THE BUSINESS REVIEW

FEDERAL RESERVE BANK
OF PHILADELPHIA

APRIL 1, 1946

Toward Economic Balance

There is substantial basis for the impression that monetary conversion to war is easier than physical conversion but that monetary reconversion to peace is more difficult than physical reconversion. The primary reason is that monetary machinery performs a much larger part of the total economic job in time of peace than in time of war. Moreover, money created to finance the war remains at its close to exert its full and permeating effects, while the changeover of physical plant has a relatively clear-cut beginning and end.

In time of peace money is assigned the primary role in the distribution of goods and services. Individuals and institutions may spend their money and their money income as they wish. Each dollar spent on a particular good or service is in effect a vote for the use of resources in the production of that good or service. The distribution of total expenditures directs the use of all resources. In time of war, however, it is universally recognized that the Government must direct the use of all human and physical resources if the war is to be prosecuted most effectively.

Several important changes are made in the monetary machinery to assure this result. In the first place, the Government at war is given control over the use of all resources through such direct means as selective service, priorities, rationing, and controls over wages and prices. In this way an important function performed indirectly by money in time of peace is performed directly by the Government in time of war. Direct control over distribution applies not only to that portion of output that is consumed by the Government but to the remainder that is consumed or invested by individuals as well. In general, this distribution is based on equality and need, and not, as in peace, on ability to pay.

In the second place, the Government is assured that all the funds it needs will be made available to it. Individuals may disagree as to how much can or should be raised in one way or another, but no responsible persons would have the Government forced to make decisions on the basis of monetary—as opposed to real—costs. For example, a decision to experiment with subatomic energy is and should be made to turn on availability of human and material resources and the likelihood of developing an atomic bomb in time rather than on the dollar cost. Speed, too, becomes more important than monetary cost.

The over-all magnitudes from January 1941, shortly after the start of the defense program, to the end of 1945 are shown in the following table:

	Amount (Billion $)	Per cent
Government expenditures*	378	100
Government taxes, etc.	150	40
Borrowing from others than banks	134	35
Borrowing from commercial banks	72	19
Borrowing from Federal Reserve Banks	22	6

*Includes $24 billion increase in Treasury balance.

Three-fourths of the Government's fiscal needs was met by taxation and borrowing involving the transfer of existing means of payment from the public to the Government. To this extent the increase in Governmental spending was offset by a roughly corresponding decrease in private spending. This 75 per cent consisted of two parts: 40 per cent was met on a pay-as-you-go basis and the other 35 per cent was borrowed from others than banks. The amount raised through taxes for the most part was transferred to the Government permanently and is evidenced now only in receipts held by the taxpayers. The amount that was raised by borrowing, however, was transferred only for specified periods. Large amounts have been loaned to the Government subject to redemption at the option of the holder, and comprise part of the liquid assets now held by the public.

The final one-fourth of the Government's fiscal needs was borrowed from the banking system. Such borrowing did not result in a transfer of existing money to the Government but in the creation of new money. These newly created means of payment were not destroyed with the ammunition they purchased; they have remained as a financial aftermath of the war.

The flow of spendable income—received from the Government as well as business—was much greater than the flow at current prices of goods and services becoming available for civilians. The inflationary pressures arising from the increase in monetary incomes relative to available civilian supplies were reflected in increases in prices until they were brought under effective control in 1942.

The relative stability in prices since that time has been the result of price, wage, and other direct controls, not of any reduction in inflationary pressures. At the end of last year the total means of payment was 285 per cent of the volume in 1939 whereas the rate of industrial output was only 150 per cent of the rate in 1939 and even the maximum rate achieved during the war was 227 per cent. The economy is faced with many bare shelves that cannot be filled immediately, and with both a high level of current income and unprecedented holdings of liquid assets, which can be spent immediately.

It should not be surprising that relegation of monetary cost to a secondary role during a long and costly war should create difficulties for the reconversion of the monetary system to peace. It is extremely difficult to develop a policy and program that will minimize the frictions incident to re-establishment of money in its full and useful role in the economy. An attempt to do so overnight could easily result in disaster.

There are many important segments in the battle line against inflation. There is no single easy solution. An important sector is the supply of money. Reasonable price stability cannot be maintained in the long run unless the supply of money is brought under effective control. A great expansion took place during the war because one-fourth of the total cost was met through sales of Government securities to the banking system. A number of methods are available to control such monetization of debt. One method is to keep Governmental expenditures to a minimum. Another is to secure as much as possible through taxation and to use fiscal surpluses to reduce the amount of Government securities held by banks rather than those held by others. Yet another is to sell as many Government securities as possible to nonbank investors so that bank holdings may be correspondingly reduced. The present program to push sales of savings bonds to individuals is designed to achieve this purpose.

