

(January 22, 1934)

The Business Trend

By JOHN C. HODGE.

MR. ARSCOTT:—Gentlemen, our guest of today is Mr. John C. Hodge, General Manager, Dun & Bradstreets, Ltd. I feel sure he will need no introduction. "The Business Trend" is his subject today. During the past three or four years we have had some first class speakers who have given us excellent addresses on the depression and the causes of depression and the road to recovery, currency problems, and central banks. We have had no one to deal primarily with business. The explanation in part is due to the fact that business has been so far on the down-grade that there was not much incentive. On the other hand if we were to ask Mr. Hodge, he would probably tell us public speakers are so busy with the economic problems and the gold standard they just did not have any time left for business. Mr. Hodge, we are very fortunate in having you today and I feel you are particularly well qualified. I understand Mr. Hodge is recognized as knowing more about everybody's business than anybody else. I have much pleasure in asking you to address the Club.

MR. HODGE:—Mr. Chairman and gentlemen, I am keeping away from all reference to facts outside the price level. My experience as a business man and layman from the analytical side simply led me to follow the price level or commodity price, and I have not at this time, nor have I before, attempted to tie in the other factors, even if they are important. In talking to you about the Canadian business trend, naturally it is affected by outside world trends, and so I have taken the United States and obtained the outstanding points which are interesting to us. So I shall just speak of Britain, the United States, and finally Canada.

Two years ago Professor Jackson made me this chart to show the fall in commodity prices. The figures of 1926, 1927 and 1928 are approximately the same, so when they fell to September, 1931, you see the depth of the fall. The next chart begins in September, 1931, when Britain went off the gold standard, and that is the blue line at the top. The black line is the United States and you see they fell and fell until April, 1933, when it shoots up and joins with Britain's price. Canada, the red mark in between, is really an approximation of the two. There is this point to be considered. While they began here on the gold basis and wind up January 1, 1934; practically at the same point they all tie in together. This price here is the commodity dollar price whereas this was the gold price, so we are not back on the gold basis to the September, 1931 level. This lower mark is France's commodity price level and that probably should be drawn up a little more, so that in gold dollars this is where the commodity price really is and this is the inflated price.

Now in speaking of the United States, I understand what they are out to do is to lift their price level to the 1926 figures and during 1933 they were able to accomplish a lift of twenty-five per cent. That is not enough, and so in their program of going to the 1926 price level and giving themselves all of 1934 and part of 1935 to accomplish it, they are accumulating all sorts of money and proposing all sorts of plans as auxiliaries to their movements to get back to the 1926 price level, but probably even if they accomplished that, that will be on a commodity dollar and not on the old gold dollar. But they have accomplished something. During the year the largest rise in one commodity there was cotton, which went up between fifty and sixty per cent. and the effect is immediately seen, because the best business for retail and wholesale trade in the United States for the last two months and the current month is in the Southern States.

According to the American Federation of Labor on January 1, 1933, their unemployed were thirteen million people out of approximately fifty million. This went still lower in March, 1933, to thirteen million five hundred

thousand and to fourteen million. They ended the year, so they compute, with six million five hundred thousand unemployed, which means that between March, with thirteen million and the end of December, they reduced their unemployed to six million five hundred thousand.

Again, in that period their unit of wage, according to the Federation of Labor, came down steadily all through 1930, 1931 and 1932, and in 1933 wages were continually being cut. Even now, their quarter beginning July 1, their figures showed no upturn but in the final quarter wages showed an increase of twelve per cent., which is entirely attributed to the N.R.A. It seems to me then, that they have achieved part of their objective. They have gone to the very lowest level. They have climbed back part way. They still have a year and something to go, to complete their program.

In Great Britain, their high point of unemployment was in November, 1932, when they had three million one hundred thousand people receiving contributions from Unemployment Insurance. During 1933, they reduced that by nine hundred thousand people. Nine hundred thousand people were found jobs, and in December, 1933, there were two million one hundred thousand on the Unemployment Insurance Fund. Remember this, that approximately ten million people were on the Insurance Fund making contributions at the beginning of 1933, so that you had approximately ten million making contribution, added to by the employers and the state, to pay three million one hundred thousand people who were out of work. By the end of the year nine hundred thousand of those who were receiving relief were at work and making their contribution to the two million one hundred thousand out of work, a wonderful achievement.

Now *The Times Trade Supplement*, which came out two or three weeks ago, basing their opinion on the Board of Trade figures, made the statement that Britain's year, ending March 31, 1934, would show a surplus of thirty million pounds (\$150,000,000), to be their surplus after having balanced their budget. And *The Times Trade Supplement* also said, that that money was going to be

used to put back all the cuts to those in the Civil Service, which, of course, has very wide ramifications in the Old Country. Another wonderful achievement.

