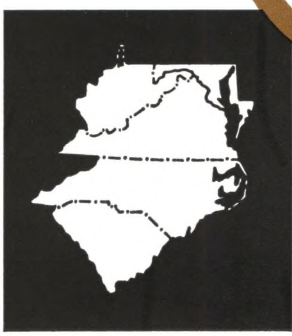
FEDERAL RESERVE BANK OF RICHMOND

MONTHLY REVIEW



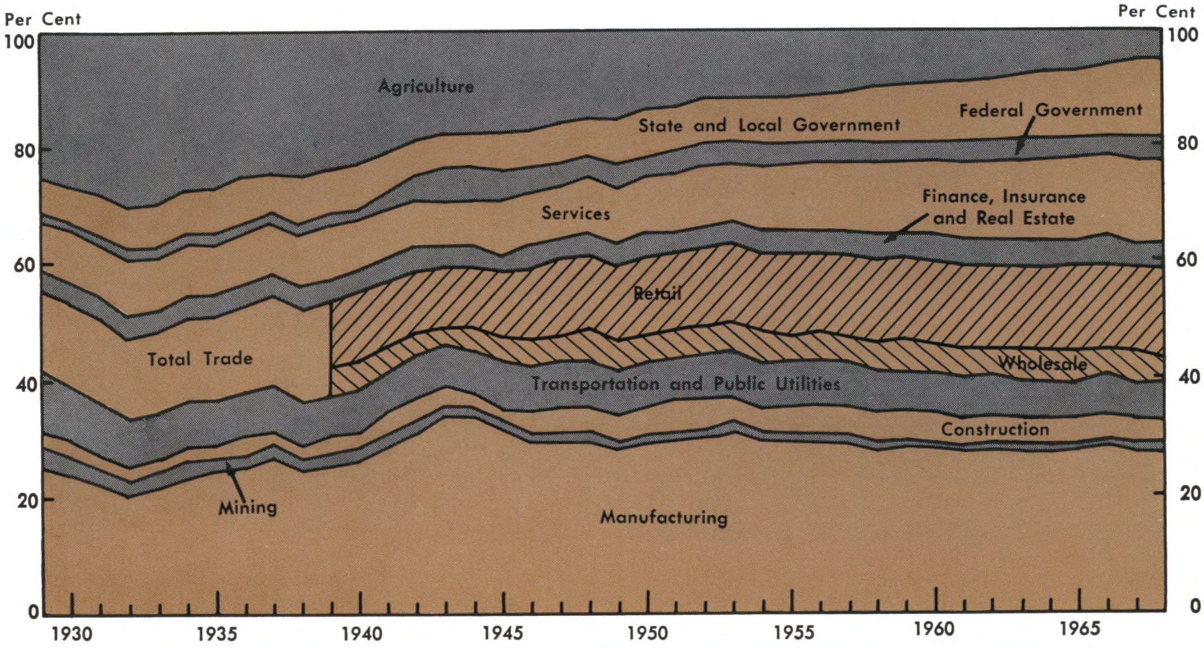
JUNE 1969

Long-Term Employment And Recent Unemployment Trends In The United States

As the nation's economy has flourished over the past several years, total employment has grown to record levels and the unemployment rate has fallen to the lowest level since the Korean War. But especially since 1965, gradually declining rates of unemployment have been accompanied by an acceleration in the rate of inflation. With increasing urgency, policymakers have turned their attention to the inflation problem and have sought prescriptions which would at once contain or dissipate inflationary pressures while allowing the economy to expand at a rate sufficiently rapid to create jobs for all new entrants into the labor force. It is, of course, widely understood that failure to achieve the latter half of this objective would lead to increased unemployment and that, in the current business climate, much of the increase would concentrate among the less-skilled, who also make up most of the lower income groups in U. S. society. In a society increasingly preoccupied with the problems of low-income groups, the effects of a deceleration in the economy's growth on unemployment is accordingly a matter of major concern.

This article reviews briefly the differential unemployment experience of various labor force groups, classified by age and race as well as by occupation, during the period 1961-68, the nation's largest business expansion. It also offers some comments on the changing industrial composition of employment in the U. S. economy since 1929.

EMPLOYMENT DISTRIBUTION



Source: U. S. Department of Labor.

Industrial Distribution of Employment, 1929-1968 Chart I shows the percentage distribution of employment by major industry groups from 1929 to 1968. As might be expected, the percentage of all employed persons engaged in agriculture has shown a consistent decline, from approximately 25% in 1929 to around 5% in 1968. The Depression years provided the only exception to the decline. From 1929 to 1932, the percentage of the labor force employed in agriculture showed a fairly steady increase to a high of approximately 30% in 1932. This apparent large movement back to the farm could be substantially overstated, however, since total employment also fell from 1929 to 1932.

