

FEDERAL RESERVE BANK
OF ST. LOUIS
1944 JUN 11 AM 47

THE BUSINESS REVIEW

FEDERAL RESERVE BANK OF PHILADELPHIA

JANUARY 1, 1944



Industry, labor and finance of the Third Federal Reserve District have contributed their share toward the remarkable achievements of the nation during the two years of our participation in total war.

Construction for war purposes, a vital factor in the initial phases of the war, has now been virtually completed. Since Pearl Harbor, industries in this district have increased their total output by more than one-fourth and expanded production of durable goods for war by two-thirds. The value of war contracts and project orders placed in this district represents about 5 per cent of total national placements.

To accomplish this high level of production huge demands were made on the available labor force. Over 1,250,000 persons, an increase of 106,000 in two years, are now employed in Pennsylvania factories; and in addition, labor supply has been stretched through increasing average hours from 41 to 45 a week.

But the inevitable result of increased war production has been a basic readjustment of our economy. Under the stimulus of war expenditures, incomes have risen to unprecedented levels so that factory payrolls in Pennsylvania which were at a weekly level of \$38 million in December 1941 are now more than \$55 million; and workers, who received \$35 weekly at that time, are now receiving \$46. Farm incomes have risen to record levels as a result of increased production and higher prices.

Part of these swollen incomes has been applied to the purchase of consumers' goods with the result that department store sales in this district have expanded 23 per cent. Yet the available supply of these goods has been shrinking constantly. The same factors have operated in other civilian markets and as a consequence the cost of living in Philadelphia has risen 13 per cent. The inflationary pressure exerted by these forces has mounted steadily over the past two years and will become even greater in 1944.

The most effective means of combating further aggravation of the inflationary spiral is to drain off excess purchasing power. During the first three War Loan Drives individuals and organizations other than banks in the Third District purchased \$1.9 billion of Government securities, or 4.8 per cent of the national total. Member banks increased their holdings by 187 per cent from December 1941 to October 1943. During the coming year, beginning with the Fourth War Loan in January, it will be essential that the greatest possible amount of funds be obtained from nonbank sources. The available supply of funds held by individuals and businesses is plentiful; their demand deposits are more than one-third greater in this district than when we entered the war; savings are at record levels; currency in circulation continues to mount and now stands far above all previous levels; and liquidity of both individuals and businesses has been increased as a result of debt payments. The amounts of our resources, material and financial, are without precedent.

The Economy of the Third Federal Reserve District

THE attack upon Pearl Harbor marks a turning point in American economic history. Throughout most of the decade preceding this event business and industrial leaders were preoccupied with the task of finding productive employment for our idle manpower and equipment. Economic activity as measured by national income had collapsed from 83 billion dollars in 1929 to 40 billion dollars in 1932. Despite a variety of remedies designed to bring about industrial recovery, business activity failed to attain its former level until 1941, when the United States was forced into the Second World War. In that year total national income reached 96 billion dollars, resulting in part from the stimulus of English government orders for war materials and also in part from a belated inauguration of our national defense program.

The declaration of war placed unprecedented demands upon American industry for war materials. The aircraft industry may be cited as one example of the huge gap that developed between demand and productive capacity. In the spring of 1940 when this industry was geared to producing about 5,000 planes a year, the President, in a message to the Congress, requested the production of 50,000 planes a year as part of the national defense program. After the declaration of war, sights were raised still higher in this as in practically every other industry. The resulting wartime expansion is familiar to all. Vast construction of new plants and facilities, expansion of the old ones, and rapid conversion of human and material resources from employment for peace to employment for war transformed this country in two years into a veritable "Arsenal of Democracy." At least two-thirds of its activity at present is devoted to the production of war implements and supplies for our own armed forces as well as those of our allies.

The transition of our economy from one extreme of industrial stagnation to the opposite extreme of over-strained activity all within the short compass of a decade suggests significant implications as to the course of industrial activity and employment in the post-war period. Since war was upon the horizon before full recovery from the preceding recession had been attained, there is some apprehension that another business relapse may follow the end of

the war. This is not to say that an immediate post-war recession is inevitable. In fact, a post-war boom might be expected if history were to repeat. After the close of the war of 1812, after the Civil War, and again at the close of World War I there was in each instance a short period of hesitancy followed by a replacement boom. The magnitude and complexity of the present war, however, have disrupted the economy to an even greater degree than in former wars. In any event there is no escape from difficult problems of post-war readjustment.

The Regional Approach

While it is a matter of common knowledge and observation that the war has quickened most branches of economic activity and every geographic area throughout the country, it has affected different regions in different ways. Some regions have gained population, others have lost; some regions have acquired new industries, others have not; some regions received their greatest stimulus in agriculture, others in mineral extraction. Practically every region will emerge from the war with its economy considerably altered. Recognizing the unequal impact of the war upon the various parts of the national economy, the Federal Reserve Bank of Philadelphia has undertaken to ascertain the effects of the war upon the economy of its own district, and to indicate possible implications of the current and prospective changes to the economic well-being of this district.

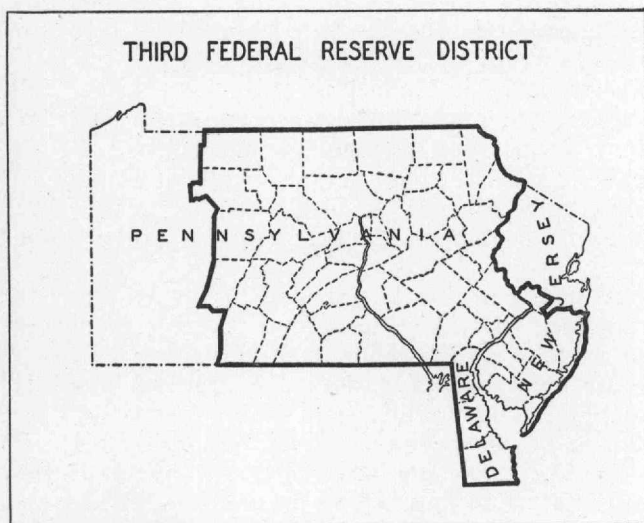
Scope of the Survey

The central purpose of this study is to appraise the impact of the war upon our economy. To accomplish this purpose requires at the outset a thorough knowledge of the economy as it was before the outbreak of hostilities. How did the people earn their livelihood? How did they utilize their resources? What standards of consumption had they attained? What were the sources of their income? What industries had they developed? What economic activities offered expanding opportunities for employment? We must know the answers to such questions in order to understand how the war is affecting our economy and what adjustments must be made at the end of the war.

