



HB 3711

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THE BUSINESS CYCLE IN OHIO  
1920-1929

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*"after Last, returns the First,  
Though a wide compass round be fetched."*

**T**HE Ohio Division of Labor Statistics has tabulated its reports for 1929, so that it is now possible to study the full swing of the cycle from the peak of 1920 to the peak of 1929. We have therefore computed the figures for wage earners: employment, payroll totals, and average annual earnings.\* Chart No. I shows the number of wage earners reported employed, month by month, 1920-1929, inclusive.† The fall to January, 1922, was catastrophic. The peak in 1920 was in June, when 1,002,058 were reported. By January, 1922, only 617,183 were reported, a drop of 384,875, or 38.41 per cent.

The fall from the peak of 1920 was uninterrupted until March of 1921. The wavering line of that year is now so pertinent to our present case, that we print the figures for that year of depression; the hopes of revival which were doomed to disappointment need no imagination for us to picture them now:

January . . . . .	658,602	July . . . . .	642,354
February . . . . .	648,783	August . . . . .	650,230
March . . . . .	647,620	September . . . . .	657,356
April . . . . .	659,576	October . . . . .	663,838
May . . . . .	654,971	November . . . . .	665,316
June . . . . .	665,055	December . . . . .	650,374

\*The figures for 1922 were never tabulated, as the statisticians in the division were taken off the labor statistics work, and put into the compensation department; the one exception is some reports on employment, in that year, which were tabulated by the U. S. Women's Bureau, at its own expense. These figures have been published by the Bureau, in a study entitled: "Variations in Employment Trends of Women and Men."

†Because of the expense involved, and because these figures are now available in other printed material, we are not printing the figures from which this chart is drawn.