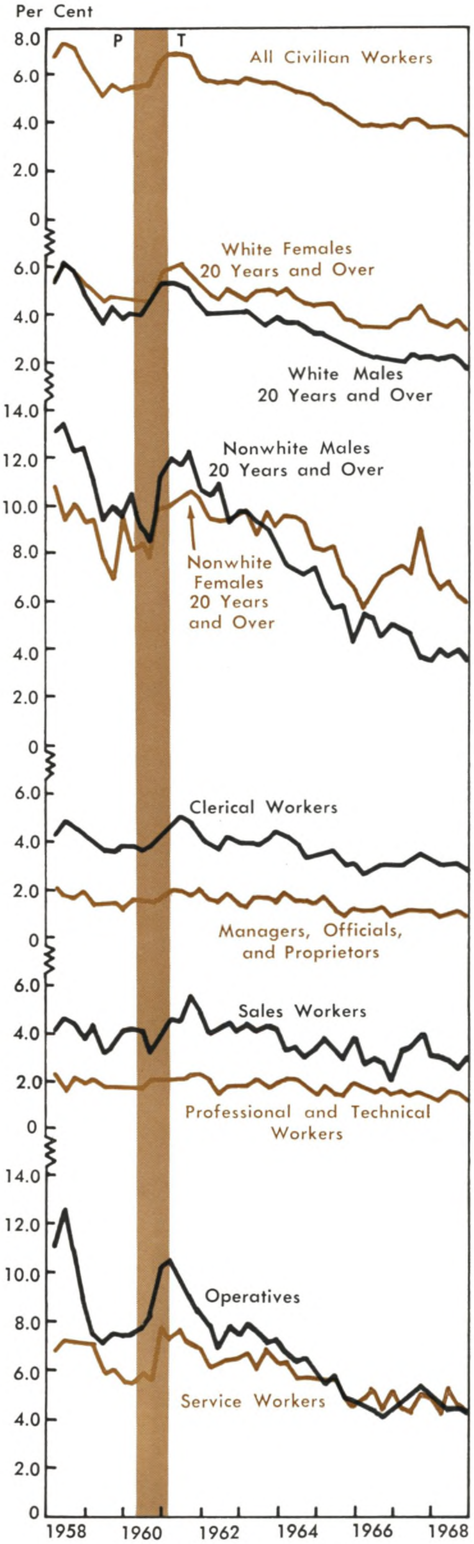
Manufacturing employment clearly exhibited an upward trend from 1932 to its peak during the war years of 1943 and 1944. Since the war, however, manufacturing employment as a per cent of the total has shown only a slight downward trend. Until 1932, Federal Government employment stayed around 1.5% of total employment, then moved closer to 2% between 1932 and 1938. During World War II, the percentage employed by the Federal Government rose to almost 6%. Since the Korean War, however, it has remained between 3.5% and 3.8%.

In contrast to the Federal Government figures, the percentage of total employment accounted for by state and local governments has shown an impressive expansionary trend in recent years. The percentage employed in the service industries has shown a similar expansion. These long-term trends clearly illustrate that the U. S., once a primarily agrarian economy, has for some years now shown indications of changing from a "goods-producing" to a "service-oriented" economy.

Apart from the obvious decline in agricultural employment, and the sizable expansion in services and state and local government employment, the chart shows a remarkable constancy in the percentages. All the other categories, including Federal Government employment, have remained approximately the same except during the years of depression and war.

Employment and Unemployment Defined The term "unemployment," as used in economic and social analysis, is at best an imprecise concept and the measurement of unemployment raises numerous questions, many of which are settled quite arbitrarily. The U. S. Department of Labor, which publishes monthly data drawn from a sample survey of 50,000 households, recognizes for statistical purposes three exact categories such that all persons may be classified as "employed," "unemployed," or "not in the labor force."

UNEMPLOYMENT RATES



Source: U. S. Department of Labor.

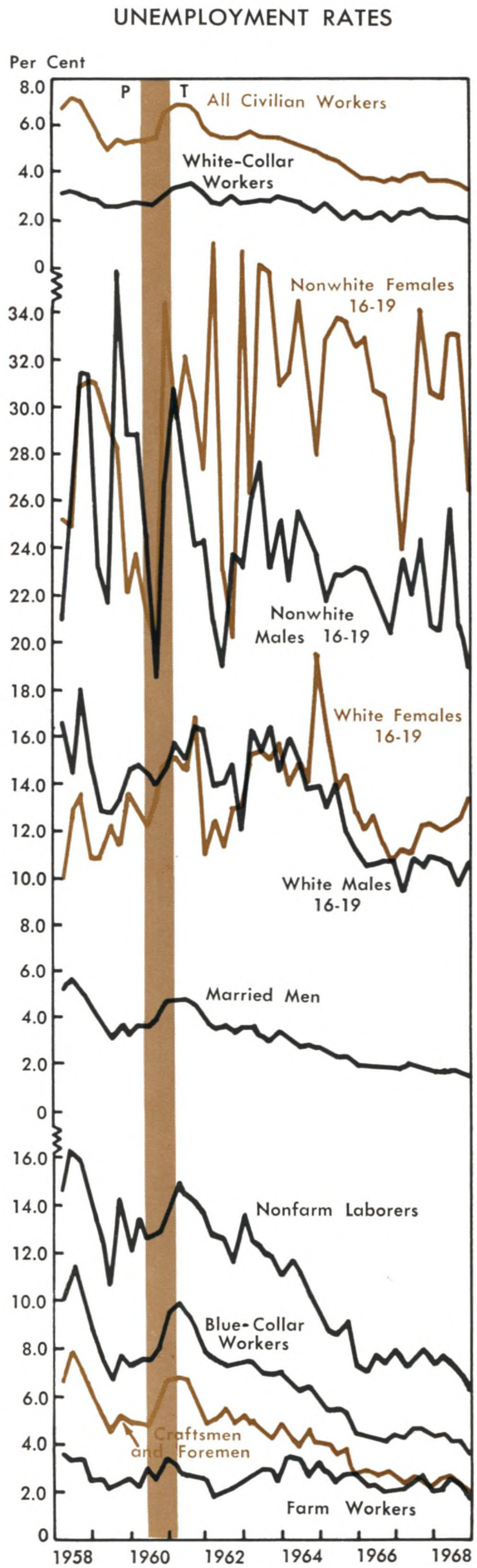
The Bureau defines as employed persons all those who, during a survey week, did any work at all as paid employees in their own business, profession, or farm, or who worked 15 hours or more as unpaid workers in an enterprise operated by a member of the family. All persons not working but who had jobs or businesses from which they were temporarily absent because of illness, bad weather, vacation, labor-management dispute, or personal reasons, are also counted as employed whether or not they were paid by their employers for the time off, and whether or not they were seeking other jobs. Moreover, each employed person is counted only once. Those who held more than one job are counted in the job at which they worked the greatest number of hours during the survey week.

