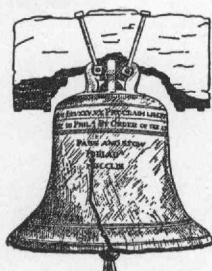




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# THE BUSINESS REVIEW



## FEDERAL RESERVE BANK OF PHILADELPHIA

FEBRUARY 1, 1946

### Prices Adrift

**B**USINESS is sensitive to price change. Rising prices are go-ahead prices; falling prices are slow-down prices. During the war years when prices were tugging at the leash they had to be held in check by the strong hand of the Government. Instead of allowing unregulated prices to dictate the disposition of productive resources, the Government used price control as an instrument of war—first, to prevent run-away prices; and second, to assure production of things most urgently needed for national defense.

In normal times, production of goods and services responds to the call of prices. The markets register rising prices for goods in increasing demand and falling prices where demand lags. Ordinarily, production is quick to respond to these price changes. Labor and capital go where the returns are the greatest, whether it be motor cars, tobacco, jewelry, or mouse traps. If left to the free and open forces of the market, prices operate like a silent and impersonal dictator over all economic activity; they determine what is produced, how much is produced, and how goods and services are distributed among consumers.

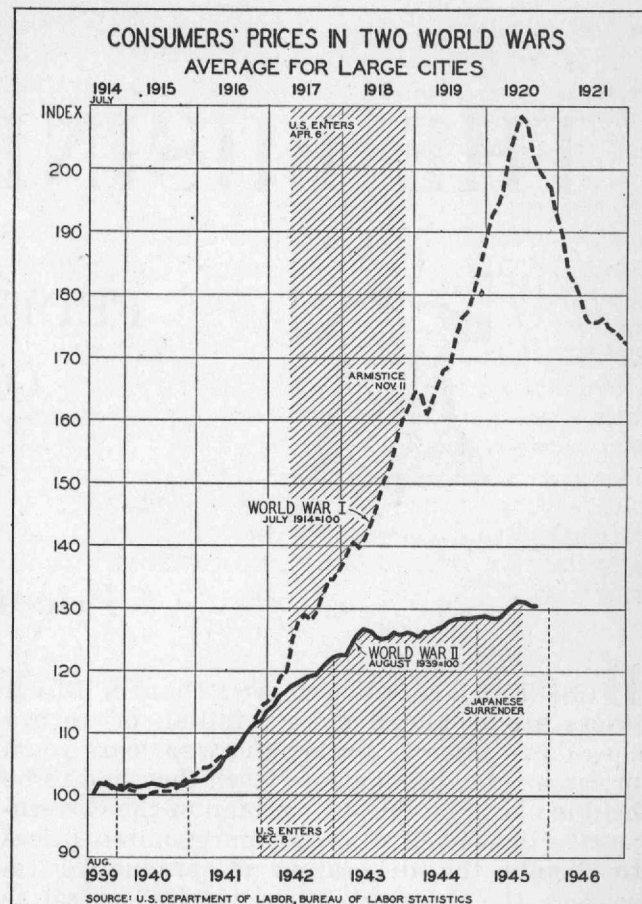
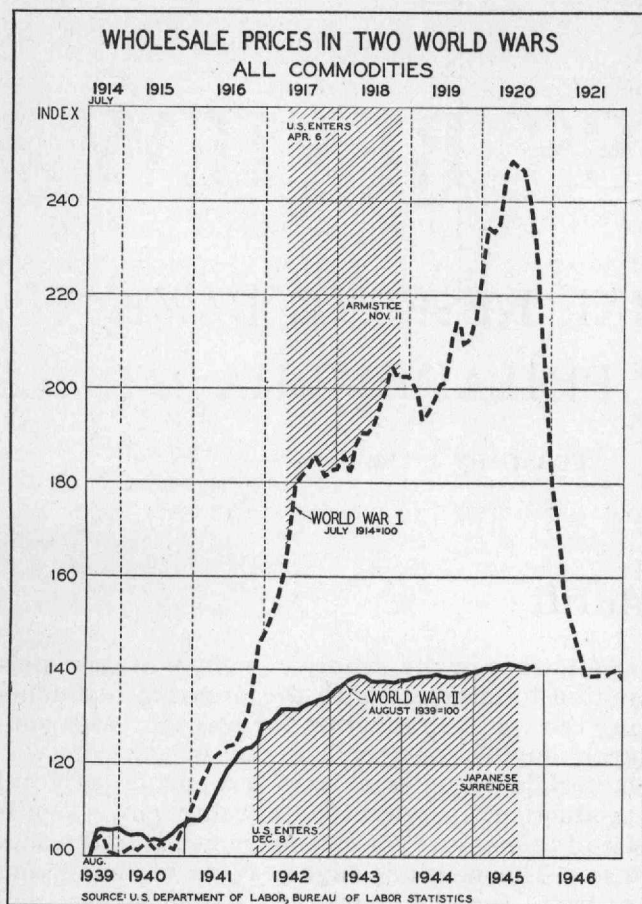
In wartime, if prices have free sway, the country's most urgent needs are not met. War upsets normal relationships. Widespread shortages develop, more in some lines than in others, with the result that great price distortions occur.

Limitations in the supply of money are not permitted to interfere with the program of financing the war. Production for war increases general buying power, but as output of war materials becomes a large proportion of total production, increased purchasing power spills into the markets for consumer goods and prices rise. The result is higher costs of living and pressure for higher wages. Rising wages spell higher prices because one man's selling price is another man's cost, and so the spiral goes.

Inflation and run-away prices are characteristics of major wars. The value of the dollar shrank to 33 cents in the Revolutionary War; to 44 cents in the Civil War; and to 40 cents in the First World War. It is estimated that \$13 billion of the \$32 billion cost of the First World War was the result of inflation—some commodities rose twofold, others fourfold, and still others sixfold.