The first part of this study is an over-all district appraisal of the pre-war trends of population growth and the development of the basic industrial activities—manufacturing, mining, and agriculture. The second part will contain a more detailed exposition of these activities and how they have been affected by the Second World War. Subsequent parts of the study will be directed to an analysis of subdivisions of the district. In order to understand thoroughly the district as a whole it is necessary to comprehend its parts, as each part contains certain background against which industry, trade, farming, and banking are operating. It is therefore proposed to make an analysis of the economic development of individual counties that contribute most to shaping the economic pattern of the district.

Basic Characteristics of the Third Federal Reserve District

The Third Federal Reserve District embraces the eastern two-thirds of the State of Pennsylvania, the lower half of New Jersey, and the State of Delaware. The western boundary of the district is an approximately straight north-south line through Johnstown, Pennsylvania. Similarly, an east-west line through Trenton marks the northern boundary of the New Jersey part of the district. The district has a total land area of 37,023 square miles, which represents about 1.2 per cent of the land area of the United States. In 1940 the district had a population of 7,777,910 which was 5.9 per cent of the total United States population. The population density of the district is 210 per square mile, in contrast with 44 for the United States.



The district is well represented in all three basic economic activities—agriculture, mining, and manufacturing. The agricultural development of the district is founded upon generally favorable climatic, soil, and topographic conditions. The climate is, for the most part, of the humid, continental type characterized by prevailing westerly winds, adequate rainfall, and sufficient frost-free days to grow grains. The soils of the region are exceedingly varied, ranging from the rich limestone soil of the Pennsylvania Piedmont to the poorest of soil for agricultural purposes, good only for forestry, recreation, and part-time farming. The land surface is almost as varied as the soil. Proceeding westward from the Atlantic seaboard, the major physiographic formations are, in order, the Atlantic Coastal Plain, the Older Appalachians characterized by fertile valleys interspersed between gently rolling hills, the Newer Appalachians, characterized by sharper ridges and deeper valleys, and the Allegheny Plateau on the western boundary.

The mineral wealth of the district consists chiefly of coal, both anthracite and bituminous, some petroleum and natural gas, and a variety of other minerals. Limestone is the most important of the quarry products.

Manufacturing is the most important economic activity of the district. In 1939 the district contributed a total value increment—that is, the amount by which its manufactures enhanced the value of raw materials processed—of almost \$2 billion. This was about nine times the value of the district's agricultural output, and also nine times the value of its combined anthracite and bituminous coal output. Although the district has only 1.2 per cent of the land area and only 5.9 per cent of the population of the United States, it contributed 8 per cent of the country's dollar value added by manufacturing in 1939.

Manufacturing has assumed such large proportions because the district was well endowed originally with the basic raw materials of industrialism—wood, coal, limestone, and iron ore. The virgin stand of timber in Pennsylvania was the most obvious and most accessible raw material when the region was settled. It provided the original settlers with a raw material for constructing their homes, and it was the basis for one of the district's earliest industries—shipbuilding. Another and more important factor contributing to the industrialization of the region was the early development of the

iron and steel industry. About the middle of the 19th century when the growing scarcity of charcoal caused a shift to anthracite as a fuel for smelting iron, the anthracite deposits of eastern Pennsylvania gave rise to iron and steel manufacturing in the Delaware, Schuylkill, Lehigh, Lebanon, Susquehanna, and Juniata valleys of Pennsylvania. The growth of the industry was aided also by the presence of rich limestone deposits, which supplied the iron and steel industry with a cheap fluxing material. Local deposits of iron ore were also abundant in that period. One of these mines is still being operated despite the later discovery of the larger and richer deposits in Minnesota.

After 1850, coke, made from bituminous coal, began to replace anthracite as a blast furnace fuel. This change to a technically superior fuel caused the steel industry to shift its center of gravity from eastern to western Pennsylvania. The iron and steel industry of what is now the Third Federal Reserve District did not decay; it merely grew less rapidly as a result of more favorable conditions in the West. However, the early growth of iron and steel served as a basis for the industrial diversification now characteristic of the region because of the importance of ferrous metals in our present-day, highly mechanized economy.

Coal contributed to the district's diversified pattern in still another way. As a fuel it furnished the necessary power to operate the industrial machinery of practically all the industries now represented in the district. The growing mechanization of industry placed an ever increasing reliance upon mechanical power. A region rich in coal deposits, consequently, enjoys an advantage over other areas as long as coal is the principal industrial fuel.

While it is recognized that numerous other factors contributed to the development of manufacturing in the district—such as transportation facilities, tariff protection, labor skills and immigration—it cannot be denied that natural resources were basic in shaping the form and general character of the industrial growth of the district.

The Third Federal Reserve District in Historical Perspective

The impact of the war upon the Third Federal Reserve District and the readjustments that will have to be made after the cessation of hostilities can be appreciated only in the light of proper historical perspective. Merely

to describe the economy and to analyze how the war is changing it is not enough, because economic phenomena are never static—they undergo endless evolutionary change. The process of change, however, is not haphazard. Upon close scrutiny it manifests unmistakable trends and tendencies. It is imperative, therefore, to ascertain the major trends of the district, because the social and economic forces that have forged the present may be expected to shape its immediate future development, despite the disruptions of a major war.

