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THE BUSINESS REVIEW

FEDERAL RESERVE BANK
OF PHILADELPHIA

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Toward Peacetime Activity

National unity of purpose stimulated heroic deeds in the battle lines and miraculous achievements on production lines. If a similar unity of purpose can be rekindled for the job before us now, reconversion presents no insuperable difficulties.

At present the weather map shows both inflationary and deflationary areas, both of which are to be avoided. The best course to chart is speedy resumption of peacetime production; it by-passes both the doldrums of deflation and the high winds of inflation.

During the war, gross national product was doubled but roughly half of the goods and services produced were for war. Civilians had about twice the amount of money to buy approximately the same amount of goods and services as formerly. As a result, inflationary pressure was generated rapidly and a variety of measures had to be devised to hold it in check.

Price ceilings were established on most consumer goods and price control was reinforced with rationing. Wages were tied with a 15 per cent rope to the January 1941 milestone and manpower controls were established to keep workers in most essential occupations. Heavier taxes served the double purpose of helping to defray the costs of war and to take money away from the markets for civilian goods. Sales of Government bonds also absorbed some of the excessive cash in the hands of individuals.

The record shows very plainly that efforts to control the cost of living were much more successful in this war than in the first World War. Between July 1914 and the Armistice prices rose more than 60 per cent. Between August 1939 and V-J Day, a considerably longer period, prices rose 31 per cent.

The ending of the war did not end the danger of inflation; it is even greater now that goods can be bought without tickets and tokens. Petroleum products and numerous foods have already been removed from ration controls and other consumer goods are scheduled to follow. Manpower controls have been abolished, wage controls are relaxed, and taxes are being reduced. At the same time, civilians still have a huge amount of spare cash. Consequently, the ferment of inflation persists and the retention of price ceilings is one of the last and most tenuous lines of defense.

Immediately after the First World War such Government controls as were in effect were quickly abolished in anticipation of a collapse in prices. For a few months prices sagged but then a wild scramble for goods ensued and prices skyrocketed. From March 1919 until the mid-1920's the cost of living increased more rapidly than it had during the war itself. Then the bubble burst.

Although the present situation is not identical to that of the First World War, the danger of runaway prices is just as great. One of the

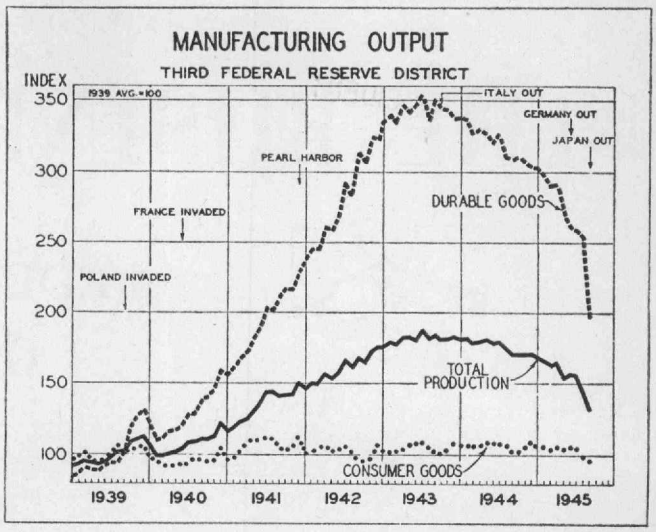
most effective precautionary measures against inflation is to produce more goods. As long as consumer goods are scarce in relation to the available supply of money, the hazard of inflation remains.

Wartime Production in the Third District

The outbreak of the war in Europe and the beginning of national defense efforts in this country stimulated industrial production in the Third District much the same as it did throughout the United States. Until mid-1941 the rising curve of industrial production in this district paralleled that of the United States because local productive facilities were well diversified and immediately available for war production. Later, however, industrial production in this area did not rise as rapidly as it did in the United States. The Federal Reserve Board index of industrial production had risen about 130 per cent above the 1939 level in October 1943. The peak of industrial production in this district was attained in July, when the index was only 88 per cent above the 1939 average. Industrial expansion was somewhat milder in this area partly because it received only 5.4 per cent of the country's new war facilities; before the war the district produced 8.1 per cent of the total manufacturing output. Furthermore, this area did not have as many existing facilities like automobile plants easily convertible to mass production of combat materials.

The quick response of production to the needs of war is shown in the accompanying chart. From 101, when Germany invaded France, the index of production in this district rose to 150 at the time of the attack on Pearl Harbor. In February 1943, when the Russian lines held and the mighty counter-offensive began, the index was 179. Peak output was attained just before the Italian collapse, and for the remaining two years of war, industrial production rolled downhill.

The output of durable goods, which were mostly for war, rose to three and a half times the 1939 level. In view of that phenomenal performance it is surprising to see (in the chart) how well the output of consumer goods was maintained. In response to the first flush of preparedness for war, output of consumer goods rose 12 points above the 1939 level. The small recession which followed caused some inconvenience but no sacrifice on the part of civilians.



Perhaps the one outstanding thing that distinguished this war from all others was its global character. Our armed forces operated in every continent except Antarctica and North and South America. Hence the need for transportation.