### Prices in Two World Wars

**World War I.** Under the stimulus of Allied purchasing, considerable inflation had already occurred by the time we had entered the First World War. Attempts to control prices were "too little and too late." There was no comprehensive program and the few controls that were hastily improvised had dubious legal authority. Responsibility was divided. When coal prices soared the Fuel Administration was established; when food prices got out of hand the Food



Administration was created; and the Price Fixing Committee was appointed only eight months before the war ended. Controls were limited chiefly to wholesale prices of basic commodities bought by the Government in large quantities.

The ineffectiveness of price control in World War I is shown in the accompanying charts. Between Sarajevo and the Armistice, the wholesale price index rose 103 per cent. Wholesale prices of foods, metals, and building materials almost doubled; farm products and chemicals more than doubled; and textiles rose almost 150 per cent.

Soaring retail prices lifted the cost of living. The price index of consumers' goods and services rose 62 per cent. Rents advanced only 3 per cent but substantial increases took place in all other major lines of consumers' goods. Fuel rose 35 per cent, food 65 per cent, house furnishings 75 per cent, and clothing 83 per cent.

**World War II.** Profiting by our experience in the First World War, a determined effort was made to hold prices in check during the Second World War. Before our entry into the war a central price control authority had been created, and ceiling prices had been established on a few commodities. Within five months after our entry into the war, the President, in a message to Congress, outlined a comprehensive price control plan. To keep the cost of living from spiraling upward, a seven-point program was proposed. It embraced: (1) heavy taxation; (2) imposition of ceilings on prices which consumers, retailers, wholesalers, and manufacturers pay for things they buy, and ceilings on rents for dwellings; (3) stabilization of remuneration received by individuals for their work; (4) stabilization of prices received by growers for products of their lands; (5) purchase of war bonds; (6) rationing of all essential commodities; and (7) restrictions on credit and installment buying.



One of the immediate steps taken to put this program into effect was the issuance of the General Maximum Price Regulation. This order froze prices of goods and services at retail, wholesale, and manufacturing levels at the highest prices which sellers offered them in March 1942. The price-freezing technique was a practical and effective way of securing some control over a great variety of business concerns handling an almost infinite variety of products and services. It affected approximately 184,000 manufacturing establishments, 200,000 wholesalers, 1,770,000 retailers, and 1,000,000 service establishments. By this regulation, price ceilings were established immediately for practically every commodity. The list of some 1,200 commodities in consumer durables embraced not only major items, such as refrigerators, automobiles, and pianos, but also a multitude of minor items, such as pot racks and pins.

Although this was an extensive attack upon the difficult problem of price control, it excluded both wages and prices of agricultural products which have an important influence on the cost of living. To increase agricultural output, producers of most farm products received some form of Government aid, such as agricultural loans and subsidy payments. These agricultural programs naturally raised the prices of farm products and thereby clashed with the OPA program designed to prevent increases in the cost of living.

Since higher prices were allowed to farmers as a stimulus to greater agricultural output, some food processors were squeezed between rising raw material costs and OPA price ceilings. These processors received help from the Government in the form of subsidies.

Equitable and effective price control, however, could not be achieved until wages were stabilized. Wages and salaries account for two-thirds of the national income and as long as labor costs were rising, increasing pressure was exerted on price ceilings.

The job of wage stabilization was placed in the hands of the War Labor Board, which had previously been responsible for settlement of wage disputes in war industries. In July 1942, when the War Labor Board gave its decision in the "Little Steel" case, it set the standard for

evaluating claims for wage increases. The upper limit for increases of wage rates was fixed at 15 per cent of the January 1941 rates, which was equal to the rise in cost of living from January 1941 to May 1942. Subsequently, some increases in basic wage rates were allowed to correct inequities among plants and industries and to raise substandard wages. However, higher wage rates accounted for about only a quarter of the increase in payrolls. Upgrading and overtime contributed much more than increased hourly rates to larger payrolls.

Despite these controls, the rise in the cost of living was not halted until after the President issued the "hold the line" order in April 1943, which prohibited wage increases that would have the effect of increasing prices. The War Manpower Commission was authorized to forbid workers shopping around for higher wages.

Without rationing, the problem of control of retail prices would have been much more complicated. Rationing restricts market demand and brings it in line with the supply situation. Since rubber was one of the most critical items, automobile tires were rationed immediately after our entry into the war, and subsequently sugar, canned goods, meat, shoes, and some other commodities came under rationing control.

The mechanism of price control was reinforced by heavier taxation, sale of Government bonds to individuals, and curtailment of consumer credit through Regulation W of the Federal Reserve System. Heavier taxes and sale of bonds siphoned excessive purchasing power from the markets for consumer goods and curtailment of credit reduced the pressure to produce consumers' durable goods. Furthermore, individuals who bought Government bonds built a large backlog of buying power through systematic saving.

In view of the magnitudes of production and income in the present war, price control has been remarkably successful. Wholesale prices rose only 41 per cent during six years of World War II, compared with a rise of 103 per cent during four years of World War I. Between August 1939 and August 1945, when the war ended, metal prices rose only 12 per cent, chemicals 28 per cent, building materials 32 per cent, and textiles 47 per cent. Farm products, under special dispensation, rose more than any

other major group. At the end of the war, the index of farm products was 108 per cent above the pre-war level.

Retail prices of consumers' goods rose only 31 per cent during the six years of World War II, compared with a rise of 62 per cent during the four years of World War I. Rents rose only 4 per cent, fuel 14 per cent, house furnishings 45 per cent, clothing 46 per cent, and food 51 per cent. Rents in the recent war did not rise much more than in the former World War but regulatory controls were required because the problem was more difficult owing to the heavy migration of workers into the leading war manufacturing centers.

The freeze technique was applied to hold rents at early 1942 levels. Contrasted with other items in the consumers' budget, rent has proven more amenable to control. However, the apparent stability of rent does not take into consideration the disappearance of rentable dwellings. Caught between the squeeze of rent ceilings and rising cost of maintenance, many landlords sold their properties.