The past growth of the district is inseparable from the past growth of the national economy. The district is not a discrete entity—it cannot be completely isolated. Developments of national scope are reflected in the district but not necessarily in the same degree as in other areas. The fact that Pennsylvania, New Jersey, and Delaware were among the original 13 colonies means the district now exhibits many of the characteristics associated with advanced economic development, such as greater stability of population growth, higher urbanization, and a greater industrial development relative to agricultural development. As the country extended its boundaries westward, additional natural resources were obtained. To develop these new resources the older areas contributed generously of their labor and capital at some sacrifice of their own rates of growth. Although the older areas in the East likewise profited by their ability to tap the virgin resources of the West, the newly opened areas grew faster because their entire industrial development was yet to take place.

The relation between the district economy and the national economy is reciprocal. The past development of the district was not only influenced by but in turn contributed to the development of the national economy. Under a system of substantially free enterprise, this district has contributed throughout its past history a vast flow of goods and services. Crude raw materials have constituted a constantly shrinking proportion, and refined products a steadily growing percentage of the total stream.

When a nation is plunged into war, survival demands the allocation of all possible resources to the war effort. Since the transition to a war basis must be made with the greatest possible dispatch, economic and social activities are seriously disrupted. These changes are nationwide, affecting unequally all parts of the national economy. The immediate impact of

the war is discernible, but what the lasting effects will be are less obvious. It is reasonable to suppose that some changes wrought by the war will be permanent and others only temporary, and this is where a clear understanding of past trends should be helpful. Trends of long standing are prone to persist after the war. During the war period, such trends may be temporarily arrested, accelerated, or even reversed, but if analysis of the past reveals unmistakable trends, such observations will be of inestimable value in anticipating the probable course of post-war developments.

Acknowledging the value of an historical approach to a study of the effect of the war upon the Third Federal Reserve District, the first task is to ascertain its major economic trends since the turn of the century.

POPULATION TRENDS IN THE THIRD FEDERAL RESERVE DISTRICT

Population changes provide the simplest and most comprehensive index of economic change. In 1900, slightly over 5 million, or 6.6 per cent of the nation's population of 76 million, lived within the area that later was included in the Third Federal Reserve District. During the next four decades, district population increased to 7.8 million and national population rose to 132 million. Thus the district population increased 54 per cent, in contrast to a 73 per cent increase of the country. The slower rate of growth in the district is a reflection of its earlier development. When an area is young and natural resources are plentiful, population grows at a mounting rate of increase. Later, as population pressure builds up, population

grows at a decreasing rate until ultimately a point is reached when further growth practically ceases.

The population trend of this district portrays the district's age. This is revealed by a comparison of the population increases, decade by decade, in the district and the nation, shown in Table 1. The rate of increase of the district's population is consistently less than that of the nation's population. Since the district increases are uniformly lower it may be inferred that the district is closer than the country to the ultimate peak of population.

TABLE 1: POPULATION, AMOUNT AND RATE OF INCREASE

Year	Third District			United States		
	Population (Thous.)	Increase (Thous.)	Decennial Per cent Increase	Population (Thous.)	Increase (Thous.)	Decennial Per cent Increase
1900....	5,042	...	...	75,995	...	...
1910....	5,962	920	18.2	91,972	15,977	21.0
1920....	6,754	792	13.3	105,711	13,739	14.9
1930....	7,557	803	11.9	122,775	17,064	16.1
1940....	7,778	221	2.9	131,669	8,894	7.2

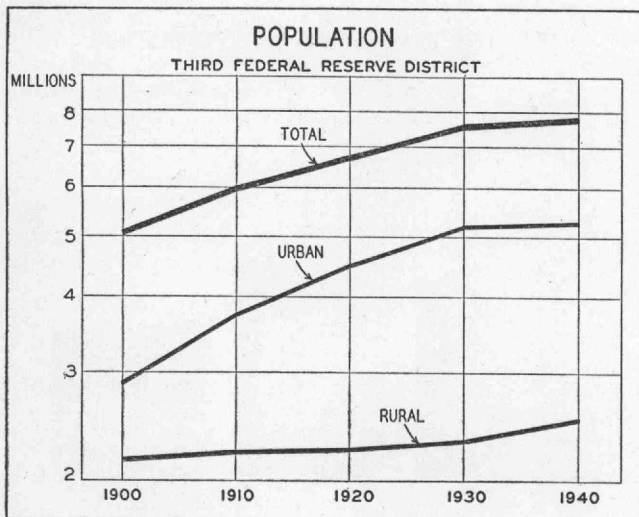
Source: United States Department of Commerce, Bureau of the Census.

The Pennsylvania State Planning Board has estimated that the state's maximum population will be attained by 1960, whereas authorities on United States population trends estimate that the peak United States population will be attained about 1980.

The Trend of Urban Population Growth

Most of the district's population growth during the period from 1900 to 1940 has been urban, as the chart reveals. During this period the total population increased by 2,736 thousand, of which 2,395 thousand, or 87.5 per cent, was urban population growth. For the country as a whole, 79.5 per cent of the population increase was urban during this same period. It was during this period that the district attained its greatest industrial development which was accompanied by the rise of numerous urban areas.

The trend toward urbanization within the district, though quite impressive, has slackened considerably during the latter part of the 40-year period under review. The decennial increases, shown in Table 2, are successively less pronounced owing largely to the declining rate in total population growth. Although the fact that the urban increase was less than 1 per cent in the last decade might suggest that urbanization has run its course, this is doubtful



because the period from 1930 to 1940 was one of widespread industrial unemployment, causing a marked decline in country-to-city migration. In fact, during the business depression of the thirties, this shift was temporarily reversed. In 1932 there was a net migration from city to country. Thus the abrupt decline in urbanization during the last decade was primarily of cyclical origin.

