

Monthly Business Review

Covering financial, industrial
and agricultural conditions



Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

Vol. 27

Cleveland, Ohio, February 28, 1945

No. 2

Manpower and Production The new flood of war orders and intensification of legislative interest in the manpower problem are directed at accomplishing an over-all increase of about 5½ percent in war output above 1944 fourth quarter levels. It is apparent, however, that the enlarged procurement program falls upon an industrial system which has lost the resilience afforded earlier in the war program by adequate reserves of both manpower and materials. Industry long has been operating at near-capacity levels and has struck a fine balance between raw materials and finished products over the past few years. Attempts to boost output by even a few notches have run into shortages of raw and semi-processed materials all along the line.

So far this year, steel has operated at almost one million tons below capacity, due primarily to weather conditions in a number of important production centers, which caused curtailed shipments of both raw materials and finished products. This loss in production, also aggravated by a deficiency of fuel, has caused further inroads into inventories of metal manufacturers with little expectation of replenishment of stocks in the immediate future, since they cannot readily be made up under present manpower conditions.

Output of bituminous coal through mid-February totaled approximately ten percent under production during the same period last year. Car shortages due to congestion in ice-clogged northern railroad yards, a steady decline in the number of miners employed, as well as a gradual increase in their average age, have all been contributing factors to the decline in production. The last two factors have not been totally offset by increased mechanization of deep mines or an expanded output from stripping operations. Total stocks of coal held by all classes of consumers declined to slightly over 57 million tons on January 1 of this year, which represents a 32-day supply. Last year on this date, stocks of coal held by all consumer groups totaled 56 million tons, or a 30-day supply, a further

indication that one of the chief difficulties in the current coal situation has been uneven distribution.

Other industries of the district are working on uncomfortably small inventories of essential materials. Rubber manufacturers report that they obtain supplies of carbon black for urgently needed tire production by governmental directives. Shoe manufacturers not only report shortages of sole leather, but also a deficiency of various kinds of upper stocks and linings. Paper and paperboard manufacturers, faced with increased military requirements for packaging, foresee further curtailment of civilian supplies this year due to the shortage of pulp wood and waste paper. Governmental restrictions in the use of lead are affecting several important industries of the district, particularly paint manufacturers and potteries, where the metal is an important ingredient of various glazes. The lead stockpile, formerly totaling 270,000 tons, has dwindled to 80,000 tons, while military orders for batteries have mounted.

Manpower in all areas of production, raw material as well as finished product, is the primary factor in determining whether new goals will be achieved. United States Employment Service total placements and assists in January for the State of Ohio showed an increase of 35 percent over December, which approximately paralleled the reported experience of all the other major industrial centers of the district. The quit rate in manufacturing employment continues to decline and is responsible for reducing the separation rate to its lowest point in three years. Impossible to measure, but of great importance, is the effect of the current pressure and publicity of the manpower problem upon the productivity and morale of workmen. Many reports from the district indicate considerable stability has been introduced in the male labor force along with greater productivity and lessened absenteeism. Others are less optimistic about the attitude of labor and point out that, even if labor were willing, the long-maintained pressure of work has lowered ability to remain steadily on the job and work for long hours at high efficiency.

DISPOSITION OF GOVERNMENT-FINANCED WAR PLANT

The urgency and scope of war requirements have resulted in an unprecedented increase in Government-owned plant and equipment facilities in the United States. The disposition and utilization of these facilities are destined to attract the increased attention of many groups in the coming months and unquestionably pose one of the most challenging post-war problems. How this task is accomplished — what policies and methods will instrument the Surplus Property Act of 1944—is of utmost importance to the economy of the entire country.

Before American entry into war, private industry had expanded its plant facility, in part at Government instigation, to help meet growing war demands. In fact, it was not until 1942 that Government investment exceeded total private expenditures for plant and equipment. As could be expected, the larger part of private expansion was in equipment rather than plant, the ratio running about three to one. Of the approximate \$8 billion supplied privately, the great preponderance was in iron and steel, the products of petroleum and coal, metal products, machine tools, machinery and electrical equipment, and a wide variety of miscellaneous manufacturing facilities. In all likelihood, the large proportion of this expansion will lend itself to peacetime production, particularly since the greater part of the investment is in equipment of a generally adaptable type. The central problem of this type of plant growth is for the companies which own it to correlate production potentials to post-war markets.

The investment experience of World War II differs vastly from the previous war period in the ratio of privately and publicly-financed plant expansion. Private financing in the years 1917-1920 amounted to some \$9 billion, while public financing totaled a little over \$600 million. Public investment was concentrated in shipbuilding, and it scarcely touched industry in general. During World War II, however, the Government has become dominant in shipping, aircraft, synthetic rubber, and nonferrous metals, and has a large interest in many other industrial fields. The public investment which was required to create the necessary war production facility amounts to approximately \$16 billion, and will be increased further before the end of the war.

Problems of Plant Disposal The great expansion of Government-owned plant raises many questions concerning its disposition that are not involved in the growth of privately-financed facility. Most of these problems develop because private investment necessarily is limited by prospects of future returns, while the criterion of public investment is the winning of the war, irrespective of costs. Hence, it is not surprising to find that approximately a third of all publicly-owned industrial facility is concentrated in the production of ammunition, explosives, shell loading, and guns. These plants are of such specialized character that they do not readily lend themselves to the production of civilian goods, and many of them probably

will continue operation as peacetime arsenals, will be held as stand-by plants, or will be dismantled. Another third of public plant is centered in facilities for producing ships, aircraft, engines, and parts. These plants have production potentials far above any possible immediate post-war use, but they present peculiar and expensive conversion problems, if they are to be shifted to channels of peacetime production. Post-war use of these facilities constitutes a vital challenge to the ingenuity of American public and business leadership.

