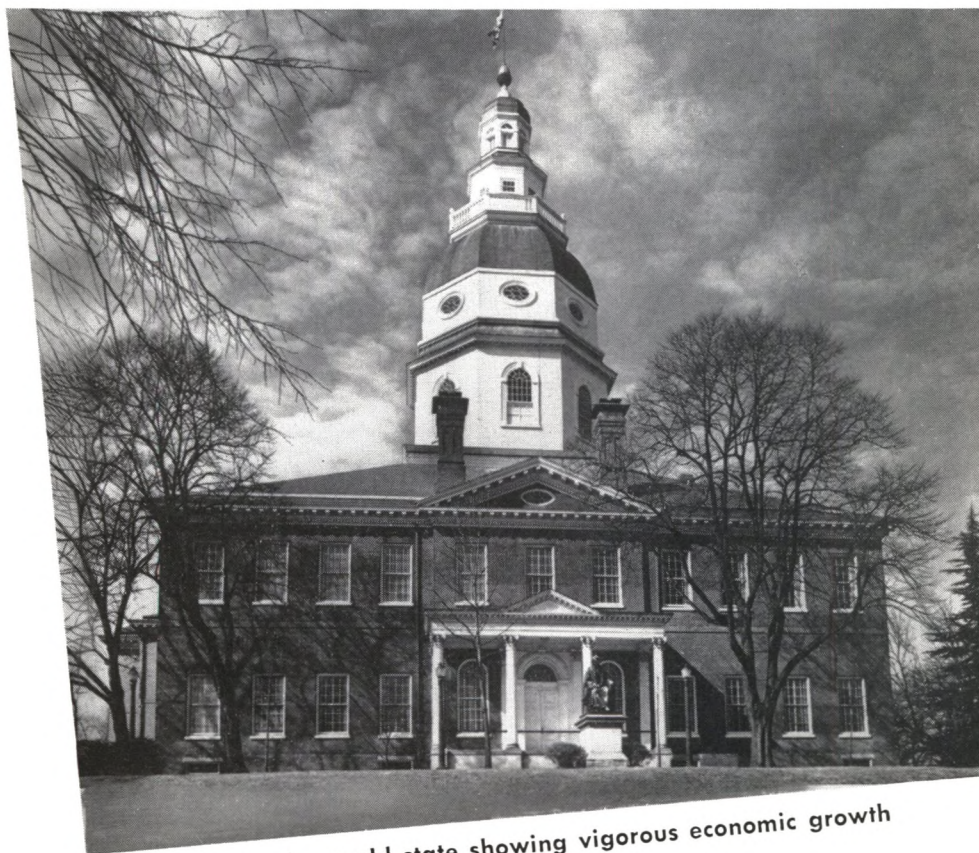


MONTHLY REVIEW



Maryland—an old state showing vigorous economic growth

FEDERAL RESERVE BANK OF RICHMOND

JUNE 1962



MARYLAND

An

Economic Profile

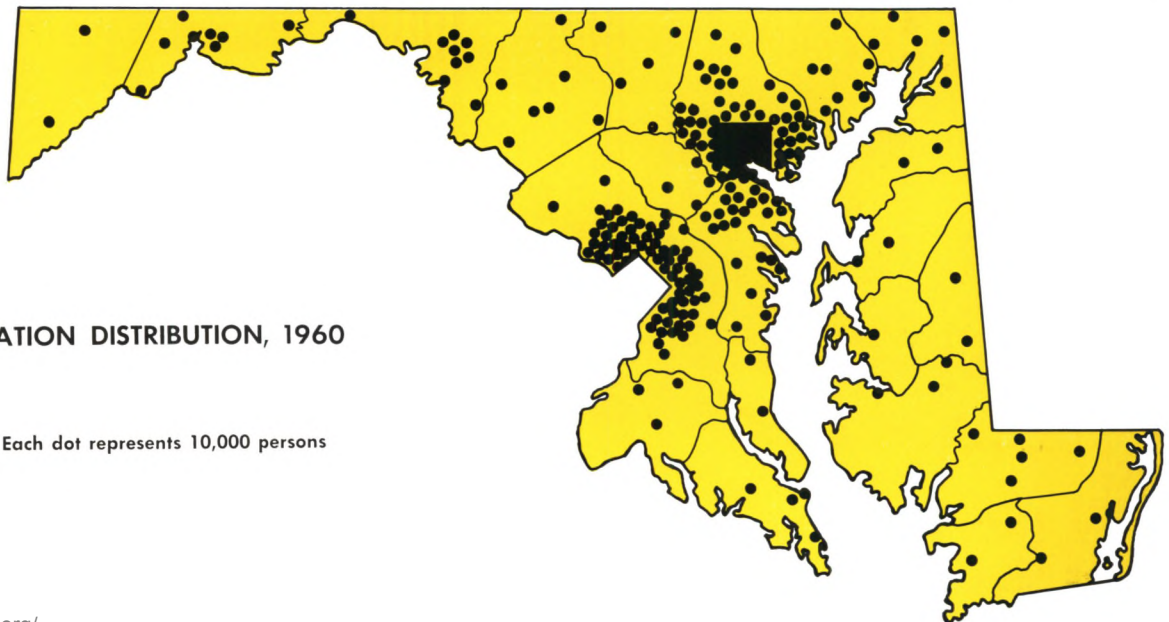
This month the *Review* spotlights Maryland, an old state but one whose economy has been showing the boundless energy of a teen-ager. The article underlines major characteristics of its booming economy and explores developments in important industries.

AN URBAN STATE Seven out of every ten persons in the State reside in urban areas, a slightly higher ratio than for the nation as a whole. The State's small land area and large urban population combine to give it one of the nation's highest population densities. In 1960 only five other states had a greater density than Maryland's 314 persons per square mile. Most of the urban residents live in a strip of territory stretching from the District of Columbia to Baltimore—an area part of a large urban concentration extending all the way to Boston. Popu-

lation experts forecast that this larger area will eventually develop into a continuous "strip city."