Food and clothing were the most difficult items to control. Foods presented numerous obstacles, chief of which were the multiplicity of producers and distributors, the great variety of products, and the price support program for basic agricultural commodities. Clothing prices were hard to control for a number of reasons: the products are extremely heterogeneous; style causes frequent changes in model and pattern; thousands of manufacturers and distributors operate with varying costs; producers have little opportunity to control the cost of their raw materials; and there is the further difficulty of integrating prices of raw materials, half-finished products, manufactured products, wholesale and retail prices.

In Philadelphia, the wartime rise in prices of consumers' goods closely paralleled the national changes. The November index for all consumers' commodities in Philadelphia, according to the Bureau of Labor Statistics, was 31 per cent above the August 1939 level. Rents were up only 4 per cent but other items in the cost of living were substantially higher. Food and clothing prices rose 48 and 50 per cent, respectively, above their August 1939 levels. Prices of household furnishings, as the accompanying table shows, rose almost as much as food prices.

PRICE CHANGES IN CONSUMERS' GOODS—  
PHILADELPHIA (August 1939 = 100)

November 1945	Per cent. change
All commodities.....	+30.7
Food.....	+48.3
Clothing.....	+50.2
Rent (September).....	+4.1
Fuel, electricity and ice.....	+17.5
House furnishings.....	+46.0
Miscellaneous.....	+19.4

Everyone is of course aware of the fact that the wartime indexes understate the actual rise in cost of living. Indexes do not measure quality deterioration which affected practically all civilian goods and services. During the war there was considerable uptrading, owing to the expansion of purchasing power on the part of most buyers. There was also a widespread disappearance of low-cost items which forced buyers into involuntary uptrading. Rationing and price control also gave rise to trading in the black market, which is not reflected in the consumers' index.

Some of the swollen wartime income is spilling over into real estate and security markets. It is estimated that urban real estate prices rose about 40 per cent during the last three years of the war, and farm values have appreciated from 50 to 75 per cent. Security prices, which have been rising for a long time, are now higher than at any time during the war.

It would be a mistake to assume that the end of the war means the end of high prices. The accompanying charts show that a large part of the World War I inflation came after the Armistice. In the case of wholesale prices, about one-third of the inflation occurred after the war ended, and in the case of living costs almost one-half of the inflation occurred in the post-war period.

Realizing the danger of post-war inflation, the OPA, last August, announced a five-point program to stabilize the national economy during the period of transition. The program included: (1) keeping the lid on food prices; (2) maintaining price controls on clothing; (3) the establishment of retail prices at or close to the 1942 levels for reconversion goods not made during the war, such as automobiles, refrigerators, washing machines, and related items; (4) rentals to be held firm until tenants have an opportunity to bargain with their landlords as they did before the war; and (5) vigorous enforcement of price and rationing controls.



Subsequently, all commodities except sugar have been removed from ration control. Price controls are also being removed on a selective basis as rapidly as "de-controls" can be effected without a price rise, and in commodities of minor importance in the cost of living or business costs.

The OPA has continued its "cost absorption policy" under which price increases at the manufacturing level must be absorbed by wholesalers and retailers insofar as possible. Since the end of the war, price increases have been granted for numerous manufactured items because of higher wage and material costs. The OPA has allowed such increases to be passed on to the retailer in many instances.

### The Problem of Inflation

The current situation is fraught with unwholesome inflationary dangers. Practically all rationing has been discontinued and price controls are being relaxed. The basic inflationary potential, however, is the huge buying power accumulated as a consequence of war financing. People have money and are willing to spend it. Consumer incomes are being maintained at a relatively high level, as high as they were during much of 1944. Personal holdings of liquid assets—cash, deposits, and Government securities—have expanded about \$90 billion since Pearl Harbor to an estimated \$150 billion at present.

What is also important is the fact that individuals, like business enterprises, have greatly reduced their debts so that their credit positions

have been vastly strengthened, while money and credit, already over-abundant, are still growing.

The shortage of housing facilities by all odds is the most crucial problem. If materials and labor skills were available, the construction industry could easily spend in the year ahead from \$7 to \$8 billion on new projects to meet a portion of the accumulated demand.

After four years of steady wear and tear without replacement, manufacturing establishments are in need of \$4 to \$5 billion of plant and equipment. Consumers are clamoring for goods—new automobiles, household appliances, and home furnishings. To catch up with this demand alone will require intensive industrial activity for months to come.

Strikes and threats of strikes are impeding the production of goods so urgently needed and raising their costs when we get them. Higher labor costs without commensurate increases in labor productivity mean higher prices. Meanwhile, people buy whatever goods are available and, having the money, they pay almost any price. The inevitable result is price gouging, black markets, and open speculation.

The basic problem of inflation is the excess of buying power over goods at existing prices. Increasing the flow of goods and services, though necessary, will not in itself solve the problem if greater output is achieved with further expansion of credit. The problem of inflation cannot be solved adequately without control over the supply of money and the exercise of restraints by individuals and business concerns over the volume of their expenditures.



## The Effect of War on Farm Income

How much income the local farmer receives, where it comes from, and how he disposes of it are of special interest to country banks because they have a direct effect upon bank operations. They influence the number and average size of deposit accounts as well as opportunities for loans in agricultural communities.

Where the cash receipts from farming are relatively low, farmers are less apt to make use of bank accounts; and if they do, the average account will be small. On the other hand, banks located in regions where the average farmer receives large cash payments may expect relatively greater use to be made of their facilities and somewhat larger balances to be left on deposit. The volume of deposits is also closely connected with the amount of net income, i.e., gross income less production expenses, since savings originate from this source. Opportunities for loans normally will be greater where the scale of farm operations and production expenses are large; but at the same time, if a large proportion of gross income becomes net income, the farmer may have sufficient savings to finance most of his needs.

A study of average farm income recently released by the Bureau of Agricultural Economics reveals changes in the structure of farm income in Pennsylvania, New Jersey, and Delaware during the war years. These data, along with those for the United States, are summarized in the accompanying chart.