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*Business cycles.*



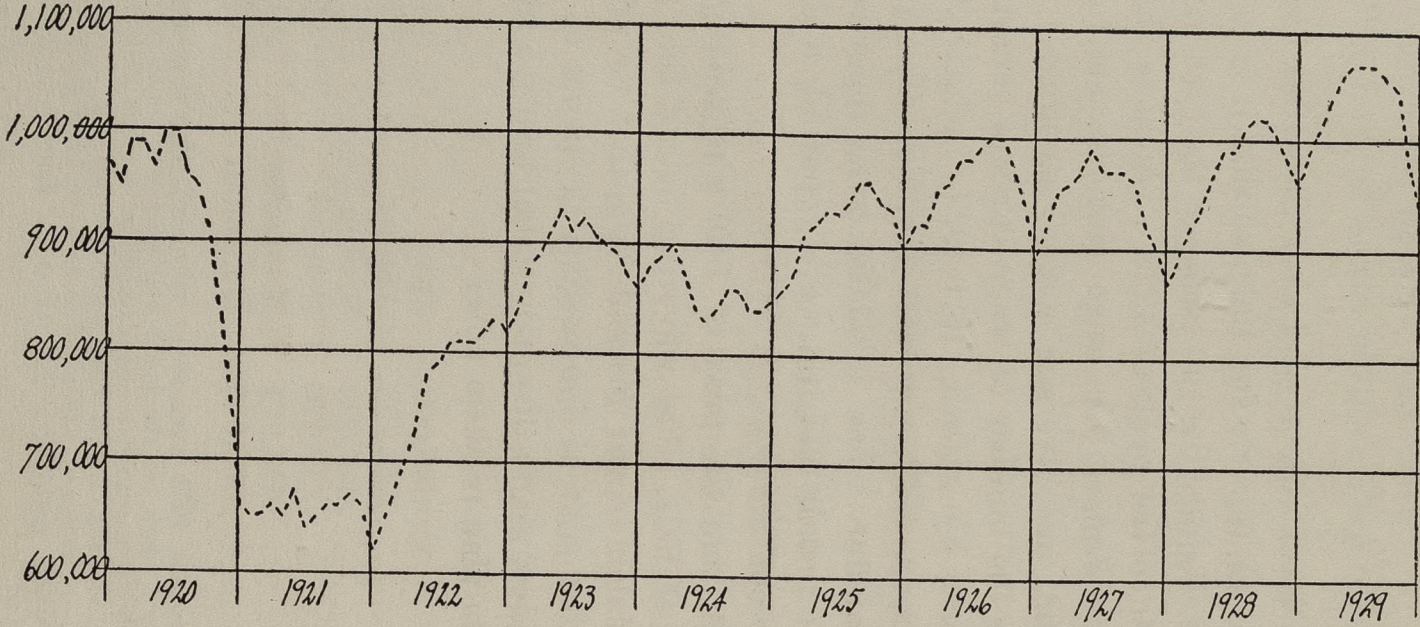


Chart No. 1. Number of Wage Earners Employed on the Fifteenth of Each Month, in Ohio, 1920-1929, as Reported to the Ohio Division of Labor Statistics.



All through 1922 the rise was as uninterrupted as the fall had been; there was a slight recession in January, 1923, and then the rise continued until June. There are two points to emphasize here: First, the present depression has so far not lasted longer than that of 1921, in which the fall continued for 18 months, from June, 1920, to January, 1922; in Ohio, the present recession began in August, 1929. Second, because this depression has involved so many more workers, the pick-up will probably be more gradual. And there is another factor: In 1921, we were not so involved in installment buying, as we find ourselves, ten years later. When the worker was at last employed, in 1922, his wages went at once for food, clothes, and fuel, and then for debts to grocer and landlord, and all of these payments meant buying power put at once into circulation and creating a demand for consumer goods. In this depression, however, although the re-employed worker may be able to buy some food, fuel, and clothing, and pay something on food and rent debts, part of wages is already mortgaged, and will go to finance companies, or to the banks which hold their paper, and will not help to swell the amount of consumer buying power. In so far as this is the case, it may either slow up recovery at the start, or bring about a temporary recession, a little later.\*

The 1920 peak was not reached again until August, 1928, when there were 1,007,029 employed.† In this year, employment for August, September and October stayed above the 1920 peak. Then it did not reach it again until March, 1929, and stayed above, until Novem-

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\*Professor Lubin has developed this point in an address before the American Economic Association.

†Although employment seems to reach this peak, in the chart, in September and October, 1926, the figures were actually slightly under, being 998,356 in the former month, and 999,909 in the latter.



ber. The recessions of 1924 and 1927 show up plainly, in the chart. In this chart, we have not shown these figures in relation to the population growth in Ohio; we have considered this, below. But even here, we can see how much more severe the depression was, when we realize that even though employment was less than 1920 until September, 1928, the population was steadily increasing.

Chart No. II, and Table No. 1, show the average employment, the average annual earnings and the payroll totals, 1920-1929, inclusive. Here, since we have the *average* employment for each year, the curve does not touch the 1,000,000 line, until 1929, when the average for the year was 1,024,165. The most precipitous drop, in 1921, is naturally in payroll totals, since both the average earnings (because of wage cuts and part time), and the

Table No. 1. Average Number of Wage Earners Employed Per Month, Pay-roll Totals Disbursed to Wage Earners, and Average Annual Money Earnings of Wage Earners, in Ohio, 1920-1929, as Reported to the Ohio Division of Labor Statistics.

Year	Average Number Employed Per Month	Pay-roll Totals	Average Annual Money Earnings
1920.....	942,925	\$1,454,725,511	\$1,542.78
1921.....	655,340	820,250,496	1,251.64
1922.....	750,403	No Record	No Record
1923.....	889,627	1,238,681,701	1,392.36
1924.....	860,379	1,209,620,128	1,405.92
1925.....	917,380	1,316,203,710	1,434.74
1926.....	959,168	1,360,927,634	1,418.86
1927.....	947,125	1,355,767,253	1,431.46
1928.....	966,125	1,398,706,201	1,447.75
1929.....	1,024,165	1,492,141,261	1,456.93

number employed declined. This drop was from \$1,454,725,511, in 1920, to \$820,250,496, in 1921, a drop of \$634,475,015, or 43.6 per cent! We know that, in this depression year, comparatively few of these men found

other jobs, so that among wage earners alone we have a reduction to nearly half the purchasing power of the previous year, a withdrawal of \$630,000,000 of consumers' money from the market. In addition, payroll disbursements to clerical workers and to salespeople were, of course, also reduced: by \$31,984,090 in the former case,