A related segment of the front against inflation is the disposition that the public makes of its large holdings of liquid assets. The real value of these assets can be conserved only if the public holds on to them. If the public uses both its large income and its accumulated savings to bid for scarce goods, it will end merely by dissipating the real value of its savings in price increases. An important influence on spending by business and the public is the degree of confidence in the relative stability of prices.

Obviously the real standard of living depends on the physical volume of goods and services. Rising standards can be achieved only through

increased production. Increased production, however, is not, of course, a panacea for inflation; it cannot do the job alone. If additional production is secured only with corresponding expansion in the money supply, it does not restore equilibrium between money and goods. The production of goods and services implies the production of income adequate to purchase the output. The importance of increasing production is rather that it would help to restore a more stable relationship between the volume of money and the volume of production. Whether a given volume of money is inflationary or not depends largely on the existing level of prices and the volume of physical production. Production can play its greatest role in combating inflation when part of the income received for producing is saved and invested in Government securities. On the other hand, drawing on earlier savings to spend more than current income is highly inflationary.

The present is a particularly critical period for a number of reasons. The public is anxious to secure goods. It has the money with which to buy but reconversion of production and distribution has not gone far enough to provide an adequate supply of goods. Furthermore, the public receives income during the whole period in which goods are being produced and distributed but the goods become available only at the end of the process. This characteristic of the production and distribution process is particularly important when the volume of output is rising rapidly.

Another transitory element is that in many areas short supplies cannot be distributed most equitably through competitive bidding in a free market. For example, in the face of a critical housing shortage it is not wise public policy simply to permit scarce building materials to go to the highest bidder. It is obvious to everyone that the relative importance of homes for veterans and of race tracks is not measured by the ability of prospective owners to pay. A prime objective of policy should be free and open markets but the war has created a temporary problem that cannot be solved with equity and less friction through immediate establishment of such markets. Eager desire to secure goods quickly backed by accumulated liquid savings and high current income would force prices to higher and higher levels. Rising prices in turn would stimulate demand as the public would attempt to buy before prices rose still further. These very attempts, however, would force prices still higher. Rising prices would also result in demands for higher wages.

For a temporary period priorities, allocations, and rationing of scarce articles are a lesser evil than inflation despite the serious objection to these methods in principle and inevitable shortcomings in their administration. These methods necessarily imply price control. Since the flow of goods will not, of course, be increased unless production is profitable, costs must be controlled as well as prices. Price and wage controls are necessary weapons in the current fight against inflation.

On March 26, 1946, Mr. Bernard M. Baruch testified before the Banking and Currency Committee of the House of Representatives as to the complexity of the problem that now confronts the country. After indicating that what was applicable when he had testified in 1941 was still applicable, he said:

> I have advocated for wartime an over-all price control, including wages, adjusting injustices or hardships where they exist. Price control by itself will not be effective. It must go hand in hand with a sharply defined tax program; the siphoning off of excess savings and earnings by selling Government bonds to individuals instead of banks; by controlling all loans; by not favoring any one segment of society over another; by priority, licensing and allocation to the greatest needs, and above all, by increasing production.

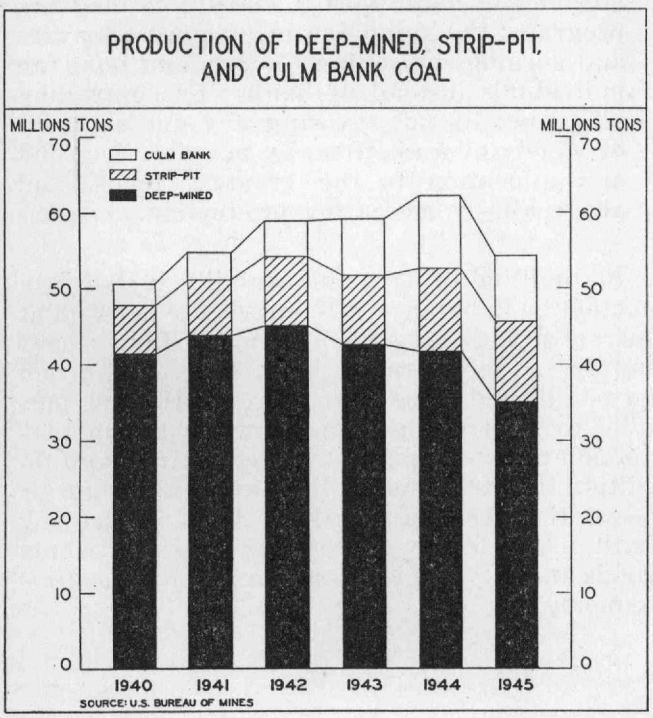
A condition of economic stability is that production be in balance with aggregate demand at current prices. At present demand far exceeds supply. It is desirable that a new equilibrium be established at as near current prices as possible by controlling demand while giving production time to expand. Direct controls can facilitate the transition to the new equilibrium by preventing chaotic markets from destroying faith in the efficacy of free markets to distribute goods and services equitably in a real peacetime economy.