Even before the war there were substantial differences in average gross income among the four regions. In 1939, gross farm income in New Jersey averaged \$4,509 per farm, which was 40 per cent more than the average of \$3,216 in Delaware and over twice as large as the average of \$2,007 in Pennsylvania. Average gross income was greater in each of these states than in the country as a whole, where the average was \$1,694.

As in the industrial segment of our economy, the wartime expansion of agricultural operations and incomes has been decidedly uneven over the Nation. Even within an area as small as the three states represented in the Third Dis-

trict, there have been large differences. The greatest increase in scale of operations occurred in the poultry-producing state of Delaware, where gross income per farm reached \$10,030 in 1944, an increase of 212 per cent over 1939. Gross farm income increased 100 per cent over this period in both New Jersey and Pennsylvania, reaching \$9,015 and \$4,015, respectively. The increase in the national average was 153 per cent, raising average gross farm income to \$4,280, somewhat higher than that of Pennsylvania.

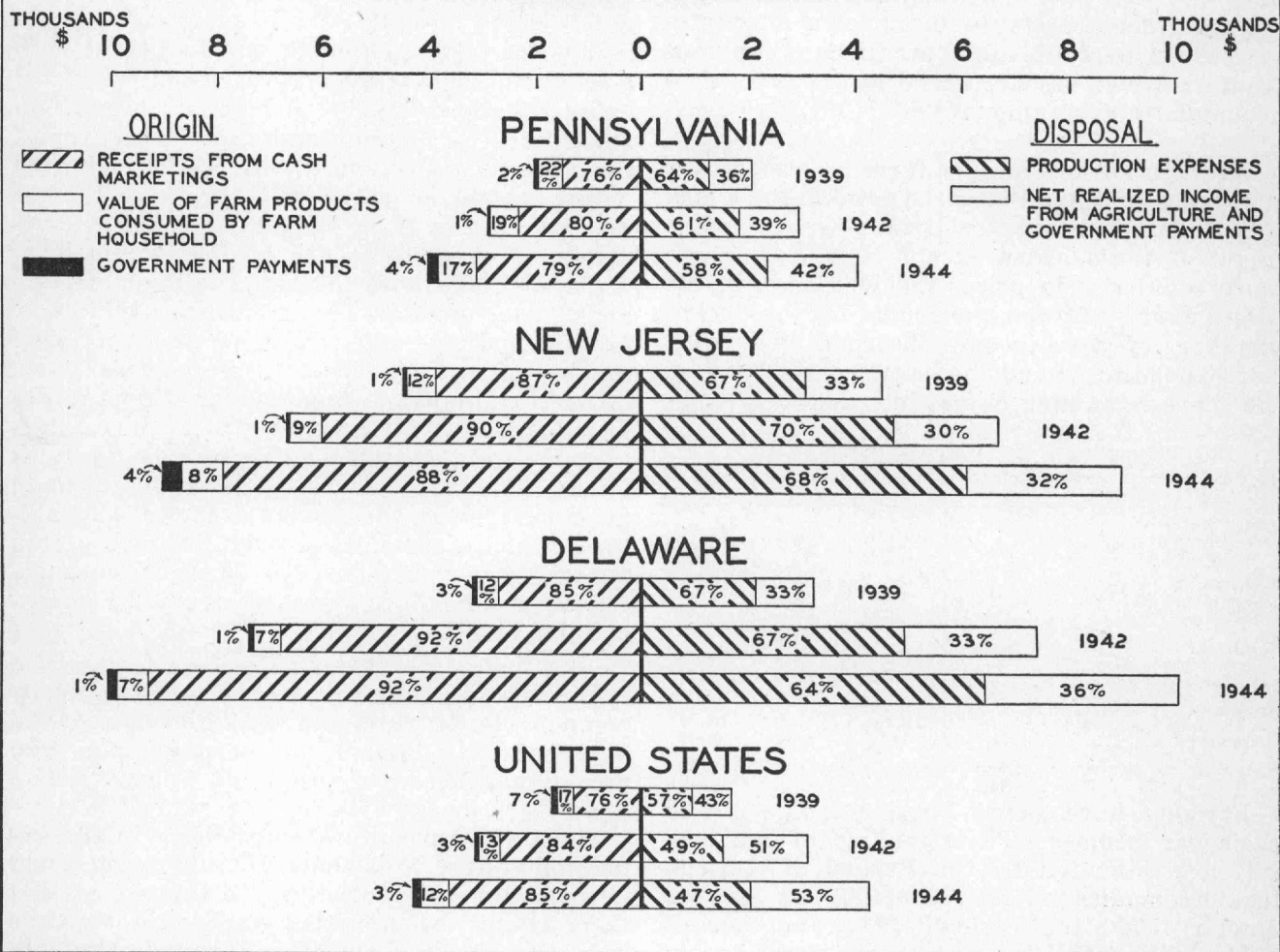
The principal explanation of the variation in wartime growth of gross farm income among these areas lies in differences in the type of products produced. Delaware has specialized increasingly in poultry and poultry products, which were subject to enormous expansion in demand at rising prices during the war. New Jersey and Pennsylvania have greater variety in types of farming, and not all of their products have undergone as great an increase in demand and price as poultry and poultry products. Furthermore, output per farm could not always be increased as readily as in the case of poultry farming.

In all areas, receipts from cash marketings have increased even more rapidly than gross farm income. This has happened because home consumption remains relatively constant after a certain scale of output has been reached. Hence, as farm output increases, the proportion sold for cash also tends to increase.

Government payments are another source of cash income. Although such payments increased slightly in amount, they decreased relative to gross income in the country and in Delaware. In Pennsylvania and New Jersey, on the other hand, average income from Government payments increased sixfold in dollar amount and doubled and quadrupled, respectively, in proportion to total farm income. The bulk of this increase came in 1944. In New Jersey, for example, income from Government payments increased from an average of \$63 per farm in 1943 to \$327 in 1944. Subsidy payments on dairy production beginning in the latter part of 1943 probably accounted for much of the in-

# ORIGIN AND DISPOSAL OF GROSS FARM INCOME

PER FARM 1939, 1942, 1944



crease. Total Government payments in 1944 amounted to one per cent of gross farm income in Delaware and 4 per cent in Pennsylvania and New Jersey.