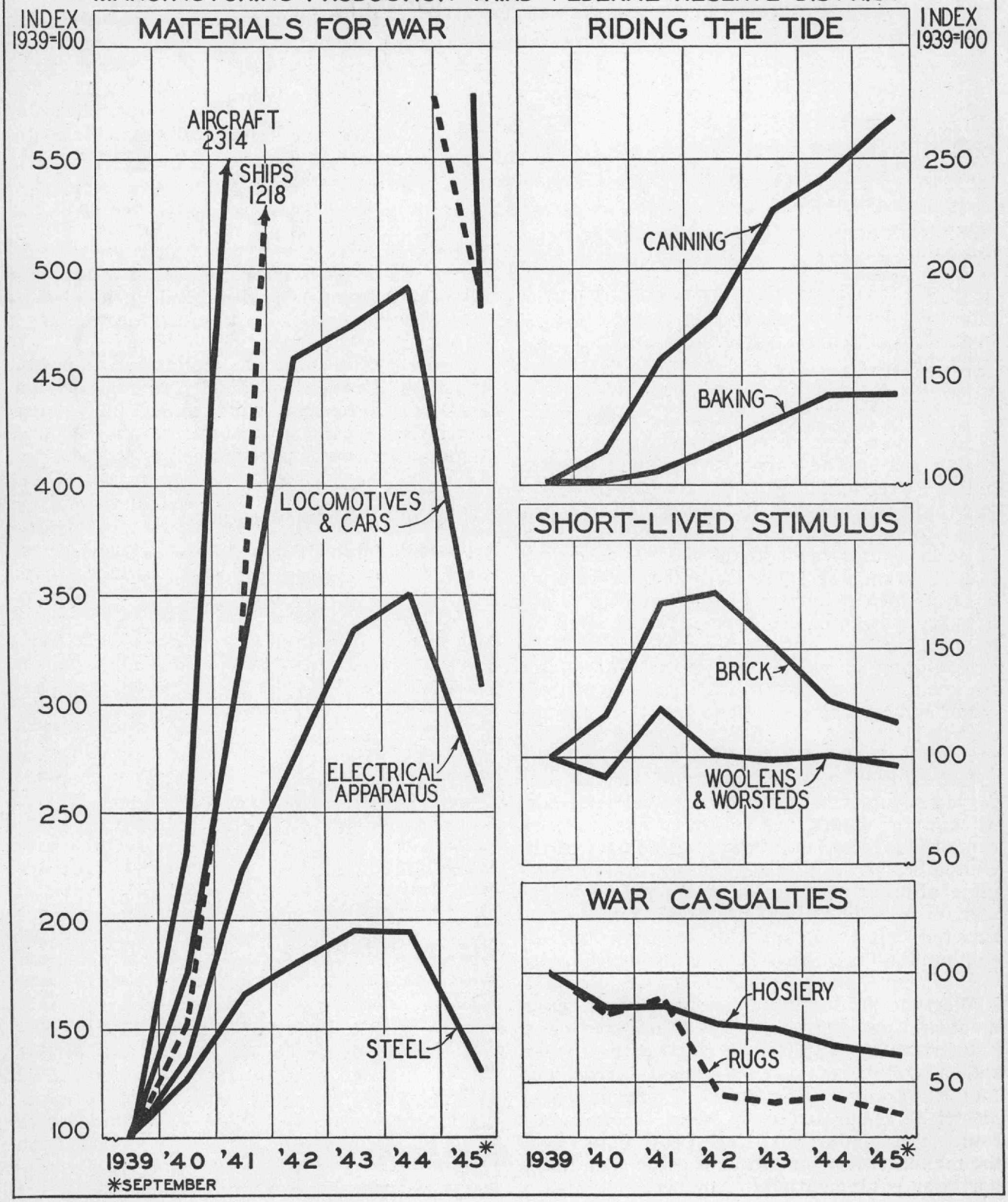
The importance of the part played by transportation equipment is indicated by the Federal Reserve Board index for this industry group, which attained a peak almost eight times the pre-war level—greater than that of any other major group. Aircraft, ships, tanks, trucks, half-tracks, jeeps, and everything else that moves by motor were topmost priority items throughout the war. In 1944, when war production was already on the decline, the United States turned out about $20 billion worth of aircraft including spares, and about $15 billion worth of ships including maintenance and repairs.

Factories of this district turned out almost everything, but one of their greatest contributions to the war effort was the production of transportation equipment. The index for transportation equipment rose to more than eight times the 1939 level. At the height of war production, shipbuilding alone was twelve times the pre-war volume.

As in former wars, the public and private shipyards along the Delaware River were called to the national emergency and capacity was expanded by the construction of $230 million worth of additional facilities. This new construction represents 21 per cent of all war facility contracts awarded to the Third District.

INDUSTRIES IN WAR

MANUFACTURING PRODUCTION–THIRD FEDERAL RESERVE DISTRICT



War Facility Contracts

	Third District		United States
	Actual	Per cent Distribution	Per cent Distribution
By Industry Groups:			
Total	$1,100,013*	100	100
Aircraft	113,453	10	18
Ships	232,090	21	12
Ordnance	151,206	14	14
Explosives	56,618	5	12
Iron and steel products	187,525	17	10
Nonferrous metal	52,286	5	7
Machinery	82,775	7	6
Chemicals and petroleum	137,910	13	14
Food and other manufacturing	86,141	8	5
By Type of Financing:			
Public	780,996	71	78
Private	319,017	29	22
By Type of Expansion:			
Conversion	139,548	13	11
Expansion	433,317	39	21
New plant	527,148	48	68

* Excludes a small number of contracts not allocated according to Federal Reserve Districts.
Source: U. S. War Production Board.

As early as 1940, shipbuilding activity had risen 50 per cent above the level of the preceding year. The early development of shipbuilding activity is accounted for largely by the Merchant Marine Act of 1936 which had provided for a 10-year expansion program to enlarge the country's merchant marine. Of course, that program was pathetically inadequate once we were drawn into the war, but it gave the industry a running start when the demand for tonnage reached fantastic proportions. In 1943, shipbuilding activity in Pennsylvania accounted for about 5 per cent of all the employee hours in manufacturing, in contrast to less than one per cent in 1939.

Before the war, production of aircraft employed about as many people as the manufacture of candy or cigars, but within two years it became the largest manufacturing industry of the United States. In this district, which had negligible aircraft production at the outset of the war, over $100 million of facilities were constructed, but even that was less than half the shipbuilding facilities created during the war.

Wartime production of transportation equipment and ordnance naturally stimulated other industries that supplied the required raw materials. Output of pig iron, steel ingots, and foundry products doubled, and production of electrical apparatus more than trebled. Of course, these industries also fed raw materials to the manufacturers of products other than transportation equipment and ordnance.

With respect to the consumer goods industries the war had diverse results. Throughout the war years these industries followed three fairly well-defined patterns: first, the war casualties; second, those which were stimulated by war; and finally, those which received an early stimulus and subsequently receded. The page of charts illustrates the three types in contrast with the industries that made materials for war.

Carpets and rugs, and hosiery are examples of war casualties, primarily victims of raw material shortages. Carpets and rugs are ordinarily made from imported wool and enemy submarine action virtually dried up imports of these raw materials. Just before the war, most full-fashioned hosiery, which is an important industry in this area, was made from imported Japanese silk and domestically produced Nylon. For obvious reasons, silk became unavailable and Nylon became a strategic raw material in the manufacture of parachutes.