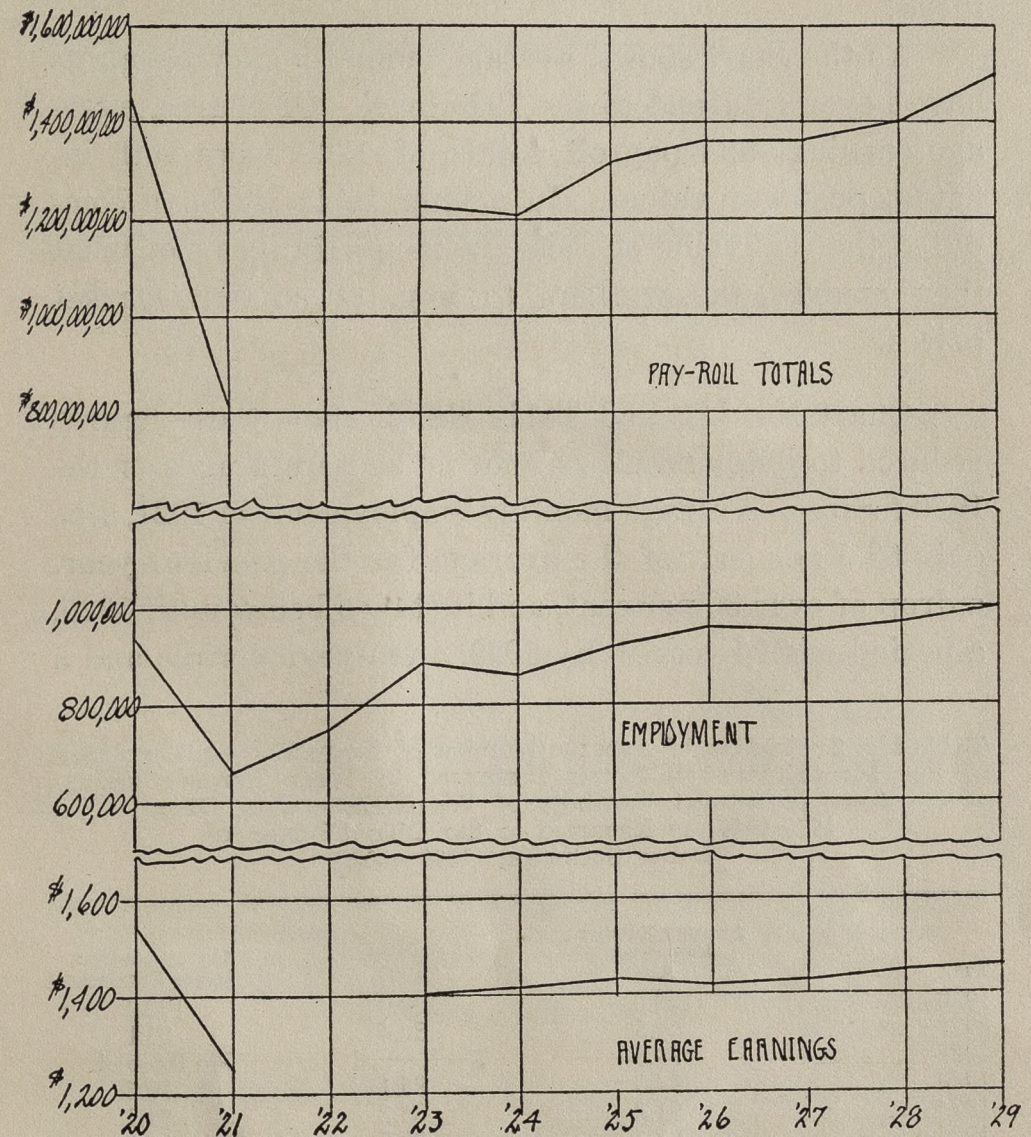


Chart No. II. Average Number of Wage Earners Employed Per Month, Pay-roll Totals Disbursed to Wage Earners, and Average Annual Money Earnings of Wage Earners, in Ohio, 1920-1929, as Reported to the Ohio Division of Labor Statistics.



and \$3,266,467, in the latter, making a total reduction of \$669,725,572; and if we add a reduction of \$4,732,055 in the payments to superintendents and managers, we have a total of \$674,457,627. "Buy Now" campaigns could not have lured this purchasing power back into the market, by posters or automobile shows, because it was not there!