The wartime growth in cash receipts and net income of the average farmer has greatly accelerated the growth in farmers' bank deposits. With much larger sums of cash passing through their hands, more farmers are using bank accounts today than in 1939, and the average account undoubtedly is larger. Even though gross farm income and cash receipts should shrink, many farmers who have become bank customers during the war may continue to carry deposit accounts and thus cushion somewhat the drop in total farm deposits.

The chart also shows the effect of war on the relationship of production expenses and net income to gross income. Production expenses increased both because of higher prices on things farmers purchased and because more units were being produced. The only expense which decreased in absolute amount was mortgage interest—a result of the reduction in average farm mortgage debt. A few costs may have declined on a unit basis with increased volume of output, but these were more than offset by increases in other cost factors. Production expenditures per farm increased 82 per cent from 1939 to 1944 in Pennsylvania, 102 per cent in New Jersey, and 200 per cent in Delaware, compared with a rise of 110 per cent for the country as a whole.



Normally, such an expansion in farm operations would cause farmers to rely more heavily on credit. But because they now had larger profits, and because they could not purchase much-needed but unavailable capital equipment, farmers were able to finance a constantly increasing part of their production expenses from their own resources and at the same time accumulate large amounts of liquid funds.

Average net income per farm increased over the war period in all areas covered in the chart. Net income increased relative to gross income in all of these areas except New Jersey. A more rapid rise in prices received than in the prices paid by farmers, accounts for the declining share of gross income absorbed by production expenditures and the corresponding rise in the share remaining as net income.

GROSS AND NET INCOME PER FARM

	1939	1942	1944
<b>United States</b>			
Gross income.....	\$1,694	\$3,133	\$4,280
Net income.....	735	1,591	2,269
<b>Pennsylvania</b>			
Gross income.....	2,007	2,959	4,015
Net income.....	723	1,144	1,681
<b>New Jersey</b>			
Gross income.....	4,509	6,684	9,015
Net income.....	1,487	1,975	2,921
<b>Delaware</b>			
Gross income.....	3,216	7,402	10,030
Net income.....	1,070	2,422	3,590

Farmers have saved large amounts out of their war incomes. Their holdings of liquid assets are estimated by the Bureau of Agricultural Economics to have risen \$8 billion between January 1940 and January 1944, and there is evidence that they rose at an even more rapid rate during 1944 and 1945. It is not known what part of farmers' wartime savings are held in the form of bank deposits, but the Federal Reserve survey of demand deposit ownership indicates that farmers' deposits have increased

more rapidly than those of other individuals or of business.

Now that the war is over, farmers may soon be spending accumulated savings for durable goods—both producers' and consumers'. Demands for farm equipment will be heavy, both because of long-delayed replacements and because of improvements in mechanical aids to agricultural production and rising standards of rural life. The prolonged pressure for increased output, combined with the labor shortage, has delayed upkeep of the soil and of farm improvements. Expenditures are needed to fertilize, drain, and otherwise improve the land; repairs and replacements are needed for farm buildings, fences, and the like. Furthermore, a large number of returning veterans and former farm laborers employed during the war at high wages in industrial plants now wish to acquire farms of their own, despite the rising cost of farm land. Even though farm income should remain at present levels, the needs for capital expenditures which accumulated over the war period may in many cases exceed farmers' cash resources and result in a greater demand for agricultural credit.

Whether average gross farm income and its components will continue at the levels reached during the war depends on international as well as national factors of supply and demand, and upon Government policies with respect to price parities and agricultural subsidies. In the immediate future it is doubtful that output will be curtailed substantially. To the extent that farm savings accumulated during the war are held as a backlog or are expended wisely in improving the efficiency of farm production the credit standing of farmers will be enhanced. Banks can perform a valuable service to agriculture in urging farmers to maintain their present sound financial position.