Wartime Developments in the Anthracite Industry

The anthracite industry made a substantial contribution to the heavy wartime demands for fuel. Owing to the large military demands for fuel oil and the great industrial needs for bituminous coal and metallurgical coke, many household furnaces had to be converted to anthracite during the emergency. Anthracite production was increased each year between 1939 and 1944 in spite of a constantly diminishing labor supply and difficulties in obtaining equipment and supplies.

Anthracite deposits underlie significant portions of ten counties in eastern Pennsylvania but 97 per cent of the output comes from Carbon, Lackawanna, Luzerne, Northumberland, and Schuylkill counties. In these five counties anthracite mining is the predominant economic activity. The five counties comprise only 8 per cent of the Third District's land area but they had 15 per cent of its population in 1940, and they account for about 60 per cent of the dollar value of the mineral output of this district.

In 1940 over one million people lived in the anthracite region and their livelihood was dependent in large measure upon the prosperity of the hard coal industry. Anthracite mining employed 28 per cent of the working population, manufacturing employed 19 per cent, and agriculture only 3 per cent. Trade, transportation, and other service industries are largely dependent upon mining. The manufacturing is not highly diversified but is confined largely to textile and clothing establishments that have been attracted to the region by availability of female labor. These two industries employed almost 60 per cent of the manufacturing wage earners in 1940.



Since apparel and textiles and particularly silk and rayon manufacturing occupied such a prominent place in the pre-war industrial structure, the region was not able to participate very extensively in the war manufacturing program. Silk was a war casualty and clothing received only a moderate wartime stimulus. The anthracite region received only 2.3 per cent of the war supply contracts and 3.4 per cent of the facilities contracts awarded to this Federal Reserve District.

Anthracite Production

Between the First and Second World Wars anthracite production declined from a peak of 100 million tons to a level of about 50 million tons annually. This was a period of painful readjustment caused primarily by the rise of other heating fuels, particularly oil, by-product coke, and bituminous coal. Fuel oil afforded the consumer greater convenience, coke has a lower ash content than anthracite, and bituminous coal is lower priced. Domestic consumption of all three was stimulated also by aggressive merchandising.

During the recent war, shortages of other fuels, expanded purchasing power of domestic consumers, and the high rate of industrial consumption created a greater demand for anthracite. Gross output, including coal dredged from rivers flowing out of the anthracite region, rose from 51 million tons in 1940 to a peak of 64 million tons in 1944. Total output receded to 56 million tons in 1945 when the labor shortage became acute and production was temporarily interrupted by a strike.

Greater wartime output was attained in part by pronounced changes in the type of opera-

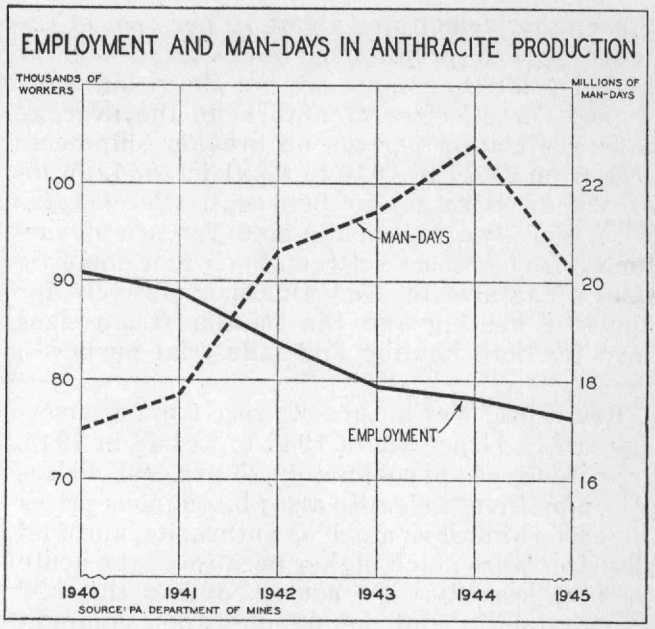
tions. Although conventional deep-pit mines increased their output in 1941 and 1942 they declined subsequently. Most of the increased production, as shown in the chart, was acounted for by strip-pit and culm bank operations. In stripping, which now accounts for 20 per cent of the fresh-mined coal, giant mechanical shovels scoop off the overburden, and the coal is then quarried. Modern walking-type machines, equipped with a bucket capacity of 25 cubic yards, cost a half million dollars, but productivity is much higher than in underground mining. The largest strip-pit operations are carried on in the Lehigh and Schuylkill regions—the southern part of the anthracite area—where thick bed outcrops justify the large investment in this specialized equipment.