The last third of public plant, involving a little more than \$5 billion, represents facilities which may be adapted readily to supplying peacetime wants. Included in this category, and directly competitive with privately-owned plants, are facilities for iron and steel, radio and electrical equipment, food, chemicals, and miscellaneous non-ferrous metals. Also covered are such problem expansion areas as synthetic rubber, aluminum and magnesium, and almost half of all the machine tool facilities.

The purposes to which the new plant facility will be put are clouded, at present, in uncertainty and potential conflict of interests. The controlling objective of Congress should be to secure the maximum contribution to the public welfare through the disposition of plant facility and to cause the minimum dislocation in employment, commerce, and industry. On their part, the basic aim of Government authorities, empowered with responsibility for plant disposal, should be to obtain the best returns consistent with the interests of the public and in line with Congressional intent. From present indications, any large-scale destruction or wastage of surplus plant would be considered an evidence of serious administrative and legislative ineptitude.

Under the most optimistic conditions, however, Government plant disposal will raise many questions related to competitive private enterprise and the adjustments which may be necessary to accommodate the expanded facility. These not only will involve such factors as the numerous purchase priority rights, but will include many problems of broad social and economic significance. For instance, will it add to the present unbalance between large and small business? Will this be the means to concentrate industrial power further in large-scale enterprise and in industrial regions already holding vast production resources? Or will it be used to decentralize industry and to aid small business as compared to large business, either through policy of sale (some kind of preferential treatment) or through subsidy operation? How, too, will such problems as full employment, regional balance, and increased public planning be related to disposal policies?

Option Considerations First consideration in any discussion of plant disposal must be given to the lease rights held by present operators. Practically all plants leased from the Government by private corporations provide an option for purchase by the operator, except aluminum, magnesium, syn-

thetic rubber and components (butadiene and styrene), pipelines, and a miscellaneous group of plants including the Geneva Steel Works. Sales plans for these facilities have been postponed until accumulated pressures help to formulate a socially acceptable and, it is hoped, an economically feasible solution.

Policies governing the establishment of sales prices for Government-owned plants are yet to be decided upon and will determine whether many of these plants are to be acquired by present option holders. In order to aid the formulation of price policies, Government plants are currently being evaluated by professional appraisers to determine the special cost features attributable to war as compared to that part of plant facility which has post-war potential worth¹. When peacetime plant evaluations are more accurately known, option agreements will have to be correlated with revised appraisals. Under present agreements, operators, in many instances, would be required to assume considerable property which would have little or no use in peacetime production, since many options may be exercised only for the entire plant and its equipment.

The extent to which options will be used is difficult to appraise. Most of the new war plant facility was built at high cost for both labor and materials, with only wartime requirements in mind. They often contain such special features as double boiler capacity, dual wiring, special lighting, air-conditioning for special production (not necessarily associated with the comfort or efficiency of labor), and other high-cost installations. Some of these features have peacetime value, but not commensurate to their cost.

Policies which are not directly concerned with the sale of property also may be formulated. For instance, there may be a requirement that no plant be abandoned for a minimum period; that operation be maintained at or above a specified level; or that the plant employ a minimum labor force. Then, too, policy may forbid sale to selected large operators or companies which have monopoly or restraint charges pending against them by the Department of Justice. Some, including present corporate operators, have even asked that a moratorium on plant sale be instituted for a two-year period, during which time a low rental should be charged with the objective of smoothing reconversion and maintaining employment.

Option Rights and Competition

Option rights also call to attention the effect of plant disposition upon competition. It is estimated that 150 large firms hold some form of option rights on some 75 percent, by value, of all facility commitments, and that approximately 100 companies have received about two-thirds, by value, of all prime contracts. Thus, these larger enterprises apparently will

¹ The Surplus Disposal Act of 1944 contains certain safeguards which may tend to increase the complexity and rigidity of disposal plans. Among these is the clause which requires Congress to pass upon sales of all surplus plants above \$5 million.

Although the U. S. Steel Corporation does not hold an option to purchase the Geneva Steel Works which it operates, it has evidenced an interest in its acquisition. The announcement of U. S. Steel intent to expand western industry was accompanied by a statement, in order to allay criticism, that its purchase would result in the dismantling of outmoded units so that one company's basic steelmaking capacity would not be increased in the post-war period.

have priority, through option, and financial ability, through operations, to buy the best integrated of these plants². As a result, they are likely to enhance their position by purchasing the newly-created facilities to the detriment of small competitors who cannot participate equally in their acquisition. In any event, it would seem certain that, if the sales value of the Government-owned plant is determined by the degree of convertibility, wartime operators would have an experience advantage over any other buyers.

