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FINANCIAL

Reserves and Reserve Requirements During the second half of November, legal reserves of fourth district member banks reached the unprecedented total of \$1,145,000,000 and have since held close to that level. The magnitude of that sum attains even greater significance when it is recalled that as recently as 1933 virtually the same banks maintained reserve balances of less than \$175,000,000.

The question of what constitutes an appropriate volume of cash reserves has been a fundamental problem from the very beginning of banking. In the earliest days, each individual bank relied upon its own judgment in determining what percentage of its assets should be retained in unproductive form for redemption of demand liabilities.

The first steps in the direction of statutory regulation of reserves, taken by state legislatures a century or more ago, were confined solely to note liabilities of state banks and the quantity of actual specie which should be kept on the premises.

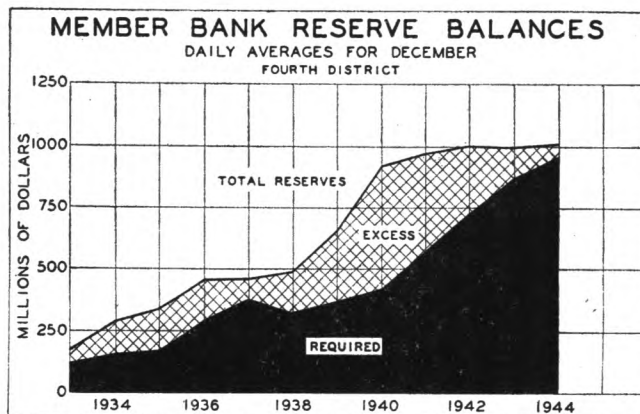
In the course of time, deposits were also made subject to reserve requirements. Eventually it became a practice, as illustrated in the National Bank Act passed during the Civil War, to allow the inclusion, among statutory reserves, of a certain amount of balances carried with other banks. As a matter of fact, during the first three years of the Federal Reserve System, member banks were permitted to hold a part of their required reserves in the form of vault cash and deposits due from other member banks. However, since June 1917, only balances due from the reserve banks qualify as legal reserves.

The original intent of statutory regulation of reserve requirements was one of assuring a certain minimum degree of liquidity among banking institutions. In modern banking, however, that objective has been superseded by another consideration. Because the lending (and investing) power of banks in the aggregate is determined largely by the actual—or prospective—reserve position of the constituent banks, some

degree of influence over the availability of legal reserves has come to be an important instrumentality of credit control. It is not wholly due to fortuitous circumstances that the legal reserves of fourth district member banks have increased sevenfold since the close of 1933 and that required reserves are now approximately nine times as large as on that earlier date.

The eleven-year rise in both actual and required reserves, shown on the accompanying chart, logically falls into two distinct phases. During the first phase, which ended late in 1941, the major factor responsible for the persistent upward movement was largely of external origin, in the form of a huge gold inflow, as foreign capital sought relative safety in dollar exchange. A proportionate share of those funds gravitated to the fourth district as they were exchanged for goods and securities, with the result that actual reserves rose by roughly \$800,000,000.

For a time during 1935-36, actual reserves were more than twice the amount required by law and constituted a reservoir from which, it was felt by many, a dangerous credit inflation might emerge. Hence, by virtue of authority vested in the Board of Governors by the Banking Act of 1935, the schedule of percentage reserve requirements was doubled in three instalments during late 1936 and early 1937. Those



percentages were lowered somewhat in 1938, automatically releasing some reserves from the required to the "excess" status, but were again restored to the maximum on November 1, 1941.

Under the rates effective from 1917 to 1936, the solid section of the chart would have widened only half the distance or to around \$285,000,000 by the end of 1941, while excess reserves, represented by the shaded area, would have expanded to nearly \$800,000,000, other things remaining equal.

For a relatively short period during this first phase, the technique of sterilization of gold imports was adopted as a means of preventing the translation of such gold into additional excess reserves. The effect of that expedient is indicated somewhat by the side-wise movement of total reserves during 1937, extending into 1938 when the procedure was reversed in an effort to encourage industrial recovery. With the advent of war in Europe, the gold inflow reached new record proportions, with the inevitable effect upon reserves of commercial banks throughout the Nation.

Thus, from 1933 through 1941, the problem of keeping actual reserves within bounds, and the excess of reserves within manageable dimensions, occupied a prominent position in the formulation of credit and monetary policy.

Upon this country's entry into the war, the matter of controlling bank reserves gradually assumed an entirely different aspect. For one thing, the inward flow of gold which had been at the core of the previous difficulty slowly reversed itself into an outflow, as various neutral countries converted into gold a considerable portion of the proceeds of their raw material sales to the United States. During 1944, this outflow was the largest on record for any twelve-month period, which, in the absence of contravening steps, would have caused a general contraction of reserves of member banks.

Moreover, as a consequence of several factors, the demand for circulating currency also attained substantial proportions, constituting an unparalleled drain on bank reserves. Both of these demands, externally for gold and domestically for currency, could be met to some extent out of existing idle balances, which in the fourth district stood at approximately \$400,000,000 when war was declared. Furthermore, during periods of brisk industrial activity, the fourth district usually gains a considerable net inflow of funds from other parts of the country. The interval since 1941 was typical in that respect.