The "unemployed," according to the Bureau's definitions, comprise all persons who did not work during the survey week, who made specific efforts to find a job within the past four weeks, and who were available for work during the survey week (except for temporary illness). Also included as unemployed are those who did not work at all, were available for work, and (a) were waiting to be called back to a job from which they had been laid off, or (b) were waiting to report to a new wage or salary job within 30 days.

The civilian labor force is the sum of all civilians classified as employed and unemployed. Civilians 16 years of age or over who are neither employed nor unemployed are classified by the Bureau as "not in the labor force." This group includes persons engaged in housework in their own home, those in school, those unable to work because of long-term physical or mental illness, retired persons, those too old to work, and the voluntarily idle. In the charts giving the unemployment rates, the figure for each age, sex, or racial classification represents the percentage of the total civilian labor force in that class which is unemployed.

Recent Unemployment Trends The unemployment rate for all groups of workers taken as a whole from December 1968 to February 1969 remained at 3.3%. For the U. S. economy, this unemployment rate was very low and represented a culmination of a more or less steady decline from a rate of 7.1% in May 1961. At the end of 1968 approximately 2.6 million persons were unemployed, whereas 4.8 million were unemployed in early 1961.

These totals include persons who are between jobs, i.e., the so-called "frictionally" unemployed, those temporarily unemployed for seasonal reasons, those whose principal work skills have been rendered



Source: U. S. Department of Labor.

obsolete by technological advances, as well as others who, for whatever reasons, seek unsuccessfully to market their labor services. It may also include some who have concrete job offers but who elect to probe the market for something better. In a relatively affluent society, marked by personal freedom to move from one labor market to another, it is highly unlikely that, at any given time, the entire labor force will be employed. Some level of unemployment is more or less "normal." Precisely what fraction of the labor force this level may represent is a question that has never been answered to the complete satisfaction of most economists or labor market experts. Some economists put the figure as low as 2% or 3%; others place it higher.

But whatever the fraction of the total labor force that makes up this category and thereby represents, as a practical matter, the lowest overall unemployment rate, it is clear that the figure is not the same for all groups within the labor force. For example, in the fourth quarter of 1968, when the unemployment rate for the civilian labor force was 3.3%, the rate for the "all married men" category was only 1.4%. On the other hand, despite the low overall rate, the rate among males in the 16-19 age group was 11.5%. It is well known that the young change jobs far more often than married men, and consequently frictional unemployment is probably higher among the young than in older age groups. Other categories of workers such as clerical workers, farm workers, white-collar workers, craftsmen and foremen, sales workers, and even all white males over 20 had unemployment rates of less than 3% as of the fourth quarter of 1968.

The accompanying charts show unemployment rates by selected age, sex, race, and occupational categories. These classes are not necessarily mutually exclusive. The charts illustrate quite clearly that in the 1960's at least, in periods of generally rising unemployment, the unemployment rate for nonwhites and for unskilled workers tended to move up substantially faster than it did for other groups. On the other hand, in periods of business expansion the unemployment rates for unskilled and nonwhite persons fell considerably more than those for other groups. The unemployment rate for nonwhite males over 20 was 11.9% in 1961, but it dropped to 3.5% by the end of 1968. During the same period, the unemployment rates for white males over 20 fell from 5.3% to 1.6%. Unemployment among unskilled nonfarm workers fell from 15.1% to 6.1%, while for craftsmen and foremen it declined from 6.7% to 2.2%. The unemployment rate for white-collar workers also dropped only slightly.

As shown in the table of selected unemployment rates in 1969, the rate of unemployment for all civilian workers rose in March to 3.4% from the 3.3% level which had been maintained since year-end 1968. This increase was mostly due to a rise in teen-age unemployment. As is evident in the charts, however, unemployment rates for 16-19 year-olds have a great deal of irregular variation. In the case of nonwhite females in that age group, as a matter of fact, the unemployment rate did not seem to have a downward trend at all during the 1961-68 expansion.

In April 1969, the overall unemployment rate rose to 3.5%, with much of the increase concentrated among adult women and nonwhite workers. The unemployment rate for nonwhite workers rose to 6.9% from the 6.0% March figure. Blue-collar unemployment increased to 4.1% from 3.7% and teen-age unemployment rose to 12.8% from 12.7%, but the white worker unemployment rate held steady at 3.1%.