Culm bank coal also contributed a steadily rising proportion of the total wartime output. This coal, consisting of the small sizes formerly discarded, is obtained by reworking the piles of culm. The growing use of stokers has increased the marketability of this fine-sized anthracite. However, this source of anthracite is being depleted rapidly and it is doubtful whether production can be maintained for more than a few years.

Labor

Throughout the war the anthracite industry was handicapped by a decline in the labor supply. In 1940 about 91,000 workers were engaged in mining and by 1945 the number of employees had declined to 76,000. Declining employment had accompanied the falling trend in production for more than two decades prior to the war, but during the war the downward trend in employment was accelerated by the draft and opportunities for more remunerative jobs in nearby war manufacturing centers.

Increased output of anthracite in the face of a diminishing labor supply was obtained in part by expansion of working time. In 1940 the industry averaged only 187 working days but this was stepped up to successively higher levels throughout most of the war period. In 1944 the industry operated 292 days, including some Sunday work, which was exceeded only by the record 293 days in 1918. Total man-days worked rose from 17 million in 1940 to almost 23 million in 1944. However, output fell off in 1945 when both employment and man days of operation declined as shown in the accompanying chart.



Greater wartime output of anthracite was attained not only by increasing the working time but also by further development in mechanization. The industry extended its strip-pit operations, as already mentioned, and underground operations were mechanized by the substitution of mechanical loading for hand loading. Between 1940 and 1944 tonnage loaded by machines was increased from 12 to 15 million and hand loading declined from 29 to 27 million tons. The greatest development in mechanical loading took place in the Wyoming region, that is, in the Scranton and Wilkes-Barre area, where the flatter coal beds are more adaptable to current machine loading methods.

Earnings of anthracite miners have increased very substantially during the war as a result of higher wage rates, longer working hours per week, and extra compensation for overtime. Weekly earnings rose from an average of $28.63 in 1940 to $64.92 in 1945. The wartime prosperity of the anthracite region is reflected in department store sales. Dollar volume of department store sales at Wilkes-Barre is estimated to have risen from $7¾ million in 1940 to almost $16 million in 1945.

Prices

The pressure of rising costs of mining and preparing coal for the market caused anthracite prices to rise considerably above pre-war levels.

Since labor constitutes about 70 per cent of the total costs of production, operators asked for higher prices to compensate for the rising wage scales. For all sizes of anthracite the average sales realization per ton on breaker shipments rose from $4.27 in 1940 to $5.91 in 1944, an increase of close to 40 per cent. Percentage-wise, there was practically no difference in wartime price increases between the larger domestic sizes of anthracite used almost exclusively for domestic heating and the smaller steam sizes used for both heating and industrial purposes.

Retail prices of anthracite rose from an average of $11.41 per ton in 1940 to $14.43 in 1945, an increase of approximately 25 per cent. Prices of competitive fuels rose also; bituminous prices increased almost as much as anthracite, and fuel oil prices were much higher because of the acute wartime scarcity. Of course, during the war years salability did not depend upon competition; all fuels were scarce and would have sold in larger quantities if more could have been produced.

Markets

Anthracite has been used principally to heat homes because it is a clean, slow-burning, smokeless fuel. About 75 per cent of the annual output is used for domestic heating; manufacturing industries, railroads, electric power utilities, and anthracite collieries consume most of the remainder. For most industrial purposes, anthracite cannot compete with bituminous coal, which is much more plentiful, easier to mine, and considerably lower in cost.

No great change occurred during the war in the market distribution of anthracite. In 1944, as before the war, the Middle Atlantic states—New York, Pennsylvania, and New Jersey—took three-quarters of the total shipments; the New England states consumed 10 per cent and exports, chiefly to Canada, accounted for 7 per cent. Exports to Canada were higher than before the war because of the fuel shortage during the war period. High costs of transportation make it difficult to extend the market for anthracite beyond its present bounds.

The Outlook

The position of the anthracite industry in relation to other competitive fuels depends very largely upon developments in the way of reduced costs of mining, new uses for anthracite, and the perfection of low-cost automatic burning equipment. Although domestic consumers are probably less sensitive to price than industrial consumers, the market could no doubt be expanded if prices were reduced.

The price paid for anthracite comprises royalties, labor, taxes, transportation charges, pumping costs, materials and supplies. Relatively high over-all mining costs reflect in part a low rate of productivity. In recent years anthracite production per man-day has increased materially but it is still only about 3 tons compared with 5 tons in bituminous mining. Continued growth in the practice of strip-pit operations offers one of the best means of reducing unit operating costs.