However, as commercial banks in the aggregate expanded their loans and investments—and therefore their deposits—statutory requirements rose accordingly, as indicated by the steep rise of the lower part of the chart in the past three years. The mere increase in requirements during each of the years 1942-44 was greater than total requirements during 1933 and even 1934. The reserve position of member banks was being whipsawed between rapidly rising legal requirements on the one hand, and the gold exports plus a substantial demand for currency, on the other. As a means of offsetting this double action, the Reserve System

purchased (during 1942-44) nearly \$17,000,000,000 of Government securities, thereby creating an equivalent volume of reserves, of which perhaps well over a billion found its way into fourth district member banks through one channel or another. Those purchases were of sufficient volume to bring about a further, but comparatively moderate expansion in total reserves, particularly during 1944, when acquisitions of Government securities by the System amounted to nearly \$7,600,000,000 or 45 percent of the three-year total.

The eleven-year span under review was one of striking contrasts. During the first eight years, it was a question of how the rapid growth of actual reserves should be dealt with lest the excess should generate an unwise credit expansion. Then, in 1942, the tide turned and the probable adequacy of bank reserves demanded increasing attention.

The experience of fourth district member banks during the recent relative stringency in reserves has not been uniform. The large metropolitan banks have been following a policy of comparatively full investment for a year or more. Total cash assets, including vault cash and demand deposits due from other banks, of the eight largest banks in the district fluctuated throughout 1944 within a range of 19½ percent to 21½ percent of total assets—a ratio which is probably close to a practical minimum, although there is still considerable variation among individual banks. For one thing, these larger banks have not gained deposits at as rapid a rate as in the preceding year or two, which permitted closer integration of investment policy with available funds. Also, a number of the larger institutions adopted a policy of adjusting their reserve positions at short intervals by using the Treasury bill repurchase option mechanism or by borrowing.

Conversely, of the \$145,000,000 excess reserves shown on the chart as of late December, approximately three-fourths were held by the so-called country banks. A sample of 33 weekly reporting member banks of this type held cash assets ranging from 21½ percent to 25 percent of total resources—a greater proportion than the large banks—during 1944.

Many banks of this latter type found deposits rising as rapidly as new investment commitments could be made, with the result that the spread between actual and required reserves failed to shrink as the investing banks had anticipated. Furthermore, some of the smaller institutions have been more dubious regarding the probable permanence of their wartime deposit growth and hesitated to embark on a policy of full investment under present circumstances. However, these banks have moved perceptibly toward greater utilization of cash assets.

Thus, the appropriateness of any given level of reserves is still within the realm of policy determination, notwithstanding certain statutory provisions. For example, each individual bank must decide for itself to what extent, if any, its cash assets should exceed the required minimum, and whether needed reserves should be obtained through borrowing or by liquidation of investments.

Likewise, the Federal Reserve System is in a position, by virtue of its statutory authority, to effect changes in the volume of both actual and required reserves of member banks if such action is deemed appropriate. Up to this time, the System's wartime credit policy has been motivated, on the one hand, by the necessity of providing sufficient reserves to enable banks to absorb the equivalent of such Treasury offerings as are not sold to other investors, and, on the other hand, of limiting the volume of reserves so as to deter banks from becoming active competitors with nonbank investors for Treasury obligations.

The level of reserves in the fourth district, in the future as in the past, will be the joint consequence of economic developments such as the direction of gold movements, the trend in currency demand, the flow of funds into or out of the district, and of official policy decisions evolved in the light of such developments.

New Member Bank

The Farmers' Banking Company, Lakeview, Ohio.

MANUFACTURING AND MINING

Pressure for war production again dominates an intensified industrial effort. The sobering influence of recent European developments has had a salutary effect on both labor and management. This is reflected in reports from the district which tell of the increased productivity rate of labor, improved attendance records, and a marked tendency for employees to stay on war jobs. Management, on its part, has pushed reconversion plans aside and is bending all efforts toward fulfillment of enlarged war production schedules.

The possibility of Federal legislation covering at least some portion of a National Service Act also has had an effect on labor and, for that matter, the entire home front. These potential powers, when coupled with more drastic controls instituted by the War Manpower Commission, may result in a condition wherein war industrial employment accessions exceed separations. It would seem doubtful, however, that any substantial net increase to the labor force, which began to decline in the last quarter of 1943, could be made at this time. It may, of course, result in a reshuffling of manpower to the net benefit of war production. If so, the squeeze on the civilian economy will become progressively obvious, unless a change in the military picture provides some measure of relief.

Steel Evidence of renewed pressure on steel is reflected in production plans to underwrite the lengthened European war. Coincident with the increased volume of operations is a further extension of delivery dates for practically every steel product.

Steel production in the United States has broken all records in each of the five years since World War II began. During 1944, output was estimated at 89,462,000 tons, which was 80 percent above the maximum annual output in World War I. The increase of 600,000 tons over 1943 was kept from be-

coming larger because of declining orders in the last half of 1944. The estimated output in the second half of 1944 was almost 700,000 tons below the comparable 1943 period. December 1944 production totaled 7,338,000 tons, which was slightly higher than that for the previous month and the same month a year ago.