PRODUCTION

Philadelphia Federal Reserve District
(1939 = 100)

Industry	1943	Sept. 1945
Pig iron	208	191
Steel	195	130
Castings	227	143
Electrical apparatus	334	259
Motor vehicles	278	204
Motor vehicles, bodies and parts	241	144
Locomotives and cars	473	309
Shipbuilding	1,218	487
Aircraft	2,314	483
Cement	78	83
Brick	151	115
Lumber and its products	107	88
Explosives	287	117
Paints and varnishes	116	111
Petroleum refining	107	141
Coke	149	144
Paper and wood pulp	115	118
Printing and publishing	106	124
Leather, goat and kid	92	59
Boots and shoes	88	66
Cotton products	113	86
Silk manufactures	102	92
Woolens and worsteds	99	96
Carpets and rugs	42	35
Underwear	108	88
Men's clothing	66	40
Women's clothing	92	73
Hosiery	75	63
Bread and bakery products	129	141
Canning and preserving	225	268
Sugar refining	103	49
Meat packing	107	92
Tobacco and snuff	86	106
Cigars	109	113

Note: Industries are classified on the basis of their pre-war products.

The best examples of local industries that were stimulated by the war are canning and preserving and baking. These industries attained and maintained high levels of output because of the needs of the armed forces in the field and also because of increased buying by civilians who had more money to spend and fewer opportunities to buy durable goods.

Textiles, so prominent in this area, had an early wartime expansion that was not sustained. Production of woolens and worsteds rose in the early stages of the war very largely as the result of initial requirements to outfit millions in the armed forces. With a subsequent reduction in military requirements, production declined and although civilian needs for these materials might have been expected to take up most of the slack, these industries faced considerable difficulty in meeting that demand because of labor shortages. Workers could easily find better paying jobs in other industries.

There are also durable goods industries which did not hold their early wartime gains. Bricks (and other building materials) are an example. The initial rise in production was stimulated by activity in Government construction projects as well as increased private building. However, when the public construction program approached completion, the Government by special order curtailed most nonessential building for the purpose of diverting both materials and manpower into the war effort.

Progress of Reconversion in the Third District

Reconversion in the Third District is well under way and is not expected to encounter serious obstacles. A survey of the eight-county Philadelphia area made immediately after V-J Day revealed that a large contraction in manufacturing employment had already occurred by the time of the Japanese surrender. Industrial employment in this area, which is the district's manufacturing center, had declined from a peak of 640,000 in June 1943 to about 560,000 in August 1945. Almost three-quarters of the 80,000 workers released were from the transportation equipment, iron and steel, and machinery industries. Over 90 per cent of the manufacturers indicated no difficulty with respect to the physical aspects of reconversion, although some pointed out current raw material and labor shortages as temporary handicaps.

At the present time, which is probably the height of the reconversion period, considerable reshuffling from wartime to peacetime employment is taking place. Late in October the Director of the Philadelphia office of the United States Employment Service reported about 20,000 individuals drawing unemployment compensation and 18,000 job openings available in the Philadelphia area, which includes Philadelphia, Delaware, Chester, and parts of Montgomery and Bucks counties. This is perhaps typical of the employment aspects of reconversion—the abundance of jobs available coincident with unemployment means that there is a scarcity of certain types of workers and that, for the most part, those now unemployed do not fit into the jobs that are available. It cannot be assumed that workers who are receiving unemployment compensation are indiscriminately refusing employment.

The Third District is emerging from the war with a healthy industrial diversification and a tremendous productive capacity. Before the war, textiles, iron and steel, and apparel accounted for the greatest industrial employment. The district has a well-balanced structure, not only with respect to industrial diversification but also with respect to durable and nondurable industries. In 1940, 36 per cent of its industrial workers were employed in durable goods industries, compared with 40 per cent for the United States. Most of the additional capacity built during the war was in shipbuilding, iron and steel, ordnance, chemical, and petroleum industries. With the exception of shipbuilding and ordnance, practically all additional facilities are readily convertible to peacetime production. Fully half of the new productive capacity built during the war should be absorbed without any difficulty.

The shipbuilding industry, which faces the greatest deflation, has already contracted to less than half of its wartime peak. The other transportation equipment industries, such as locomotives and cars, motor vehicles, and motor vehicle bodies and parts have a huge backlog of accumulated orders which will ease their transition to normal peacetime activity. Accumulated demand for locomotives, railway cars, and automobile bodies and parts affords expanding opportunities for employment, and additional jobs will be created in the iron and steel and machinery industries which must supply the raw materials.

In all likelihood the war will have changed the basic composition of our industrial structure very little. The district will emerge with a preponderance of capacity in the nondurable consumer goods industries, although the durable goods industries will apparently occupy a somewhat more important position than they did before the war. The district will continue to have a relatively large share of its total industrial capacity in textiles, apparel, and iron and steel.

Unlike other areas which have large capacity in the mass production industries, such as motor vehicles, refrigerators, and household appliances, this area has large capacity in those industries that produce "tailor-made" products in which a relatively large amount of labor is built into the final product. From this it may be inferred that many of the local industries are not in a position to profit by the technological strides that have been made during the war. Most of the war-time improvements in technology are more applicable to the highly specialized mass production industries.

Characteristics of the Period We Are Entering

It is easy to minimize the over-all job of reconversion that was thrust upon industries of the United States by the sudden termination of the war. In addition to the physical aspects of reconversion, the question of wage rates had to be given priority as a result of widespread demands from organized labor for higher wage rates. Owing to the abolition of overtime, representatives of organized labor are pressing for higher rates, pointing to the need of maintaining take-home pay in order to preserve high standards of living and purchasing power. Many employers take the position that higher prices must be charged for their products, and that concessions to labor would only result in a rising spiral of inflation. It is doubtful whether any simple formula can measure how much increase can be paid in wage rates without boosting prices, because the cost structure differs tremendously from one industry to another and among different producers within each industry.