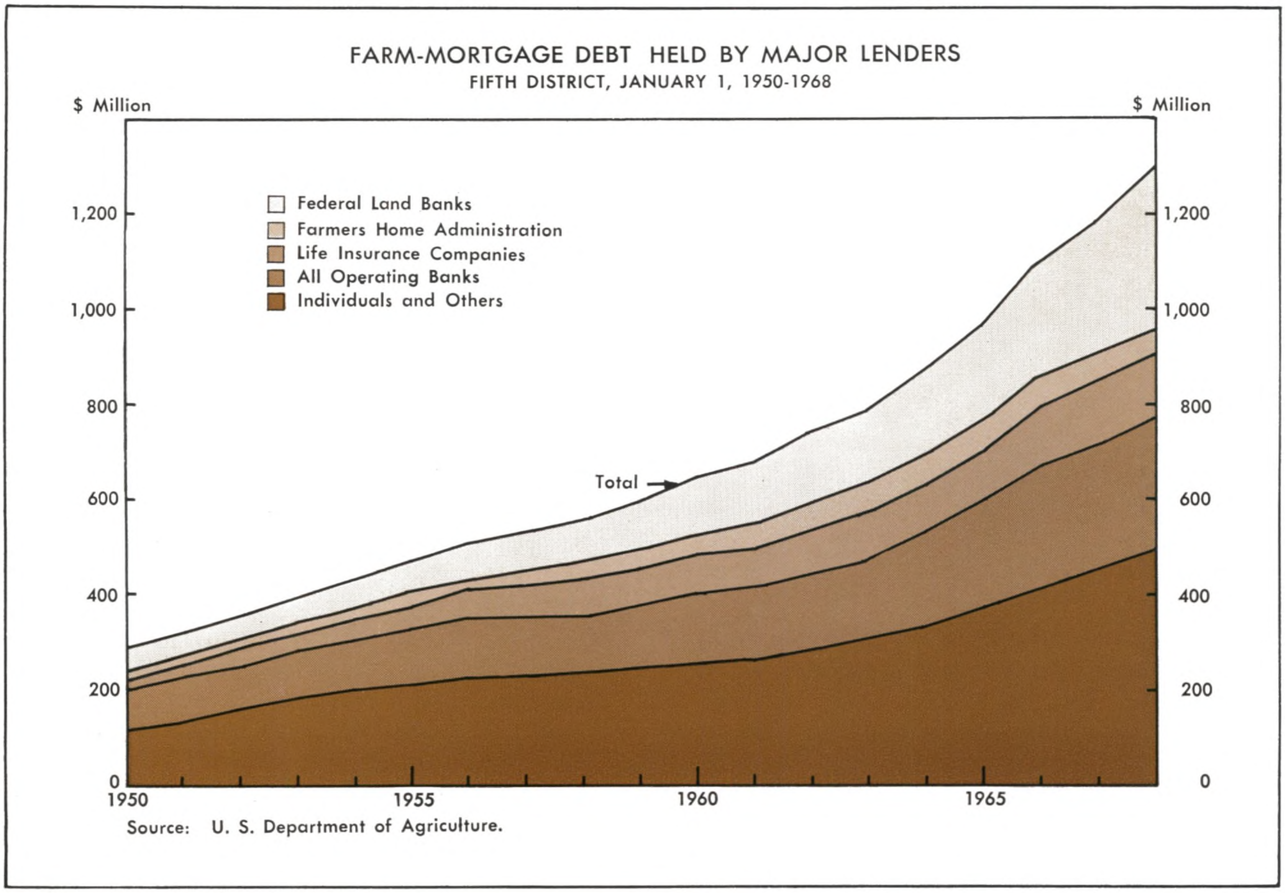
These trends in the unemployment rates by selected age, race, and occupational group since 1961 illustrate why relatively small changes in the total unemployment rate can be a matter of considerable social moment.

William E. Cullison

SELECTED UNEMPLOYMENT RATES, 1969
(Seasonally Adjusted)

Type of Worker	Jan.	Feb.	March	April
All civilian workers	3.3	3.3	3.4	3.5
Married men	1.4	1.4	1.4	1.5
Both sexes, 16 to 19 years	11.7	11.7	12.7	12.8
White workers	3.0	2.9	3.1	3.1
Males, 20 years and over	1.7	1.7	1.8	1.8
Females, 20 years and over	3.3	3.3	3.1	3.3
Both sexes, 16 to 19 years	10.1	10.1	11.4	11.3
Nonwhite workers	6.0	5.7	6.0	6.9
Males, 20 years and over	3.8	3.2	3.2	3.7
Females, 20 years and over	5.0	5.3	6.0	7.2
Both sexes, 16 to 19 years	22.9	22.0	21.6	23.6
Type of Occupation				
White-collar workers	1.9	1.9	2.0	1.8
Clerical workers	3.0	2.7	3.1	2.4
Sales workers	2.6	3.3	2.9	3.3
Blue-collar workers	3.8	3.6	3.7	4.1
Craftsmen and foremen	2.1	2.1	2.2	2.2
Operatives	4.2	4.2	3.9	4.6
Nonfarm laborers	6.6	5.5	7.0	6.8
Service workers	4.2	3.8	3.8	4.5

Source: U. S. Department of Labor.



Fifth District farmers' total farm-mortgage debt outstanding at the beginning of 1968 reached an all-time January 1 high of $1,301.8 million, $111.2 million or 9% above a year earlier. The increase continued the upward trend which began shortly after World War II. Since 1950, the annual increase in farm-mortgage debt outstanding has ranged from $19.5 million to $122.8 million and has averaged $56.6 million per year.