As the chart shows, average annual money earnings have never returned to the 1920 level. Of course, average earnings and payroll totals of 1920 were both inflated, post-war values. In a later table we have computed the real value of these payments, in terms of what they enabled the workers to buy, at current market prices.

Chart No. III, and Table No. 2, show these figures reduced to index numbers, that is, as percentages of the 1920 figures. Average monthly employment, in 1921, was only 69.5 per cent of the average for the previous year, a drop of over 30 per cent, and it stayed below until 1926, a period of five years! By 1929, a ten-year period, and a

Table No. 2. Indices of Average Number of Wage Earners Employed Per Month, Pay-roll Totals Disbursed to Wage Earners, and Average Annual Earnings of Wage Earners in Ohio, 1920-1929, as Reported to the Ohio Division of Labor Statistics, (1920=100.)

Year	Average Number Employed Per Month	Pay-roll Totals	Average Annual Money Earnings
1920.....	100.0	100.0	100.0
1921.....	69.5	56.4	81.1
1922.....	79.6	No Record	No Record
1923.....	94.3	85.1	90.3
1924.....	91.2	83.2	91.1
1925.....	97.3	90.5	93.0
1926.....	101.7	93.6	92.0
1927.....	100.4	93.2	92.8
1928.....	102.5	96.1	93.8
1929.....	108.6	102.6	94.4

"boom" year, it had risen to only 8.6 per cent above the 1920 average. As we have seen, payroll totals dropped, in 1921, to almost half the 1920 total, and average annual money earnings dropped to 81.1 per cent of the 1920 figures.