TABLE 2: URBAN POPULATION, AMOUNT AND RATE OF INCREASE

Year	Third District			United States		
	Population (Thous.)	Increase (Thous.)	Decennial Per Cent Increase	Population (Thous.)	Increase (Thous.)	Decennial Per Cent Increase
1900....	2,877	...	....	30,160	.....	....3
1910....	3,724	847	29.4	41,999	11,839	39.3
1920....	4,491	767	20.6	54,158	12,159	29.0
1930....	5,226	735	16.4	68,955	14,797	27.3
1940....	5,272	46	0.9	74,424	5,469	7.9

Source: United States Department of Commerce, Bureau of the Census.

It is apparent from Table 2 that the decennial increases in urban population of the district parallel but are consistently lower than the decennial increases of the country's urban population. The parallel is to be expected, since the period was one during which both the district and the country were undergoing rapid industrialization. The consistently smaller percentage increases in urban population of the district in contrast to the United States are accounted for by the fact that the district had a larger proportion of urban to total population at the outset of the period—a reflection of its earlier industrialization.

The Trend of Rural Population Growth

The changes in rural population of the district since 1900 are, of course, complementary to the changes in its urban population. Throughout the four decades, the rural population increased by 341 thousand, which was only 12.5 per cent of the district's total population increase. This is not due to a lower natural increase of the population in rural areas, as it might appear. In fact, birth rates are generally higher in rural than in urban areas as revealed by the ratios of children under 5 years of age per 1,000 women of child-bearing age. Changing proportions between rural and urban population reflect two underlying phenomena—(1) differences between birth and death rates which measure the natural change in population, and (2) net migration. The small increase in rural population reflects throughout most of the period since 1900 a substantial drift of people from rural to urban centers in re-

sponse to better urban employment opportunities. However, the migration from congested urban areas to rural communities during the decade ended in 1940, previously mentioned, is reflected in the 7.5 per cent increase in the district's rural population. A comparison of changes in rural population of the district, and of the country, is shown in Table 3. Decennial percentage increases in rural population of the district were consistently smaller than those of the country, except for the last decade. This suggests a relatively smaller expansion of economic opportunity in rural areas of the district than in rural areas of the United States, except during the last decade, for reasons pointed out above.

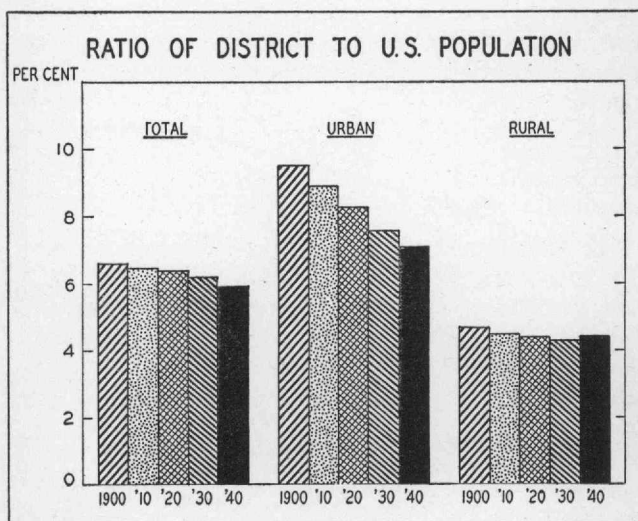
TABLE 3: RURAL POPULATION, AMOUNT AND RATE OF INCREASE

Year	Third District			United States		
	Population (Thous.)	Increase (Thous.)	Decennial Per Cent Increase	Population (Thous.)	Increase (Thous.)	Decennial Per Cent Increase
1900....	2,165	...	....	45,835	.....	....3
1910....	2,238	73	3.4	49,973	4,138	9.0
1920....	2,263	25	1.1	51,553	1,580	3.2
1930....	2,331	68	3.0	53,820	2,267	4.4
1940....	2,506	175	7.5	57,246	3,425	6.4

Source: United States Department of Commerce, Bureau of the Census.

Proportion of United States Population in the District

The proportion of the United States population residing in the Third Federal Reserve District has been declining since the beginning of the 20th century. This is to be expected in view of its settlement long in advance of other parts of the country. The point to be observed here is how much the westward migration has affected this district. Between 1900 and 1940



the district's proportion of the United States population declined from 6.6 to 5.9 per cent. This decline suggests that the dispersion of population throughout the entire country is still taking place. Further shrinkage may be expected owing to higher birth rates in other areas and continued migration out of this district.

Between 1900 and 1940 the district's proportion of the country's urban population has declined from 9.5 to 7.1 per cent. The regularity of this decline is shown in the preceding chart. The decline is accounted for by the rise of numerous industrial centers outside of the district. As newer industrial centers continue

TABLE 4: DISTRICT PROPORTIONS OF THE UNITED STATES POPULATION

Year	Total Population (Per cent)	Urban Population (Per cent)	Rural Population (Per cent)
1900.....	6.6	9.5	4.7
1910.....	6.5	8.9	4.5
1920.....	6.4	8.3	4.4
1930.....	6.2	7.6	4.3
1940.....	5.9	7.1	4.4

to grow, further declines in the proportion of urban population in this district to total urban population of the country may be expected.

The proportion of this district's rural population to the total United States rural population shows little change since 1900. However, as a result of the comparative stability of the district's rural population, the district's proportion of the country's rural population declined slightly in each successive decade, except the last. The exception in the 1930 to 1940 decade is accounted for by the net increase of 175 thousand people in rural population of the district caused largely by the depression migration to rural counties.

The Changing Pattern of Rural-Urban Population Distribution

The changing pattern of rural-urban population distribution clearly reveals how the district transformation from an agricultural to an industrial economy preceded the industrialization of the national economy. In 1900, as Table 5 shows, the ratio of rural to urban population in the district was as 43 to 57.