FARM-MORTGAGE DEBT: TOTAL AMOUNT OUTSTANDING AND PROPORTIONS HELD BY MAJOR LENDERS

FIFTH DISTRICT, JANUARY 1, 1950-1968

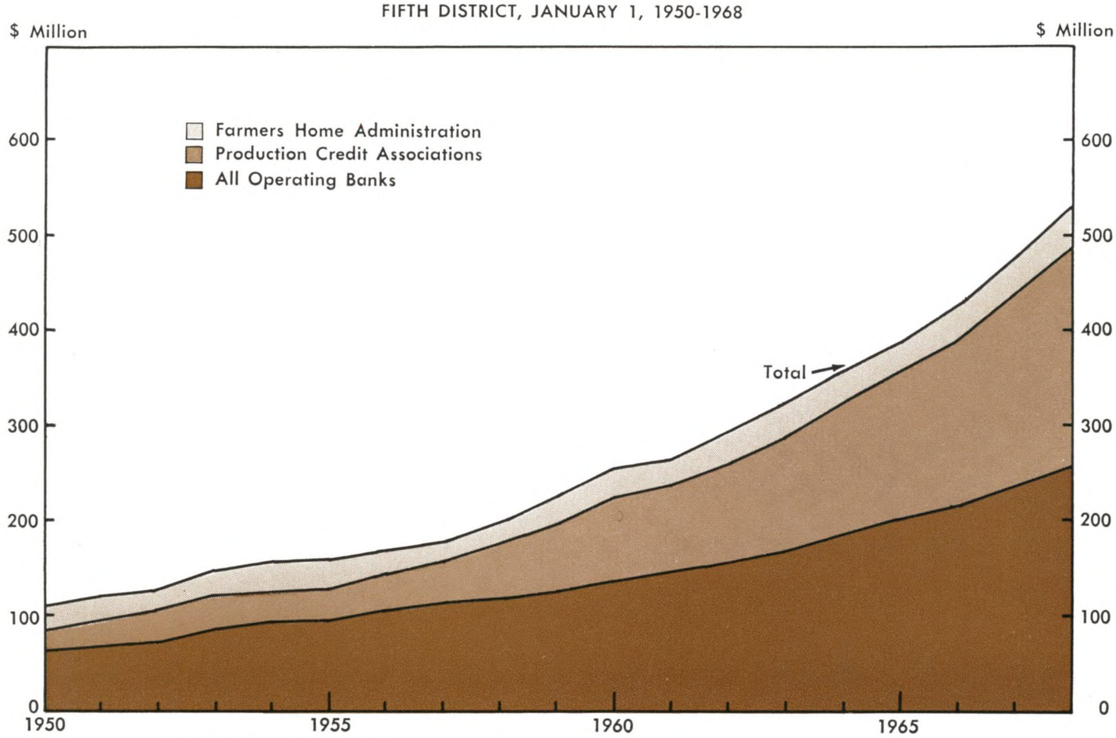
		Proportions Held by Major Lenders				
Year	Total Farm-Mortgage Debt	Individuals and Others	All Operating Banks	Life Insurance Companies	Farmers Home Administration	Federal Land Banks
	$ Million	Per Cent	Per Cent	Per Cent	Per Cent	Per Cent
1950	283.3	40.8	29.2	7.8	6.6	15.6
1951	319.6	43.0	27.5	8.3	6.8	14.4
1952	354.7	46.0	25.0	8.8	6.7	13.5
1953	394.3	47.0	24.3	8.8	7.0	12.9
1954	428.0	46.5	24.0	9.7	6.9	12.9
1955	468.9	45.8	23.6	11.2	6.4	13.0
1956	507.3	44.3	24.2	12.0	5.8	13.7
1957	526.8	43.2	23.1	12.8	5.9	15.0
1958	557.8	42.0	22.0	13.5	6.4	16.1
1959	596.4	40.9	22.2	13.2	7.0	16.7
1960	644.3	39.6	22.6	12.8	7.3	17.7
1961	679.2	38.4	22.3	12.5	7.8	19.0
1962	741.3	38.3	21.3	12.2	8.9	19.3
1963	792.5	38.4	21.7	12.4	8.3	19.2
1964	872.2	38.4	22.8	11.7	7.4	19.7
1965	969.7	38.4	23.1	11.3	6.6	20.6
1966	1,092.5	38.4	22.9	11.3	5.8	21.6
1967	1,190.6	38.4	21.7	11.3	4.9	23.7
1968	1,301.8	38.4	20.6	10.8	4.1	26.1

Source: U. S. Department of Agriculture.

INUES TO RISE

NON-REAL-ESTATE FARM DEBT HELD BY MAJOR REPORTING LENDERS

FIFTH DISTRICT, JANUARY 1, 1950-1968



Source: U. S. Department of Agriculture.

Non-real-estate farm debt outstanding in the District on January 1, 1968 totaled $530.2 million, a record January 1 high and $51.1 million or 11% above a year earlier. The increase, as in the case of farm-mortgage debt, marked a continuation of the uptrend which began following World War II. Since 1950, the annual increase in outstanding non-real-estate farm debt has ranged from $5.0 million to $51.1 million, or an average of $23.3 million per year.

NON-REAL-ESTATE FARM DEBT: TOTAL AMOUNT OUTSTANDING AND PROPORTIONS HELD BY MAJOR REPORTING LENDERS

FIFTH DISTRICT, JANUARY 1, 1950-1968

Year	Total Non-Real-Estate Farm Debt*	Proportions Held by Major Reporting Lenders: All Operating Banks*	Production Credit Associations	Farmers Home Administration
	$ Million	Per Cent	Per Cent	Per Cent
1950	110.1	56.4	22.1	21.5
1951	120.2	58.3	22.1	19.6
1952	127.0	59.3	23.4	17.3
1953	146.8	59.7	23.5	16.8
1954	152.0	60.2	22.9	16.9
1955	157.0	59.3	23.0	17.7
1956	169.2	62.0	22.6	15.4
1957	179.2	62.2	23.5	14.3
1958	200.3	57.9	29.0	13.1
1959	222.8	55.5	33.0	11.5
1960	253.7	54.1	35.3	10.6
1961	266.9	53.3	36.2	10.5
1962	292.9	52.0	37.1	10.9
1963	323.7	51.3	37.8	10.9
1964	359.5	51.4	38.7	9.9
1965	387.4	51.8	39.2	9.0
1966	428.9	49.9	40.6	9.5
1967	479.1	48.8	42.3	8.9
1968	530.2	47.4	43.8	8.8

*Excluding loans guaranteed by Commodity Credit Corporation.

Source: U. S. Department of Agriculture.