The scrap market continues to reflect strength, with practically all grades at ceiling levels. This results from the effort to sustain a high rate of steel production as well as from storm interference in some industrial areas. Prime scrap grades are still hard to obtain, according to trade reports. Cast scrap continues tightest of all grades and has necessitated an increased output of pig iron by foundries.

Coal The beginning of 1945 finds war-stimulated bituminous coal consumption outstripping production and depending partly upon unevenly distributed stockpiles. Although coal production in 1944 reached the highest level yet attained, December bituminous output declined, due to abnormal weather and increased absenteeism. This was reflected in fourth district production of 16,288,000 tons, which was 11 percent less than November and 16 percent below December of 1943.

Total production of bituminous coal for the year 1944 reached an all-time record of 622 million tons, an increase of some 37 million tons over that of the previous year's record of 585 million tons which, in turn, was slightly ahead of 1918's World War I record of 579 million tons. The 1944 increase largely was due to increased mechanization, expansion of strip mining, longer working periods, and comparatively uninterrupted operations because of strikes.

Rubber The Nation's rubber industry is facing an Herculean task in satisfying mounting military requirements, as active war fronts widen and supply lines lengthen. Since rubber supplies are no longer a serious problem, the main job now is to produce heavy military truck tires and tubes and other war rubber goods in the coming year and, at the same time, maintain passenger and light truck tire production at as high a level as possible.

It is estimated that in the next twelve months the industry will use 816,000 tons of rubber, compared with a little more than 700,000 tons in 1944. The course of the war will determine how that amount will be divided between civilian and military usages. Present plans call for considerable plant facility expansion, some \$50 millions being committed to additional military tire production.

Machinery, Machine Tools A current indication of renewed pressure on the machine tool industry is the reinstatement of pool order commitments by the Defense Plant Corporation at the request of the War Production Board. These orders are issued to insure the machine tool manufacturer a market for his product, and, as the tools are sold by the producer, the DPC obligation terminates.

Growing requirements of the armed services have resulted in increased efforts to obtain tools for some \$200,000,000 worth of plant equipment for the production of heavy artillery ammunition, mortars and mortar ammunition, aircraft engines, large size Navy shells, and heavy duty tires. The fourth district will be greatly affected, since it contains a great part of the production facility which supplies tools, dies, jigs, fixtures, and special machinery.

The immediate problem of the industry is to accelerate machine tool production and, at the same time, complete its war subcontracts.

Paper The Government's demand for nitrated pulp for the manufacture of paper for the Army and Navy is increasing the pressure on production capacity. Paper quotas for printing and publishing generally remain unchanged at 75 percent of 1942 consumption for the January-March quarter of 1945. However, the combination of bad weather and the shortage of manpower in the woods is further aggravating the shortage of pulp.

Glass Industry production schedules call for continuance in the first quarter of 1945 at 1944 fourth-quarter rates. The container branch of the glass industry has increased production from 60,000,000 gross four years ago to better than 100,000,000 gross this year. The output increase has been accomplished with the same facilities that existed in 1940.

Pottery The backlog of civilian orders continues to build up, with no prospect of change in sight. Two prominent problems are the inadequate labor supply and the fact that natural gas has been restricted and fuel oil has been substituted. Dinnerware manufacturers continue to operate at between 75 and 80 percent in spite of steadily increasing demands.

Textiles, Clothing A substantial part of the productive machinery of the textile industry is now employed in the making of uniforms and other service equipment. The outlook for the industry is not promising so far as civilian goods are concerned, since the mills providing both woollens and other fabrics are heavily engaged in the production of war materials. This affects wool, cotton, rayon, and other textiles.

A shortage of worsted clothing fabrics is expected during the early part of the garment manufacturing season. This condition grows out of the Government's freezing of woolen tops and worsted yarn production. The great backlog of Government orders will keep textile industries busy until at least the middle of 1945. Operating schedules will continue at approximately the same level as a month ago, and should maintain this rate during the next few months.

WARTIME INDUSTRIAL EXPANSION IN THE FOURTH DISTRICT

New facilities built to implement the war needs of the Nation are of such magnitude and scope that, if

used for peacetime production, their influence will be felt in almost every type of manufacturing activity. Expanded capacity in many industrial lines will provide at least the physical means of attaining increased production of old items as well as the creation of many articles never before marketed. As could be expected, and this was especially true in the Fourth Federal Reserve District before December 7, 1941, most of the early development was financed from private sources. The coming of war, however, emphasized both the amplitude and specialized military character of much of the needed expansion, and public financing soon forged ahead. This was particularly true of industrial lines offering little opportunity for peacetime utilization.

Country-wide dollar investment in new facilities is indicative of part of the American resolve to supply its armed forces with superior war power. In order to achieve this intent, the Government has expended approximately \$16 billions for industrial plant and equipment. To this amount, private industry and finance have added another \$7.6 billions through June 1944. Of the estimated total of some \$23 billions expended for plant facility, slightly more than \$8 billions were spent on construction of new plants. Since the Bureau of Internal Revenue estimates the 1939 value of the private industrial plant, including structure and equipment, at \$39 billions (estimates of the cost of reproduction of these facilities at current prices vary between \$50 and \$60 billions), it is evident that the combined Government and private investment has added more than one-third to the country's industrial capacity.