One of the major differences between production during the war and production in the period we are now entering is the whole problem of costs. During the war, when our survival as a nation was at stake, emphasis naturally had to be placed upon rapidity of production with costs relegated to a subordinate position. Now that the emergency is over, costs again play a major role.

Wage rates, of course, are an important element in the cost structure of every business enterprise but wage rates are only one element in cost of production and distribution. It is generally recognized that some producers with the highest wage rates have the lowest labor costs. In industries such as petroleum and sugar refining, wages comprise only a small proportion of the value of goods produced. In other industries, as in textiles, apparel, hosiery, and foundries, wages constitute a much greater proportion of the value of goods produced. Of course in those industries where labor is a major cost in the production process, any pressure for higher wage rates is likely to encounter more opposition. The extent to which higher wage rates increase labor costs depends upon such things as mechanization, plant organization, wage incentive plans, and a variety of managerial controls.

It may take some time to determine or establish workable, let alone satisfactory, cost-price relationships. War shatters customary relationships between needs and supplies of raw materials, it dislocates traditional channels of trade and it disrupts equilibrium between wages and labor productivity. In short, costs and prices are jittery; tranquillity and equilibrium cannot be regained as soon as the storm blows over.

Industries of the United States have developed many technological improvements in the course of war production. The spectacular harnessing of atomic energy has overshadowed thousands of minor technological improvements throughout all industries. Among the latter are innumerable techniques increasing the efficiency of labor, such as the development of a high nickel free-machining steel which saves about 72 per cent in machining time. Hundreds of examples might be cited, and while each one appears to have limited application, collectively they will bring about substantial reduction in costs of operation.

A pertinent question with respect to the fruits of technological advancement is how the gains will be distributed. They might go to labor in the form of higher wages. Gains so distributed would be diffused widely on the assumption that

workers generally spend most of their income. On the other hand, gains distributed in the form of lower prices might be diffused even more widely. That, of course, would depend upon the extent of price reduction passed on to consumers and the degree to which consumer demand is stimulated. Some of the gains resulting from technological improvements might also be distributed in the form of larger profits. This must not be ignored in view of the importance of the profit motive in private enterprise.

Industrial production may unfold in three successive stages. First is the period of reconversion now before us. Beneath the scrambles for position one may expect declining production in some of the heavy lines and increasing output of nondurables, disposition of Government plants and surplus property, re-tooling industrial plants, over-all shrinkage in payrolls as hours of work decrease and temporary dislocation of workers occurs. From all reports it appears that industry will be over most of the hurdles by the turn of this year.

The next stage may be visualized as a "catching-up" period characterized by intensive industrial activity based upon accumulated demand for consumer durables and the urgent need to replace worn out and obsolete capital equipment. Several years will be required to catch up with the backlog of unsatisfied demand for such things as automobiles, housing, public transportation facilities, and industrial equipment.

The final stage is one of sustained production to maintain high standards of living to which we have become accustomed. Long-range plans for this period should be made now while comprehensive readjustments from war to peace are in process.

THE VICTORY LOAN

Challenge and Opportunity

The Victory Loan, last of the war loan drives, opened on October 29 with a strong appeal from the Treasury Department to the people for support in finishing the job of war financing through public campaigns. The Treasury still has a large war bill to pay, even though monthly expenditures have declined from $7 or $8 billion before V-J Day to about $5 billion. Current revenues are not adequate to meet the need so the Treasury must continue to borrow from savers and permanent investors. Everyone has a stake in seeing to it that this drive is successful with respect to both achievement of the goal and the way the goal is reached.

Enormous Obligations to be Met

The Secretary of the Treasury is asking the people to lend their Government $11 billion. He is asking the people to invest their savings in Victory bonds. Every bit of this amount and more is needed to pay the heavy bill before the financial burden of war becomes much lighter.

Millions of our men and women must be brought home, mustered out of the services, and released for useful civilian lives as rapidly as possible. The wounded must be succored and healed. The handicapped must be given a new lease on life through training and education. None of us would be niggardly, let alone negligent, in meeting this heavy obligation.

So that our enemies may not rise again, we must maintain, together with our Allies, substantial armies of occupation. And that, too, will require large expenditures for housing, feeding, and the medical care of our own men and women.

Nor would we want to see our Government delay in paying for war materials that had been ordered, produced, and delivered to the armed forces. Speedy payments will release funds to business and enable industry to return quickly to peacetime activity and to multiply useful job opportunities.

In meeting such needs, the Treasury really has no money of its own. It must obtain it as always from the people through taxation or borrowing. There are definite limits to the

VICTORY LOAN SECURITIES TO FIT EVERY NEED

	U. S. Savings Bonds Series E	U. S. Savings Bonds Series F	U. S. Savings Bonds Series G	Treas. Savings Notes Series C	2½% Treas. Bonds of 1967-72	2¼% Treas. Bonds of 1959-62	⅞% Cert. of Indebtedness K-1946
Cost price	75% of maturity value	74% of maturity value	Par	Par	$500 or $1,000 sales: par over $1,000, par and interest after issue date*		Par and interest after issue date
Dated	First of month	First of month	First of month	First of month	Nov. 15, 1945	Nov. 15, 1945	Dec. 3, 1945
Due	10 years	12 years	12 years	3 years	Dec. 15, 1972	Dec. 15, 1962	Dec. 1, 1946
Rate	2.90% if held to maturity	2.53% if held to maturity	2½% if held to maturity	1.07% if held to maturity	2½%	2¼%	⅞%
Form	Registered	Registered	Registered	Owner's name on note	Coupon or registered	Coupon or registered	Coupon
Denominations	$25 to $1,000** maturity value	$25 to $10,000 maturity value	$100-$10,000	$100 to $1,000,000	$500 to $1,000,000	$500 to $1,000,000	$1,000 to $1,000,000
Acceptable in payment of Federal taxes (income, estate, or gift) prior to maturity	No	No	No	Yes, at stated redemption values during and after 2nd calendar month after purchase	Federal estate taxes only, on death of owner		No
Redeemable before maturity	At holder's option only, at stated redemption values: After 60 days from issue date	After 6 months on 1 month's notice	After 6 months on 1 month's notice†	At holder's option only after 6 months††	At Government's option only, at par and interest: On or after Dec. 15, 1967	On or after Dec. 15, 1959	No
May use for borrowing	No	No	No	From banks. only	Yes	Yes	Yes
Salable	No	No	No	No	Yes	Yes	Yes

*Sales to others than individuals, interest to Dec. 3rd, or such later date as payment is received.
**$10 denomination available to armed forces.
†Upon death of owner redeemable at par after 6 months from issue date, if application for redemption is made within 6 months after decease.
††At issue price only if commercial bank is holder for own account.

amount that can be secured from taxes. Beyond that, the Treasury must borrow from the people —individuals, provident institutions, and business. Borrow and repay with interest, provide an opportunity for the people to put their funds to work in a good cause!