FEDERAL GRANTS-IN-AID

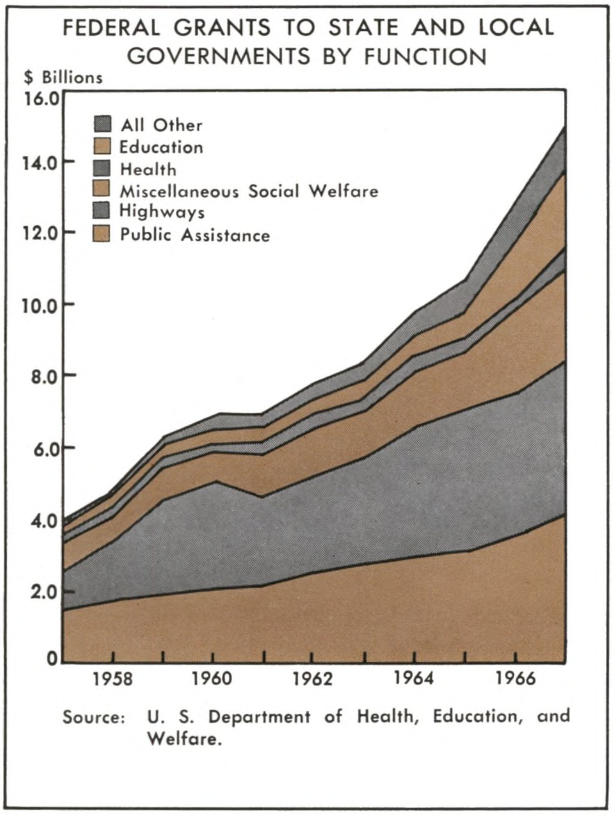
In the present fiscal year the Federal Government is providing nearly $21 billion in grants to state and local governments, and it is expected that this figure may reach the $25 billion mark in 1970. Grants-in-aid are generally defined as the payment of Federal funds to a lower-level government for a specific purpose, usually on a matching basis and in accordance with prescribed standards or requirements. The present Federal grant system, which has been expanding rapidly in the past few years, has a history predating the Constitution. Grants developed as an important tool for carrying out the essential partnership of the state and national governments in a federal system. These grants coordinate the public services of states and localities with Federal financial support in programs of national concern. The composition of Federal grants has varied through time as the areas of concern to the nation have changed.

History and Development The first Federal grants to state and local governments were made in 1785. In that year Congress provided grants of Federal land to support education in the Northwest Territory. Land continued to be the primary form of Federal aid until 1837. In that year the Federal Government realized a $28 million surplus which was distributed among the states on the basis of Congressional representation. No restrictions were placed on the use of these funds. The first restrictions on Federal aid came with the Morrill Act of 1862, which provided support of higher education. These restrictions included a definition of objectives, state matching of funds, and reports on the use of funds.

The early years of this century saw grants extended for agriculture, highways, and some social welfare programs. During the 1930's Federal grants were greatly expanded to include new programs in welfare, housing, and economic security. In the years immediately after World War II aid for health and housing programs grew significantly, while aid for highway construction was also expanded. The 1960's have been characterized by new programs to finance health services and medical care to the poor, to rebuild urban centers, to broaden educational opportunities, to develop economically depressed regions, and to combat poverty generally.

Grants-in-aid are a product of our republican form of government with its tradition of decentralized decision-making. The Federal Government, barred by Constitutional reservation from intervention in certain state and local affairs, has used grants-in-aid to accomplish its aims. Fiscal realities have reinforced the development of grant programs. In the nineteenth century the Federal Government was land rich, and it used these resources to promote its aims in education and economic development. In the present century the advent of the income tax has provided the Federal Government with a supply of financial resources far greater than those available to state and local governments. Also income tax revenues are more responsive to economic growth than are the sales and property taxes traditionally used by states and localities. Thus, the "revenue/responsibility gap," or the discrepancy between the revenue capabilities of a governmental unit and its program responsibilities, has been reinforced by the income tax.

Aims and Criticisms Grants-in-aid are used to achieve various objectives. Many grants are used to encourage or stimulate the development of a specific activity, for example, public housing or highway construction. Other grant programs are intended to guarantee a minimum service level to all states, as the agricultural extension programs do. Some grants are designed to redistribute wealth geographically. For example most public assistance programs give larger grants to states with lower per capita income, thus transferring revenue from above-average income states to below-average income states. A few grant-in-aid programs are undertaken primarily to promote economic stability and development rather than to provide goods and services, for example, grants to maintain employ-



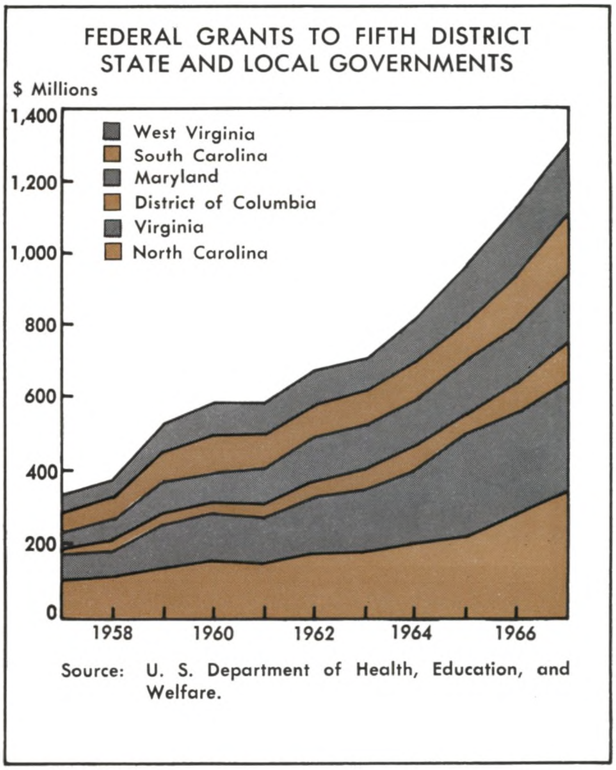
ment security or for urban redevelopment. Occasionally grants are used to alleviate temporary or unusual difficulties in a particular state or locality. Recently some experimental grants have been made to demonstrate the feasibility of a particular approach to a problem.

Federal grants-in-aid are often criticized for having a tendency to induce states and localities to spend funds to match Federal grants at the expense of other needs not funded from grants-in-aid sources. The criticism has also been leveled that states lack the necessary revenues because the Federal Government has preempted the most productive tax sources, and the absence of a direct connection between the taxing and spending authority leads to financial extravagance and irresponsibility. It is also argued that the strings attached to grants-in-aid may lead to Federal control of local activities.

