

OUR AMERICAN LETTER

Cult of the Cigarette in U. S.—Comparison with China:  
\$20,000,000 Deal That Affected Shanghai: State  
of Trade at Home and in China

FROM OUR OWN CORRESPONDENT.

San Francisco, Feb. 19.

China is not the only country in the world that has developed a remarkable capacity to consume cigarettes and cigars during recent years. The United States during 1924 sent up in smoke no less than Cigarettes Sixty-nine billion.

Cigars Six billion, seven hundred thousand.

Such, to be correct, was the tax-paid output of American factories. With the exception of radio, no manufacture shows such a marvelous growth during the last year or two as that of the cigarette manufacturer, for during the last nine years the production of cigarettes has grown fourfold—nine years ago the cigarette output was somewhat less than 18,000,000,000. From the latest figures I have by me (those for 1923), I find that China imported some 10,205,285,000 of cigars and cigarettes at a cost of nearly 30 million Haikwan taels, but this will not, of course, by any means represent the full consumption, for the B.A.T. and the Nanyang Bros. plants in South China, in Shanghai, Hankow and the North will turn out, unless I am very much mistaken, a very much larger quantity than that for purely domestic sales.

I remember on one occasion remarking to Mr. Thos. F. Cobbs, when he was the taipan of the B.A.T. in Shanghai, that a certain competing concern must be hitting the business of the British-American Tobacco Co. "Hitting it? Why, my dear man," said Cobbs, "the B.A.T. can make before breakfast in all its plants any morning more cigarettes than this competitor can sell in a month!" Mr. Cobbs (who is now retired in Southern California now) may not have been strictly truthful that morning, but there can be no doubt that China has taken very kindly to the foreign cigarette.

In America the increase in cigarette consumption is attributed to two main factors—(a) the increase of smoking among women and (b) the increased use among male adults as a direct result of advertising.

Four great tobacco companies dominate the market in this country, standing as giants above their numerous small competitors, and three of those companies spend millions of dollars annually to advertise the merits of their particular brands. The smokers of the United States are to-day supplying Uncle Sam with his third largest revenue. Only the income tax and the tariff lead tobacco as procurers of funds for the federal treasury.

Cigarette Advertising

I remember a good many years ago the somewhat crude advertising undertaken by the B.A.T. in parts of China far inland, where it was the desire to establish a sale for a certain brand of cigarette. On one occasion I met some salesmen in far Yunnan, men who had evidently been taken on for the job, but who possessed no knowledge of Chinese and little knowledge of the people. I was at that time engaged in research work, and, finding two foreigners in the same town, naturally invited them to dine with me at my inn. The invitation was accepted, and we spent a very happy evening exchanging experiences in that somewhat wild part of China. The salesmen told me that their duty was to go through the principal towns, stick up as many posters as they could and distribute sample packages of the advertised brand to all and sundry.

They confessed to be having a good time, and were confident that sales would increase as a result of their trip, and it looked as if they would return in high feather to Hongkong to report. They had been in this particular town since the previous morning—I had made a stay of a week, and was regarded as a somewhat guileless foreigner who did all sorts of strange things at strange times. I already had some kind of a reputation.

We had eaten our meal, and drunk all the grog the three of us possessed when our conversation was sadly interrupted by a hullabaloo in the street, the maddened populace threatening the early extinction of the three foreigners. Somewhat in-

spired with the grog aforesaid, the salesmen wanted to rush into the street, and endeavour to ascertain the cause of the rumpus, and, without any Chinese to do it with, argue the point and put matters right. I bade them heed my words, however. I made them hide under the contraption that I used as a bed, which they did; and then, not without some misgiving, I went out to meet the maddened mob. I found that the salesmen, hoping thereby to augment business, had plastered exterior walls of the Confucian temple with their flaving posters and had even done some billposting inside the temple. The result was that the coolies in the employ of those local Confucianists wanted the blood of the foreigners who would dare to offer them such a dastardly insult. And for some time it looked as if blood would be spilled. This might have happened had I not been more than usually generous with "chu ch'ien," thus in a way bailing out my fellow countrymen, who left post haste the following morning.

Those early days of the foreign cigarette offered a good many obstacles; and there are a good many still, so far as one can see from the China papers.

A \$20,000,000 Bill from Creditors

The story of a \$20,000,000 financial plan of international scope and brilliant ingenuity has just been filed at Santa Barbara (in California) on behalf of one E. G. Lewis, a promoter who seems to have had association with many places in this country and others.

Lewis's creditors, which is to say, persons who lent him money on personal notes of a dozen different kinds to the extent of \$10,650,923.23 (as he admits) or approximately \$20,000,000 (as others charge), number 25,000 or more. Californians seemed to have fallen most easily, but 75 per cent. of this total are scattered throughout the United States, British Columbia, Canada, the Canal Zone and South America. The far-away parts of the world were not excluded either, for a substantial part of the millions came from China, India, Australia, England and Phillipines. To show how people "fall,"—recruited largely through the mails with dazzling, gilt-edged promises,—it is shown that they come from all walks of life, and lent money to this promoter in sums ranging from five dollars to five thousand.

If there are any such in China whose eye this paragraph may attract, let me add for their comfort that

Lewis lists his assets at \$23,640,145.46. Of this total \$17,315,000 come under the heading "unliquidated claims," which the schedule sets forth as complaints, filed against the Union Oil Co. of California, for \$250,000; the Title and Insurance Trust Co. of California, for \$17,000,000, and against Cornelius E. Vanderbilt for \$65,000. The tangible physical assets listed by the promoter are: Machinery and tools, \$57,539.27; automobiles, furniture and office fixtures, \$14,000; real estate, \$27,066.05; oil leases, \$149,171.12, and miscellaneous personal property, \$500.