Of the total public investment, approximately \$5.7 billions are in aircraft and ship construction facilities, \$4.5 billions are in ordnance plants, and \$5.7 billions in other industrial lines. Considerably less than one-half the total public investment represents construction and the remainder, machinery and equipment. Private investment covered a broad front, was most impressive in steel and allied fields, and was concentrated more intensively on machinery and equipment than on new plants. Although the peak rate of facility expansion has been passed, additions financed by both governmental and private sources will continue as long as the demands of war necessitate changed programs.

In the Fourth Federal Reserve District, through June 1944, the wartime industrial expansion reached a total of approximately \$2.5 billions. Private industry contributed \$800,000,000 or 32 percent of this amount, while Government investment totaled \$1.7 billions. Over \$700 millions of the total facility expenditure in the district was for new construction. Of the aggregate industrial expansion of the Nation from June 1940 through June 1944, roughly 11.5 percent was centered in the fourth district—second only to the Chicago district. An investment of this magnitude, involving so large a proportion of the country's wartime industrial expansion, is bound to have far-reaching effects on the economy of the district in post-war years.

Manufacturers in the fourth district produced

approximately one-eighth of the total value of manufactured products in 1939. Several industries in the district—all associated with war production—have larger portions of the national totals. Among these are iron and steel, rubber, machinery, stone, clay, and glass, and electrical equipment. As can be seen in Table I, all of these experienced both Government-financed and private-financed expansion, although in varying degrees.

TABLE I

WAR PLANT FACILITY EXPANSION BY INDUSTRY
FOURTH DISTRICT
(In Millions of Dollars)

	Public	Private	Total	Percent of Total
1. Iron and Steel.....	341	245	586	24.0
2. Transportation ¹	480	74	554	22.7
3. Ordnance.....	369	50	419	17.2
4. Machinery.....	141	100	241	9.9
5. Chemicals and Rubber ²	183	53	236	9.6
6. Nonferrous metals.....	92	31	123	5.0
7. Products of coal and petroleum	15	57	72	3.0
8. Electrical.....	39	31	70	2.9
9. Automobile.....	10	8	18	0.7
10. Food and kindred products.....	...	4	4	0.2
11. All Other.....	16	101	117	4.8
	1,686	754	2,440	100.0

¹ Includes aircraft and aircraft parts, shipbuilding.

² Includes synthetic rubber and items that in pre-war times would have been classified as "Rubber and Its Products." This is due to the fact that the wartime expansion in production of rubber products has been based on synthetics.

The war material produced is almost as widely diversified as the peacetime products of the district. It is significant that, with the exception of aircraft and aircraft parts (actually, most of the aircraft parts are made by the same organizations which once made automobile parts) and ordnance, the greatest expansion has occurred in the industries which were most important before the war. These lines will face relatively few reconversion problems—though they may confront critical problems of contraction to peacetime requirements—while many of the facilities for aircraft and ordnance likely will be difficult or impossible to convert to peacetime production. This unquestionably helps to explain the low percentage of private investment in these two categories. The percentage investment of private finance in other industrial lines, such as iron and steel, machinery, electrical equipment, and chemicals (omitting synthetic rubber), is much larger and probably reflects the belief that these facilities may be of greater use in peacetime production. These industries, too, were better established and had the resources to finance a good part of their own expansion.

Although new plant facility is scattered widely throughout the district, there is a tendency for the greatest growth to occur in areas which were important industrially pre-war. In a list of the 100 counties in the Nation having the largest cumulative publicly-financed war plant awards through May 1944, 13 are located in the fourth district. (See Table II.)

All but three of these counties are included in industrial areas of pre-war importance. The exceptions are Portage, Erie, and Lawrence counties in Ohio, where the Ravenna, the Plum Brook, and the Buckeye Ordnance Plants are located, respectively. These

TABLE II
COUNTIES HAVING GREATEST PUBLICLY-FINANCED
WAR FACILITY EXPANSION
FOURTH DISTRICT
(In Millions of Dollars)

		Ranking in U. S.
Cuyahoga, Ohio.....	\$241.3	6
Allegheny, Pa.....	218.3	9
Hamilton, Ohio.....	177.3	14
Montgomery, Ohio.....	88.4	43
Lucas, Ohio.....	76.4	52
Portage, Ohio.....	66.8	63
Stark, Ohio.....	62.8	68
Erie, Pa.....	57.1	77
Summit, Ohio.....	55.5	78
Erie, Ohio.....	52.6	84
Lawrence, Ohio.....	48.9	95
Trumbull, Ohio.....	48.6	97
Franklin, Ohio.....	46.2	100

large plants account for practically the entire expansion in each of the counties in which they are located, and they were constructed with no regard for post-war absorption by industry. In the other ten counties, the industrial expansion largely followed the pattern of pre-war industry, and private participation occurred on a large scale.

Obviously, the problem of absorbing plants costing many millions of dollars each will be quite unlike smaller plants, particularly those running from \$50,000 to \$1,000,000. Likewise, new plants that are complete units of production pose questions widely divergent from the problems arising in connection with "scrambled facilities" construction.

