THE BUSINESS REVIEW

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NEW HORIZONS FOR CITIES

City planning and redevelopment have important implications for business and banking

For some years there has been a growing emphasis on scientific research and management in industry and trade. The pilot plant and the market survey have become standard. Great attention is given to the development of efficient equipment and processes, to plant location, and the character and size of the labor force. Planning ahead for new products for new customers is an everyday procedure. The accent is on efficiency in production of both goods and services. Yet, until comparatively recently, in concentrating on the techniques of industry and trade and their relationship to the banking and financial system, we have given little attention to the general physical environment in which business operates. In an industrialized economy, such as our own, the largest part of that environment is the city.

The growth of American cities has been an integral part of the process of industrialization. Large-scale manufacture required great concentrations of population from which to draw a labor force. The various types of industries tended to congregate because they needed each other's products and services. And only in the city organization could they obtain those facilities—transportation and other public utilities—which they required for modern, low-cost operation. By 1929, two-thirds of all American industrial establishments were concentrated in 155 of the country's 3,070 counties that contained the larger cities. They produced 80 per cent of the total value added by manufacture in that year, and employed nearly three-quarters of all industrial wage earners. More than half the wholesale trade was done in the eleven largest cities, over 80 per cent in 127 counties.

In a broader sense, it is also true that the cities are the environment for our entire economy. This statement does not disparage the contribution of the farms and rural areas. It does point out, however, that city life is the dominant characteristic of our nation's culture. As late as 1870 over half the gainfully employed were working on farms and our population was preponderantly rural. By 1929 farm workers were only a little more than 20 per cent of the gainfully employed, and well over half the population lived in urban communities. During the depression there was some evidence of a "back to the farm" movement, but that tendency was overcome, and the 1940 census showed substan-

tially the same division betwen urban and rural population as the previous one. It revealed that half of the American people live in only 140 metropolitan districts of 50,000 population or more. There are, moreover, many "rural" areas which are, in fact, closely connected to a nearby city. During and since the war it is probable that the metropolitan areas have become even more important as industrial and residential centers.

Since the urban community and its characteristics play such a large role in our society, it is evident that not only the city dweller but citizens of all areas should be vitally interested in the cities as places in which to live and work. The rural manufacturer is directly concerned with the city because it is a source of supply and a big customer. Holders of city mortgages and municipal securities are concerned with urban real-estate values and revenues dependent on them. The state and Federal Government are concerned with the cities not only because they are interested in all the people's welfare, but also because the inhabitants of the cities are a major source of revenue. Indeed, we can not have an efficient and prosperous national economy unless the cities are efficient and prosperous.

Why City Planning?

It is not long ago that many millions of Americans still thought of the farm community as "back home" and of city life as a romantic adventure in a glittering new world. Almost faster than we as a nation have been able to change our attitude toward the cities from that which prevailed in the rural economy, the cities have begun to show signs of old age—not quaint and graceful remnants of the past, like colonial homes and ornate hitching posts in narrow alleys, but an ugly, accelerating obsolescence that strikes at the very core of the community. This is not the problem of slum areas alone, though that is a part of it; nor is it only the problem of motor traffic, one of its most obvious manifestations. It is a problem that permeates every aspect of city life and even reaches out into areas beyond the city proper. The plain fact is that the life and work of the cities, including the bulk of the nation's economic activity, are outgrowing their physical environment.

City planning is the job of creating a workable program that will bring cities up to date, of anticipating business and industrial growth, and of developing the facilities that it will require. Although often faced with seemingly impossible situations, the city planner does not aim to tear down whole cities and build anew. He does not want to abondon entire communities and construct new towns consisting chiefly of cloverleaf intersections and air-fields, as pictured in the Sunday rotogravures. His aims are to keep and improve what is useful, to preserve and strengthen existing community institutions, remove obsolete structures and outmoded transport facilities, and, where appropriate, rebuild limited areas for new uses. The rebuilding process is part of the allied task of city redevelopment. Planning is the strategy of urban modernization; redevelopment is its tactics. Both call for the cooperation of Government, private enterprise, and the individual citizen. Redevelopment may involve the familiar public projects of parks and highways: but it also includes the development of commercial and industrial areas, and residential communities. It is especially the latter possibilities which are of greatest interest to business.

City Problems

Beyond the initial stages of their development, almost all of our cities "just growed"—and, in contrast to old-world cities, grew very rapidly. William Penn had a plan for Philadelphia when he founded it. Conceived in the slower tempo of those times, the plan failed to grow with the city and its technology, just as plans for other communities were soon forgotten. Towns grew into cities, cities expanded and became the hubs of vast metropolitan areas with little to guide them but the path of least resistance.