When the time for the actual sale of Government-owned war plant arrives, there may be increased pressure for "temporary" and even long-term operation on a rental basis.³ This may result from the desire of Congress to examine sales policies further, or it might derive from the belief of business that the only correct criterion of plant value is peacetime operation. In order to assure a fair operation trial, minimum levels of operation might be required, although this would appear infeasible in the face of some of the possible reconversion difficulties. Further complicating this possibility is the fact that some of the Government plant is closely allied, on a "scrambled facility" basis, with privately-owned plant. To illustrate this problem, blast furnace facilities, which are Government-owned and are integrated with privately-owned operational stages, cannot function long unless there is demand for finished steel products. The probable truth is that much of the Government-owned plant, because of size or location, or because it represents but one stage in the total production process, cannot be purchased except by present operators. The eventual result may be an extreme buyer's market, with current tenants the only possible purchasers.

Economic Concentration vs. Regionalism Opposed to the forces of concentration, however, is the prevalent attitude of Congress, as well as the activities of the sponsors of the cause of small business who see decentralized plant disposal as a primary means of continuing the American competitive economy. Several bills now passed or pending have, as their stated objective, the fostering of new and small enterprise through a planned disposal of Government plant facilities. The Surplus Property Act of 1944, itself, prescribes the policy of aid to small business and charges the Smaller War Plants Corporation with responsibility for carrying it out. The powers to be used include advice to the Board and disposal agencies on the requirements of small business; the ability to purchase any surplus property for resale or lease to small business; and the guarantee of loans to small businesses which may wish to buy on credit or time bases. Prominent in this discussion is a "multiple rental" plan whereby the larger plants would house numerous small enterprises.

Despite some studies which purport to show the operating efficiency of small business as compared with large-scale enterprise, the expansion of large business is much in evidence. The pressure for war production has tended to increase the relative influence of large business, and, because the great

² Few plant sales have yet been made by any disposal agency of the Surplus Disposal Board, although listings of surplus plants have been made. All of these plants were built especially for war production and are no longer in use or were never used.

majority of wartime industrial expansion has been concentrated in the northeastern states, the problem of regional balance is beginning to receive much public attention. This fact not only raises questions of national economic policy, but presents regional political opportunities which may not be dismissed lightly. Even the growing tendency of "national" organizations to decentralize the location of some of their constituent units has not changed the fundamental pattern of industrial concentration, because policy has remained centralized.

Examination of wartime plant expansion tends to substantiate the reality of industrial concentration, and it exhibits additional possibilities for the post-war enhancement of the more mature industrial areas. The established industrial areas have experienced a somewhat greater relative expansion in equipment than in plant facility, as compared to the newer industrial areas, and this augurs well for post-war plant utilization. Thus, the competitive position of these areas may be advanced. It is also widely recognized that shipbuilding, aircraft, aluminum, and other lines difficult to convert to peacetime uses have seen their greatest relative expansion in the less industrially developed regions of the country. Then, too, the location of some of these plants was dictated by security reasons, rather than regard for sources of raw materials or traditional markets.

It is becoming increasingly clear, however, that regional considerations may play an important part in the disposition of Government-owned plant. Many of these probably are not yet recognized and may result in new disposal policies, as ramifications of the problem become intelligible. However, if socio-economic considerations lead to a continued operation of uneconomic units—aided by purchase price preferences, subsidies, etc.—then such operations may be disadvantageous to plants in the older industrial areas which normally have supplied the markets of the South and West.

Status of the Fourth District The present experience of plant disposition in the fourth district essentially parallels that of the country at large. As of February 1, 1945, only three Government-owned industrial facilities in the district had been declared surplus and none had been sold. This does not mean, however, that many options are not intended to be exercised or that numerous offers to purchase have not been received by disposal agencies. The end of the European war and the crystallization of sales policies may result in great activity in this field.

The Fourth Federal Reserve District is more than casually interested in the plant disposal program. According to the 1939 Census of Manufacturers, the area produced 11.9 percent of the value of all manufactured products and 12.4 percent of "value added by manufacturing" for the entire country. War plant facility expansion, as shown in Table I, nearly kept pace with the pre-war position of district industry.

In the early years of the war, the district's relative share of plant growth was a little larger than at

TABLE I
Fourth District War Plant Facility Expansion,
1940 - June 1944
(In Millions of Dollars)

	Public	Private	District Total	U.S. Total	Percent in District
1. Iron and Steel, Basic-Semi-Finished.....	341	245.0	586.0	2,099	28.0
2. Aircraft, Engines, Parts, Accessories.....	412	42.0	454.0	3,721	12.2
3. Ships, Construction and Repair.....	51	12.0	63.0	2,430	2.6
4. Combat Vehicles.....	27	28.0	55.0	754	7.3
5. Guns and Ammunition.....	192	35.2	227.2	2,322	9.8
6. Explosives and Ammunition Loading.....	198	2.0	200.0	2,511	8.0
7. Nonferrous Metals.....	92	31.0	123.0	1,433	8.6
8. Machine Tools.....	37	39.1	76.1	317	24.0
9. Machinery and Electrical Equipment.....	143	91.9	234.9	895	26.2
10. Chemicals, including Synthetic, Coal, and Petroleum Products.....	177	122.8	299.8	3,186	9.4
11. Food and Other.....	16	105.0	121.0	3,837	3.2
TOTAL.....	1,686	754.0	2,440.0	23,505	10.4

present, because both private and public expansion easily could be correlated with established industries, up to the labor force potential. The industrial groups which showed the greatest relative growth in the district were iron and steel, machinery and electrical equipment, machine tools, and aircraft, including engines, parts, and accessories. Since a good share of the latter is represented by facilities operated by former automobile equipment suppliers, it is evident that the largest relative expansion is associated with established pre-war industries. It is a significant fact that approximately 70 percent of the Government-owned plant facility in the fourth district is believed to be highly convertible to peacetime production, if awards for ship and aircraft facilities are omitted from consideration. This is, perhaps, the most important differentiating factor favoring the fourth district and may bulk large in determining the disposition of Government plant, as well as the degree of its absorption into district industry.