Approximately 13 percent of the country's manufacturing capacity was concentrated in the fourth district in 1939, in which year these plants produced 12.6 percent of the value of all manufactured products in the Nation. Since the new wartime construction of plant facility in the fourth district equals some twelve percent of the national total, the relative importance of the district's share of the total national output, post-war, may not be materially affected. The fourth district should, in fact, fare well in this regard, as compared to those areas which have experienced more specialized expansion—particularly those in the South and West. However, the addition of \$2.5 billions of plant facility constitutes a tremendous increase to existing facilities. The "regular" rate of plant facility expansion may have resulted in approximately half this growth, although various lines likely would have experienced different rates. If only one-third to one-half of the new plant is salvageable and can be used advantageously in the post-war economy, tremendous changes must be made to accommodate even this amount. This is true, not so much because of expansion, but because of the necessity to absorb it as rapidly as possible.

Although facility expansion is somewhat more diversified in the fourth district than is true of many other areas, the pattern essentially parallels the experience of the Nation. In total, the country faces the problem of utilizing or disposing of nearly 1,900 new war plants. Approximately 70 percent, by value, of these Government-owned plants cost in excess of \$10 millions each. The largest was built for nearly \$200 millions. Nevertheless, more than 1,450 plants

cost less than \$5 millions each. It is in these smaller plants that the greatest opportunities for private enterprise exist. It is among these smaller plants that the challenge to the sagacity of Government provision for plant disposal is greatest.

Some of the problems involved in the disposition of Government-owned plants will be discussed in the next issue of the Monthly Business Review.

AGRICULTURE

In the December issue of the Monthly Business Review, the development of soil conservation districts was discussed briefly. This movement, it was pointed out, is one which may have far-reaching influences on the future of American agriculture and indeed on the future of the total national economy.

County Land Use Planning Another similar development, and one, in fact, which has contributed much to soil conservation districts, is the *county land use planning* program. The movement, initiated in July 1938, apparently fulfilled a well-defined farm need, for it created widespread interest and experienced a rapid growth. In the twelve months following the organizational work, the program was started in 1,120 counties in 47 States, and there were about 70,000 farm men and women cooperating as members of county and community committees. This growth was not surprising, for the land use planning program should be of interest to anyone who works either directly or indirectly with agriculture. Aside from the major objective of proper land use, the method by which this goal is achieved may prove to be a most important by-product. By a joint attack on common problems, the program may serve to vitalize the democratic traditions of the Nation among the farm people. At the present time, the county land use planning program is dormant. Plans have been made, however, for resuming the work in many states as soon as practicable after the coming of peace.

County land use planning has been defined as "a coordinated effort on the part of representative farmers, the United States Department of Agriculture, the Land Grant colleges and associated state and local agencies to develop plans and policies that will serve to integrate various agricultural programs and related public activities and to increase their effectiveness in promoting long-time as well as emergency objectives." Although the movement is usually described as "*county land use planning*," in actuality it developed into much more than the name implies, for it extended into smaller communities and encompassed a much broader field of action than "land use" would indicate.

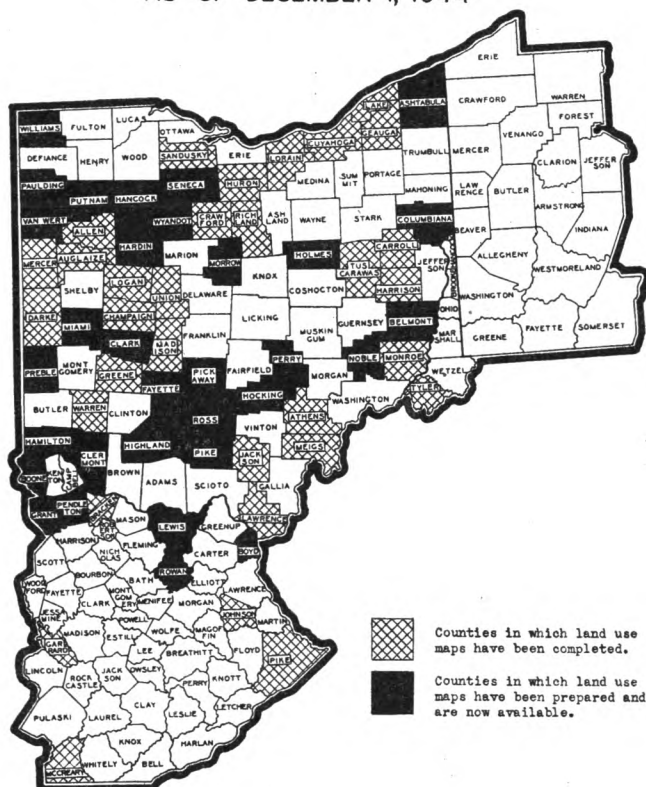
Usually the progress of county land use planning divides naturally into three distinct phases. The first is the preparatory phase which includes, among other preliminary activities, the organization of committees—a community committee to represent every neighborhood and a county committee to represent every community and local farm organization or agency. The second phase is analysis—the intensive

planning work in assembling facts (including the preparation of land use maps), studying problems, and determining goals and objectives for the improvement of agricultural and rural life in the different land use areas of the county. The third and last phase of county land use planning is the action period. It involves putting into effect the various recommendations previously agreed upon by means of a unified action program in which all agencies concerned with agriculture in the county take part.