# BUSINESS STATISTICS

## Production Philadelphia Federal Reserve District

## Employment and Income in Pennsylvania

### Industry, Trade and Service

Indexes: 1923-5 = 100	Adjusted for seasonal variation						Not adjusted		
				Per cent change					
	Dec. 1945	Nov. 1945	Dec. 1944	Dec. 1945 from		1945 from 12 mos. 1944	Dec. 1945	Nov. 1945	Dec. 1944
				Mo. ago	Year ago				
<b>INDUSTRIAL PRODUCTION</b>	106p	104	141	+ 2	- 25	- 16	104p	105	139
<b>MANUFACTURING</b>	108p	104	146	+ 4	- 26	- 17	106p	106	144
Durable goods	128p	124	219	+ 3	- 42	- 25			
Consumers' goods	92p	87	96	+ 6	- 4	- 4			
Metal products	128	121r	182	+ 6	- 30	- 18	122	121	174
Textile products	65p	61	69r	+ 7	- 7	- 7	64p	63	69r
Transportation equipment	230	237	525	- 3	- 56	- 33	233	231	540
Food products	120p	119	124	+ 1	- 3	- 2	121p	122	122
Tobacco and products	125	103	127	+22	- 2	+ 4	90	122	92
Building materials	41p	38	35r	+ 8	+ 16	+ 3	38p	38	33
Chemicals and products	147p	145	175	+ 1	- 16	- 1	145p	145	172r
Leather and products	86p	76	97	+11	- 11	- 22	80p	74	90
Paper and printing	110	111	94	- 1	+ 16	+ 7	111	112	95
<b>Individual lines</b>									
Pig iron	87	90r	95	- 3	- 8	- 7	86	91r	94
Steel	107	104r	145	+ 3	- 26	- 14	101	100r	136
Iron castings	75	71	76	+ 6	- 1	- 1	70	73	70
Steel castings	125	146	233	- 15	- 47	- 24	120	136	224
Electrical apparatus	184	165r	280	+12	- 34	- 23	178	175r	272
Motor vehicles	55	48	75	+15	- 27	- 6	44	42	59
Automobile parts and bodies	109	121	132	- 10	- 17	- 27	107	111	130
Locomotives and cars	69	75	104	- 9	- 34	- 19	69	70	104
Shipbuilding				- 3	- 63	- 35			
Silk manufactures	79	79	86	+ 1	- 8	- 4	81	80	88
Woolen and worsteds	69p	56	66r	+23	+ 5	- 1	64p	60	62r
Cotton products	42	43	42	- 1	- 1	- 5	46	45	45
Carpets and rugs	59p	49	58r	+20	+ 1	- 1	58p	54	59r
Hosiery	71	60r	71	+18	- 1	- 7	69	68	69
Underwear	138	134r	145	+ 3	- 5	- 6	137	135r	144
Cement	57p	50	32	+14	+ 79	+ 24	47p	49	26
Brick	51	48r	48r	+ 4	+ 6	- 1	49	48r	47
Lumber and products	27	25	31	+ 6	- 14	- 6	26	25	30
Bread and bakery products				- 2*	- 7*	0*	124	126r	133
Slaughtering, meat packing	112	113	107	0	+ 5	- 18	120	123	115
Sugar refining	90	58	160	+56	- 44	- 15	59	38	104
Canning and preserving	162p	156	155	+ 4	+ 4	+ 6	169p	169	157
Cigars	125	101	126	+23	- 1	+ 4	90	122	91
Paper and wood pulp	88	89	84	- 1	+ 5	- 1	89	89	85
Printing and publishing	114	115	97	- 1	+ 18	+ 8	115	116	98
Shoes	120p	103	128	+16	- 6	- 16	102p	97	108
Leather, goat and kid	54p	53	67	+ 2	- 19	- 30	59p	51	73
Explosives	68	79	216	- 14	- 69	- 19	67	79	213
Paints and varnishes	97	90	97	+ 8	0	- 5	94	92	94
Petroleum products	204	199r	207	+ 3	- 2	+ 7	203	200r	207
Coke, by-product	147p	154	173r	- 4	- 15	- 8	143p	147	168r
<b>COAL MINING</b>	62	72	70	- 14	- 12	- 14	62	73	71
Anthracite	59	70	69	- 16	- 14	- 15	59	70	69
Bituminous	85	90	81r	+ 5	+ 5	- 10	90	99	85
<b>CRUDE OIL</b>	309	316	340	- 2	- 9	- 11	290	307	320r
<b>ELECTRIC POWER</b>	394	399	413	- 1	- 4	- 1	422	415	442
Sales, total	399	400	426	0	- 6	- 2	411	412	439
Sales to industries	326	293	377	+11	- 13	- 6	310	299	358
<b>BUILDING CONTRACTS</b>									
TOTAL AWARDS†	68	79	33	-14	+105	+ 62	75	86	37
Residential†	32	26	6	+24	+455	- 23	31	29	6
Nonresidential†	112	121	60	- 7	+ 88	+ 54	121	121	64
Public works and utilities†	81	149	53	-45	+ 52	+129	98	171	64

\* Unadjusted for seasonal variation.

† 3-month moving daily average centered at 3rd month.

p—Preliminary.

r—Revised.

## Local Business Conditions\*

Percentage change—December 1945 from month and year ago	Factory employment		Factory payrolls		Building permits value		Retail sales		Debits	
	Nov. 1945	Dec. 1944	Nov. 1945	Dec. 1944	Nov. 1945	Dec. 1944	Nov. 1945	Dec. 1944	Nov. 1945	Dec. 1944
Allentown	+ 2	-21	- 2	-35	+ 95	+756	+29	0	- 2	+ 4
Altoona	+ 5	- 6	+ 3	- 8	- 59	+ 2	+30	+22	+10	+28
Harrisburg	+ 2	-16	+ 1	-26	+ 59	+ 28	+43	+10	-11	-17
Johnstown	+ 4	0	0	-16	+ 48		+26	+14	+ 7	+ 4
Lancaster	+ 3	-19	+ 9	-18	+199	+575	+25	+ 6	+ 3	- 3
Philadelphia	+ 1	-23	+ 4	-35	+ 31	+153	+22	+ 6	+23	+ 8
Reading	- 1	- 8	+ 1	-10	+ 31	+239	+39	+ 4	+ 4	+ 1
Scranton	+ 1	-22	+ 3	-25	- 71	+238	+28	+ 5	- 8	-25
Trenton					+716		+38	+12	+29	+40
Wilkes-Barre	- 1	-23	+ 1	-40	- 61	+ 96	+41	+15	+11	+15
Williamsport	+ 3	-15	+ 5	-16	- 38				+ 2	- 1
Wilmington	+ 3	-40	+ 5	-51	+ 82	+795	+35	+ 8	+42	- 7
York	+ 1	-12	+ 4	-25	+ 4	+357	+38	+ 4	+ 7	0

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

Indexes: 1932 = 100	Employment			Payrolls		
	Per cent change from		Dec. 1945 index	Per cent change from		Dec. 1945 index
	Dec. 1945 index	Nov. 1945		Dec. 1945 index	Nov. 1945	
<b>GENERAL INDEX</b>	124	+ 3	- 8	278	+ 3	-16
Manufacturing	152	+ 2	-15	327	+ 3	-24
Anthracite mining	40	-16	-16	90	-14	- 4
Bituminous coal mining	69	+ 2	- 5	339	+ 4	+ 4
Building and construction	55	- 5	+21	123	- 3	+ 5
Quar. and nonmet. mining	81	0	+ 3	249	- 3	+ 5
Crude petroleum prod.	141	+ 1	+ 8	266	- 2	+ 9
Public utilities	102	+ 2	+ 5	166	+ 6	+13
Retail trade	153	+11	+ 8	221	+16	+13
Wholesale trade	112	+ 2	+ 8	171	+ 3	+12
Hotels	111	- 1	+ 9	210	+ 2	+18
Laundries	101	0	+ 2	194	+ 1	+11
Dyeing and cleaning	96	- 2	+ 2	187	- 1	+26