Every Individual Has a Heavy Stake

Every citizen has a heavy stake in finishing this job and self-interest in seeing that the job is done in the right way. The objective of the Treasury has been to borrow as much of the funds as possible from nonbank investors because such funds are noninflationary; they do not add to the buying power that already exists in swollen deposits in banks and currency in people's pockets.

Only self-restraint and quick change-over from war to peacetime production can lessen the threat of inflation, which would impoverish all of us—individuals and businesses. There will be for some time more demand for goods and services than business can supply. In other words, there will be more money to spend than goods to buy. The 100 billion dollars that individuals have saved since Pearl Harbor, added to current earnings, obviously are large enough to blow the roof off the price structure. We have no wish to see a repetition of what happened after the last war, when the cost of living advanced so sharply in the brief period of a year and a half.

The prudent consumer will conserve his liquid assets. He will buy out of current income only what is needed until goods become plentiful and will hold on to his Savings Bonds as a sure backlog for his future.

About ninety million Americans today own Government securities and thirty million have been buying them regularly out of their earnings. Theirs is the wise method of preparing to own homes, educate children, start businesses, and build steady retirement incomes. Here is an army of stockholders developing a real feeling of self-confidence and interest in the affairs of the Government. Such participation makes for general stability and gives an individual sense of security in meeting the uncertain future.

With reconversion completed, current income is likely to be high. The shift from war to peace on the whole is proceeding well, considering the sudden termination of total war. The amassed demand for goods and services can keep our productive resources going at high levels for years if we act soberly and with confidence.

A Security for Every Purpose

The basket of securities this time again is diversified. It includes savings bonds of Series E, F and G; savings notes; one-year certificates of indebtedness; and 2¼ and 2½ per cent bonds. Some of the characteristics of these securities are shown in the accompanying table. Their appeal is very broad, offering opportunity to the small investor and the large; for trust funds; for short or long-term requirements, or accumulations in anticipation of taxes. Whatever the motive of the purchaser may be, the securities are alike in one respect—they make money grow. Investment of $75 in a Series E bond becomes $100 in ten years; the rate of return offered by this security—2.90 per cent if held to maturity—is the largest on any of those offered.

In the initial stages, subscriptions to marketable issues will be accepted only from individuals, defined to include partnerships (other than security brokers and dealers) and personal trust accounts. Subscriptions to the marketable issues will be accepted from other nonbank investors over the period from December 3 through December 8. Offering of the marketables terminates December 8, but all sales of savings bonds and savings notes to nonbank investors processed over the remainder of that month will apply toward quotas.

Quotas for Individuals Smaller than in Last Drive

National quotas for individuals call for their purchase of $2 billion of E bonds and an equal amount of other securities, as against $4 billion and $3 billion respectively in the Seventh War

(Millions $)	Sales Seventh Loan	Quotas Victory Loan
Series E bonds		
Pennsylvania	283	144
New Jersey	132	60
Delaware	9	5
Other sales to individuals:		
Pennsylvania	392	155
New Jersey	199	75
Delaware	15	8
Other nonbank investors:		
Pennsylvania	1,083	433
New Jersey	987	361
Delaware	52	21

Loan. For other non-bank investors the current drive repeats the $7 billion asked in the last. Comparison of sales in the Seventh with quotas for the Victory Loan is given in the accompanying table for the states of this district.

Ample Resources for Bond Buying

Cash resources, supplementing current incomes, are more than ample to put the present drive across if the people accept their responsibilities. By the close of 1945, personal holdings of liquid assets in this country may reach $150 billion, with possibly three-fifths of this amount in the form of bank deposits and currency.

Nationally and locally the reports of banks in leading cities show that customers' deposits are now larger than they were early last May, at the beginning of the Seventh War Loan, although in that drive investors purchased more heavily than in any previous drive. Money in circulation here and elsewhere is at record high levels, furnishing an accumulation of funds which could be put to no better use than in the purchase of Treasury securities.

Continued emphasis on the need for selling securities that stay sold and avoiding unnecessary expansion of bank credit and purchasing power explains the stress placed by the Treasury on sales to individuals, the limitations on certain other classes of subscribers, and instructions issued prior to the present drive. Subscriptions of brokers and dealers, of insurance companies, and of savings institutions are limited by prescribed formulae. Investors are asked not to sell outstanding securities in anticipation of drive purchases unless they represent normal portfolio adjustments. Banks are asked to decline to make loans for speculative purchases of Governments and to refuse to accept subscriptions which appear to be of this character. Observance of these injunctions, dictated by past experience, will contribute toward a sane economy in the post-war period and is in the interests of all.

Meeting the Challenge

This is our opportunity to invest in Victory bonds and to finish the job as it ought to be finished. In the seven war loan drives almost $136 billion was invested in Government securities. Against this staggering amount the $11 billion now asked seems small. In meeting the challenge we also act in accordance with the best dictates of prudence, putting our individual savings to work, and doing it in a way that will establish a sound foundation, nationally and individually, for the life before us.

Fighting fairly, vigorously, and to the finish, so characteristic of the American people, was demonstrated by our armed forces. In our responsibilities as citizens the same qualities must be demonstrated. One way to do it is to meet the test of the Victory Loan.