The development of county land use planning among the States of the Fourth Federal Reserve District was not uniform. Ohio had the greatest expansion, with a land use program in about two-thirds of its counties. Kentucky and West Virginia each had about one-fourth of their counties active in the movement. On the other hand, Pennsylvania is the one State in the Nation that did not participate in the planning program. Excluding Pennsylvania, 64 counties, or 43 percent of the total number of counties in the remainder of the fourth district, had advanced their programs at least to the second stage (analysis) at the time planning activities were stopped (see chart).

The classification of the county's soils into land use areas by community and county committees is one of the most important aspects of the entire movement, because many of the possible action programs hinge upon the recommended shifts or changes. Usually the committees divide the land area into two major classifications: agricultural land (suitable for farming), and nonagricultural land (unfit for farming). These

LAND USE PLANNING AS OF DECEMBER 1, 1944



two major divisions are then further classified according to the land use problems which are present. To illustrate, areas may be designated as "agricultural land but unfit for growing cultivated crops," or "agricultural land with a drainage problem," or "river bottom," or "muck," etc. When the county map is completed, it is possible to ascertain at a glance the physical suitability for farming operations of any farm land within the area. As the chart shows, about one-half of the counties that have entered the analysis stage of development have reproduced their maps, and they are now available to interested groups and individuals.

In addition to broad county action programs that may develop from completed land use maps, such as rural tax reform and retirement of submarginal land, the maps may be used in many other ways. For example, returning servicemen may want to learn more about the farms they expect to rent or purchase. Land use maps will give them the combined judgment of established farmers and soil technicians. On the other hand, commercial banks and other credit institutions that lend to returning veterans and others should find the maps an excellent reference in extending farm mortgage loans. The use of the maps by bankers is not, however, limited to establishing optimum farm real estate lending conditions. The correct use of land is fundamental and necessary to all successful farming. It follows that information about the soil and its use is essential in any kind of successful farm credit extension. Country bankers not only have the responsibility of informing themselves on the status of land use planning in their locality, but they also need to give serious consideration to its potentialities when conditions make further development possible.

TRADE

Retail The third year of our participation in the war witnessed a further expansion in fourth district department store sales. Despite the shortages of many types of merchandise that formerly accounted for a large share of total store business, the curtailment of services to which customers had become accustomed, and the manpower problem facing merchants, sales last year at fourth district department stores surpassed all previous dollar records. The annual volume was 9 percent larger than in the

previous year, 72 percent in excess of 1939, and up 57 percent compared with the pre-war peak of 1929. These gains are partly the result of upgrading of merchandise and price advances. With a limited supply of many popular-priced lines and the introduction of new articles or models for which there were no standards for establishing ceiling prices, the year-to-year gain in the physical volume of goods sold was not as great as the increase in dollar sales.

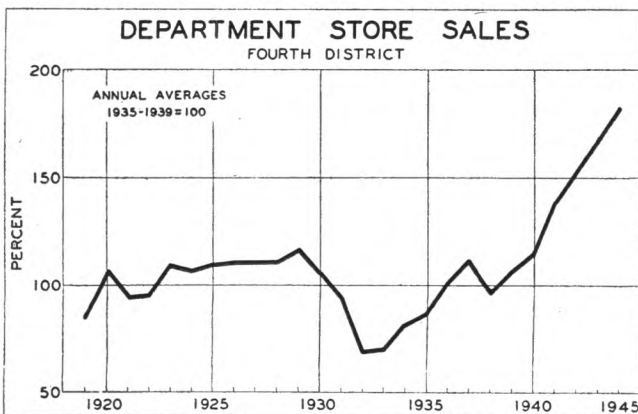
The present expansion in department store sales started in 1939 and gained momentum during 1941. With salary and wage payments at record-high levels as a result of wartime conditions, many consumers had more money than ever before and chose to spend a large portion of their increased earnings at department stores. This practice was evident during 1944, as income payments continued to rise. Sales in this district during every month last year, with the exception of January and February, were larger than they were in 1943. The Allied invasion of Europe in June and rumors of an early ending to the European war did not prove to be deterrents to retail buying, as the greatest year-to-year gains in sales were experienced during the latter half of 1944, when dollar volume was up twelve percent over the similar period of the previous year, compared with an increase of only four percent for the first six months.

There was considerable variation in the gains experienced by stores in leading cities of the district last year, ranging from 3 percent in Akron to as high as 17 percent in Wheeling. Sales in Cleveland were up 5 percent, Pittsburgh 11 percent, and Cincinnati 12 percent.

The greatest percentage gain in annual sales was experienced by piece goods departments. Shortages of certain ready-made items and the fact that many others were high-priced or of inferior quality resulted in an unprecedented demand for yardage by those who desired to make their own clothing. Women's ready-to-wear and accessories departments reported an increase of ten percent in their dollar sales last year, while sales of men's and boys' apparel were up seven percent compared with 1943, despite the loss of many male customers to the armed forces. Housefurnishings departments sold three percent more merchandise. Basement store sales were only six percent larger, in contrast to the gain of nine percent for the entire store, reflecting the continued tendency to buy higher-priced articles.