Speaking of the Old Country and what has been accomplished, because they certainly have made the most wonderful comeback of any country we know, I saw in the *Manchester Guardian* some weeks ago an editorial that the war debts had been settled for all practical purposes; that is to say that the Lausanne Conference which reduced so substantially the amount that Germany paid to Great Britain, which was the amount Great Britain paid to the United States, had been adjusted at ten cents on the dollar. And the *Manchester Guardian* said, this is practically the end of a very troublesome question. I looked in the *Wall Street Journal* subsequently and the *Washington Post and New York Times*, and nowhere have I seen anyone attempting to refute what the *Manchester Guardian* said. I am delighted to see that it is not mentioned at all in the various reports which are emanating from Washington, and I am beginning to think after all the *Manchester Guardian* may be right in saying that the war debt of Germany to Britain and Britain's to the United States has been settled at ten cents on the dollar and is behind us.

Now coming back to Canada, the greatest single factor of what I can see in the Canadian conditions has been the result of the preferential agreements with the Empire. I do not think we are conscious here, at least I do not notice it amongst the people I meet, of the large physical volume of business that has been going on in 1933 from Canada to Great Britain and other parts of the Empire. Rather oddly it has not benefited Ontario directly very much, but in the lumber line the preference has cleaned up the lumber in the Maritime provinces, has given a wonderful stimulus to British Columbia and has also helped in part of Quebec. Taking the unemployment figures issued by the Department of Labor, the greatest comeback of any province was that made by British Columbia, which in December, 1932, had employment at seventy-three per cent., and by December of 1933, it had increased to eighty-five per cent. And that was almost entirely in the leg-up given to lumber and

also the greater activity in mining. Mind you, while they have had this increased business activity, they are still laboring under a tremendous cloud in their own provincial financial difficulties. But as a business community they have made the biggest comeback in general business of any part of Canada.

The next place that I want to speak of is the Maritime provinces. They never went as low as another area during the depression and they are now at the highest point of any part of Canada. At the end of December their employment was eighty-nine per cent. and again that was brought about there largely by the sales of lumber to Great Britain and their good potato and apple crops. The apple crop was sold largely to Great Britain at a good price and they got good prices for their potatoes. And the Maritimes are the best point for anyone to do business in in Canada. Quebec and Ontario have not done so well but they are both almost on the same level.

Quebec employment rose from 78.7 to 87.7 and that was largely from lumber, mining, textiles and shoes. In Ontario we went from 77 in December, 1932, to 87 per cent. in December, 1933. There was a benefit to the lumber industry here because of the pressure off from the neighboring provinces who were selling their surplus lumber here. Our greatest step-up came as a result of the mining industry in the north. Not only the old established mines had their development stimulated by higher prices, but new prospects in the mines coming into being were buying equipment. Again, the distribution of dividends by these old established mines sent a lot of money into southern Ontario so that, aside from the old standby of Ontario, that is the farming community, we had this wonderful improvement or assistance from the north.

I have some figures here today regarding the steel industry. Our largest steel companies in Ontario are now operating at forty per cent. of capacity. I do not think most people realize that. The pig iron production for all Canada gained fifty-nine per cent. in 1933 over 1932. And these are basic products which come up through to the manufactured article and so that somebody must have been demanding them.

Aside from mining and mining equipment our greatest activity was in shoes, textiles and foodstuffs. The toughest spot for Canada is on the prairie. Practically from the beginning of 1933 to the end of 1933 there is nothing in their production of wealth. I believe the government says their production of wealth from foodstuffs was about thirty to forty millions less than the previous year. While prices were higher by about twenty per cent. crops were off one hundred and fifty million to one hundred and seventy million bushels so their own natural production was off thirty to forty million. There is a greater number of people on relief this Winter than a year ago; and about all you can say is, they still have their courage. They are looking to the next crop and we all hopeful that they will get what they are looking for.

Making a summary of all this, what are the outstanding facts? Britain is stepping along and making improvement on last year. The United States made gains in 1933 and is making tremendous efforts towards gains for 1934 and I have not any doubt they will accomplish a good part of what they set out to do. In Canada we have gains in all spots excepting the prairies. Coming down here, we have a weakness in the building trades that is mounting every Winter in the large cities. I suppose there are more in the building trades on relief than in any other group. On the other hand there are more people interested in the building trades than in any other group.

Summing it all up, good consistent gains were made last year and there is nothing at all in any of these indices to indicate any slowing-up of the good progress made in the last six months, so it must be continued. Therefore I say that 1934 should show sustained gains. I do not imagine it is going to be anything of a boom. There are too many deterrent factors for that, but there should be good sustained gains every quarter through 1934 and as business men you should prepare along those lines.

MR. ARSCOTT:—Mr. Hodge, we have enjoyed your address. No doubt there is a better sentiment existing today influenced by confidence of further improvement in business. There are marked indications of reviving con-

fidence both here and abroad, and a more satisfactory situation is now developing. Business has shown definite signs of picking up and, while we may have some recessions of a seasonal character, I feel we have cause to look forward with confidence to a continued betterment in business. We appreciate your address and are deeply grateful for the trouble you have taken in preparing it.