Between 1950 and 1960 the population of Maryland increased by nearly a third, a rise exceeded by only eight states and well above the increase of 19% for the country as a whole. Four-fifths of the State's gain was in the urban group, yet at the same time the largest city, Baltimore, lost population! This occurred because many Baltimoreans migrated to the suburbs—areas which are also classified as urban. The two suburban counties adjoining the District of Columbia also experienced sharp increases as they absorbed many persons either moving from the city or newly arriving in the Washington area. A few of the smaller cities either lost population or had only small gains. Poor showings in Hagerstown and Cumberland were closely connected with layoffs at a few large industrial plants.

A large part of the State's population is concentrated in a 50-mile-wide urban strip between the District of Columbia and Baltimore.



POPULATION DISTRIBUTION, 1960

● Each dot represents 10,000 persons

The growth of the rural population was entirely in the nonfarm group. The number of persons living on operating farms fell by roughly 40% as many persons quit agriculture in favor of more lucrative sources of income. From 1950 to 1959 the number of farms dropped from 36,107 to 25,122, and land in farms fell from 64% to 55% of Maryland's land area.

During the decade the State's nonwhite population, nearly all of which is Negro, grew faster than the white population. In 1960 nonwhites represented 17% of the total, whereas in 1950 they accounted for 16.6%. This growth, which was principally a result of natural increase, was concentrated in Baltimore City, where more than three-fifths of the nonwhite population now lives.

A WEALTHY STATE In 1961, the State's residents had a per capita income of \$2,478—an amount \$213 or 9% above the national average. The high incomes are concentrated in the Baltimore and Washington areas. Montgomery County, which serves as a "bedroom suburb" for many Federal executives has one of the highest per capita incomes in the nation. In contrast, many of the rural counties have incomes well below the national average.

Several factors account for Maryland's relative prosperity. The important role of the Federal Government, the presence of high-wage manufacturing industries, and the relatively minor position of agriculture are the principal ones. The Federal Government, which has a higher pay scale than many other employers, looms large in the State's economy. In 1960 wages and salaries from this source provided twice the relative share of payroll income that they

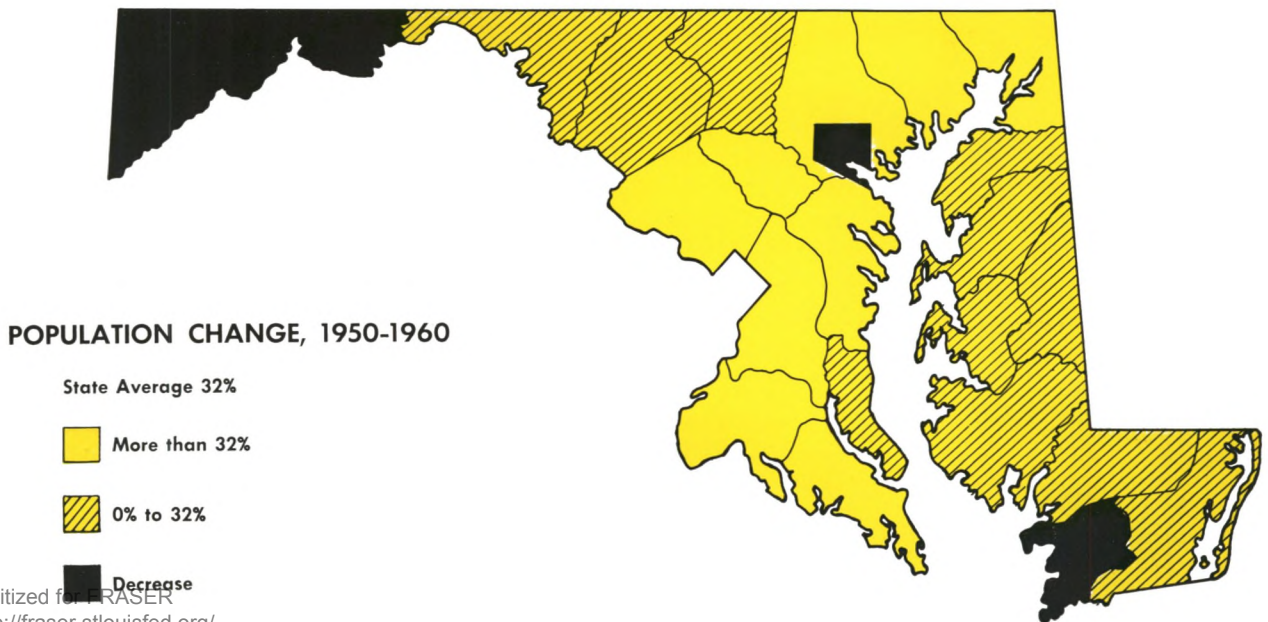
did nationwide. Producers of durable goods such as steel, ordnance, and autos lend support to manufacturing wages. Since 1956 average weekly earnings in manufacturing have been above the national average. Farms, a generally low-ranking source of income, employ a small portion of the labor force and therefore do not exert much downward pressure on average income.

During most of the 1950's per capita income remained about 8% above the national average—a significant fact in view of the State's much higher percentage increase in population. About 40% of the population increase was due to net in-migration. Evidently, many of these persons were income earners, a development which helped to offset the depressing effects on average income of a large increase in the number of children.

As well as having a high average income per person, the State has proportionately more of its population in the upper and middle income brackets than the nation as a whole. Of the 687,000 Federal individual income tax returns filed in 1959, 10% showed adjusted gross incomes of \$10,000 or more. Nationwide, 7.9% of the returns fell in this category. About one-third of the returns in both the State and the nation were in the middle income group, whereas in the low bracket, with incomes under \$5,000, the proportion was smaller in Maryland.