BUSINESS STATISTICS

Production

Philadelphia Federal Reserve District

Indexes: 1923-5 = 100	Adjusted for seasonal variation						Not adjusted		
				Per cent change					
	Sept. 1945	Aug. 1945	Sept. 1944	Sept. 1945 from Mo. ago	Sept. 1945 from Year ago	1945 from 9 mos. 1944	Sept. 1945	Aug. 1945	Sept. 1944
INDUSTRIAL PRODUCTION	108p	118	140r	− 9	− 23	− 13	109p	119	141
MANUFACTURING	109p	121	144	−10	− 24	− 13	110p	121	144
Durable goods	142p	170	224	−16	− 36	− 18	.....	.....	.....
Consumers' goods	83p	85	87r	− 3	− 5	− 4	.....	.....	.....
Metal products	127	140	176	− 9	− 28	− 11	129	147	179
Textile products	59p	63	64r	− 6	− 8	− 7	60p	60	65r
Transportation equipment	303	403	570	−25	− 47	− 26	287	394	539
Food products	103p	111	110	− 7	− 6	− 2	115p	113	119
Tobacco and products	97	89	80	+ 9	+ 20	+ 1	112	95	93
Building materials	34	34	34	− 1	0	+ 1	36	38	36
Chemicals and products	162	162r	168	0	− 4	+ 4	160	162r	166
Leather and products	68p	66	92	+ 4	− 26	− 21	75p	68	101
Paper and printing	108	105	98	+ 4	+ 10	+ 4	107	102	98
Individual lines									
Pig iron	105	106r	108	− 1	− 3	− 6	98	93r	101
Steel	98	110r	144	−11	− 32	− 10	93	112r	137
Iron castings*	67	66	73	+ 2	− 8	− 1	68	64	73
Steel castings*	153	155	259	− 1	− 41	− 18	139	149	235
Electrical apparatus*	193	214	258	−10	− 25	− 13	213	238	284
Motor vehicles*	45	52	62	−12	− 27	− 1	39	43	53
Auto. parts and bodies*	104	119	152	−12	− 32	− 28	99	112	145
Locomotives and cars*	69	76	106	− 9	− 34	− 14	66	77	101
Silk manufactures	76	83r	81	− 8	− 5	− 1	76	81	81
Woolen and worsteds	53p	55	55	− 3	− 3	0	58p	56	59
Cotton products	44	46	46	− 5	− 5	− 7	41	41r	43
Carpets and rugs	44p	53	53	−18	− 18	− 1	44p	50	53
Hosiery	66	68	68	− 3	− 4	− 9	66	59	68
Underwear	128	131	136	− 2	− 6	− 7	128	122	136
Cement	42	37	28	+16	+ 49	+ 16	50	46	33
Brick	46	45r	47	0	− 3	− 2	46	47r	48
Lumber and products	22	26	30	−15	− 25	− 3	23	28	31
Bread and bakery products	.....	.....	.....	+ 3‡	− 1‡	+ 2‡	125	122r	126
Slaughtering, meat packing	88	87	107	+ 1	− 18	− 24	92	78	109
Sugar refining	45	127	60	−65	− 26	− 6	39	109	52
Canning and preserving	114p	138	125	−18	− 9	+ 6	158p	150	163
Cigars	95	87	79	+ 9	+ 21	0	111	93	91
Paper and wood pulp	87	82	81	+ 6	+ 7	0	87	82	81
Printing and publishing	113	109	102	+ 3	+ 10	+ 5	112	106	101
Shoes	82	83	107	0	− 23	− 16	94	89	122
Leather, goat and kid	54p	49	78	+10	− 30	− 28	57p	47	81
Explosives*	98	193	203	−49	− 52	− 5	98	193	203
Paints and varnishes	95	89r	103	+ 6	− 8	− 5	90	91r	98
Petroleum products*	224	200	196	+12	+ 15	+ 11	226	200	197
Coke, by-product	163	154r	174r	+ 6	− 6	− 5	157	151r	167r
COAL MINING	74	68	83	+ 9	− 11	− 15	74	67	83
Anthracite	72	64	81	+12	− 11	− 16	72	64	81
Bituminous	90	97	101	− 8	− 12	− 10	91	91	103
CRUDE OIL	319	331	356	− 4	− 10	− 12	319	331	356
ELECTRIC POWER	395	423	428	− 7	− 8	+ 1	387	402	420
Sales, total	395	431	433	− 9	− 9	− 1	391	410	429
Sales to industries	297	300	336	− 1	− 12	− 3	315	309	356
BUILDING CONTRACTS									
TOTAL AWARDS†	78	70	41	+12	+ 90	+ 47	76	68	40
Residential†	11	8	7	+35	+ 57	− 68	13	9	9
Nonresidential†	113	120	72	− 6	+ 58	+ 38	106	110	67
Public works and utilities	208	164	76	+27	+174	+149	190	143	69

*Figs. back to Dec., 1941 available on request.
† 3-month moving daily average centered at 3rd month.
‡ Unadjusted for seasonal variation.
p—Preliminary.
r—Revised.

Local Business Conditions*

Percentage change—Sept. 1945 from month and year ago	Factory employment		Factory payrolls		Building permits value		Retail sales		Debits	
	Aug. 1945	Sept. 1944	Aug. 1945	Sept. 1944	Aug. 1945	Sept. 1944	Aug. 1945	Sept. 1944	Aug. 1945	Sept. 1944
Allentown	−10	−17	−11	−28	+ 65	+ 20	+21	− 1	− 7	0
Altoona	− 4	− 1	−10	− 7	+170	− 2	+19	+12	−21	+ 5
Harrisburg	− 4	−11	− 3	−18	− 54	− 80	+22	+ 7	− 5	− 5
Johnstown	− 4	− 7	+ 3	−16	− 27	− 62	+11	+ 3	−11	0
Lancaster	−14	−23	−18	−27	+229	+406	+17	− 9	− 2	−25
Philadelphia	−10	−22	−14	−29	.....	.....	+41	+ 5	− 5	− 1
Reading	− 5	− 9	− 1	−16	− 61	− 17	+22	− 7	−11	−17
Scranton	−18	−20	−27	−26	+ 75	− 79	+22	+ 6	+22	−10
Trenton	.....	.....	.....	.....	− 45	+ 62	+38	0	−25	−27
Wilkes-Barre	− 5	−11	− 2	−14	+ 5	− 53	+21	+13	− 5	− 2
Williamsport	− 4	−15	− 6	−21	+ 63	− 37	.....	.....	0	0
Wilmington	−12	−34	−12	−44	+155	+256	+10	− 1	+ 9	− 4
York	− 6	−12	−12	−25	− 56	+ 57	+ 9	+ 2	− 9	+ 4

* Area not restricted to the corporate limits of cities given here.