## Manufacturing

Index: 1923-5 = 100	Employment*			Payrolls*		
	Per cent change from		Dec. 1945 index	Per cent change from		Dec. 1945 index
	Dec. 1945 index	Nov. 1945		Dec. 1945 index	Nov. 1945	
<b>TOTAL</b>	98	+ 2	-15	152	+ 3	-24
Iron, steel and products	99	+ 2	-21	183	+ 3	-33
Nonferrous metal products	178	+ 1	-15	349	0	-25
Transportation equipment	106	+ 3	-31	172	+ 6	-39
Textiles and clothing	75	+ 1	- 4	125	+ 3	0
Textiles	71	+ 2	- 2	120	+ 3	+ 2
Clothing	92	- 1	-10	148	0	-10
Food products	121	0	- 5	197	+ 1	- 1
Stone, clay and glass	48	+ 2	- 4	122	+ 6	- 9
Lumber products	110	+ 1	- 6	191	+ 5	- 9
Chemicals and products	77	+ 3	+ 8	128	+ 8	+ 9
Leather and products	113	+ 2	+11	182	+ 1	+19
Paper and printing	110	+ 2	+15	167	+ 1	+24
Others:						
Cigars and tobacco	46	+ 2	- 7	73	+ 2	- 5
Rubber tires, goods	129	+ 3	-13	291	+ 2	- 3
Musical instruments	108	+ 4	+16	172	+ 3	+39

\* Figures from 2779 plants.

## Hours and Wages

Factory workers Averages December 1945 and per cent change from year ago	Weekly working time*		Hourly earnings*		Weekly earnings†	
	Average hours	Ch'ge	Average	Ch'ge	Average	Ch'ge
<b>TOTAL</b>	40.7	-10	\$1.040	- 3	\$42.24	-13
Iron, steel and prods.	40.4	-13	1.099	- 3	44.44	-16
Nonfer. metal prods.	41.4	-11	.988	- 4	40.89	-15
Transportation equip.	40.8	-13	1.226	- 4	49.93	-17
Textiles and clothing	39.3	- 3	.843	+ 6	33.02	+ 3
Textiles	40.6	- 3	.868	+ 8	35.22	+ 4
Clothing	36.1	- 3	.767	+ 1	27.89	- 2
Food products	43.8	- 1	.847	+ 5	37.64	+ 4
Stone, clay and glass	40.0	- 2	.956	+ 3	38.25	+ 1
Lumber products	42.3	- 3	.790	0	33.24	- 3
Chemicals and prods.	41.6	-10	1.135	+ 5	47.11	- 6
Leather and products	41.2	- 3	.798	+ 3	33.16	+ 1
Paper and printing	43.3	- 2	.994	+ 9	43.25	+ 6
Printing	40.7	+ 1	1.156	+ 8	47.09	+ 8
Others:						
Cigars and tobacco	41.2	- 5	.696	+ 8	28.66	+ 3
Rubber tires, goods	44.9	+ 5	1.112	+ 6	49.92	+12
Musical instruments	45.4	+16	.915	+ 3	41.54	+19

\* Figures from 2634 plants.

† Figures from 2779 plants.

## Distribution and Prices

Wholesale trade Unadjusted for seasonal variation	Per cent change		
	Dec. 1945 from		1945 from 1944
	Month ago	Year ago	
<b>Sales</b>			
Total of all lines.....	- 3	- 9	+ 4
Drugs.....	- 6	+17	+ 6
Dry goods.....	-29	+11	-10
Groceries.....	- 4	+13	+ 9
Hardware.....	+20	+13	+10
Jewelry.....	-27	+33	+ 6
Paper.....	-15	-16	- 7
<b>Inventories</b>			
Total of all lines.....	+ 3	+16	.....
Dry goods.....	- 6	+ 1	.....
Groceries.....	+ 3	+13	.....
Hardware.....	+ 5	+32	.....
Paper.....	- 5	+15	.....

Source: U. S. Department of Commerce.

Prices	Dec. 1945	Per cent change from		
		Month		Aug. 1939
		ago	ago	
<b>Basic commodities</b> (Aug. 1939=100)	187	0	+ 2	87+
Wholesale (1926=100).....	107	0	+ 2	+ 43
Farm.....	132	0	+ 5	+116
Food.....	109	+ 1	+ 3	+ 62
Other.....	101	0	+ 2	+ 25
<b>Living costs</b> 1935-1939=100:	Nov.			
United States.....	129	0	+ 2	+ 31
Philadelphia.....	128	0	+ 2	+ 31
Food.....	138	+ 1	+ 3	+ 48
Clothing.....	149	0	+ 4	+ 50
Rent.....				
Fuels.....	113	0	+ 4	+ 18
Housefurnishings.....	147	0	+ 5	+ 46
Other.....	120	0	+ 0	+ 19

Source: U. S. Bureau of Labor Statistics.