THREE GIANTS Manufacturing, government, and trade account for more than half of the labor force and wages and salaries. Compared with the nation as a whole manufacturing is relatively less important, government is more significant, and trade is

Although all but four of the 24 counties experienced some growth during the 1950's, the major portion occurred in the urban strip.



MANUFACTURING IN MARYLAND, 1958

Industry	Employees		Industry	Value Added	
	Number	Per Cent of Total		Amount (\$ Mil.)	Per Cent of Total
Total	256,897	100.0	Total	2,379	100.0
Transportation equipment	43,723	17.0	Primary metals	430	18.1
Primary metals	35,991	14.0	Transportation equipment	395	16.6
Food products	35,780	13.9	Food products	326	13.7
Apparel	22,107	8.6	Chemicals	193	8.1
Electrical machinery	16,635	6.5	Electrical machinery	152	6.4
Fabricated metals	14,477	5.6	Fabricated metals	135	5.7
Chemicals	12,908	5.0	Apparel	119	5.0
Printing	11,943	4.6	Nonelectrical machinery	105	4.4
Nonelectrical machinery	10,600	4.1	Printing	99	4.2
Other	52,733	20.5	Other	425	17.9

Source: U. S. Department of Commerce, Bureau of the Census.

about the same. The large role of the Federal Government mirrors the situation in the neighboring state of Virginia.

MANUFACTURING Even though manufacturing is relatively less important in Maryland than in many other states, it is still very significant, accounting for more than one-fifth of both the labor force and total wages and salaries. In 1958, the year of the most recent comprehensive census of manufactures, the State ranked 17th in manufacturing employment and 15th in value added by manufacturing, whereas it was only 21st in population.

Between the two broad types of manufactures, durables and nondurables, the former is more important to the State. In 1958 two durable goods manufactures—transportation equipment and primary metals—led the list in both employment and value added. Helping to give the primary metal products industry its first place in value added was the giant Sparrows Point steel plant in Baltimore County. This mill, which is the nation's biggest, employs close to 27,000 persons.

An overwhelming proportion of the manufacturing activity is located in Metropolitan Baltimore. In 1958 plants in Baltimore City and the counties of Baltimore and Anne Arundel produced four-fifths of

the value added and employed three-fourths of the manufacturing employees. Although dwarfed by the size of manufacturing in this area, there are other important but smaller centers in the counties of Allegany, Washington, Prince Georges, and Wicomico.

The regional distribution of Maryland's manufacturing changed somewhat during the 1950's. Between 1954 and 1958 Baltimore City slipped from 47.4% to 44.7% of the State's value added, and Washington County went from 4.1% to 2.6%. The largest relative gains in value added were experienced by several of the counties adjoining Baltimore City.

Between 1950 and 1961 manufacturing employment grew faster than for the nation as a whole. Nevertheless, the 10% gain in such employment was only one-third the rate of increase in the State's nonmanufacturing industries. Employment gains lagged behind big increases in output as manufacturers raised productivity by using more and better plant and equipment.

GOVERNMENT Included in the government category are members of the armed forces, Federal civilian employees, and employees of the State and the 328 local governments. Largest of the civilian government employers is the State and local group,

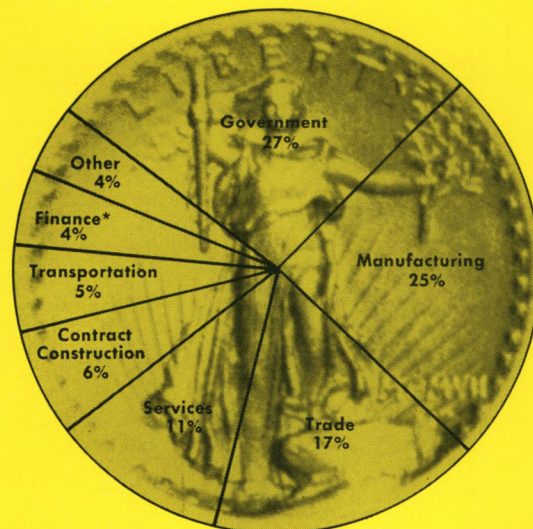
THE MARYLAND LABOR FORCE, 1961

Industry	Thousands of Persons	Per Cent of Total
Total labor force	1,215.9	100.0
Armed forces	55.0	4.5
Civilian labor force	1,160.9	95.5
Unemployed and on strike	70.3	5.8
Manufacturing	256.5	21.1
Government	179.2	14.7
State and local	100.2	8.2
Federal civilian	79.0	6.5
Trade	193.2	15.9
Services	130.3	10.7
Self-employed, unpaid family workers, and domestic servants	106.3	8.7
Contract construction	61.3	5.0
Transportation	48.4	4.0
Agriculture	46.0	3.8
Finance, insurance, and real estate	44.9	3.7
Communications and public utilities	22.1	1.8
Mining	2.4	0.2

Note: Labor force is measured by place of work rather than by residence.

Sources: State of Maryland, Department of Employment Security; U. S. Department of Commerce, Bureau of the Census.

MAJOR SOURCES OF PAYROLL INCOME MARYLAND, 1960



*Includes insurance and real estate.

Government, manufacturing, and trade lead as sources of income.

which in 1961 provided work for 8% of the labor force. In the postwar period these governments have assumed a much bigger role in response to the demands of a growing population. In 1950 they provided 5.9% of total wages and salaries. A decade later, after growing faster than any other major source of wage and salary income, their share was up to 8.5%.