These wide differences in the year-to-year changes experienced by various departments of fourth district stores are partly the result of the fact that merchants usually encountered less difficulty in securing textiles and clothing than in purchasing articles for the home. Certain of the latter, such as major appliances, were practically off the market, while others, including floor coverings, lamps, and housewares—all of which bulk large in housefurnishings business—were available in only limited quantities. Despite these shortages and many others, merchants generally were able to obtain approximately as much new merchandise as they sold each month. Dollar inventories throughout most of 1944 were larger than they were during the preceding

DEPARTMENT STORE SALES
FOURTH DISTRICT



year, although there was a sharp reduction during November and December as a result of the all-time high in sales during those two months. At year end, dollar inventories were six percent smaller compared with December 31, 1943, and were at the lowest level since July, 1941. Nevertheless, it is remarkable that American industry has been able to fulfill quite generally all its quotas for war materials and at the same time produce civilian goods in sufficient volume to permit dollar sales at retail stores to surpass all previous records.

December sales at fourth district department stores were up eleven percent from those of the corresponding month last year and were the largest for any month in department store history. The gains experienced during recent months carried over into January. During the three weeks ended January 20, sales at reporting stores advanced seven percent over the corresponding weeks last year, despite unfavorable weather conditions and the fact that stocks of many items were at low levels.

Fourth District Business Statistics

	(000 omitted)				
Fourth District Unless Otherwise Specified	Dec. 1944	% change from 1943	Jan.-Dec. 1944	% change from 1943	
Bank Debits—24 cities.....	\$5,658,000	+11	57,478,000	+10	
Savings Deposits—end of month:					
39 banks O. and W. Pa.....	\$1,159,483	+23			
Life Insurance Sales:					
Ohio and Pa.....	\$ 93,643	+ 1	1,125,880	+11	
Retail Sales:					
Dept. Stores—97 firms.....	\$ 71,455	+11	524,122	+ 9	
Furniture—71 firms.....	\$ 3,258	+15	29,562	+ 2	
Building Contracts—Total.....	\$ 15,771	-36	165,151	-39	
—Residential.....	\$ 955	-85	30,787	-69	
Production:					
Steel Ingot—U. S..... Net Tons	7,338	+ 1	89,553	+ 1	
Bituminous Coal—					
O. W. Pa., E. Ky. Net Tons	16,288	-16	233,115	+ 7	
Electric Power—O., Pa.,					
Ky..... Thous. K. W. H.	3,038a	- 1	32,715b	+ 4	
Shoes..... Pairs	c	-14	c	- 3	
Bituminous Coal Shipments:					
Lake Erie Ports..... Net Tons	500	-54	55,491	+17	
a November					
b January-November					
c Confidential					

Debits to Individual Accounts

	(Thousands of Dollars)				
	Dec. 1944	% change from 1943	Jan.-Dec. 1944	Jan.-Dec. 1943	% change from 1943
Akron.....	207,912	+ 9.5	2,237,421	2,110,301	+ 6.0
Butler.....	22,529	+24.2	222,663	189,121	+17.7
Canton.....	89,546	+ 8.1	994,466	886,042	+12.2
Cincinnati.....	752,707	+18.0	7,556,328	6,994,009	+ 8.0
Cleveland.....	1,619,713	+17.1	16,250,752	14,230,096	+14.2
Columbus.....	365,565	+ 3.9	3,857,669	3,519,067	+ 9.6
Covington-					
Newport.....	26,631	+ 7.7	298,675	274,850	+ 8.7
Dayton.....	168,158	+ 5.3	1,750,865	1,694,421	+ 3.3
Erie.....	71,044	- 0.6	772,430	730,873	+ 5.7
Franklin.....	6,863	+ 5.5	74,491	63,632	+17.1
Greensburg.....	13,946	+ 6.8	150,016	129,582	+15.8
Hamilton.....	25,324	+14.2	252,612	242,721	+ 4.1
Homestead.....	5,117	- 4.7	59,733	57,318	+ 4.2
Lexington.....	63,710	+11.4	451,096	398,988	+13.1
Lima.....	29,876	+ 5.9	333,882	292,180	+14.3
Lorain.....	10,473	+21.6	106,859	87,978	+21.5
Mansfield.....	25,563	+22.6	261,978	216,550	+21.0
Middletown.....	22,665	+ 1.5	240,972	240,754	+ 0.1
Oil City.....	18,778	+21.0	186,838	187,654	- 0.4
Pittsburgh.....	1,623,197	+ 6.0	16,277,235	15,104,747	+ 7.8
Portsmouth.....	13,011	+10.4	142,165	124,302	+14.4
Sharon.....	18,404	+10.6	204,463	182,684	+11.9
Springfield.....	37,480	+ 7.0	395,403	382,122	+ 3.5
Steubenville.....	16,045	+13.7	168,060	153,059	+ 9.8
Toledo.....	302,793	+ 2.0	3,242,742	2,948,752	+10.0
Warren.....	28,851	+15.1	297,176	286,864	+ 3.6
Wheeling.....	55,302	+17.5	528,989	477,291	+10.8
Youngstown.....	100,129	+15.4	1,062,441	992,036	+ 7.1
Zanesville.....	14,562	+ 9.5	157,132	153,917	+ 2.1
Total.....	5,755,894	+10.8	58,535,552	53,351,911	+ 9.7