Employment and Income

in Pennsylvania

Industry, Trade and Service

Indexes: 1932 = 100	Employment			Payrolls		
	Sept. 1945 index	Per cent change from Aug. 1945	Per cent change from Sept. 1944	Sept. 1945 index	Per cent change from Aug. 1945	Per cent change from Sept. 1944
GENERAL INDEX	119	− 3	− 9	267	− 6	−19
Manufacturing	152	− 7	−15	370	−10	−25
Anthracite mining	44	0	−10	84	+ 1	−11
Bituminous coal mining	70	− 1	− 7	311	− 2	−10
Building and construction	54	+10	+ 6	119	+13	− 9
Quar. and nonmet. mining	79	+ 3	− 5	257	+ 4	+ 6
Crude petroleum prod.	132	+ 1	− 1	268	+ 3	+ 2
Public utilities	99	0	+ 1	152	− 1	+ 4
Retail trade	121	+ 5	+ 8	168	+ 8	+ 8
Wholesale trade	105	+ 2	+ 3	157	+ 4	+ 6
Hotels	108	+ 1	+ 5	195	+ 4	+15
Laundries	98	0	0	177	+ 2	+ 5
Dyeing and cleaning	101	+ 2	+ 6	198	+17	+24

Manufacturing

Indexes: 1923-5 = 100	Employment*			Payrolls*		
	Sept. 1945 index	Per cent change from Aug. 1945	Per cent change from Sept. 1944	Sept. 1945 index	Per cent change from Aug. 1945	Per cent change from Sept. 1944
TOTAL	98	− 7	−15	151	−10	−25
Iron, steel and products	100	−10	−21	186	−15	−33
Nonferrous metal products	180	−11	−12	337	−15	−25
Transportation equipment	110	−16	−30	177	−19	−36
Textiles and clothing	74	− 1	− 5	115	+ 5	− 4
Textiles	68	− 1	− 4	107	+ 4	− 3
Clothing	96	− 1	− 8	153	+10	− 5
Food products	121	+ 2	− 4	190	+ 6	− 3
Stone, clay and glass	84	+ 2	+ 1	129	+ 3	+ 1
Lumber products	43	−11	−15	65	− 8	−22
Chemicals and products	110	− 2	− 4	194	− 4	− 8
Leather and products	72	+ 1	0	120	+ 9	+ 2
Paper and printing	105	+ 1	+ 6	172	+ 7	+13
Printing	101	+ 2	+ 8	160	+ 7	+16
Others:						
Cigars and tobacco	48	+ 6	− 5	74	+12	− 1
Rubber tires, goods	117	−14	−21	246	−15	−24
Musical instruments	95	+13	+22	144	+31	+22

* Figures from 2783 plants.

Hours and Wages

Factory workers Averages September 1944 and per cent change from year ago	Weekly working time*		Hourly earnings*		Weekly earnings†	
	Average hours	Ch'ge	Average	Ch'ge	Average	Ch'ge
TOTAL	40.7	− 9	$1.049	− 2	$42.51	−11
Iron, steel and prods.	40.3	−13	1.121	− 2	45.19	−14
Nonfer. metal prods.	40.9	−11	.967	− 4	39.53	−15
Transportation equip.	41.4	− 9	1.242	− 1	51.40	− 9
Textiles and clothing	38.1	− 3	.824	+ 5	31.38	+ 1
Textiles	39.3	− 3	.836	+ 4	32.84	+ 1
Clothing	35.3	− 4	.791	+ 7	28.25	+ 2
Food products	43.1	− 3	.823	+ 2	35.96	0
Stone, clay and glass	39.6	− 2	.960	+ 3	37.91	0
Lumber products	41.0	− 5	.763	− 3	31.28	− 7
Chemicals and prods.	43.8	− 4	1.106	+ 3	48.26	− 1
Leather and prods.	42.0	− 1	.794	+ 3	33.32	+ 1
Paper and printing	45.4	+ 2	.978	+ 6	44.43	+ 7
Printing	43.9	+ 3	1.143	+ 7	49.94	+ 9
Others:						
Cigars and tobacco	42.5	0	.667	+ 5	28.34	+ 5
Rubber tires, goods	43.1	− 6	1.083	+ 1	46.71	− 5
Musical instruments	42.8	− 2	.921	+ 3	39.46	+ 1

* Figures from 2639 plants. † Figures from 2783 plants.

Distribution and Prices

Wholesale trade Unadjusted for seasonal variation	Per cent change: Sept. 1945 from Month ago	Sept. 1945 from Year ago	1945 from 9 mos. 1944
Sales			
Total of all lines	+ 3	+ 4	+ 4
Drugs	+22	+13	+ 5
Dry Goods	+22	−11	−15
Electrical supplies	−24	+ 5	+20
Groceries	0	+ 2	+ 9
Hardware	+ 7	+19	+11
Jewelry	+39	+29	− 4
Paper	+ 2	−14	− 8
Inventories			
Total of all lines	+ 5	− 1	.....
Dry goods	+ 1	−29	.....
Electrical supplies	− 1	+28	.....
Groceries	+ 6	−11	.....
Hardware	+ 4	− 6	.....
Jewelry	.....	.....	.....
Paper	+ 6	−14	.....

Source: U. S. Department of Commerce.

Prices	Sept. 1945	Per cent change from: Month ago	Year ago	Aug. 1939
Basic commodities (Aug. 1939 = 100)	184	0	+ 1	+ 84
Wholesale (1926 = 100)	105	0	+ 1	+ 40
Farm	124	− 2	+ 1	+104
Food	105	− 1	+ 1	+ 56
Other	100	0	+ 1	+ 25
Living costs (1935-1939 = 100)				
United States	129	0	+ 2	+ 31
Philadelphia	128	0	+ 2	+ 31
Food	138	− 1	+ 2	+ 48
Clothing	149	+ 1	+ 4	+ 50
Rent	107	0	0	+ 4
Fuels	114	0	+ 4	+ 18
Housefurnishings	146	+ 1	+ 5	+ 46
Other	121	0	+ 1	+ 20

Source: U. S. Bureau of Labor Statistics.