Functions In the fiscal year 1967, Federal grants to states and localities totaled $14.8 billion, up about 376% from the $3.9 billion in 1957. About two-thirds of this total went to social welfare programs. Social welfare grants increased 349% over this ten-year period, but the composition of these grants was altered somewhat during the decade. Public assistance, which includes old-age assistance, medical assistance to the aged and to families with dependent children, and aid to the blind, increased only 268% and dropped from 55% of all social welfare grants to 42%. During this same period grants to education increased 933%, from about 9% of all social welfare grants to 24%. Grants for health and miscellaneous social welfare programs remained relatively stable over the period at around 5% and 27%, respectively, of total social welfare grants.

Grants for highways compose the next largest component of Federal grants-in-aid. These grants increased 421% during the ten-year period and varied in importance from a low of 24% of all grants in 1957 to a high of 41% in 1959 and then declined to 27% by 1967. The "all other grant" category rose 591%. This category includes grants for urban affairs, such as urban renewal and water and sewer facilities, mass transportation, and urban planning assistance; such agricultural and natural resources grants as water shed protection, fish and wildlife restoration, and management and basic scientific research in agriculture. Also included are grants for civil defense, libraries and community services, law enforcement assistance, and the Federal airport program.

Increasing attention has been focused recently on aid to metropolitan and urban areas. Approximately



60% of the $21 billion of total Federal aid scheduled for distribution in 1969 will go to urban areas. This is an increase of about $8 billion or 205% since 1961 and a gain of $3 billion or 25% since 1967. The major increase in Federal grants for urban areas has occurred in housing and community development, education, and in programs to improve the plight of the poor. The fiscal 1970 budget calls for an increase of $2.8 billion or 20% in grants to urban areas.

Fifth District Grants While total Federal grants-in-aid to all states and localities grew 376% in the period 1957-67, total grants to the Fifth District grew slightly more rapidly—by about 392%. Total Federal grants to the Fifth District increased slightly from around 8% of all Federal grants in 1957 to about 9% in 1967. Within the District, North Carolina and Virginia have generally received the larger shares of total grants; each state's share has generally ranged between 20% and 30% of grants to the District. Maryland, South Carolina, and West Virginia have each typically received about 15% of the grants to the District, while the District of Columbia's share has increased slightly from less than 4% in 1957 to almost 8% in 1967.

Generally, per capita aid is larger in states with smaller per capita income. This is due in part to some grant programs, such as grants for hospital construction, requiring lower matching by the relatively poorer states. In addition, certain programs, such as those for public assistance and elementary and secondary education, are designed as aids to the disadvantaged and hence tend to go to states with lower per capita incomes. As shown in the second chart, this relationship is generally true in the Fifth District. South Carolina and West Virginia have the lowest per capita incomes in the District, and at the same time the grants to these states measured relative to population, personal income, or state and local revenues are among the highest in the District. North Carolina, Virginia, and particularly Maryland all have larger per capita personal incomes than the other states, while they receive relatively smaller grants-in-aid. The exception to this rule is the District of Columbia, which has the highest per capita income in the District and at the same time receives relatively larger grants-in-aid.

The states in the District tend to take advantage of different types of Federal aid. In 1967 Maryland received the largest portion of her Federal grants for public assistance (27%) and education (26%). Virginia received over 40% of her grants for highways, with only 10% for public assistance. West Virginia also took the largest portion of her grants for highways (37%). North and South Carolina placed great emphasis on education, receiving, respectively, 25% and 29% of their aid for that purpose. Washington, D. C. took its largest share, 33%, for miscellaneous social welfare programs, particularly community action, food stamp, and Neighborhood Youth Corps programs.

Wynnelle Wilson

FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—FISCAL 1967

	Total Grants ($ millions)	Grants as % of Personal Income	Grants as % of State & Local General Revenues*	Grants per Capita (dollars)
United States	14,820	2.3	19.5	74.8
Fifth District	1,294	2.5	22.8	70.1
North Carolina	330	2.7	23.6	65.6
Virginia	299	2.4	22.3	65.9
Maryland	197	1.6	13.6	53.5
West Virginia	194	4.6	34.5	107.9
South Carolina	173	3.0	26.6	66.6
District of Columbia	101	3.0	32.1	124.8

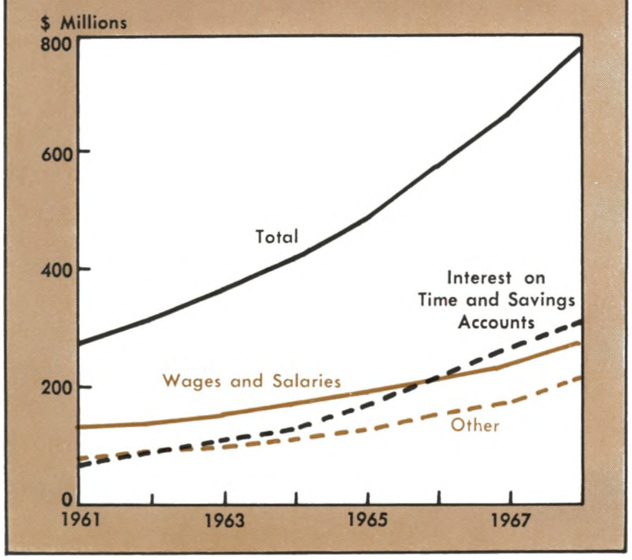
* From own sources.

Source: U. S. Departments of Commerce and Health, Education, and Welfare.