The proportions of the State's personal income and employment originating in the State and local government sector are not unusually high. The additional amounts provided by the Federal Government are what really make government so important to the State. About 55,000 men are stationed at military installations such as Annapolis, Fort Meade, Andrews Air Base, and Aberdeen Proving Grounds. Another 79,000 persons work in Federal civilian jobs. The Department of Defense accounts for more than one-third of them, but other sizable employers are the Bureau of Old-Age and Survivors Insurance in Baltimore County, the Bethesda-based National Institutes of Health, the Atomic Energy Commission in Germantown, the Beltsville Agricultural Research Center, and the Post Office Department. With all of this Federal activity included, government employs close to one-fifth of the labor force and provides about 27% of wage and salary income. The

larger share of income is explained by government's higher wage scale and by the many residents of Maryland who have Federal jobs in Washington, D. C. These persons are not counted in the labor force because the measure excludes anyone living in Maryland but working elsewhere. If they were included, employment would be shown as more important than it is by the present measure.

The size of government has been a major reason for the State's comparatively mild reaction to the business cycle. During the postwar period there have been four cycles, and in each one personal income in Maryland has been somewhat less adversely affected than in the nation. In the most recent year of recession, 1960, personal income expanded by 5.1%, compared with 4.5% for the country as a whole.

TRADE Together, wholesale and retail trade provided jobs for 16% of the labor force in 1961. As would be expected, trade follows population and income. Thus in 1958, the year of the latest census of business, three-fourths of the retail sales were in Baltimore City and the counties of Baltimore, Anne Arundel, Montgomery, and Prince Georges.

Wholesale trade, which provided 40,000 jobs in 1961, is especially important in Maryland because of

the Port of Baltimore, which in 1960 ranked second among the nation's ports in foreign tonnage handled and third in dollar value of shipments. Separate wholesale trade figures for the Port are unavailable, but in 1958 three-fourths of the State's wholesale business was transacted in Baltimore City, where most of the Port is located.

Between 1950 and 1961 retail employment grew faster than wholesale, and added together, the two types of trade rose by 32%—a better gain than the average of 27% for all nonagricultural employment.

SERVICES Not far behind trade are services. In 1961 this diverse category ranked fourth in employment and supplied 11% of wage and salary income. The labor force table understates employment in services because many jobs listed under the large self-employed category are in the service trades. Between 1950 and 1961 services experienced hearty growth as many persons and business establishments decided that it was cheaper or more convenient to let a specialist do the job. The fastest growth was in the business services category.

CONSTRUCTION Population growth and construction go together. According to the recent census, one-third of the State's housing units were constructed between 1950 and 1960, and two-thirds of them were located in the fast-growing suburban counties of Baltimore, Anne Arundel, Montgomery, and Prince Georges. Nonresidential and public works construction also experienced healthy growth. Of the three sectors, public works performed best.

Based on its proportion of the labor force and payroll income, construction holds a larger position in the Maryland economy than it does nationwide. Yet, in terms of relative growth it has lagged behind the nation and several of the adjoining states. Between 1950 and 1961 the value of contract awards rose by 41% compared with 75% for the nation.

TRANSPORTATION Together, railroads, shipping, trucking, and airlines provide jobs for 4% of the labor force. Between 1950 and 1961 total transportation employment dropped by 7% as reductions by the railroads more than offset gains in trucking and waterborne commerce.

Like trade, transportation employment receives a big boost from the Port of Baltimore. According to an estimate by the Maryland Port Authority, about 45,000 workers are directly involved in port activities.

Most of the commodities handled in the Port's foreign commerce are bulky raw materials and semi-finished products. Measured by tonnage, the major imports are metallic ores, residual fuel oil, and sugar.

In 1960 Baltimore imported 40% of the iron ore shipped to the United States. The most important export is coal, accounting for roughly a third of the Port's exports in 1960. Other big exports are rolled and finished steel mill products and grain.

Since 1950 the Port has had several ups and downs. Total foreign trade tonnage in 1960 was much higher than in 1950 but well below the high levels occurring in 1956 and 1957 when the Suez oil crisis brought large sales of coal to European nations. Import tonnage exceeded the export figure in every year of the decade. In 1960 imports were more than four times as large.

AGRICULTURE For the State as a whole, agriculture plays a relatively minor role. In 1961, 4% of the labor force worked on farms, a proportion about one-half the national ratio. Wages and salaries are a small part of farm income; the major portion comes from ownership. However, even after adding in the proprietors' share, income from agriculture represented less than 2% of total personal income in 1960.

The most important farm commodities are milk, broilers, cattle, and tobacco. In 1960, milk and broilers together accounted for nearly one-half of total cash receipts. The dairy and livestock farms are located close to the big fluid milk consuming areas of Baltimore and the District of Columbia. Broiler production is concentrated in large enterprises on the Eastern Shore, and virtually all of the tobacco is produced in five southern counties. Two other important commodities are feed crops and vegetables. About two-thirds of the vegetables are produced by large truck farms on the Eastern Shore.

Between 1950 and 1960 physical production of most commodities showed large gains, but because of lower prices, cash receipts grew only moderately. Of the major commodities, broilers experienced the biggest growth in physical production with a booming 88%, but lower prices held down the growth in cash receipts to 57%.

Most of the farms are small in land area and in value of products sold. In 1959, 53% of the farms had less than 100 acres and 56% had cash sales under \$5,000. The large decline in the number of farms and the amount of land devoted to farming mostly involved small farms such as these.

Maryland's agriculture is characterized by high production expenses in relation to sales. Dairying, the most important type, requires large capital outlays and feed purchases. Figures on per farm income reflect these costs. In 1961 realized gross income was 18% above the national average, but after subtracting production expenses and adjusting for

changes in inventories, total net income per farm was 27% below the comparable figure for the nation. Many of the smaller farm operators depend on other sources of income to supplement farm earnings. In 1959 nearly one-half of the farmers had other jobs; for many of these, nonfarm income exceeded dollar sales of farm products.