In the light of our present knowledge, opportunities for the development of new uses for anthracite seem rather limited. Among prospective new uses one hears such suggestions as synthetic textiles, plastics, carbon black, activated charcoal, filtering materials, and liquid motor fuels made by the process of hydrogenation. Prospective tonnage of anthracite in most of these chemical processes would be relatively small and technology has not been developed far enough for practical utilization. Revival of the use of anthracite in blast furnaces and foundry cupolas, which has also been suggested, seems remote.

Automatic equipment to improve efficiency and convenience in burning anthracite for domestic heating seems to offer attractive possibilities. Approximately 100,000 mechanical stokers have been installed in anthracite-fired houses. Just before the war, installations were being made at the rate of 12,000 to 17,000 annually. During the war, production of this equipment practically ceased but it is now being resumed.

A comparatively new development recently announced by the Anthracite Industries laboratory is a very small tubular furnace capable of heating an eight- or ten-room house with greater coal burning efficiency than conventional furnaces. This so-called "heat-jeep" designed by combustion engineers for a syndicate of thirty leading coal companies is an attempt to expand the outlet for anthracite in domestic heating, which is still the largest market.

BUSINESS STATISTICS

Production

Philadelphia Federal Reserve District

Indexes: 1923-5 = 100	Adjusted for seasonal variation						Not adjusted		
				Per cent change					
	Feb. 1946	Jan. 1946	Feb. 1945	Feb. 1946 from Mo. ago	Feb. 1946 from Year ago	1946 from 2 mos. 1945	Feb. 1946	Jan. 1946	Feb. 1945
INDUSTRIAL PRODUCTION	93p	108	137r	−14	− 32	− 27	93p	106	137r
MANUFACTURING	93p	109	142	−15	− 35	− 29	92p	106	141r
Durable goods	87p	129	215r	−32	− 59	− 50	.....	.....	.....
Consumers' goods	95p	95	91r	+ 2	+ 4	+ 3	.....	.....	.....
Metal products	54	126	172r	−57	− 69	− 49	54	121	174
Textile products	64p	63	63r	+ 3	+ 3	0	68p	64	67r
Transportation equipment	207p	230	526	−10	− 61	− 59	205	231	522
Food products	119p	120	117	− 1	+ 2	+ 1	116p	118	114
Tobacco and products	133	138	112	− 4	+ 19	+ 26	112	114	94
Building materials	45	47	37	− 3	+ 25	+ 24	38	39	33
Chemicals and products	150p	148	178	+ 2	− 16	− 15	149	144	178r
Leather and products	80p	79	88	+ 2	− 9	− 13	85p	81	93
Paper and printing	118	114	96	+ 4	+ 22	+ 20	118	113	96
Individual lines									
Pig iron	46	90	103r	−50	− 56	− 33	47	88	106r
Steel	38	95r	127r	−60	− 70	− 50	40	93r	134r
Iron castings	75	85	76	−12	− 2	− 1	76	77	78
Steel castings	36	92	202	−61	− 82	− 70	40	97	226
Electrical apparatus	84	202	283	−59	− 70	− 50	80	190	272
Motor vehicles	35	55	61	−36	− 42	− 34	36	48	61
Automobile parts and bodies	68	105r	123	−35	− 45	− 32	73	103	133
Locomotives and cars	29	68r	100	−57	− 71	− 53	30	66r	101
Shipbuilding	.....	.....	.....	+ 2	− 63	− 63	.....	.....	.....
Silk manufactures	81	77	81	+ 5	0	− 2	86	79r	86
Woolen and worsteds	64p	65r	60r	0	+ 6	+ 5	66	65	62r
Cotton products	46	46	41	− 1	+ 11	+ 10	49	47	44
Carpets and rugs	64p	63	57r	+ 1	+ 13	+ 10	65	61	58r
Hosiery	70	66	65	+ 6	+ 7	+ 4	73	69	68
Underwear	131	133	129	− 2	+ 2	− 2	143	131	140
Cement	75p	72	29	+ 5	+161	+134	53	50	20
Brick	50	57r	51	−12	− 3	+ 4	48	53r	49
Lumber and products	25	26r	33	− 3	− 23	− 23	24	24r	32
Bread and bakery products	.....	.....	.....	− 2*	− 4*	− 4*	122	125	128
Slaughtering, meat packing	117	111	89	+ 6	+ 32	+ 23	116	119	87
Sugar refining	61	81	84	−25	− 28	− 35	79	56	109
Canning and preserving	162	162	164r	0	− 1	0	151p	156	151
Cigars	134	139	111	− 4	+ 21	+ 28	112	114	93
Paper and wood pulp	94	94	84	+ 1	+ 12	+ 11	94	93	84
Printing and publishing	123	118	99	+ 4	+ 24	+ 22	123	118	99
Shoes	104p	106	118	− 2	− 12	− 14	109	108	124
Leather, goat and kid	57p	52	59	+ 8	− 4	− 13	61	56	64r
Explosives	71	72	224	0	− 68	− 67	71	72	224
Paints and varnishes	90	107r	96	−16	− 7	− 2	88	96r	94
Petroleum products	216	197r	220	+10	− 2	− 2	213	195r	217
Coke, by-product	144p	155	159	− 7	− 9	− 8	152	155	167
COAL MINING	78	74	72	+ 5	+ 8	+ 13	79	75	73r
Anthracite	76	72	70	+ 6	+ 9	+ 13	76	72	70
Bituminous	92	87	86r	+ 5	+ 7	+ 9	100	99	93r
CRUDE OIL	301	316	313	− 5	− 4	− 3	301	304	313
ELECTRIC POWER	394	405	422	− 3	− 7	− 6	417	429	448
Sales, total	410	415	445	− 1	− 8	− 7	443	427	480
Sales to industries	295	297	368	− 1	− 20	− 18	292	288	364
BUILDING CONTRACTS									
TOTAL AWARDS†	63	68	33	− 7	+ 89	+122	63	75	33
Residential†	44	48	5	− 9	+742	+726	31	39	4
Nonresidential†	111	116	69	− 5	+ 60	+ 88	112	126	70
Public works and utilities.†	33	50	28	−34	+ 17	+ 52	39	64	33