Indexes: 1935-1939 = 100	Adjusted for seasonal variation: Sept. 1945	Aug. 1945	Sept. 1944	Per cent change: Sept. 1945 from Month ago	Sept. 1945 from Year ago	1945 from 9 mos. 1944	Not adjusted: Sept. 1945	Aug. 1945	Sept. 1944
RETAIL TRADE									
Sales									
Department stores—District	173	175	170	− 1	+ 2	+10	177	136r	173
Philadelphia	160	157	156r	+ 2	+ 3	+ 9	165	118	161r
Women's apparel	183	197r	155r	− 7	+18	+19	214	156r	181r
Men's apparel	185	141r	184	+31	0	+10	171	103r	171
Shoe	159	180	133	−12	+20	+11	187	147	157
Furniture	.....	.....	.....	+11*	− 3*	.....	.....	.....	.....
Inventories									
Department stores—District	152	159r	146	− 4	+ 4	.....	167	165r	160r
Philadelphia	146	154	139	− 6	+ 5	.....	163	162	155r
Women's apparel	183	220r	179	−17	+ 2	.....	215	213r	209
Shoe	57	61	77	− 8	−27	.....	58	60	80
Furniture	.....	.....	.....	− 3*	+13*	.....	.....	.....	.....
FREIGHT-CAR LOADINGS									
Total	124	131	137	− 6	−10	− 5	139	133	154
Merchandise and miscellaneous	114	114	130	0	−12	− 3	124	118	142
Merchandise—l.c.l.	84	81	89	+ 4	− 5	− 2	88	81	92
Coal	139	159	146	−12	− 5	− 9	153	145	161
Ore	167	173	171	− 4	− 3	− 1	268	258	276
Coke	149	176	191	−15	−22	−10	158	164	202
Forest products	94	93	100	+ 1	− 6	−17	117	113	125
Grain and products	149	169	145	−12	+ 3	+ 7	148	164	143
Livestock	101	122	123	−17	−18	−15	121	117	148
MISCELLANEOUS									
Life insurance sales	131	125	114	+ 5	+14	+10	115	105	101
Business liquidations									
Number	.....	.....	.....	.....	.....	.....	0	1	3
Amount of liabilities	.....	.....	.....	.....	.....	.....	0	2	1
Check payments	192	182	191	+ 6	+ 1	+ 7	173	162	172

* Computed from unadjusted data. r—Revised.

BANKING STATISTICS

Reporting member banks (Millions $)	Oct. 24, 1945	Changes in—: Four weeks	One year
Assets			
Commercial loans	$ 225	+$ 7	−$ 10
Loans to brokers, etc.	44	.....	+ 4
Other loans to carry secur.	32	− 22	+ 20
Loans on real estate	32	.....	− 6
Loans to banks	1	.....	+ 1
Other loans	125	+ 1	+ 23
Total loans	$ 459	−$14	+$ 32
Government securities	$1944	+$ 7	+$345
Obligations fully guar'teed	.....	.....	− 62
Other securities	189	+ 7	+ 33
Total investments	$2133	+$14	+$316
Total loans & investments	$2592	.....	+$348
Reserve with F. R. Bank	445	+ 9	+ 35
Cash in vault	31	− 1	.....
Balances with other banks	82	.....	+ 3
Other assets—net	47	+ 1	− 5
Liabilities			
Demand deposits, adjusted	$1933	+$76	+$182
Time deposits	219	+ 1	+ 32
U. S. Government deposits	399	− 68	+ 131
Interbank deposits	369	+ 3	+ 22
Borrowings	5	− 5	− 7
Other liabilities	21	.....	+ 4
Capital account	251	+ 2	+ 17

MEMBER BANK RESERVES AND RELATED FACTORS

Third Federal Reserve District (Millions of dollars)	Changes in weeks ended—: Oct. 3	Oct. 10	Oct. 17	Oct. 24	Changes in four weeks
Sources of funds:					
Reserve Bank credit extended in district	−50.6	+19.5	+13.4	−25.7	−43.4
Commercial transfers (chiefly interdistrict)	+22.7	+11.0	− 7.9	+28.0	+53.8
Treasury operations	+36.9	−25.7	+ 8.8	−15.7	+ 4.3
Total	+ 9.0	+ 4.8	+14.3	−13.4	+14.7
Uses of funds:					
Currency demand	+ 1.3	+12.3	− 1.0	− 3.2	+ 9.4
Member bank reserve deposits	+ 6.6	− 5.6	+15.4	−10.1	+ 6.3
"Other deposits" at Reserve Bank	+ 0.9	− 2.0	+ 0.2	− 0.2	− 1.1
Other Federal Reserve accounts	+ 0.2	+ 0.1	− 0.3	+ 0.1	+ 0.1
Total	+ 9.0	+ 4.8	+14.3	−13.4	+14.7

Member bank reserves (Daily averages; dollar figures in millions)	Held	Required	Excess	Ratio of excess to required
Phila. banks				
1944: Oct. 1-15	$378	$367	$11	3%
1945: Sept. 1-15	420	413	7	2
Sept. 16-30	428	419	9	2
Oct. 1-15	431	421	10	2
Country banks				
1944: Oct. 1-15	$304	$243	$61	25
1945: Sept. 1-15	346	283	63	22
Sept. 16-30	356	288	68	24
Oct. 1-15	357	290	67	23

Federal Reserve Bank of Phila. (Dollar figures in millions)	Oct. 24, 1945	Changes in: Four weeks	One year
Disc. and advances	$ 9.1	−$ 4.8	−$ 3.6
Industrial loans	2.2	− 0.2	− 1.4
U. S. securities	1579.9	− 48.7	+ 430.1
Total	$1591.2	−$53.7	+$425.1
Fed. Res. notes	1590.5	+ 7.7	+ 234.8
Member bk. deposits	786.6	+ 6.3	+ 104.4
U. S. general account	16.1	− 41.9	+ 5.2
Foreign deposits	80.3	− 7.9	− 29.8
Other deposits	2.7	− 1.1	− 3.5
Gold ctf. reserves	889.8	+ 19.5	− 103.3
Reserve ratio	35.9%	+ 1.3%	− 10.0%