COMMERCIAL BANKING In 1960 Maryland's insured banks employed over 7,000 persons and paid out \$28 million in wages and salaries. Thus, in addition to performing invaluable services for the economy, they are themselves important sources of income and employment. Also in the financial community are employees of stock brokers, insurance companies, real estate agencies, savings and loan associations, mutual savings banks, and small loan companies. In 1961, employees in the entire financial group numbered nearly 45,000.

Since World War II the number of banks has steadily declined as previously independent units have merged. Between 1950 and 1961, while the number of banks dropped from 164 to 133, the number of branches more than doubled, rising from 119 to 252. A small part of the increase came from the conversion of merged banks into branches, but most of it was due to the opening of new banking offices to meet the needs of the expanding population.

Most of the banks are small. In 1961, insured banks with deposits of less than \$10 million represented three-fourths of the 131 insured banks but held less than one-sixth of total deposits.

Between 1950 and 1961 bank resources grew by 60%—a rate matching the national average and above that of all of the adjoining states except Virginia. Banks made a major shift in assets as holdings of U. S. Government obligations were reduced and loans to individuals and business were expanded greatly. By the end of the period loans had switched position with Governments as the major type of asset.

STATE AND LOCAL GOVERNMENT FINANCE Maryland's large population growth combined with backlogs in demand, a higher standard of living, and inflation has caused a big expansion in the finances of the State and local governments. Complete data for tracing this growth are unavailable since the Bureau of the Census did not begin making annual estimates of total State and local finances until 1957. Nevertheless, a good impression of trends may be gained by looking at the State government, which in 1960 accounted for more than one-half of State and local general revenues and expenditures and nearly one-third of the outstanding net long-term debt. Between 1950 and 1960 Maryland's revenues and ex-

penditures behaved like those of most other states as they increased in nearly every year, and more than doubled over the decade. Education and highways were the two largest expenditure categories, and both showed big increases as they reacted to the 67% growth in public school enrollment and the 92% increase in motor vehicle registrations.

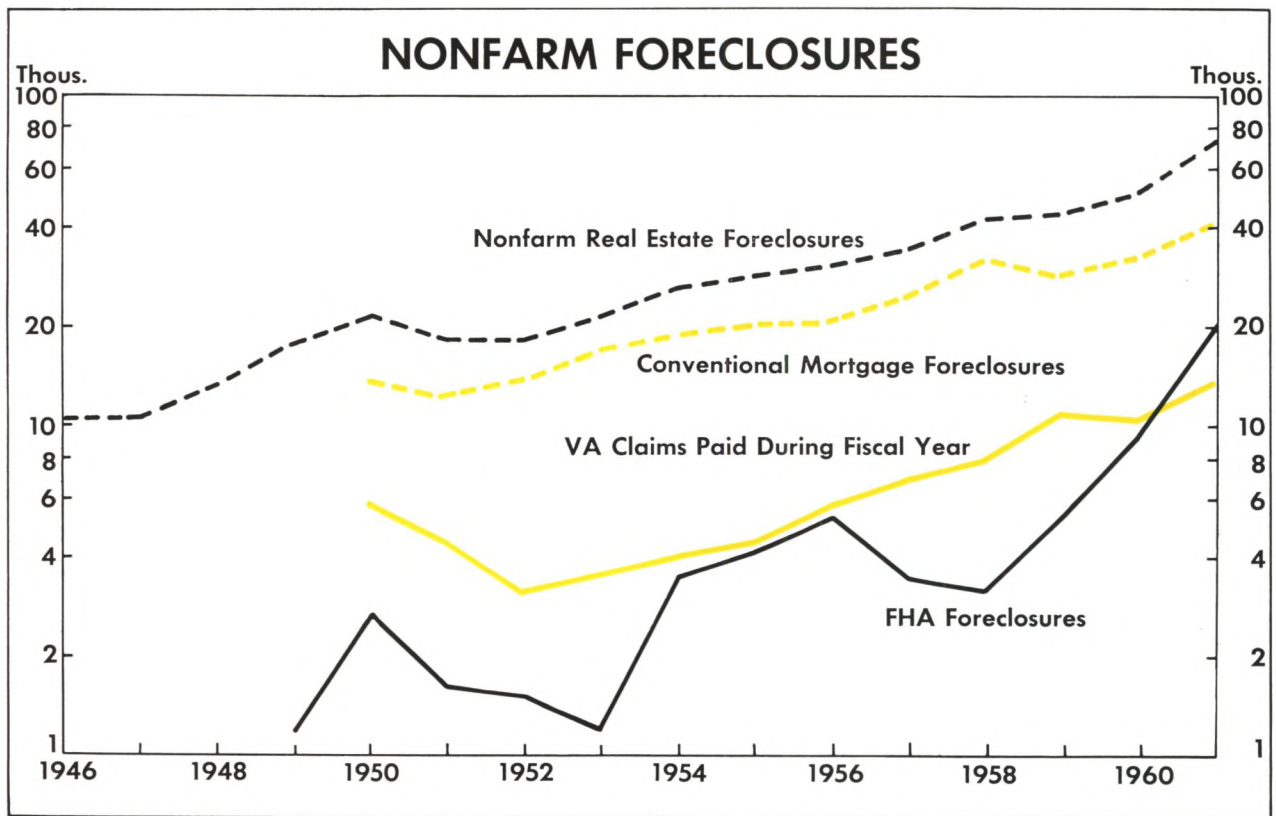
Expenditures for current expenses such as salaries, office supplies, and fuel were paid for by current revenues, but outlays for school buildings, bridges, and tunnels were in large part covered by borrowing. During the period the State's debt expanded five-fold, an increase exceeding the quadruple average for all state governments. For the years for which local data are available, the same upward trends are evident in total State and local finance that are found in the State component.