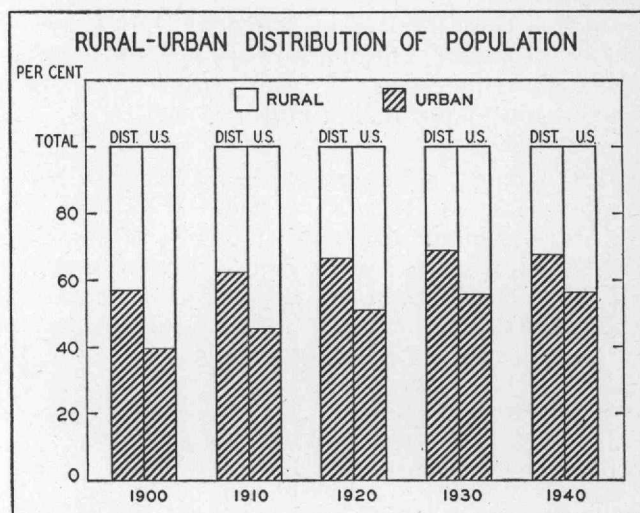
At that time, the United States population was divided 60 to 40 as between rural and

urban. Thus at the turn of the century when the nation's population was still predominantly rural the district's population was already predominantly urban. It was not until the decade of the First World War that over half of the nation's population became urban; and the change was brought about largely by the migration to industrial centers, as a result of the war stimulus.

TABLE 5: RURAL-URBAN DISTRIBUTION OF POPULATION

Year	Rural (%)		Urban (%)	
	Third District	United States	Third District	United States
1900.....	42.9	60.3	57.1	39.7
1910.....	37.5	54.3	62.5	45.7
1920.....	33.5	48.8	66.5	51.2
1930.....	30.8	43.8	69.2	56.2
1940.....	32.2	43.5	67.8	56.5

The decennial changes in rural-urban population distribution since 1900 indicate a decreasing rate of urbanization in the district. The same observation may be made with respect to the national trend of urbanization. A comparison of the urbanization trends between the district and the country is shown in the following chart. In both the district and



the United States there was a persistent, though gradually slackening trend toward urbanization. However, the slowing down in urbanization was more pronounced in the district than in the country. The observation has already been made that the decline in the proportion of urban to total population in the district during the fourth decade is not necessarily a reversal of the long standing trend toward urbanization.

For the entire period from 1900 to 1940 the trend toward urbanization was the result of the growing industrialization of the district. Since there is no reason to suppose that the district has attained its maximum industrial development, further growth in urbanization may be expected.

Redistribution of population is ordinarily a slow process owing to the characteristic immobility of labor. However, after the outbreak

of the war pronounced shifts in population occurred in response to greatly increased demand for labor in essential war industries. The extraordinary demand for war material stimulated production much more in some areas than others which in turn caused extensive migration of people. Large shifts took place both within the Third District and between this district and other industrial areas. The extent of these changes and their implications to the development of the Third District will be analyzed in subsequent reviews.

Business and Banking

Manufacturing. The market for factory products in this district remains exceptionally strong, with demand in some lines reported to be rising to new high levels as the year end approaches. In the munitions industries frequent changes in war requirements are being met with increasing promptness by a skillful readjustment of production schedules recently made flexible for just such contingencies. Supplies of many items primarily for civilian consumption have grown scarce. Certain raw materials are available in somewhat larger quantities than earlier in the year, but a continued shortage of manpower prevents any substantial increase in the fabrication of finished products for non-military use.

Employment in Pennsylvania factories in November was maintained at about the level of the preceding month, while payrolls increased slightly further to a new peak. Gains over a

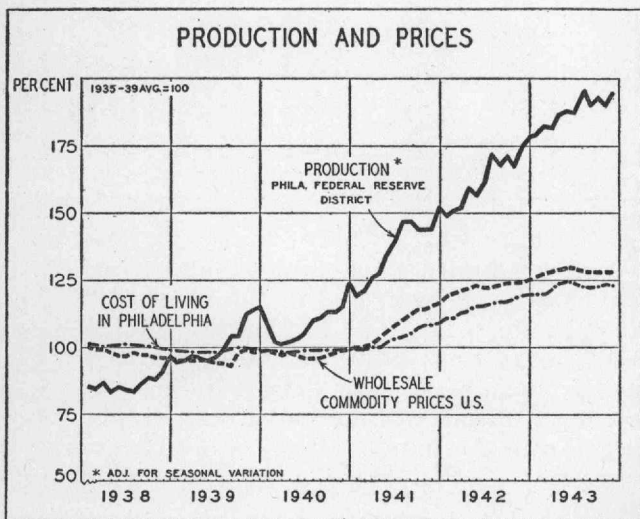
year ago amounted to 3 per cent in employment and 17 per cent in payrolls. Total working time was about the same as in October but 7 per cent greater than in November 1942.

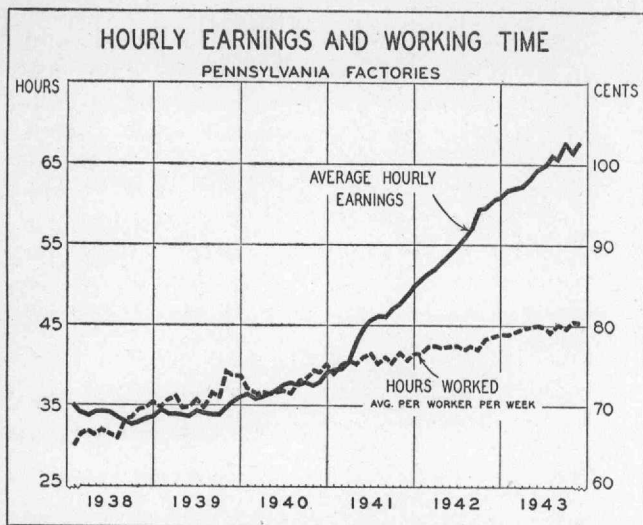
Output of factory products in this district increased 4 per cent from October to November, reflecting gains in both durable and consumers' goods industries. Total production was 14 per cent greater than a year ago and nearly one-fifth larger in the first eleven months this year than last. In 1943 the sharpest rise has been in heavy goods lines, where activity has expanded 29 per cent, as against an increase of only 3 per cent in the case of lighter products.