* Unadjusted for seasonal variation.
† 3-month moving daily average centered at 3rd month.
p—Preliminary.
r—Revised.

Local Business Conditions*

Percentage change—February 1946 from month and year ago	Factory Employment		Factory Payrolls		Building permits value		Retail sales		Debits	
	Jan. 1946	Feb. 1945	Jan. 1946	Feb. 1945	Jan. 1946	Feb. 1945	Jan. 1946	Feb. 1945	Jan. 1946	Feb. 1945
Allentown	− 7	−26	−13	−50	+ 40	− 31	+12	+12	+ 8	+26
Altoona	+ 1	− 3	− 2	−10	− 65	+174	− 2	+20	+ 4	+48
Harrisburg	− 4	−18	−10	−40	+ 58	.....	+ 1	+15	− 3	+23
Johnstown	−13	−11	−21	−52	+ 5	− 76	+18	+23	−13	+11
Lancaster	0	−16	0	−17	− 79	+ 66	+17	+20	− 5	+14
Philadelphia	−13	−30	−16	−42	− 39	− 65	+ 8	+16	−15	+ 7
Reading	− 5	− 9	0	−15	− 24	+835	+ 9	+24	− 7	+ 8
Scranton	+ 1	−19	+ 7	−22	0	+527	+18	+24	− 5	+26
Trenton	.....	.....	.....	.....	− 45	+479	+39	+29	+ 8	+29
Wilkes-Barre	− 5	−30	− 2	−41	− 21	.....	+12	+26	−18	+14
Williamsport	−14	−24	−15	−34	− 52	+195	.....	.....	− 3	+ 4
Wilmington	− 9	−43	− 9	−49	+ 8	+706	+23	+20	−38	− 2
York	−10	−19	−14	−34	+191	.....	+19	+12	−12	+14

* 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		
	Feb. 1946 index	Per cent change from Jan. 1946	Per cent change from Feb. 1945	Feb. 1946 index	Per cent change from Jan. 1946	Per cent change from Feb. 1945
GENERAL INDEX	110	−11	−14	235	−16	−27
Manufacturing	130	−16	−27	289	−22	−40
Bituminous coal mining	77	0	+ 7	386	+ 7	+16
Building and construction	54	− 6	+34	117	−13	+16
Quar. and nonmet. mining	74	− 6	− 1	223	− 4	− 3
Crude petroleum prod.	138	0	+ 9	266	+ 6	+ 6
Public utilities	105	0	− 9	168	+ 1	−12
Retail trade	129	− 1	+11	195	− 1	−24
Wholesale trade	117	+ 2	+13	180	+ 4	+19
Hotels	113	+ 1	+13	222	+ 3	+27
Laundries	102	+ 2	+ 6	199	− 1	+16
Dyeing and cleaning	99	+ 1	+ 6	198	− 5	+26

Manufacturing

Indexes: 1923-5 = 100	Employment*			Payrolls*		
	Feb. 1946 index	Per cent change from Jan. 1946	Per cent change from Feb. 1945	Feb. 1946 index	Per cent change from Jan. 1946	Per cent change from Feb. 1945
Total	84	−16	−27	118	−22	−40
Iron, steel and products	59	−42	−52	94	−48	−65
Nonferrous metal products	173	− 4	−20	356	− 5	−27
Transportation equipment	91	−14	−40	133	−20	−52
Textiles and clothing	80	+ 3	+ 3	137	+ 7	+10
Textiles	75	+ 4	+ 5	130	+ 7	+13
Clothing	97	+ 3	− 4	169	+ 7	− 1
Food products	120	− 1	− 5	192	− 2	0
Stone, clay and glass	92	+16	+15	144	+20	+16
Lumber products	50	+ 2	− 2	77	+ 1	−13
Chemicals and products	109	− 2	− 6	189	− 3	−11
Leather and products	82	+ 2	+15	141	+ 2	+17
Paper and printing	117	+ 2	+18	198	+ 4	+29
Printing	114	+ 2	+21	186	+ 6	+36
Others:						
Cigars and tobacco	47	+ 1	− 1	72	− 2	− 2
Rubber tires, goods	134	+ 2	− 9	319	+ 8	− 4
Musical instruments	108	− 2	+16	168	− 3	+24