In 1960 general revenues of the Maryland State and local governments amounted to \$236 per capita, versus \$242 nationally, and represented 9.9% of personal income—a full percentage point below the national rate. State and local expenditures equaled \$269 per capita, \$19 below the national figure. Debt was \$489 per capita—considerably more than the \$342 average for all State and local governments. Because of this, per capita interest payments were well above the national average.

SUMMARY This article has stressed two factors playing an important part in the State's vigorous economic growth. They are (1) the big rise in urban population and (2) the State's high level of income. The recent population growth, which was due to the combined stimulants of net in-migration and natural increase, was both a result and a cause of economic growth. Had it not been for the availability of new jobs, such large numbers of people would not have moved into the State, but without the big natural increase the demand for new housing and other consumer goods and services would have been smaller.

High income is related to the urban concentration. It is in the cities that the big employers—government, manufacturing, and trade—are located. Because of the greater relative importance of city employment and the high wages paid in many manufacturing industries and government, the Maryland per capita income is well above the national average.

This article is the second of a series of economic profiles of states in the Fifth Federal Reserve District. A booklet on the Virginia economy is now available on request and a similar study of Maryland will be published later this year.



Nonfarm Mortgage Foreclosures

Among the more significant trends of the past few years has been the rapid rise of foreclosures on nonfarm real estate mortgages. Despite high levels of prosperity and a fairly rapid rate of economic growth, such foreclosures have risen from a low of 10,400 in 1946 to 73,074 in 1961. This is still far below the tragic experience of the 1930's, when foreclosures exceeded 100,000 each year, reaching a peak of 252,000 in 1933. But the present situation bears watching, nonetheless, and mortgage lenders are keeping a weather eye on the trend.

The black, dashed line on the chart above shows total foreclosures since 1946 on a semi-logarithmic scale (a straight line shows a constant percentage rate of change). Between 1952 and 1960 foreclosures increased at an average annual rate of about 18%. In 1961 they increased by 42%, the highest percentage increase for any year in the postwar period.

If foreclosures were increasing only as rapidly as the number of mortgages outstanding, one could

dismiss the trend presented in the previous chart as the consequence of an expanding market. Such, however, has not been the case, and foreclosures on residential properties per thousand mortgages in force have generally increased over the decade, as the following chart shows.

FORECLOSURES BY TYPE OF LOAN The first chart reveals that the rising trend of foreclosures has not been confined to one type of mortgage. It is obvious, however, that foreclosures on Government-guaranteed and -insured mortgages over this period have climbed at a much faster rate than foreclosures on conventional mortgage loans. The rate of increase on FHA loans in recent years has been quite high and that on VA loans has not lagged far behind.

FACTORS BEHIND THE RISE The precise causes of the trend in foreclosures are difficult to pinpoint. Many diverse factors are involved, of course—divorce rates, geographical shifting of defense con-

tracts, and recall of reservists to active duty, to mention only a few. In addition to sociological and political factors, there are several important economic factors which bear on the likelihood of foreclosure—such as the trend of mortgage terms (down-payment ratios and length of maturity), the trend of loan size relative to the income and wealth position of the borrower, and the trend of real estate values. Each of these will be considered in turn.

MORTGAGE TERMS There is no doubt that mortgage terms have eased greatly since World War II. At times conditions have become tighter as administrators of the Government guarantee and insurance programs have sought to restrain speculation or curb construction activity. The Korean War period, for example, is a case in point. In general, however, the direction of change has been toward greater ease—lower down payments and longer maturities. At the present time the maximum loan-value ratio on FHA insured mortgages is 97% and maturities may run up to 35 years if buildings are approved for insurance prior to construction. No down payment is currently required on VA mortgages, and mortgages may be guaranteed up to 60% of value or \$7,500, whichever is smaller. Conventional mortgage terms have also become easier. Many savings and loan associations, for example, are now making loans of 75% or more of property values and permitting maturities of over 20 years. Such liberal terms were not common 15 years ago. Nevertheless, conven-

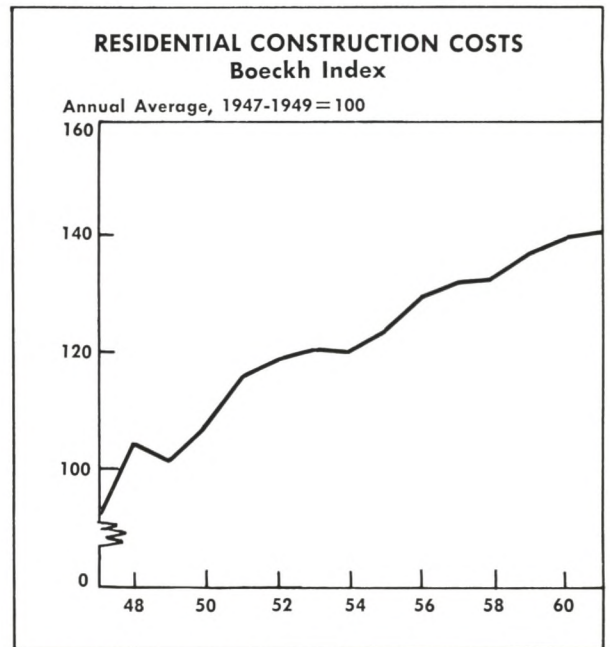
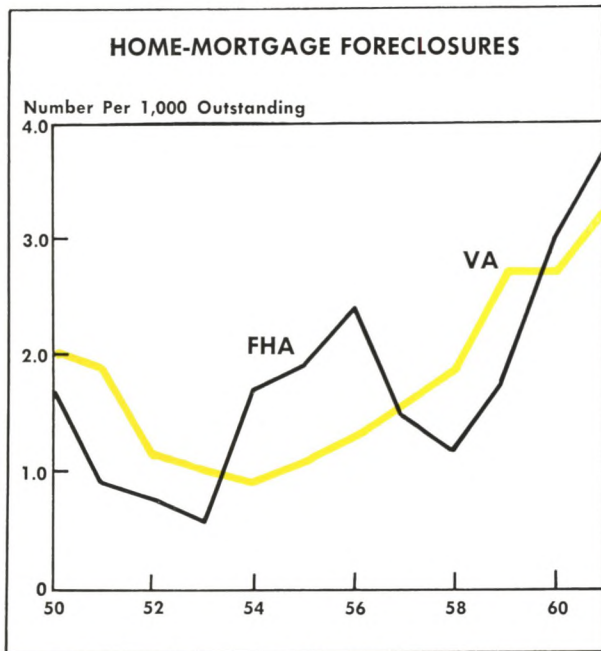
tional mortgage terms have not eased as much as those on Government-backed loans.