Fourth District Business Indexes

(1935-39=100)

	Dec. 1944	Dec. 1943	Dec. 1942	Dec. 1941	Dec. 1940
Bank Debits (24 cities).....	255	230	215	194	153
Commercial Failures (Number).....	a	9	43	65	64
" (Liabilities).....	a	10	53	30	98
Sales—Life Insurance (O. and Pa.).....	111	110	89	157	101
—Department Stores (97 firms).....	304	262	254	234	208
—Wholesale Drugs (4 firms).....	195	222	176	167	134
— Groceries (38 firms).....	135	131	126	116	95
— Hardware (18 firms).....	185	192	203	248	164
— All (60 firms).....	153	151	147	147	113
—Chain Drugs (5 firms)*.....	235	246	230	181	148
—Chain Groceries (4 firms).....	192	166	155	138	113
Building Contracts (Total).....	65	101	179	140	118
" (Residential).....	12	83	124	247	155
Production—Coal (O., W. Pa., E. Ky.).....	130	154	137	142	122
—Cement (O., W. Pa., E. Ky.)**.....	a	91	177	165	151
—Electric Power (O., Pa., Ky.)**.....	199	201	174	154	133
—Petroleum (O., Pa., Ky.)**.....	a	102	95	91	90
—Shoes.....	77	90	91	104	87

* Per individual unit operated.

** November.

a Not available.

Wholesale and Retail Trade

(1944 compared with 1943)

	SALES December 1944	Percentage Increase or Decrease SALES Year 1944	STOCKS December 1944
DEPARTMENT STORES (97)			
Akron.....	+13	+ 3	- 4
Canton.....	+13	+ 6	a
Cincinnati.....	+12	+12	-10
Cleveland.....	+12	+ 5	-12
Columbus.....	+15	+14	-10
Erie.....	+ 8	+ 5	+ 1
Pittsburgh.....	+ 7	+11	+ 1
Springfield.....	+ 8	+ 4	a
Toledo.....	+17	+13	- 8
Wheeling.....	+18	+17	- 4
Youngstown.....	+13	+12	- 4
Other Cities.....	+ 8	+ 3	- 4
District.....	+11	+ 9	- 6
FURNITURE (71)			
Canton.....	+ 6	+11	-16
Cincinnati.....	+30	+ 2	+ 7
Cleveland.....	+14	+ 7	-20
Columbus.....	+ 9	+ 5	-33
Dayton.....	- 3	-21	a
Pittsburgh.....	+16	+ 7	- 9
Toledo.....	+13	+ 2	-18
Other Cities.....	+18	+ 4	-14
District.....	+15	+ 2	-17
CHAIN STORES*			
Drugs—District (5).....	- 5	-0-	a
Groceries—District (4).....	+15	+ 8	a
WHOLESALE TRADE**			
Automotive Supplies (6).....	+26	+21	+23
Beer (6).....	- 9	+ 2	+33
Clothing and Furnishings (3).....	+ 9	a	a
Confectionery (4).....	+31	a	+ 5
Drugs and Drug Sundries (4).....	-12	+ 6	a
Electrical Goods (5).....	+17	-0-	a
Fresh Fruits and Vegetables (8).....	+ 3	- 1	+ 3
Grocery Group (38).....	+ 3	+ 3	- 3
Total Hardware Group (18).....	- 4	- 2	+17
General Hardware (4).....	- 2	+ 3	+17
Industrial Supplies (8).....	-14	-11	a
Plumbing and Heating Supplies (6).....	+ 4	- 1	a
Jewelry (7).....	+ 5	- 5	a
Lumber and Building Materials (3).....	-25	a	a
Machinery, Equip. & Sup. (exc. Elec.) (5).....	+ 8	a	+ 8
Paints and Varnishes (3).....	-16	+ 9	a
Paper and Its Products (5).....	-10	+ 6	a
Tobacco and Its Products (12).....	- 7	- 4	-41
Miscellaneous (13).....	- 5	+ 3	-10
District—All Wholesale Trade (143).....	- 1	+ 2	- 3

* 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.

Indexes of Department Stores Sales and Stocks

Daily Average for 1935-39=100

	Without Seasonal Adjustment			Adjusted for Seasonal Variation		
	Dec. 1944	Nov. 1944	Dec. 1943	Dec. 1944	Nov. 1944	Dec. 1943
SALES:						
Akron (6).....	369	282	314	234	239	199
Canton (5).....	395	296	335	227	243	193
Cincinnati (9).....	314	259	269	186	205	159
Cleveland (10).....	285	230	245	181	201	155
Columbus (5).....	370	285	309	210	237	175
Erie (3).....	355	280	316	201	234	180
Pittsburgh (8).....	262	223	235	164	188	147
Springfield (3).....	408	300	364	229	266	205
Toledo (6).....	331	255	273	195	214	161
Wheeling (6).....	312	221	250	165	187	132
Youngstown (3).....	335	267	284	207	222	175
District (97).....	304	244	262	190	204	164
STOCKS:						
District (51).....	125	162	132	137	141	145