* Figures from 2770 plants.

Hours and Wages

Factory workers Averages February, 1946 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	38.4	−15	$1.019	− 6	$39.13	−19
Iron, steel and prods.	34.8	−25	1.116	− 2	38.88	−27
Nonfer. metal prods.	39.4	−16	1.045	+ 2	41.23	−14
Transportation equip.	39.2	−15	1.129	−11	44.21	−25
Textiles and clothing	39.5	− 3	.874	+ 9	34.45	+ 6
Textiles	40.6	− 2	.890	+10	36.17	+ 7
Clothing	36.5	− 5	.830	+ 8	30.47	+ 2
Food products	42.7	− 1	.853	+ 5	36.86	+ 4
Stone clay and glass	38.9	− 5	.989	+ 6	38.44	+ 1
Lumber products	41.4	− 8	.799	− 1	32.70	− 9
Chemicals and prods.	40.9	−11	1.157	+ 9	47.22	− 3
Leather and products	41.1	− 4	.827	+ 6	34.09	+ 1
Paper and printing	44.3	0	1.022	+10	45.40	+ 9
Printing	42.5	+ 2	1.208	+11	51.31	+13
Others:						
Cigars and tobacco	37.4	−13	.733	+13	27.43	− 1
Rubber tires, goods	45.7	+ 2	1.156	+ 8	52.81	+10
Musical instruments	43.4	+ 4	.936	+ 3	40.57	+ 7

* Figures from 2625 plants. † Figures from 2770 plants.

Distribution and Prices

Wholesale trade Unadjusted for seasonal variation	Per cent change: Feb. 1946 from Month ago	Feb. 1946 from Year ago	1946 from 2 mos. 1945
Sales			
Total of all lines	+ 1	+22	+18
Boots and shoes	− 5	+73	.....
Drugs	−14	+10	+15
Dry goods	− 9	+23	+17
Groceries	− 8	+15	+23
Hardware	+44	+23	+27
Jewelry	+33	+67	+48
Paper	+ 7	+ 8	+10
Inventories			
Total of all lines	0	+21	.....
Dry goods	+ 9	+56	.....
Groceries	− 1	+23	.....
Hardware	− 2	0	.....
Paper	+ 3	+21	.....

Source: U. S. Department of Commerce.

Prices	Feb. 1946	Per cent change from: Month ago	Year ago	Aug. 1939
Basic commodities (Aug. 1939 =100)	188	0	+ 3	+ 88
Wholesale (1926 =100)	108	+ 1	+ 2	+ 44
Farm	131	+ 1	+ 3	+114
Food	108	0	+ 3	+ 60
Other	101	0	+ 2	+ 26
Living costs (1935-1939 =100)				
United States	129	0	+ 2	+ 31
Philadelphia	128	0	+ 1	+ 31
Food	138	− 1	+ 1	+ 48
Clothing	149	0	+ 3	+ 51
Fuels	115	0	+ 4	+ 19
Housefurnishings	148	0	+ 4	+ 48
Other	121	0	0	+ 20

Source: U. S. Bureau of Labor Statistics.