Precisely how the easing of mortgage terms over the past decade is related to the rising rate of foreclosures is problematical. It is reasonable to assume, however, that the lower the down payment the greater the probability of default, since the owner's equity will be smaller over the lifetime of the loan, particularly in the early stages.

The effect of maturity lengthening is less obvious. On the one hand, longer maturities reduce the size of monthly payments and impose a smaller burden on the borrower's income in carrying a mortgage of a given amount. But on the other, longer maturities result in a significantly smaller owner's equity during the early life of the mortgage and increase the risk of default. The net effect is impossible to determine.

There is evidence that at times, at least, other factors are more important determinants of foreclosures than mortgage terms. It should be pointed out, however, that the impact of liberal terms may not be readily apparent when terms are becoming progressively easier and property values are rapidly rising. In recent years there has not been an acid test of liberal terms.

THE SIZE OF LOAN The size of loan relative to the income and wealth position of the borrower is obviously an important determinant of risk. A loan of given size to a borrower with a small, uncertain income and low net worth is patently more risky than



the same loan to a more wealthy borrower with a larger, more stable income.

The wealth position of mortgage borrowers is difficult to estimate, but information on loan size and income indicates that the average size of loan has been growing slightly faster than per family disposable income. Between 1947 and 1960 the average size of loan increased approximately 6.5% per year while disposable income per family grew on the average only 4.8% per year.

REAL ESTATE VALUES The value of the property which secures a mortgage loan is another important determinant of the loan's safety. In a period of rising property values the owner's equity increases faster than would be the case in a period of stable values, and the risk of default is correspondingly diminished. Moreover, when real estate prices are rising, an owner who finds himself unable to meet his payments can generally sell out at a profit and avoid foreclosure.

The period since World War II has been one of rising real estate prices. Home owners have received a windfall increase in their equities, and many a mortgage borrower has been bailed out of trouble by the constant inflation of property values.

There is some evidence, however, that the situation is changing. The preceding chart shows that the trend of total construction costs has leveled off somewhat. If construction costs cease to rise, property values all along the line will cease to climb since new houses are a close substitute for existing ones.

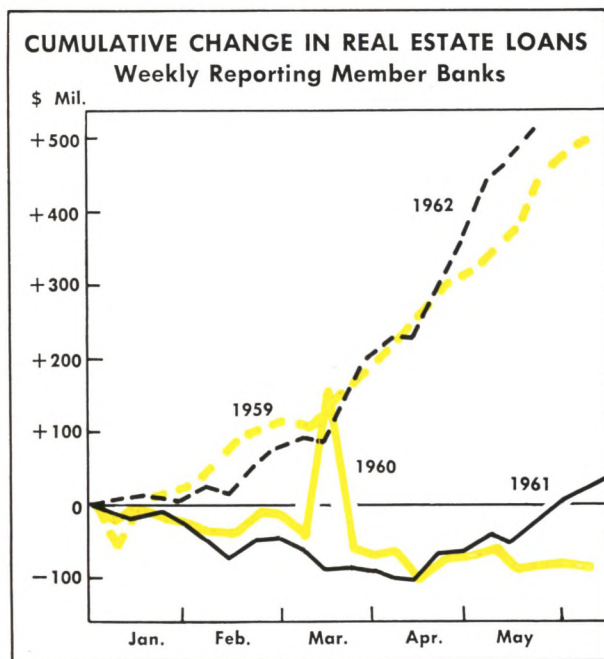
This would have a marked effect on the foreclo-

sure situation, and probably there is some connection between the recent large increase in foreclosures and the more moderate rise in real estate prices. If property values remain stable or decline, the foreclosure situation may well grow much worse. Declining property values plus the normal depreciation of improvements would reduce the rate at which owners acquire equity and increase the risk of default.

COMPETITION FOR MORTGAGES Despite rising foreclosure rates, mortgage lenders in recent months have been actively seeking suitable mortgages in which to invest. Evidence of the vigorous competition is the declining level of mortgage rates in the secondary market. Another indication is the increased participation of commercial banks in the mortgage market. This has resulted in part from the rising costs of time and savings deposits and the consequent need for higher yielding investments. The chart below shows the cumulative change in real estate loans held by weekly reporting banks during the first part of several recent years. The increase thus far in 1962 has been greater than in any recent year, even 1959, which was a record year for residential construction.

What effects will increased competition have on foreclosures? The answer depends in part on how great the competition is. If it is intensive and prolonged, other things being equal, mortgage interest rates will decline. This in itself will tend to have a favorable effect on foreclosures as lower interest rates will allow a mortgage to be amortized over a given period with smaller monthly payments relative to a borrower's income and wealth position. Or lower rates may induce a borrower to finance his home over a shorter period, in which case he will increase his equity at a faster rate and reduce the risk of default. If, however, falling interest rates cause lenders to take mortgages of poorer quality in an effort to increase earnings, the result may be higher foreclosure rates.