The Fifth District

EARNINGS AND EXPENSES OF MEMBER BANKS

Current operating revenues of the 378 member banks in the Fifth Federal Reserve District reached an all-time high of $1,055 million in 1968. As indicated in the current issue of *Operating Ratios,* a publication of this Bank, net income after taxes jumped from 8.5% of total capital accounts in 1967 to 9.3% last year. (*Operating Ratios* presents arithmetic averages of individual bank ratios expressed as percentages. These averages will be the basis of the ratios used throughout this article.) Cash dividends declared rose to 3.4% of total capital after remaining practically unchanged at 3.1% from 1962 through 1967. Net income rose from 0.75% of total assets in 1967 to 0.79% in 1968. As usual, the banks with deposits of over $100 million received the major portion of total operating revenues. Although only 26 out of the 378 member banks in the District are in that class, their earnings amounted to $715 million or 67.8% of the District total. Member banks in Virginia, which total 152 and outnumber those of other District states by a wide margin, accounted for $346 million or almost one-third of the total revenues in the District. The next largest share—$247 million—went to North Carolina's 26 member banks.



FIFTH DISTRICT MEMBER BANKS
EXPENSES

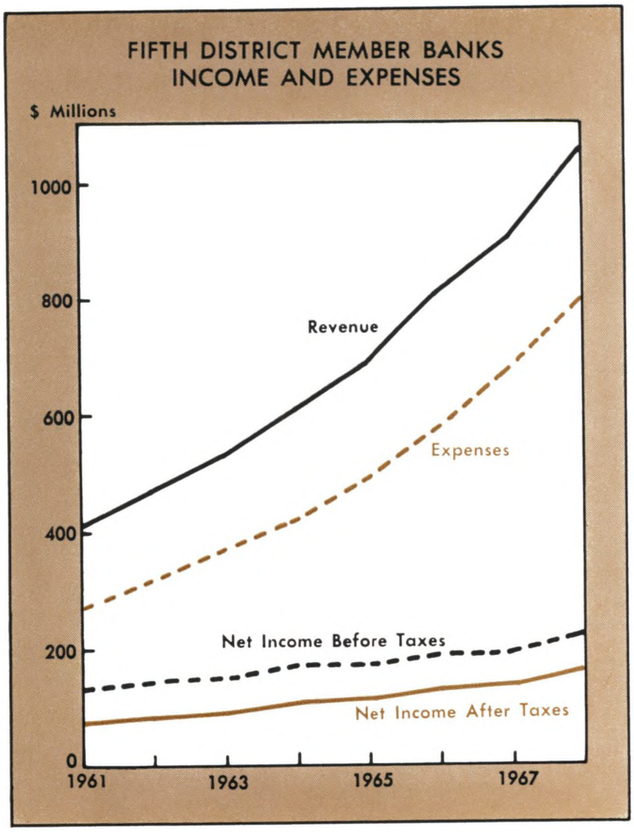
Earnings By Source Loans provided $716 million of income for District member banks last year. Loans comprised 52.1% of total assets and provided 65.9% of total earnings, down from 66.8% in 1967. The average rate of return on loans soared upward, however, moving from 7.12% in 1967 to 7.40% in 1968. Income on loans was relatively more important for large banks. Banks with deposits over $100 million earned over six times as much on loans as they received from the next largest source, interest on Government securities. Banks in the smallest classification earned less than four times as much on loans as on their next largest source.

District member banks earned $126 million in interest on U. S. Government securities in 1968, or 17.8% of total earnings. Holdings of U. S. Government securities represented 19.8% of total assets, the same as the 1967 level. Portfolios of other securities, chiefly municipals, comprised 13.1% of total assets. Interest and dividends from this source—$91 million—rose from 7.9% to 8.7% of current earnings. Trust department earnings were concentrated heavily in the larger banks. The 290 member banks with deposits under $25 million earned less than $1 million of the $33 million total.

Expenses Current expenses of Fifth District member banks also reached a record high in 1968, totaling $787 million. Bank expenses amounted to 74.9% of current earnings. For the third consecutive year interest on time and savings deposits was the largest single item of expense. Interest paid totaled $306 million compared with $261 million in 1967. The increase was due to vigorous competition for deposits, rising interest rates, and increased participation in the money market through the issuance of certificates of deposit.

Interest on time and savings accounts averaged 39% of current operating expenses at District member banks, but the proportion varied substantially from state to state. The percentage was highest at Virginia banks, with 45%; followed by West Virginia with 43%; District of Columbia, 40%; North

Carolina, 38%; Maryland, 33%; and South Carolina with only 20%. The average rate of interest paid on time and savings deposits at District banks rose from 3.92% in 1967 to 4.10% last year. Here again variations for the individual states were noticeable. The highest average interest rates on deposits were paid in North Carolina (4.42%) and Virginia (4.33%), and the lowest in Maryland (3.91%) and West Virginia (3.79%).



The second largest item of expense for District member banks was salaries and wages for employees. Such expenses totaled $148 million in 1968. Salaries for officers reached a new high of $85 million. The sum of wages, salaries, and benefits for both officers and employees climbed to $265 million.

Profits Last year Fifth District member banks earned a total of $157 million after taxes. The District's 26 largest banks accounted for $109 million. Member banks declared cash dividends of $68 million. Profits as a percentage of current operating income rose only slightly to 14.0% from the 13.8% of 1967. The smallest banks converted the highest proportion of income into net profits. For banks with deposits of under $2 million, after-tax net income was 19.1% of current operating income. The next largest proportion, 17.2%, was for banks with deposits of $100 million or over. Banks in the $50-100 million class had the lowest percentage of profits, only 13.1%.

Employment Last year District member banks had a total of 41,513 employees, 7,138 of which were bank officers. The average pay of officers ranged from a low of $7,200 at the smallest banks to $11,700 at banks in the $25-100 million class. Other employees' pay averaged from $3,600 at banks in the under $5 million deposit class to $4,400 at the largest banks.

Carla R. Gregory