This man is now raising a new fund, on personal notes of course, for fighting bankruptcy, which he is calling the "defence fund"—and he has so far collected about \$10,000. One of his recent ventures was the organization of a company which was to sell a system to stimulate egg laying, such system involving the alternate brilliant lighting and darkening of chicken coops, so that each 24 hours would be divided into two egg-laying days!

I should think that money making in China is too hard just now to have it frittered away in such colossal schemes, but a fair number of good dollars found their way from Shanghai and other places into this fellow's pockets, it is alleged.

U. S. Trade with China

Trade between the Pacific Coast ports and China is just now by no means what traders would like to see it. Of course, this is the old gag. For some years past now the American merchant having dealings with China has been in the habit of desecrating trade, but each year there is shown a definite increase when Customs returns appear. Several lines of trade are dull, however.

One of them is, of course, Mahjongg sets, for the simple reason that the game has fallen on evil times. A year or 18 months ago there was as much interest in mahjongg in the United States as there was in the American Club at Shanghai at tiffin time three years ago, but to-day the game has been supplanted by cross-wording, and there are reported to be tens of thousands of sets in the hands of merchants, for which they cannot find profitable markets.

Another item that has dropped off a good deal lately is the China rug. What a trade that was, to be sure, and what an opportunity existed for the Chinese to "clean up" if they had only played the game and sent the right stuff! The old Tientsin rug, 20 years ago, could be bought for about 35 cents Mex. a square foot, and one could reply upon what he was getting. Nowadays the price is about treble that figure, and one can never rely upon the manufactured product. I have heard that several China houses have made heavy losses during the last year, the principal reason being the washing process. It appears that the washing—which, up to very recently, was carried out in New York, is a chemical process, and to subject the rug successfully to the process it is necessary for the rug to be dyed about three times the usual depth. But it has been found that the washers are very erratic in their results, for of two rugs, made at the same time and dyed at the same time, under precisely identical conditions, one will turn out beautifully, the other being washed to such an extent that no colours can be distinguished. The uncertainty both of quality from the China end and the unreliability of washing at the American end has thus been largely the means of sending this trade into the doldrums. But it is bound to recover, for the American public is only just beginning to be educated into the Chinese rug as against what are called "Oriental"—namely Persian and other—rugs.

But of U. S. trade with China, it is interesting to note that in 1923, the United States sold no less than 154.4 million Haikwan taels' worth of goods, and bought three times as much from China as Great Britain bought. The precise figure of both imports and exports was Hk. Tls. 281,251,423,—against just over 71 million taels in 1912 (the year after the Revolution). Great Britain's figures for those two years were:

	Hk. Tls.
1923 .....	163,604,359
1912 .....	90,555,817

U. S. Trade at Home

Trade still is good everywhere in the United States, and it looks as if the pace is to be maintained throughout the year. So far as the casual buyer can ascertain prices are not like to drop, however and one finds that he has to pay naturally higher prices as wages get higher. Coming from China, the first thing that strikes one is the dearthness of most necessities. As a matter of fact, one can buy many American manufactured articles cheaper in Shanghai than he can in San Francisco and New York. I could roll off a hundred things that you can buy at lower prices at any of the Nanking Road stores than you can buy them on Market Street in San Francisco. I hope that this will not induce the enterprising to buy up stocks in Shanghai and transport them to the Pacific Coast in the hope of turning honest dollars, but I think that it could be done all the same.

A watch that you will pay 10 or 15 dollars Mexican in Shanghai will cost you that number of gold dollars in this country. American-made so that. A sewing machine can be bought cheaper in Chungking, I believe, after having paid duty and the high transportation costs, than you will get it here. Curious, but true—and very annoying. Thomas Carlyle, that dear old Scot, dubbed economics "the dismal science," a phrase which, like a bad reputation, has been hard to live down. He would be interested in these price anomalies. Among economic laws there is none more important than the law of supply and demand, and what this law means and how it is applied gives the difference between success and failure. The great difficulty in America, however, is transportation.

I happen to own a ranch in Oregon where I have about 50 acres in apples. The price that growers in that locality can get for their fruit is, say 75 to 80 cents, but when we

go to New York we see that the same box of apples retails at five dollars. The retailer gets 37.4 per cent., jobbers, wholesalers and shippers organizations 23.0 per cent., transportation eats up 16 per cent. It is seen, that distributing costs, rather than large profits, cause most of the difference between farm and retail prices. Then again, speaking of apples, if you want a good apple in that apple-producing region, you will be hard put to it to find it. The best fruit comes from the tree, is packed into a case, is put on the rails and gets away to the large distributing markets, and only the mediocre fruit is left where it grows. If you want a good orange it is a byword that you must not go to California for it, the home of the orange, but to New York, several thousand miles away.

The cost of getting farm stuff to the consumer, the cost of getting manufactured goods from the factory to the consumer, through the ramifications of distribution, is where the money goes. I live in San Francisco; if I were to fancy a box of my own apples the cost of transporting them a couple of hundred miles would cost me more than it does to get a box, at carload rate, into the London market. One may rail against the system, but there is no way out of the difficulty. As an instance, taking the box of apples again; to reach me, the apples would need to be packed—one cost; would need to be hauled to the express office—another cost; would be checked up, handled again and put on the train for the journey—two more costs; arrived at its destination it would need to be taken from the train to the warehouse, another cost; I should be notified by the express company—again a cost, and so on and on to increase the expense of distribution.