CONCLUSION The future, as always, is very unclear. A situation exists, however, which bears watching as there are some signs that the climate of the mortgage market may be changing. Further liberalization of mortgage terms may no longer be feasible, and the general inflation of the past 15 years may be grinding to a halt. In such a case the period ahead might be one of stable real estate values, and the conjunction of stable property prices, liberal terms, and large loans in relation to family income might well result in still higher foreclosure rates.



THE FIFTH DISTRICT



In many a youthful mind graduation is simply, perhaps happily, the end of school. Nowadays, however, a growing number seem to comprehend a truth that retains vitality despite a degree of monotony inadvertently conferred on it by generations of graduation orators. A commencement is not an end but a beginning—a new phase of life in which more specific preparations are made and careers actually begin. By graduation time the more enterprising students will already have made their plans, and sooner or later the others will face similar decisions. In the end, less than half will continue their education. Boys will enter military service, and girls will marry or simply continue to live at home. But most of the young people who graduate this June will be looking for employment.

Comprehensive, up-to-date statistics on school enrollments are not available. Furthermore, especially at the college and university level, graduates cross state (or District) lines with impunity, seeking the most promising opportunities. However, with the aid of some current estimates and statistics that show the trends of the past, the general characteristics of this year's crop can be broadly outlined.

In the Fifth District about 200,000 students will graduate from high schools, colleges, and graduate programs this June. Of the approximately 165,000 high school graduates, about 70,000 will seek further education. About 80,000, almost half, will join the labor force, either with jobs lined up or seeking jobs. The other 15,000, more or less, will choose other alternatives such as a tour of duty with the armed forces or domestic responsibilities. Fifth District colleges and universities will probably graduate between 37,000 and 38,000 this year. About 5,000 of these will continue their studies. This will leave between 32,000 and 33,000 seeking employment in their chosen vocations. Thus, the total addition to the labor force brought about by graduations from high schools and institutions of higher learning will probably be between 110,000 and 115,000.

ASSETS OR LIABILITIES There seems to be a temptation in some circles to view this lump addition to the labor force with some alarm. The District labor force without seasonal adjustment has recently totaled about 6.3 million, and “already” there are over 350,000, or 5.8%, without jobs. Taking a most ex-

The importance of education is receiving more and more recognition as growing numbers of teen-agers and 20-year-olds look for jobs.



treme view, a precipitant increase of 110,000 in the ranks of the unemployed would raise unemployment to an awesome 8.7%. Far from being a liability, however, these youngsters are relatively able and aggressive, capable of finding employment, and destined eventually to play an active role in advancing the economy. Many will have acquired specific skills in high school. Others will be receptive to on-the-job training. And the more than 30,000 recipients of college or graduate degrees should have relatively little difficulty finding jobs that will lead to positions of potential responsibility in industrial, professional, or academic life. In any case, "economic liabilities" are few and far between in the ranks of the graduates. Those who fail to finish high school are by and large the ones that will face employment problems.

MANY LEAVE WITHOUT DIPLOMAS The evidence suggests that between 4% and 5% of students enrolled in Fifth District primary and secondary schools drop out each year. Withdrawal rates are low during the early years but are of significant magnitude at the high school level. According to the *Biennial Survey of Education in the United States*, only three-fourths of the students enrolled in ninth and tenth grade classes during the 1957-58 school year showed up in the eleventh and twelfth grades two years later. The net effect on the labor force of this attrition within District school systems is difficult to evaluate. On the surface it would appear that between 80,000 and 100,000 students of labor force age quit Fifth District secondary schools each year. Almost as many dropouts as graduates annually join the labor force, but with far less chance of finding a place in the economic life of their respective communities. Population experts say that before long the 20-years-olds will be the nation's fastest growing age group, and competition for advancement will certainly be keen.

BUSINESS CLIMATE FAVORABLE Job prospects depend primarily on local labor market conditions and the capabilities of individual applicants. But general economic activity has an important bearing on the speed at which new workers are absorbed. This graduation month finds Fifth District business operating at, or near, record levels according to virtually all principal indicators. Bank debits, seasonally adjusted, reached a new high in April as did nonfarm employment and manufacturing man-hours. The District labor force (for which seasonal adjustment is not yet available) has increased each month since the first of the year, but employment has grown faster so that unemployment has steadily declined.

Employment increases were widespread in April with the most striking rises occurring in contract construction and trade. Gains were also prevalent in manufacturing industries. The rise in seasonally adjusted factory man-hours was led by furniture, up more than 8% between March and April, and apparel, which advanced nearly 6%. Gains of around 4% occurred in fabricated metals; transportation equipment; lumber and wood products; stone, clay, and glass; and tobacco. Chemical and textile man-hours rose about 3%.

WITH SOME QUALIFICATIONS These advances added to smaller ones that occurred earlier appear to proclaim a breaking away from a plateau-like situation that gripped the Fifth District after the middle of last year. They represent to some extent gains which many analysts had expected to be realized several months earlier. Although personal income is estimated to have been at record levels during the early months of the year and retail trade has been good, consumers generally seemed to lack the exuberance expected in a spring upturn during a period of relative prosperity. Then too, a few rather weak areas have persisted. In manufacturing, the important textile and lumber markets have been hampered by wavering demand. Textile prices have remained virtually unchanged while costs have tended to rise. The fact that most countries exporting textiles to the United States used up their quotas in the first half of the year may become a factor in altering this situation during the second six months. The coal business, according to recent reports, has tended to decline again after several months of gradual improvement.

The economy into which 1962 graduates are stepping is not hungry enough for manpower to gobble them all up in one swallow. Young men who have not yet fulfilled military training obligations are finding some employers reluctant to hire them. But most firms, especially the larger ones, are taking the best they can find despite uncertainties. Those who are well qualified by general background and education can find plenty of well-paying opportunities from which to choose. The rest should find hunting conditions better than average as they seek to match their talents and interests with the economic needs of society.

PHOTO CREDITS

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