One probable basis for determining the comparative position of fourth district industry to acquire plant facility lies in its major war contract holdings. Active contracts, as of December 31, 1944, are shown for the fourth district in Table II.

TABLE II
Fourth District Major War Supply Contracts*

	Value in Thousands
Total United States.....	\$69,701,605
Ohio.....	6,832,001
Pa. (4th district).....	1,309,383
Ky. (4th district).....	98,062
W. Va. (4th district).....	50,756
Total Fourth District.....	8,290,202
Percent in Fourth District.....	12.1

*Includes all prime contracts of \$50,000 or over.

The fourth district share of outstanding contracts, as of December 31, 1944, amounted to 12.1 percent. This indicates that the area, both in percent of expansion and contracts held, compares favorably with its pre-war industrial position. When one considers the nature of fourth district industry, known traditionally as the subcontracting district because it contains so many metal-working companies, its net share of total war contracts should be considerably in excess of its share of prime contract holdings. Unless

unforeseen problems of war contract settlement reduce the immediate financial ability of plant operators, the magnitude of war contracts would seem to measure, in part, the capacity of district industry to purchase new plant facility.

Although there is no such thing as a normal rate of plant expansion—rather it is sporadic and indeterminable, despite averages which indicate an approximate over-all annual increase of two percent—there would seem to be little doubt that the war-built usable plant at least matches the growth which would have occurred if the war had not intervened. Some have contended that deterioration of plant has been progressive for much of the last decade and has been accelerated by war. Though record war production does not wholly substantiate this, it could mean that the market for the war-built plant would be enhanced and that there may be a general step-up in plant efficiency during the post-war period. Since a good proportion of usable plant is located in this area, the post-war position of fourth district industry may be improved. In other words, if ease and degree of convertibility are criteria of plant value, the fourth district is in an enviable position.

There is no mystery about Government-owned plant. It is tangible and can be an important addition to the economy, or its disposal can be so laggard that it may result in a prolonged market overhang. Therefore, many believe that present fears of business may be greatly reduced by a program of rapid plant facility disposal. Although the majority of Government-owned plant and equipment may have to be retained in its present status until the end of the war, the intervening period should see considerable facility sale and the formulation of complete disposal plans. The over-all limits to plant disposal would appear to be the ability of industry to absorb it and the consent of Government to release it.

War plant disposal constitutes a complexity of problems. Each region, each industry, each plant, will need to be examined as a separate problem and then be related to its national setting. Current appraisal of war plant disposal would seem to show that peacetime prospects are particularly promising for the mature industrial areas and for established business firms. However, just as the war has provided a background of experience and opportunity for many able

enterprisers, the sale of plant facility may create a new group of industrial leaders—those who can work effectively in a new climate of closer Government-business cooperation.

FINANCIAL

Interest Rates on Commercial Loans

Changes in interest rates on commercial loans cannot be measured with absolute precision. Quality of risks, the average size of loans, prospective cost of servicing loans, and other contingencies represent indeterminable variables whose effectiveness is not subject to simple evaluation.

However, changes in the proportionate volume of loans made within several major rate-groups are indicative of changing conditions under which commercial bank credit is extended. Those proportions are depicted in the adjoining chart.

Each of the bars represents 100 percent of new commercial loans made to customers by a representative group of reserve city banks of the fourth district during the first half of the months of March, June, September, and December of each of the past six years. In this tabulation, renewals were considered as new loans. Loans which extended beyond twelve months were excluded.

First of several observations is that the proportion of new loans bearing rates of five percent or higher has steadily diminished. For a time during 1939, over 25 percent of new commercial loans (dollar volume) carried rates of five percent or better. By 1942, less than ten percent of the new loan volume was of this category. Very few of these loans exceeded \$1,000, and the bulk consisted of units of \$1,000 to \$5,000.

Another, but less drastic, contraction occurred in the 4.0 to 4.9 percent group. In 1939, nearly 18 percent of the dollar volume of new commercial loans was written at those rates. In 1944, the proportion had dropped to about eleven percent of the total. Loans in this group ranged in size from \$10,000 to \$25,000, with a few exceptions.

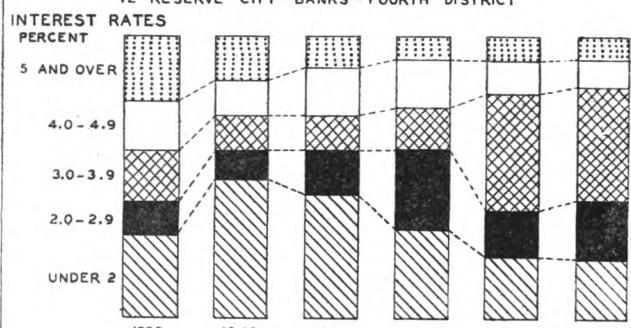
A third type of new loan to decrease in proportionate importance was that whose rates were less than two percent. It is noteworthy that, during both 1940 and 1941, over 40 percent of new commercial loans were made at such a relatively low rate, and for a considerable period over half the new loans yielded a return of less than two percent. This class of loans included the largest commitments; not many were written in amounts of less than \$100,000.