Coal and other fuels. Restrictions on the use of solid fuels for heating purposes remain in effect, although no formal system of rationing has been instituted. In the case of anthracite, purchases by consumers this season may not exceed 87½ per cent of the tonnage bought a year ago. Reserves of both coal and coke at industrial plants have been unusually low since early last summer, owing to repeated interruptions to coal mining operations.

Output of anthracite declined sharply in November as virtually all Pennsylvania mines were closed in the first week of the month. Production, averaging little more than 170,000 tons a day, was the smallest for November since 1940, and nearly 20 per cent less than a year ago. Colliery output expanded sharply about the middle of the month and was well maintained through the first half of December.

Operations at bituminous mines in Pennsylvania, as elsewhere in the country, also were drastically curtailed early in November. Pro-



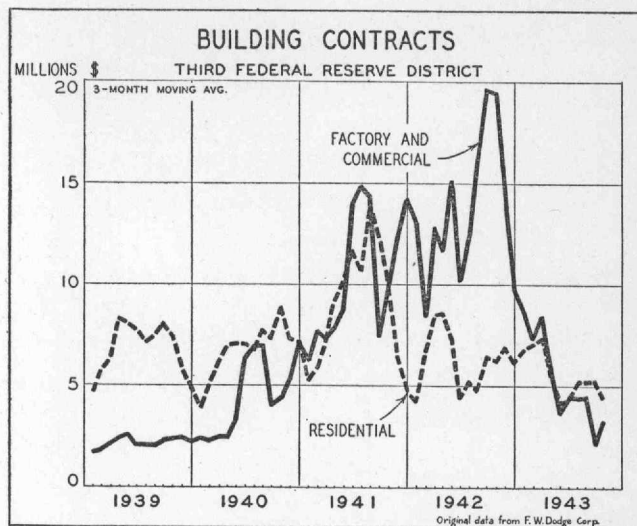


duction, averaging less than 400,000 tons a day for the entire month, compared with nearly 475,000 in October, and over 450,000 a year ago. The output of collieries did not reach the levels prevailing before the shut-down until after the middle of the month.

Building. Activity in building trades has slackened further, continuing the downward trend in evidence locally and nationally over the greater part of this year. The construction of war housing and other essential facilities in newly developed munitions centers accounts for a large part of current operations. The bulk of war construction has been completed.

Curtailed operations in all lines of building are reflected in the release of an increasing number of workers for reemployment in other fields. The War Manpower Commission estimates that between July and November some 260,000 employees in building trades became available for transfer to war industries, well over one-half of them being located in areas of critical shortage of labor.

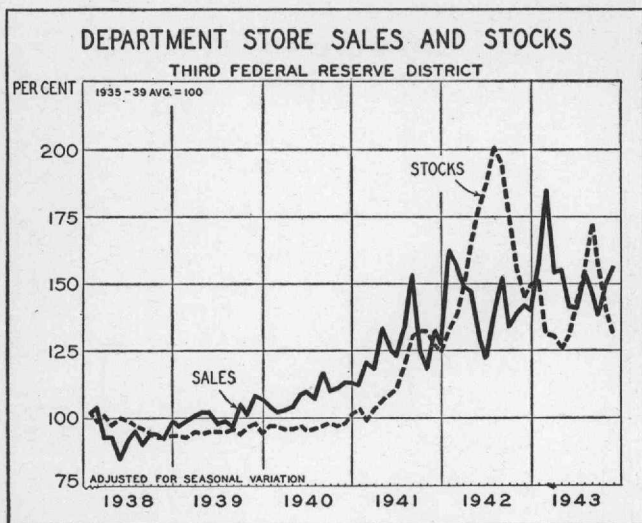
Awards of building contracts in this district declined sharply from October to November and were less than one-fifth the dollar volume reported a year ago. Placements for all classes of construction except factory buildings showed substantial declines in the month; reductions from the 1942 level amounted to more than one-third in all cases. Contracts approximating \$160 million in the eleven months ended November were over 50 per cent less than a year earlier, and the smallest since 1938.



Trade. Christmas buying appears to have exceeded all previous records, according to reports received thus far from retail stores in this district. Unusually early purchases of holiday merchandise were reflected in heavy sales in certain lines during November. Reports from a limited number of stores indicated that subsequent gains, however, were less pronounced than a year ago, with the result that sales over part of December were somewhat below the all-time high established in the same period of 1942. Reduced supplies in numerous lines and widespread illness tended to restrict purchases in some of the weeks immediately preceding the 1943 holiday.

Dollar sales by department and women's apparel stores increased more than they usually do from October to November, and at establishments specializing in men's apparel and shoes, changes in the month were about in line with seasonal expectations. Gains over a year ago occurred in all reporting lines, although in the case of shoe stores, where sales were limited by rationing, the increase was very moderate. At furniture stores, volume also increased in November and exceeded that of a year earlier. In the eleven months ended November, sales by general merchandise and men's apparel stores were 7 per cent larger than in 1942; sales by women's apparel stores increased about one-fifth in the same period, but a small decline was reported by retailers of shoes.