Indexes: 1935-1939 =100	Adjusted for seasonal variation						Not adjusted		
	Dec. 1945	Nov. 1945	Dec. 1944	Per cent change			Dec. 1945	Nov. 1945	Dec. 1944
				Dec. 1945 from		1945 from 12 mos. 1944			
				Month ago	Year ago				
<b>RETAIL TRADE</b>									
<b>Sales</b>									
Department stores—District.....	184p	202	170r	- 9	+ 8	+10	327p	255	303r
Philadelphia.....	167	183	157r	- 9	+ 7	+ 9	303	245	284r
Women's apparel.....	181	214	173	-15	+ 4	+17	297	241	285
Men's apparel.....	176	222	174	-21	+ 1	+12	323	254	317
Shoe.....	188	207	177	- 9	+ 6	+13	224	205	211
Furniture.....	.....	.....	.....	+20*	+18*	.....	.....	.....	.....
<b>Inventories</b>									
Department stores—District.....	144p	149	140r	- 4	+ 3	.....	122p	164	119r
Philadelphia.....	145	145r	135r	0	+ 8	.....	123	160r	115r
Women's apparel.....	178	183	168	- 3	+ 6	.....	174	216	164
Shoe.....	55	56	80	- 3	-32	.....	49	57	72
Furniture.....	.....	.....	.....	-13*	+ 9*	.....	.....	.....	.....
<b>FREIGHT-CAR LOADINGS</b>									
<b>Total</b> .....	123	134	131	- 8	- 6	- 6	118	135	125
Merchandise and miscellaneous.....	118	120	134	- 2	-12	- 5	112	123	127
Merchandise—l.e.l.....	81	90	86	-11	- 6	- 2	80	93	85
Coal.....	129	145	119	-12	+ 8	- 8	139	157	128
Ore.....	90	154	113	-41	-20	- 5	45	154	57
Coke.....	169	164	173	+ 3	- 2	-12	183	184	187
Forest products.....	73	95	106	-23	-31	-17	62	91	91
Grain and products.....	128	145	111	-12	+15	+ 8	133	163	115
Livestock.....	143	144	128	- 1	+11	-11	154	164	139
<b>MISCELLANEOUS</b>									
Life insurance sales.....	143	138	106	+ 3	+35	+14	154	156	114
Business liquidations									
Number.....	.....	.....	.....	-67*	-86*	-63*	1	4	10
Amount of liabilities.....	.....	.....	.....	-39*	-87*	-65*	1	2	9
Check payments.....	200	202	189	- 1	+ 6	+ 5	240	216	226

\* Computed from unadjusted data.

p—Preliminary.

r—Revised.

## BANKING STATISTICS

### MEMBER BANK RESERVES AND RELATED FACTORS

Reporting member banks (Millions \$)	Jan. 23, 1946	Changes in—	
		Five weeks	One year
<b>Assets</b>			
Commercial loans.....	\$ 244	-\$ 1	+\$ 15
Loans to brokers, etc.....	44	+ 1	+ 8
Other loans to carry secur.....	85	- 5	+ 70
Loans on real estate.....	33	.....	- 2
Loans to banks.....	1	.....	- 2
Other loans.....	142	+ 2	+ 36
<b>Total loans.....</b>	<b>\$ 549</b>	<b>-\$ 3</b>	<b>+\$125</b>
Government securities.....	\$2082	-\$ 5	+\$242
Obligations fully guar'teed.....	205	+ 4	+ 46
Other securities.....			
<b>Total investments.....</b>	<b>\$2287</b>	<b>-\$ 1</b>	<b>+\$232</b>
<b>Total loans &amp; investments.....</b>	<b>\$2836</b>	<b>-\$ 4</b>	<b>+\$357</b>
Reserve with F.R. Bank.....	431	.....	+ 27
Cash in vault.....	29	-10	- 1
Balances with other banks.....	91	.....	+ 11
Other assets—net.....	44	+ 1	- 6
<b>Liabilities</b>			
Demand deposits, adjusted.....	\$1814	-\$ 8	+\$104
Time deposits.....	226	+ 7	+ 35
U. S. Government deposits.....	720	+ 2	+ 184
Interbank deposits.....	395	- 8	+ 43
Borrowings.....	1	- 6	+ 1
Other liabilities.....	20	- 1	+ 2
Capital account.....	255	+ 1	+ 19

Philadelphia Federal Reserve District (Millions of dollars)	Changes in weeks ending—					Change in five weeks
	Dec. 26	Jan. 2	Jan. 9	Jan. 16	Jan. 23	
<b>Sources of funds:</b>						
Reserve Bank credit extended in district.....	+46	-67	+ 6	+33	-10	+ 8
Commercial transfers (chiefly interdistrict)....	+16	+23	-56	-45	- 1	-63
Treasury operations.....	-48	+46	+28	+26	-18	+34
<b>Total.....</b>	<b>+14</b>	<b>+ 2</b>	<b>-22</b>	<b>+14</b>	<b>-29</b>	<b>-21</b>
<b>Uses of funds:</b>						
Currency demand.....	+ 9	-14	-14	- 7	- 6	-32
Member bank reserve deposits.....	+ 6	+11	- 3	+19	-21	+12
"Other deposits" at Reserve Bank.....	- 1	+ 5	- 5	+ 2	- 2	- 1
Other Federal Reserve accounts.....						
<b>Total.....</b>	<b>+14</b>	<b>+ 2</b>	<b>-22</b>	<b>+14</b>	<b>-29</b>	<b>-21</b>

Member bank reserves (Daily averages; dollar figures in millions)	Held	Re-quired	Ex-cess	Ratio of excess to re-quired	Federal Reserve Bank of Phila. (Dollar figures in millions)	Jan. 23, 1946	Changes in—	
							Five weeks	One year
<b>Phila. banks</b>								
1945: Jan. 1-15..	\$388	\$373	\$15	4%	Disc. and advances.....	\$ 5	— \$ 7	+ \$ 5
Dec. 1-15.....	427	413	14	3	Industrial loans....	2	.....	+ 1
Dec. 16-31.....	415	407	8	2	U. S. securities.....	1602	+ 34	+ 365
1946: Jan. 1-15..	423	411	12	3	<b>Total.....</b>	<b>\$1609</b>	<b>+ \$27</b>	<b>+ \$369</b>
					Fed. Res. notes.....	1614	- 23	+ 187
					Member bk. deposits.....	790	+ 12	+ 97
					U. S. general account.....	29	- 6	+ 16
					Foreign deposits.....	66	- 4	- 31
					Other deposits.....	3	.....	- 2
					Gold ctf. reserves.....	883	- 63	- 99
					Reserve ratio.....	35.3%	- 2.2%	- 8.6%
<b>Country banks</b>								
1945: Jan. 1-15..	\$316	\$247	\$69	\$28				
Dec. 1-15.....	372	291	81	28				
Dec. 16-31.....	372	294	78	27				
1946: Jan. 1-15..	379	297	82	28				