In 1939, the three above-described groups represented nearly 70 percent of the loan volume. Five years later, these end groups comprised only approximately 40 percent of the total. In a sense, the dispersion of rates narrowed to a noticeable degree, as intermediate rates became more prominent.

The 3.0 to 3.9 percent rate classification experienced substantial growth. Loans of this kind dominated the field during both 1943 and 1944, after several years of comparative unimportance. The average size of these loans also increased remarkably. In 1939, a typical

RATES ON NEW COMMERCIAL LOANS PERCENTAGE DISTRIBUTION OF DOLLAR VOLUME

12 RESERVE CITY BANKS - FOURTH DISTRICT



loan in this group represented a commitment of \$16,000. During the past two years, these new loans averaged in excess of \$100,000 each—as large as the 2.0 to 2.9 percent type. Obviously, considerations other than size were responsible for this one percent differential in rates.

In the period 1939-41, virtually every new commercial loan of \$100,000-and-over carried a rate of less than two percent. During 1943 and 1944, more than half (in dollars) of such large loans carried rates from 2.0 to 3.9 percent.

These changes in the composition of new business loans placed on the books of the largest commercial banks should be considered in relation to changes in total loans outstanding. Toward the end of 1941, commercial loans of reserve city banks of this district had increased more than 100 percent in three years. This growth was accompanied by some scaling down in rates on new loans, perhaps because of improved quality or other considerations such as the contemporary expansion of excess reserves.

Since the close of 1941, outstanding commercial loans have contracted somewhat, but the proportion of new loans taken at the lowest rates has diminished noticeably. The ascendancy of the intermediate loan rate-groups is the most striking feature in the current loan picture.

Recent Banking Developments There has been no appreciable change in total deposits of weekly reporting banks of this district since the close of the Sixth War Loan. As in previous inter-drive periods, Government deposits have declined, but thus far the contraction has been at a somewhat slower rate than in previous intervals, in part because of relatively heavy internal revenue receipts during January.

Adjusted demand deposits have regained about one-third of their drop during the recent war loan drive. Time and savings deposits have continued their unprecedented rate of growth which has persisted for nearly a year.

Loans Some contraction in loans has taken place since the first of the year, chiefly because of liquidation of collateral loans. However, advances to customers other than brokers and dealers, covered by collateral in the form of Government securities, still represent over one-half of all secured loans outstanding.

Investments Holdings of Treasury bills are again declining as banks dispose of these short-term and low-yielding securities, partly through the repurchase option mechanism, but mostly by not replacing maturing bills. Bill holdings now constitute only about 4 percent of the portfolio of Government securities of weekly reporting banks, as against nearly 16 percent two years ago when such holdings were at their peak to date.

There has been no marked change in holdings of certificates of indebtedness and notes. Government-guaranteed investments have virtually vanished, as

one of the remaining outstanding issues matured and holders were given the privilege of exchange for certificates of indebtedness.

Reporting banks have acquired substantial quantities of Treasury bonds in recent weeks. Over half the year-to-year increase (21 percent) has been concentrated in the past three months, constituting one of the sharpest expansions on record for this section of the portfolio.

Reserves The above-mentioned purchases of Treasury bonds and a resumption in the outflow of currency into circulation have tended to reduce somewhat the volume of funds available for investment, particularly as reserve-free Government deposits were being converted into other deposits requiring reserves.

AGRICULTURE

Limestone Requirements of Ohio Soils

"Liming the soil," according to the United States Department of Agriculture, "is the very backbone of profitable crop production, soil conservation, and permanent agriculture in the humid regions of the country." The importance of lime has been known and emphasized for several decades, not only by the Department of Agriculture, but also by the state agricultural experiment stations and the Agricultural Extension Service. Despite this emphasis, the "lime budget" is still considerably out of balance in the humid section of the United States, an area which includes the Fourth Federal Reserve District. The almost universal need for lime within the fourth district sets the stage for widespread joint action between farmers and country bankers. The satisfaction of lime deficiencies through use of bank credit is one of the best examples of the interdependence of banking and agriculture, and the results obtained demonstrate clearly the mutual advantage of the transaction.

On the basis of nearly 20,000 tests of Ohio soils made annually, the Department of Agronomy at Ohio State University reports that the rate of lime usage in the State is much below the amount required to place all crop and pasture lands on a basis for growing good clovers and alfalfa. Although there is a wide range in lime needs over the State, the shale and sandstone soils of eastern Ohio are uniformly the areas of greatest need. The soils of the western part of the State are largely of limestone origin, and in some sections, particularly the black soil areas, there is enough lime. However, even on these soils, lime is currently being lost or consumed at rapid rates. The proportion of rotated cropland acres which are in need of lime in each Ohio county is indicated by the cross-hatching on the accompanying map.