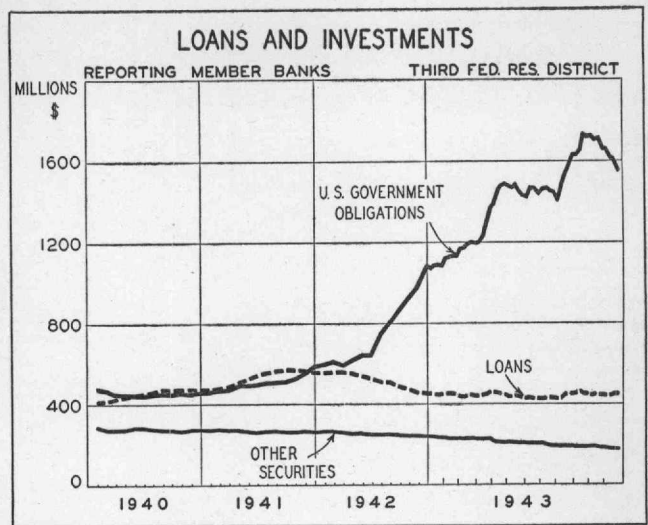
Retail inventories showed mixed changes from October to November, but for the most part they continued to reflect the difficulty of accumulating reserves in the face of growing shortages in numerous lines. At the close of



the month stocks in all reporting lines except women's apparel were substantially smaller than a year ago, the sharpest decrease—18 per cent—occurring at furniture stores. The dollar volume of merchandise on order by department stores continues exceptionally heavy.

Business at wholesale increased slightly in November but in the aggregate was little larger than in the same month of 1942. The value of sales in eight reporting branches was about one-tenth greater in the first eleven months this year than last, reflecting increases in all lines except hardware, jewelry, and paper. Stocks at wholesale establishments continue below the level of a year ago in all lines but groceries.

Banking conditions. The Fourth War Loan Drive, to raise \$14 billion from investors other than commercial banks, will get under way in January. While the marketable issues—2½ per cent bonds of 1965-70, 2¼ per cent bonds of 1956-59, and one-year 7/8 per cent certificates—will be offered only from January 18 to February 15, sales of savings bonds and savings notes credited to the Treasurer's account during all of January and February will go toward Drive totals. These totals will not, however, include securities sold to commercial banks, which may subscribe for limited amounts of 2½ and 2¼ per cent bonds and F and G savings bonds. Combined subscriptions of a commercial bank to these issues cannot exceed 10 per cent of its savings deposits, as defined in Regulation Q, or \$200,000, whichever is the smaller; and no more than \$100,000 (issue price) may be in F and G bonds.



Continuing huge payments for war materials and services, quarterly income tax collections and other fiscal operations of the Government, and the active demand for currency combined to produce an exceptionally heavy turnover of funds in recent weeks. Nevertheless, reserves of member banks in the Third Federal Reserve District increased slightly in the period from November 24 to December 22. Reserves were cut into sharply by net payments of \$120 million to the Treasury and a currency outflow approximating \$50 million, but received support from large gains in inter-district commercial transactions and an increase in Reserve Bank credit. Reserve Bank holdings of Treasury bills under repurchase option moved up another \$15 million to \$273 million, the largest amount held on any statement date this year.

More than \$300 million has been withdrawn from United States Government deposits at reporting banks in leading cities of the district since October 20, but gains in customers' balances have been less than half as large. The difference reflects the persistent demand for hand-to-hand money, swollen by the needs of the holiday trade, and in part also funds collected here by the Treasury and disbursed elsewhere. Funds to meet withdrawals were supplied by liquidation of securities.

Investments of the reporting banks, at \$1,727 million on December 22, were still \$445 million larger than a year ago. Over the past two months holdings of Treasury bills, notes, and certificates have declined \$218 million, and miscellaneous securities also have decreased, but the investment in United States bonds showed a net gain of \$42 million.

Distribution and Prices

Wholesale trade Unadjusted for seasonal variation	Per cent change		
	Nov. 1943 from		1943 from 11 mos. 1942
	Month ago	Year ago	
Sales			
Total of all lines.....	+ 3	+ 1	+10
Boots and shoes.....	-25	-15	+ 8
Drugs.....	+ 2	- 3	+ 4
Dry goods.....	-13	-14	+16
Electrical supplies.....	- 4	-33	+18
Groceries.....	+11	+12	+13
Hardware.....	+22	+31	- 7
Jewelry.....	+29	+ 4	- 7
Paper.....	- 3	+35	- 2
Inventories			
Total of all lines.....	+ 1	- 6	.....
Dry goods.....	0	-15	.....
Electrical supplies.....	+ 5	-40	.....
Groceries.....	+11	+23	.....
Hardware.....	- 5	- 4	.....
Jewelry.....	-15	-31	.....
Paper.....	- 8	- 9	.....

Source: U. S. Department of Commerce.

Prices	Nov. 1943	Per cent change from		
		Month ago	Year ago	Aug. 1939
Basic commodities (Aug. 1939=100).....	178	0	+ 5	+78
Wholesale (1926=100).....	103	0	+ 3	+37
Farm.....	121	- 1	+10	+99
Food.....	106	+ 1	+ 2	+57
Other.....	97	0	+ 2	+22
Living costs (1935-1939=100).....				
United States.....	124	0	+ 4	+26
Philadelphia.....	123	- 1	+ 3	+25
Food.....	135	- 1	+ 6	+46
Clothing.....	131	0	+ 4	+32
Rent.....	107	0	0	+ 4
Fuels.....	106	0	+ 2	+10
Housefurnishings.....	125	0	+ 2	+24
Other.....	116	0	+ 2	+15

Source: U. S. Bureau of Labor Statistics.

