgh	+20	+ 6	— 8
Toledo	+13	+ 1	+ 2
Other Cities	+24	+ 1	—13
District	+15	+ 1	—15
CHAIN STORES*			
Drugs—District (5)	— 1	+ 1	a
Groceries—District (4)	+13	+ 8	a
WHOLESALE TRADE**			
Automotive Supplies (7)	+24	+20	+17
Beer (6)	— 7	+ 3	—0—
Confectionery (3)	—11	a	a
Drugs and Drug Sundries (4)	+ 4	+ 8	— 2
Dry Goods (4)	+ 8	a	— 3
Electrical Goods (11)	+15	— 1	— 5
Fresh Fruits and Vegetables (7)	+ 2	— 2	+14
Furniture & House Furnishings (3)	—28	a	a
Grocery Group (40)	+ 4	+ 3	+11
Total Hardware Group (23)	+ 4	— 2	+ 2
General Hardware (8)	— 4	+ 3	+ 2
Industrial Supplies (9)	+ 5	—11	+ 7
Plumbing & Heating Supplies (6)	+21	— 1	a
Jewelry (6)	+ 3	— 6	a
Lumber and Building Materials (5)	+13	a	—19
Machinery, Equip. & Supplies (4)	— 6	a	— 4
Meats and Meat Products (4)	+13	+19	a
Metals (3)	— 1	a	a
Paints and Varnishes (4)	+13	+10	a
Paper and its Products (6)	—0—	+ 7	a
Tobacco and its Products (13)	— 5	— 4	—39
Miscellaneous (11)	+10	+ 4	—24
District—All Wholesale Trade (171)	+ 4	+ 3	— 9

* Per individual unit operated.
** Wholesale data compiled by U. S. Department of Commerce, Bureau of the Census.
a Not available.
Figures in parentheses indicate number of firms reporting sales.

Debits to Individual Accounts

(Thousands of Dollars)

	Nov. 1944	% change from 1943	Jan.-Nov. 1944	Jan.-Nov. 1943	% change from 1943
Akron	211,855	+26.0	2,029,509	1,920,480	+ 5.7
Butler	21,548	+25.5	200,134	170,979	+17.1
Canton	85,443	+21.4	904,920	803,200	+12.7
Cincinnati	709,906	+26.4	6,803,621	6,356,089	+ 7.0
Cleveland	1,373,367	+14.6	14,631,039	12,847,240	+13.9
Columbus	332,760	+16.8	3,492,104	3,167,100	+10.3
Covington-Newport	25,685	+11.0	272,044	250,134	+ 8.8
Dayton	140,646	+ 3.6	1,582,707	1,534,757	+ 3.1
Erie	67,432	+17.5	701,386	659,403	+ 6.4
Franklin	6,261	+16.1	67,628	57,125	+18.4
Greensburg	12,712	+18.5	136,070	116,525	+16.8
Hamilton	24,430	+25.7	227,288	220,546	+ 3.1
Homestead	5,226	+ 4.7	54,616	51,948	+ 5.1
Lexington	31,667	+27.7	387,386	341,809	+13.3
Lima	29,441	+22.4	304,006	263,961	+15.2
Lorain	9,553	+29.9	96,386	79,368	+21.4
Mansfield	23,388	+27.6	236,415	195,692	+20.8
Middletown	20,655	+ 8.5	218,307	218,426	— 0.1
Oil City	15,293	+ 5.3	168,060	172,132	— 2.4
Pittsburgh	1,458,688	+20.4	14,654,038	13,573,577	+ 8.0
Portsmouth	13,051	+31.6	129,154	112,512	+14.8
Sharon	17,903	+14.5	186,059	166,038	+12.1
Springfield	33,171	— 8.9	357,923	347,081	+ 3.1
Steubenville	14,764	+19.7	152,015	138,947	+ 9.4
Toledo	274,177	+13.4	2,939,949	2,651,804	+10.9
Warren	26,736	+20.5	268,325	261,788	+ 2.5
Wheeling	45,970	+22.7	473,687	430,224	+10.1
Youngstown	91,670	+17.8	962,312	905,293	+ 6.3
Zanesville	13,085	+11.5	142,570	140,622	+ 1.4
Total	5,136,483	+18.3	52,779,658	48,154,800	+ 9.6

Fourth District Business Statistics

(000 omitted)

Fourth District Unless Otherwise Specified	Nov. 1944	% change from 1943	Jan.-Nov. 1944	% change from 1943
Bank Debits—24 cities	$5,044,000	+18	51,820,000	+10
Savings Deposits—end of month:				
39 banks O. and W. Pa.	$1,138,029	+23		
Life Insurance Sales:				
Ohio and Pa	$ 98,553	+ 9	1,032,237	+12
Retail Sales:				
Dept. Stores—97 firms	$ 57,480	+14	452,667	+ 8
Furniture—73 firms	$ 3,046	+15	29,157	+ 1
Building Contracts—Total	$ 13,567	—54	149,715	—39
" " —Residential	$ 1,528	—86	29,810	—68
Commercial Failures—Liabilities	$ 5	—98	1,300	—53
Commercial Failures—Number	1	—92	64	—58
Production:				
Pig Iron—U. S. Net tons	4,904	— 4	56,941	+ 1
Steel Ingot—U. S. Net tons	7,259	— 2	82,199	+ 1
Bituminous Coal—O., W. Pa., E. Ky. Net tons	18,904	+20	216,827	+ 9
Cement—O., W. Pa., W. Va. Bbls.	629a	—41	5,581b	—45
Electric Power—O., Pa., Ky. Thous. K.W.H.	3,051a	—0—	29,676b	+ 5
Petroleum—O., Pa., Ky. Bbls.	2,377a	+ 3	22,228b	— 1
Shoes Pairs	c	—0—	c	— 2
Bituminous Coal Shipments:				
Lake Erie Ports Net tons	5,527	+ 9	54,991	+19

a October
b January-October.
c Confidential.