The map also shows (circled figures) the tonnage of ground limestone which should be applied to rotated soils requiring lime in each county. It should be noted clearly that these recommendations are averages. The actual amount of lime which should be applied in any specific case will depend upon a number of factors including previous treatment, soil type, etc. The only

THE MONTHLY BUSINESS REVIEW

Indexes of Department Store Sales and Stocks

Daily Average for 1935-39=100

	Without Seasonal Adjustment			Adjusted for Seasonal Variation		
	Jan. 1945	Dec. 1944	Jan. 1944	Jan. 1945	Dec. 1944	Jan. 1944
SALES:						
Akron (6).....	179	369	162	236	234	213
Canton (5).....	167	395	162	217	227	211
Cincinnati (9).....	155	314	138	189	186	168
Cleveland (10).....	142	285	129	172	181	156
Columbus (5).....	172	370	154	213	210	190
Erie (3).....	151	355	153	194	201	196
Pittsburgh (8).....	129	262	118	172	164	157
Springfield (3).....	168	408	164	230	229	225
Toledo (6).....	146	331	131	197	195	177
Wheeling (6).....	121	312	108	173	165	154
Youngstown (3).....	161	335	139	210	207	180
District (97).....	145	304	132	186	190	169
STOCKS:						
District (51).....	131	125	140	147	137	158

Wholesale and Retail Trade
(1945 compared with 1944)

	Percentage Increase or Decrease	
	SALES January 1945	STOCKS January 1945
DEPARTMENT STORES (97)		
Akron.....	+15	- 6
Canton.....	+ 7	a
Cincinnati.....	+17	- 3
Cleveland.....	+15	-13
Columbus.....	+16	- 5
Erie.....	+ 3	- 2
Pittsburgh.....	+14	- 3
Springfield.....	+ 6	a
Toledo.....	+15	- 7
Wheeling.....	+16	- 5
Youngstown.....	+21	a
Other Cities.....	+ 1	- 2
District.....	+14	- 7
FURNITURE (71)		
Canton.....	- 0	- 7
Cincinnati.....	+10	+ 8
Cleveland.....	- 4	-16
Columbus.....	- 8	-23
Dayton.....	- 4	a
Pittsburgh.....	- 4	+17
Toledo.....	+13	-24
Other Cities.....	- 3	-12
District.....	- 2	- 8
CHAIN STORES*		
Drugs—District (5).....	+ 5	a
Groceries—District (4).....	+15	a
WHOLESALE TRADE**		
Automotive Supplies (7).....	+27	+26
Beer (6).....	+ 1	+33
Clothing and Furnishings (3).....	+16	a
Confectionery (3).....	-19	a
Drugs and Drug Sundries (5).....	+ 6	-16
Dry Goods (3).....	+ 3	-12
Electrical Goods (11).....	+15	-26
Fresh Fruits and Vegetables (8).....	+12	+19
Grocery Group (45).....	+11	- 8
Total Hardware Group (16).....	+10	+14
Industrial Supplies (10).....	+ 4	+14
Plumbing and Heating Supplies (6).....	+24	a
Jewelry (9).....	+ 5	- 5
Lumber and Building Materials (3).....	- 4	a
Machinery, Equip. & Sup. (Except Elect.) (4).....	+ 7	+11
Meats and Meat Products (4).....	+11	-28
Paper and its Products (3).....	+14	a
Tobacco and Its Products (14).....	+ 5	a
Miscellaneous (15).....	+ 2	- 5
District—All Wholesale Trade (165).....	+ 9	- 6

* 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.

Fourth District Business Statistics

(000 omitted)

	January 1945	January 1944	% change from 1944
Fourth District Unless Otherwise Specified			
Bank Debts—24 cities.....	\$4,837,000	\$4,741,000	+ 2
Savings Deposits—end of month:			
39 Banks O. and W. Pa.....	\$1,180,952	\$ 960,398	+23
Life Insurance Sales:			
Ohio and Pa.....	\$ 93,161	86,430	+ 8
Retail Sales:			
Dept. Stores—97 firms.....	\$ 35,459	31,083	+14
Wearing Apparel—16 firms.....	\$ 1,822	1,595	+14
Furniture—71 firms.....	\$ 1,674	1,707	- 2
Building Contracts—Total.....	\$ 9,874	14,798	-33
" " Residential.....	\$ 1,625	3,523	-54
Commercial Failures—Liabilities.....	\$ 29	91	-68
" " Number.....	2	8	-75
Production:			
Steel Ingots—U. S. Net Tons	7,178	7,587	- 5
Bituminous Coal— O. W. Pa., E. Ky. Net Tons	18,677	19,651	- 5
Cement—O. W. Pa., W. Va. Bbls.	498a	610a	-18
Electric Power— O. Pa., Ky. Thous. K.W.H.	3,144a	3,206a	- 2
Shoes.....	b	b	- 5
a December			
b Confidential			

Fourth District Business Indexes

(1935-39 = 100)

	Jan. 1945	Jan. 1944	Jan. 1943	Jan. 1942	Jan. 1941
Bank Debts (24 cities).....	218	213	173	156	135
Commercial Failures (Number).....	3	12	34	77	79
" " (Liabilities).....	2	6	22	49	91
Sales—Life Insurance (O. and Pa.).....	110	102	84	174	90
" " Department Stores (97 firms).....	145	132	133	132	88
" " Wholesale Drugs (5 firms).....	213	201	175	161	137
" " Dry Goods (3 firms).....	155	150	144	136	80
" " Groceries (45 firms).....	169	152	136	147	104
" " Hardware (16 firms).....	142	129	145	177	117
" " All (69 firms).....	169	153	146	157	110
" " Chain Drugs (5 firms)*.....	158	150	149	131	100
" " Chain Groceries (4 firms).....	160	150	152	148	106
Building Contracts (Total).....	40	61	85	140	121
" " (Residential).....	21	46	61	184	143
Production—Coal (O. W. Pa., E. Ky.)....	149	157	138	144	132
" Cement (O. W. Pa., E. Ky.)*....	60	74	126	166	130
" Elec. Power (O. Pa., Ky.)*....	206	210	187	168	134
" Petroleum (O. Pa., Ky.)*....	a	98	97	101	98
" Shoes.....	84	88	84	101	110

* Per individual unit operated.