Indexes: 1935-1939=100	Adjusted for seasonal variation						Not adjusted		
	Nov. 1943	Oct. 1943	Nov. 1942	Per cent change		Nov. 1943 from 11 mos. 1942	Nov. 1943	Oct. 1943	Nov. 1942
				Nov. 1943 from Month ago	Year ago				
RETAIL TRADE									
Sales									
Department stores—District.....	156p	150	141	+ 4	+11	+ 7	199p	171	180
—Philadelphia.....	149	147	136	+ 1	+ 9	+ 7	199	171	182
Women's apparel.....	162	147	131	+10	+24	+21	183	168	147
Men's apparel.....	160	158r	125	+ 1	+29	+ 7	182	169	141
Shoe.....	141p	141	138	0	+ 2	- 1	140p	150	137
Furniture.....	.....	.....	.....	+ 2*	+ 4*	.....	.....	.....	.....
Inventories									
Department stores—District.....	131p	140	148	- 6	-11'	.....	159p	165	180
—Philadelphia.....	130	136	153	- 5	-15	.....	158	162	187
Women's apparel.....	182	179r	151	+ 2	+21	.....	216	219r	178
Shoe.....	92p	91	111r	+ 2	-16	.....	93p	93	112
Furniture.....	.....	.....	.....	- 5*	-18*	.....	.....	.....	.....
FREIGHT-CAR LOADINGS									
Total	141	136	134	+ 3	+ 5	- 2	142	147	136
Merchandise and miscellaneous.....	135	129	124	+ 4	+ 9	- 1	139	137	127
Merchandise—l.c.l.....	90	85	79	+ 6	+14	- 1	93	90	82
Coal.....	118	135	128	-12	- 8	- 1	127	148	138
Ore.....	228	185	230	+23	- 1	-10	228	266	230
Coke.....	175	188	180	- 7	- 3	+ 1	196	214	201
Forest products.....	112	102	126	+10	-11	- 6	107	119	121
Grain and products.....	152	152	105	0	+45	+ 9	172	152	118
Livestock.....	133	132	113	+ 1	+18	+13	152	154	129
MISCELLANEOUS									
Life insurance sales.....	105	105	81	0	+29	+12	118	109	92
Business liquidations	.....	.....	.....	-30*	-75*	-65*	10	15	42
Number.....	.....	.....	.....	-87*	-77*	+15*	4	29	16
Amount of liabilities.....	.....	.....	.....	- 9	+ 1	+18	163	164	161
Check payments.....	153	167	150	.....	.....	.....	.....	.....	.....

* Computed from unadjusted data.

p—Preliminary.

r—Revised

BANKING STATISTICS

MEMBER BANK RESERVES AND RELATED FACTORS

Reporting member banks (000,000's omitted)	Dec. 22, 1943	Changes in—	
		Four weeks	One year
Assets			
Commercial loans.....	\$ 255	+\$ 10	+\$ 8
Loans to brokers, etc.....	41	- 2	+ 12
Other loans to carry secur.....	11	.....	*
Loans on real estate.....	41	.....	- 6
Loans to banks.....	.....	.....	.....
Other loans.....	104	+ 1	*
Total loans.....	\$ 452	+\$ 9	-\$ 3
Government securities.....	\$1480	-\$107	+\$505
Obligations fully guar'eed.....	71	.....	+ 6
Other securities.....	176	- 4	- 66
Total investments.....	\$1727	-\$111	+\$445
Total loans & investments	\$2179	-\$102	+\$442
Reserve with F. R. Bank.....	377	+ 4	- 50
Cash in vault.....	32	+ 4	+ 2
Balances with other banks.....	85	+ 8	- 22
Other assets—net.....	58	- 4	- 3
Liabilities			
Demand deposits, adjusted.....	\$1639	+\$ 45	+\$198
Time deposits.....	166	+ 3	+ 10
U. S. Government deposits.....	348	+146	+183
Interbank deposits.....	338	+ 8	- 30
Borrowings.....	.....	+ 3	.....
Other liabilities.....	14	+ 2	+ 1
Capital account.....	226	+ 1	+ 7

* Figures not available.

Philadelphia Federal Reserve District (Millions of dollars)					Changes in weeks ended—				Changes in four weeks
					Dec. 1	Dec. 8	Dec. 15	Dec. 22	
Sources of funds:									
Reserve Bank credit extended in district.....					+ 0.8	+10.8	+18.3	+11.3	+ 41.2
Commercial transfers (chiefly interdistrict).....					- 0.8	+29.1	+41.6	+71.0	+140.9
Treasury operations.....					+26.4	-16.9	-45.4	-85.3	-121.2
Total.....					+26.4	+23.0	+14.5	- 3.0	+ 60.9
Uses of funds:									
Currency demand.....					+ 8.8	+14.1	+13.0	+14.8	+ 50.7
Member bank reserve deposits.....					+17.3	- 5.1	+15.3	-24.8	+ 2.7
"Other deposits" at Reserve Bank.....					+ 0.3	+14.2	-14.0	+ 7.0	+ 7.5
Other Federal Reserve accounts.....					- 0.0	- 0.2	+ 0.2	+ 0.0	+ 0.0
Total.....					+26.4	+23.0	+14.5	- 3.0	+ 60.9
Member bank reserves (Daily averages in dollar figures in millions)	Held	Re- quired	Ex- cess	Ratio of excess to re- quired	Federal Reserve Bank of Phila. (Dollar figures in millions)			Changes in	
					Dec. 22, 1943	Four weeks	One year		
Bills discounted.....	\$ 1.6				-\$ 2.5	+\$ 0.6			
Bills bought.....	0				0	0			
Industrial advances.....	4.3				- 0.1	- 0.7			
U. S. securities.....	861.0				+154.4	+440.3			
Total.....	\$866.9				+\$151.8	+\$440.2			
Note circulation.....	1148.9				+ 48.8	+296.6			
Memberbk.deposits.....	614.3				+ 2.7	+ 38.6			
U. S. general account.....	68.2				+44.2	+ 67.4			
Foreign deposits.....	132.0				+ 6.7	+ 62.8			
Other deposits.....	11.0				+ 7.6	+ 2.3			
Total reserves.....	1092.5				+ 68.8	+ 62.9			
Reserve ratio.....	55.3%				- 7.0%	- 17.4%			
Phila. banks									
1942: Dec. 1-15.....	\$424	\$347	\$77	22%					
1943: Nov. 1-15.....	360	347	13	4					
Nov. 16-30.....	361	351	10	3					
Dec. 1-15.....	371	360	11	3					
Country banks									
1942: Dec. 1-15.....	241	174	67	39					
1943: Nov. 1-15.....	264	204	60	29					
Nov. 16-30.....	261	208	53	26					
Dec. 1-15.....	263	213	50	24					