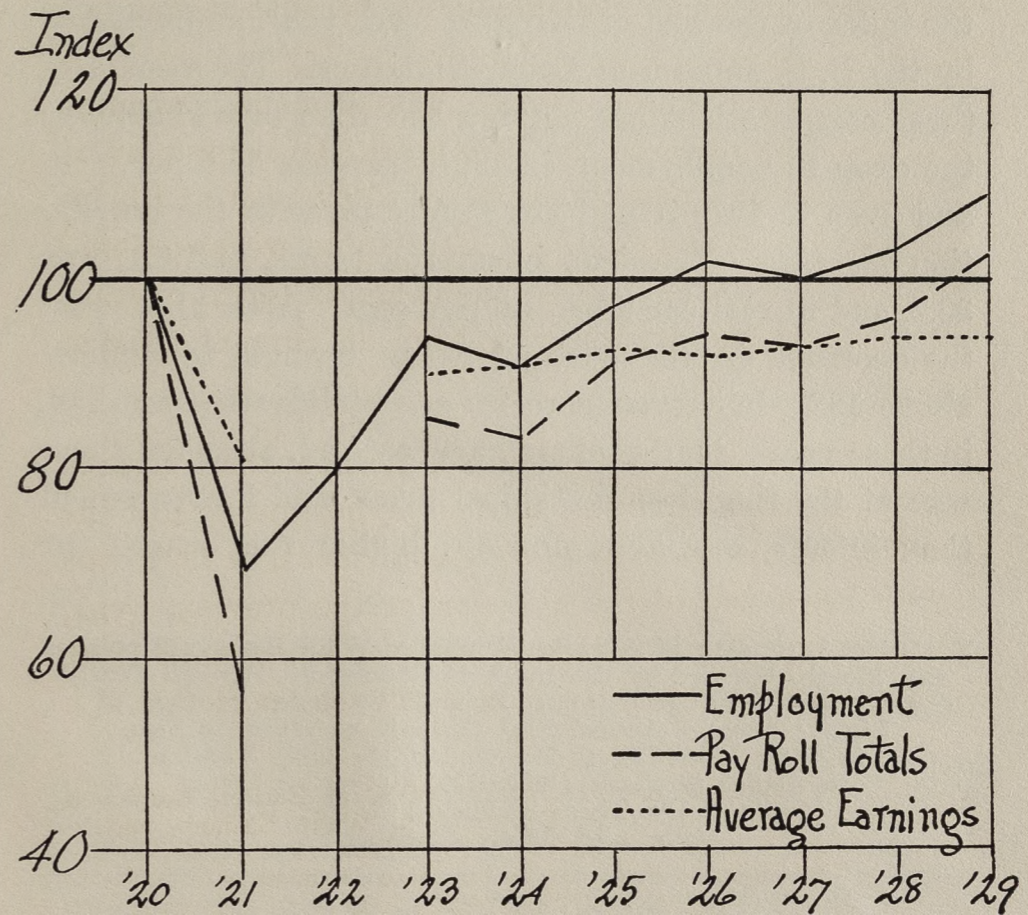


Chart No. III. Indices of Average Number of Wage Earners Employed Per Month, Pay-roll Totals Disbursed to Wage Earners, and Average Annual Earnings of Wage Earners, in Ohio, 1920-1929, as Reported to the Ohio Division of Labor Statistics. (1920=100.)

In our final chart, No. IV, and Table No. 3, we have tried to arrive at a more satisfactory realization of what these figures mean, by deflating all of them, as far as possible: we have tried to appraise the employment figures by deflating them by the index of the growth of the



population in Ohio, in these ten years;\* it is obvious that normally the number employed, just to hold our own, should rise, *pari passu*, with the number of people in the State; we have deflated the payroll totals and average annual money earnings, by dividing through by the index of the cost of living for each year, as published by the U. S. Bureau of Labor Statistics. The results of these computations are nothing less than overwhelming: the drop in employment, in 1921, becomes 35.4 per cent, and even in 1929 it had not caught up with the population increase. The drop in payroll totals, in 1921, was 33.7, and in real earnings, 4.6 per cent. After that year, the decrease in the cost of living brought the indices above 1920, but, even here we see plainly that we had, in these years, just what we knew we had, although there was at the time less statistical proof and measurement than is now available, namely: higher real wages for

Table No. 3. Indices of Average Number of Wage Earners Employed Per Month, Deflated by the Index of Population; Pay-roll Totals Disbursed to Wage Earners, Deflated by Index of Cost of Living; Average Annual Real Earnings of Wage Earners, in Ohio, 1920-1929, as Reported to the Ohio Division of Labor Statistics (1920=100). (Cost of Living Indices Are Those Published by the U. S. Bureau of Labor Statistics.)

Year	Average Number Employed Per Month	Pay-roll Totals	Average Annual Real Earnings
1920.....	100.0	100.0	100.0
1921.....	64.6	66.3	95.4
1922.....	72.9	No Record	No Record
1923.....	85.1	103.8	110.1
1924.....	81.2	101.6	111.3
1925.....	85.3	107.3	110.4
1926.....	88.0	111.3	109.5
1927.....	85.7	112.5	112.0
1928.....	86.3	117.5	114.6
1929.....	90.2	125.2	115.3

\*It would have been quite permissible to deflate with these same indices the pay-roll totals, but we have not done so.

those who were employed, but fewer employed; or, to express it in other terms, a larger percentage of the population earning nothing at all.\*