**December.

a Not available.

Debits to Individual Accounts

(Thousands of Dollars)

	January 1945	January 1944	% change from 1944
Akron.....	195,316	179,160	+ 9.0
Butler.....	20,470	17,946	+14.1
Canton.....	83,651	74,986	+11.6
Cincinnati.....	658,451	632,227	+ 4.1
Cleveland.....	1,386,041	1,275,149	+ 8.7
Columbus.....	305,963	306,956	- 0.3
Covington-Newport.....	26,634	25,548	+ 4.3
Dayton.....	148,195	155,127	- 4.5
Erie.....	52,310	64,128	-18.4
Franklin.....	5,694	6,241	- 8.8
Greensburg.....	11,657	12,315	- 5.3
Hamilton.....	21,732	19,342	+12.4
Homestead.....	4,745	4,852	- 2.2
Lexington.....	85,735	79,639	+ 7.7
Lima.....	31,170	26,094	+19.5
Lorain.....	9,410	9,428	- 0.2
Mansfield.....	20,359	19,868	+ 2.5
Middletown.....	19,515	20,806	- 6.2
Oil City.....	17,406	14,536	+19.7
Pittsburgh.....	1,346,732	1,373,950	- 2.0
Portsmouth.....	12,124	11,308	+ 7.2
Sharon.....	15,747	16,785	- 6.2
Springfield.....	31,928	33,435	- 4.5
Steubenville.....	15,266	13,058	+16.9
Toledo.....	236,046	267,823	-11.9
Warren.....	23,817	22,173	+ 7.4
Wheeling.....	41,921	45,118	- 7.1
Youngstown.....	82,382	85,798	- 4.0
Zanesville.....	12,919	13,057	- 1.1
Total.....	4,923,336	4,826,853	+ 2.0

way to take all of these influencing conditions into consideration is to make lime requirement tests for every field in question. Lacking such tests, the applications should be at least as great as indicated by the map.

Although the lime budget in Ohio is still unbalanced, there has been considerable improvement in the use of lime by farmers in recent years. Much of the improvement has undoubtedly resulted from (1) widespread educational efforts on the part of the institutions named above, (2) special inducements by the Agricultural Adjustment Administration, and (3) improved services of lime manufacturers and dealers. The following table shows a doubling of applied limestone tonnage during the five war years and an exceptionally large rise in recent years over the low applications during the depression. The highest annual application before 1930 was 310,000 tons.

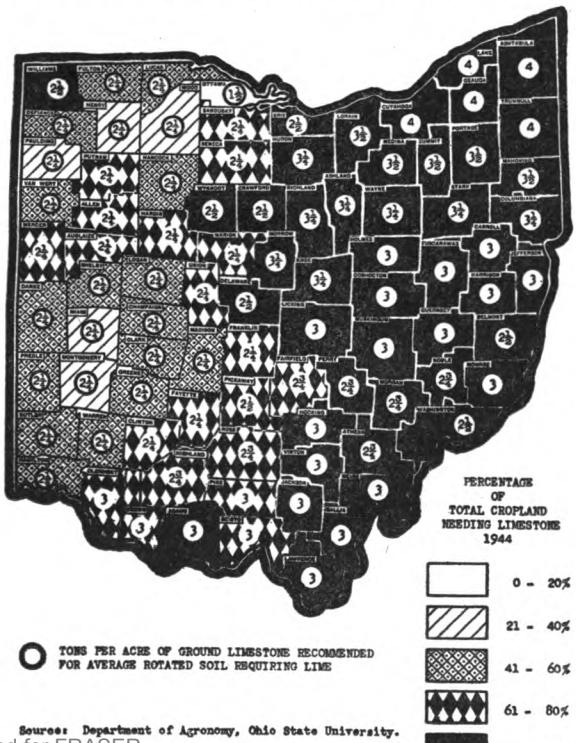
Use of Agricultural Liming Materials

	Ohio	
1930.....	233,000 tons	1940..... 814,000 tons
1932.....	103,000 tons	1941..... 1,145,000 tons
1934.....	158,000 tons	1942..... 1,420,000 tons
1936.....	319,000 tons	1943..... 1,521,000 tons*
1938.....	318,000 tons	1944..... 1,600,000 tons*

*Preliminary.

Ohio agronomists have estimated that an initial application of between 30 and 35 million tons of limestone would be required to prepare *all* of the State's rotated and pasture soils for growing satisfactory crops of clover and alfalfa. In addition to this base requirement, an annual application of 1,500,000 to

CROPLAND NEEDING LIMESTONE AND RECOMMENDED APPLICATION RATE



TONS PER ACRE OF GROUND LIMESTONE RECOMMENDED FOR AVERAGE ROTATED SOIL REQUIRING LIME

Source: Department of Agronomy, Ohio State University.

Digitized for FRASER

<http://fraser.stlouisfed.org/>

Federal Reserve Bank of St. Louis

2,000,000 tons would be necessary to replace the lime lost annually on rotated and pasture lands through leaching, erosion, and crop removal. Taking both of these needs into consideration, the Department of Agronomy has suggested an annual application of 4,500,000 tons of liming materials in Ohio in the immediate post-war period. This recommended tonnage takes into consideration the fact that lime should not be applied to all soils needing it, for some soils are of low productivity for reasons other than their acidity, and lime applications would be largely wasted.