Indexes: 1935-1939 =100	Adjusted for seasonal variation: Feb. 1946	Jan. 1946	Feb. 1945	Per cent change: Feb. 1946 from Month ago	Feb. 1946 from Year ago	1946 from 2 mos. 1945	Not adjusted: Feb. 1946	Jan. 1946	Feb. 1945
RETAIL TRADE									
Sales									
Department stores—District	221p	206	188	+ 8	+18	+17	175p	158	149
Philadelphia	198	190	175r	+ 4	+13	+14	161	150	142r
Women's apparel	298	204	232	+46	+28	+23	215	177	167
Men's apparel	188	156	172	+21	+ 9	+14	147	163	135
Shoe	240	191	169	+26	+42	+33	175	149	123
Furniture	.....	.....	.....	+ 8*	+65*	.....	.....	.....	.....
Inventories									
Department stores—District	149p	149	137	0	+ 8	.....	144p	129	133
Philadelphia	150	145r	132	+ 3	+14	.....	145	129r	128
Women's apparel	207	193	192	+ 7	+ 8	.....	202	169	188
Shoe	59	64	64	− 8	− 8	.....	61	56	66
Furniture	.....	.....	.....	+ 8*	+15*	.....	.....	.....	.....
FREIGHT-CAR LOADINGS									
Total	113	121	137	− 7	−18	−13	104	115	126
Merchandise and miscellaneous	96	112	139	−14	−30	−24	88	104	126
Merchandise—l.c.l.	90	90	87	0	+ 4	+ 5	85	85	82
Coal	153	138	125	+11	+23	+21	159	154	130
Ore	50	87	166	−43	−70	−53	19	33	63
Coke	97	110	190	−12	−49	−41	104	126	203
Forest products	101	104	102	− 3	− 1	− 6	82	85	83
Grain and products	160	155	139	+ 3	+15	+22	141	151	123
Livestock	126	134	150	− 6	−16	−17	115	136	136
MISCELLANEOUS									
Life insurance sales	204	175	122	+19	+70	+59	224	166	132
Business liquidations									
Number	.....	.....	.....	−67*	+100*	+167*	3	9	1
Amount of liabilities	.....	.....	.....	−82*	....*	+163*	2	11	0
Check payments	211	206	195	+ 2	+ 9	+ 6	205	204	189

* Computed from unadjusted data. p—Preliminary. r—Revised.

BANKING STATISTICS

Reporting member banks (Millions $)	Mar. 20, 1946	Changes in—: Four weeks	One year
Assets			
Commercial loans	$ 276	+$22	+$ 59
Loans to brokers, etc.	40	+ 2	+ 4
Other loans to carry secur.	69	− 11	+ 55
Loans on real estate	36	+ 2	+ 2
Loans to banks	1	.....	+ 1
Other loans	146	.....	+ 37
Total loans	$ 568	+$15	+$158
Government securities	$1991	−$81	+$154
Obligations fully guar'teed	.....	.....	− 54
Other securities	204	− 3	+ 32
Total investments	$2195	−$84	+$132
Total loans & investments	$2763	−$69	+$290
Reserve with F.R. Bank	426	+ 6	− 3
Cash in vault	32	.....	.....
Balances with other banks	83	+ 4	+ 7
Other assets—net	43	− 4	− 4
Liabilities			
Demand deposits, adjusted	$1804	+$30	−$ 39
Time deposits	229	+ 2	+ 32
U. S. Government deposits	649	− 85	+ 252
Interbank deposits	381	− 2	+ 20
Borrowings	7	− 8	+ 7
Other liabilities	21	.....	+ 3
Capital account	256	.....	+ 15

MEMBER BANK RESERVES AND RELATED FACTORS

Third Federal Reserve District (Millions of dollars)	Changes in weeks ended—: Feb. 27	Mar. 6	Mar. 13	Mar. 20	Changes in four weeks
Sources of funds:					
Reserve Bank credit extended in district	−25	− 9	−24	−15	−73
Commercial transfers (chiefly interdistrict)	+18	− 1	+ 8	+44	+69
Treasury operations	+12	+16	+17	−22	+23
Total	+ 5	+ 6	+ 1	+ 7	+19
Uses of funds:					
Currency demand	+ 1	+ 0	− 1	− 3	− 3
Member bank reserve deposits	+ 1	+ 8	+ 3	+ 8	+20
"Other deposits" at Reserve Bank	+ 3	− 2	− 1	+ 1	+ 1
Other Federal Reserve accounts	+ 0	− 0	+ 0	+ 1	+ 1
Total	+ 5	+ 6	+ 1	+ 7	+19

Member bank reserves (Daily averages; dollar figures in millions)	Held	Required	Excess	Ratio of excess to required
Phila. banks				
1945: Mar. 1-15	$398	$391	$ 7	2%
1946: Feb. 1-15	415	408	7	2
Feb. 16-28	406	399	7	2
Mar. 1-15	408	400	8	2
Country banks				
1945: Mar. 1-15	$309	$257	$52	20%
1946: Feb. 1-15	370	298	72	24
Feb. 16-28	364	299	65	22
Mar. 1-15	370	301	69	23

Federal Reserve Bank of Phila. (Dollar figures in millions)	Mar. 20, 1946	Changes in—: Four weeks	One year
Disc. and advances	$ 12	−$ 8	+$ 11
Industrial loans	1	− 0	− 2
U. S. securities	1611	− 4	+ 302
Total	$1624	−$12	+$311
Fed. Res. notes	1605	− 10	+ 136
Member bk. deposits	785	+ 20	+ 49
U. S. general account	53	− 29	+ 52
Foreign deposits	59	− 5	− 45
Other deposits	4	+ 1	− 0
Gold certificate res.	877	− 3	− 109
Reserve ratio	35.0%	+0.2%	− 7.6%