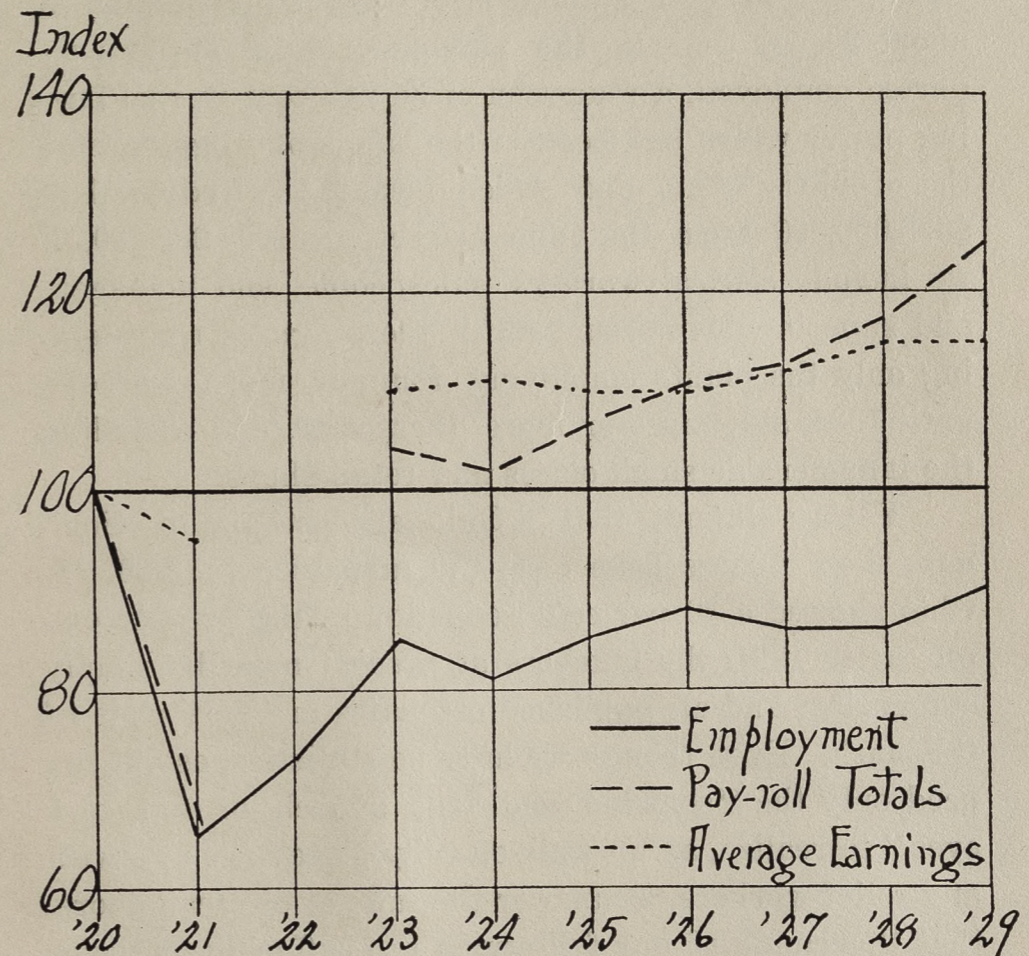


Chart No. IV. Indices of Average Number of Wage Earners Employed Per Month, Deflated by the Index of Population; Pay-roll Totals Disbursed to Wage Earners, Deflated by Index of the Cost of Living; Average Annual Real Earnings; Ohio, 1920-1929, as Reported to the Ohio Division of Labor Statistics, (1920=100). (Cost of Living Indices Are Those Published by the U. S. Bureau of Labor Statistics.)

\*It has been the contention of the U. S. Department of Commerce, during this period, that these men were absorbed into other growing industries, but we would refer the reader to a study by Fred C. Croxton, and Frederick E. Croxton, published in the Monthly Labor Review of the U. S. Bureau of Labor Statistics, and entitled: "Fluctuation of Employment in Ohio, 1924-1928, and an Estimate of Unemployment of Males."



In conclusion, we are able to picture something (our imaginations cannot possibly grasp more than the very least realization) of what the 1921 slump meant, in suffering and lowered standards of living: a reduction of about 30 per cent in the number of wage earners reported employed, a reduction of 34 per cent in real buying power which had been in the hands of wage earners the previous year, and which meant a withdrawal of \$630,000,000 from the Ohio market, or \$674,000,000, if we include clerical workers, salespeople, and managers and superintendents, and all of these figures representing only the plants employing four or more workers, until 1924, and three or more, thereafter, and excluding the innumerable small offices and retail shops.

Yet we all know that in Ohio, at least, and in Michigan, these figures have been far surpassed in 1930. If Ohio showed a 30 per cent reduction in the number employed in 1921, the numbers at present must be simply staggering, and all published estimates are very wide of the mark. Even though we have no statistics, as yet, we need only the "sensible and true avouch of our own eyes" to realize, as we walk our city streets, or talk with any relief workers, or answer the calls at our own doors, that thousands of our fellowmen are suffering as never before in our lifetime:

*"Their ghosts in many darkened doorways dwell,  
With desolate eyes to know them by."*