TRADE

Retail Sales at fourth district department stores during January were 14 percent greater than they were in the same month of 1944 and the largest for any similar month on record. However, the decrease in sales from the previous month was slightly more than usual, and the seasonally adjusted index declined four points to 186 percent of the 1935-39 average. Departments selling dresses, furs, men's and boys' wear, and furniture experienced sizable year-to-year gains in their business. Merchants continued to report increases in their sales this month, and during the two weeks ended February 17, dollar volume was up 26 percent from the corresponding period of 1944.

Whether the substantial gains that stores have been experiencing in their dollar sales during the past year will carry over into the next several months depends largely upon their ability to obtain merchandise. In recent months, stocks usually have been the limiting factor to sales. In all probability, the dollar volume of sales during the war years would have been greater, if retailers had been able to secure adequate quantities and types of merchandise to fulfill consumer demand. Following the record-high holiday business of last year, inventories were reduced to the lowest level since July 1941. During January, stores received slightly more merchandise than they sold, and their dollar stocks at month-end were down seven percent from January 31, 1944, and were at approximately the same level as they were on the corresponding date two and three years ago. Stocks of women's ready-to-wear and accessories at the end of last month were down 2 percent from the same date last year, men's and boys' clothing 8 percent, and housefurnishings 13 percent.

In an effort to build up their inventories, fourth district department stores during January made a large volume of commitments for new merchandise, and orders outstanding at retail on January 31 were the largest on record. The present expansion started during November and December, which is unusual for those months, when the volume of orders generally is reduced as stores receive delivery of holiday merchandise which had been ordered during the summer and early fall. The sharpest increase in orders occurred during January, as shown on the accompanying chart, and at month-end the volume outstanding was up 52 percent from the same date last year and 128 percent from two years ago. Compared with the previous all-time high of mid-1943,

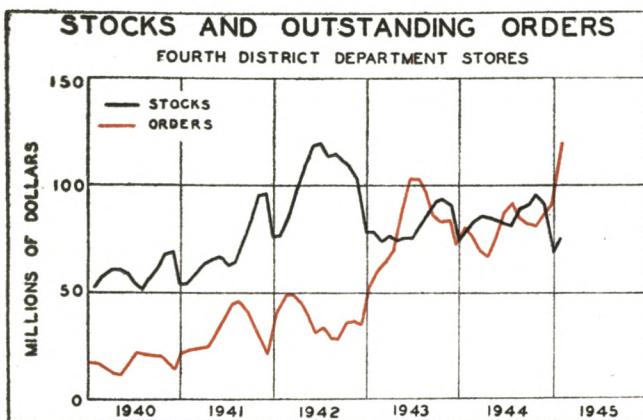
there was a gain of 19 percent. Whereas in the early war months unfilled orders were slightly less than half the volume of stocks on hand, the present scramble for merchandise has become so widespread that orders are 66 percent in excess of stocks.

In any discussion of dollar stocks and orders, the fact that changes in the physical volume of goods on hand are not accurately reflected in the changes in dollar value must be taken into consideration. Although dollar stocks at the end of last month were almost as large as they were on the same date of the previous three years, stores actually had considerably less merchandise to offer for sale. This difference resulted largely from the general upgrading of merchandise that has taken place over the war period. Many manufacturers have chosen to use their limited supplies of raw materials and manpower for the production of luxury items at high prices rather than the lower-priced lines. In an attempt to alleviate this situation, the War Production Board and Office of Price Administration are jointly sponsoring a program intended to increase production of many popular-priced items. WPB has made up lists of woolen, rayon, and cotton garments for which manufacturers will receive priorities on fabrics. OPA's part in the program is the establishment of ceiling prices on these

garments. This joint effort is aimed at reducing "currently inflated" clothing prices by six or seven percent, not so much by lowering prices on those apparel articles which have been available, but by increasing production of many less expensive clothing items which have disappeared from store shelves. The Government expects that stores will have a somewhat greater supply of these items by early summer.

Of the total yardage of textiles available for civilians, WPB has designated that 80 percent of the woolen and cotton goods and 75 percent of the rayons must be used for production of "essential" items, all of which are in the low and medium-price ranges. Items covered include women's dresses, underwear, pajamas, blouses, coats, suits, men's shirts, trousers, underwear and many types of clothing for infants and children, which stores have found especially difficult to purchase.

Worsted cloth is also included in the WPB orders. However, civilians are not likely to get any worsteds until later this year, since present production of such materials is being devoted entirely to filling military requirements. This, together with Government restrictions on pants-making and the manufacture of overcoats, is expected to be reflected in men's clothing inventories, since worsted textiles are the principal materials for men's suits and coats. Evidence of this is found in the fact that stocks of men's suits, coats, and other clothing at fourth district department stores were 10 percent smaller this January 31 than last and down 26 percent from the same date two years ago.



Wholesale Sales at 165 wholesale firms in the fourth district were nine percent greater this January than last. Firms selling automotive supplies, clothing and furnishings, paper products, electrical goods, fresh fruits and vegetables, and groceries experienced substantial increases in their business. Sales of coal, confectionery products, and building materials were smaller than those of January 1944.

Wholesale inventories at the end of last month were down six percent from January 31 last year.