The enlargement of the city was necessary and desirable as America became more highly industrialized, but the haphazard manner in which it most often occurred was a wasteful process that is at the bottom of many present difficulties. The cities expanded with successive improvements in transportation, and areas outside the center of the city were developed with little thought of integration. Land was used for inappropriate purposes. Speculative real-estate development, in which several areas competed with each other, was the rule. It left many owners high and dry with high-priced property that was worth improving only for business purposes for which it was ill-suited. Some parts of

the center of the city, built for the business of a by-gone era, were abandoned. Population moved outward, first to the fringe areas of the city, later, with the coming of the automobile, beyond the city limits. This established a ring of more or less densely populated communities around the city, forming a metropolitan area, a large part of which was dependent on the city but outside its jurisdiction.

Zoning regulations were belated recognition that a more orderly development was necessary. But under the influence of speculation and applied without experience, zoning often added to the difficulty. Envisaging, perhaps hopefully, commercial growth on a scale that could never occur, many areas were "overzoned"; that is, areas many times larger than the city could hope to support were designated as suitable for industrial and other business purposes. Apartment house areas were often too large and might have created an intolerable density of population had all the land where multiple-unit building was permitted been so used. Too often the result of this policy was that many residential areas, especially those near the center of the city, which should have remained residential, experienced abortive atempts at commercialization. A garage was built on a corner. Someone converted a first floor into a store. A tall apartment house was built, shutting out light from its neighbors. Residences lost value; their owners became reluctant to repair them. Those who could afford to do so left the neighborhood, and poorer families moved in. Some buildings crumbled and were not replaced. New building was ramshackle, often with the sole purpose of getting an ever greater number of tenants on a small lot.

Planless growth, the combination of unheeded technological development, obsolescence and overcrowding, in addition to the inevitable financial problems it helped create, have given rise to a disease which few cities have escaped—a disease called "urban blight." In its most advanced stage it may be what is known as a slum area. But blight is by no means confined to the slums. It crops up in many sections, residential and commercial, where there are poor facilities for business and for living—overcrowding and filth. In the central city area the unsightly and inefficient parking lot is one of its characteristics. It exists when conditions are such that a neighborhood, caught in a spiral of deterioration, is unable to help itself.

Also a result of planless growth, and in many cases a factor contributing to blight, is a traffic problem that is rapidly becoming intolerable. Driving a car through the central section of any large city is an ordeal of major proportions. Space in high-value areas is at a premium, and in the effort of each individual to use as much space as possible for building, the need for appropriate transportation facilities — which grew and changed as the city expanded and automobiles multiplied — was overlooked. In many areas streets and sidewalks have been taken over as private loading platforms. Paradoxically, as distasteful as crowding is, it has always been thought that a certain amount of congestion is good for business. Today, however, vehicular traffic is threatening to choke the central city areas. Large stores are beginning to locate outside the main business district to allow space for easy access and parking.

Without proper planning for such decentralization, commercial relocation may ruin residential neighborhoods. Already many residential streets have been taken over as makeshift highways, because the logical commercial routes are often nonexistent, usually inadequate. It is not that we do not have enough streets; in some areas there are too many, and they conflict with each other. But they have not been laid out for efficient use by modern transportation. Their pattern is outgrown, and they are costing businessmen money in lost trade, high delivery costs and property devaluation.

The concomitant effects of haphazard decentralization and blight are varied. The slum areas raise problems that are nonetheless serious because they are familiar—a high disease rate and juvenile delinquency, for instance — human problems that have subtle economic counterparts in the fields of labor relations and productivity, as two among many. Free-for-all decentralization of business firms attempting to follow population or avoid congestion frequently involves unnecessary and costly duplication of public and business facilities. A more direct financial consequence of blight is that it costs the city government a disproportionately great amount to maintain a slum area, or an area in which considerable property is unfit for use. Tax revenues in blighted sections, on a per capita or per acre basis, seldom cover expenditures. This raises a problem that is intertwined with all those that have been discussed previous-

ly—city finance. In this field all the city's difficulties merge and reappear in dollars and cents form.

How Finances Fit Into the Picture

American cities have been plagued by persistent financial difficulties that were apparent long before many of the more general urban economic ills were diagnosed. But failure to solve financial problems has accentuated the others and has made it impossible to stem the growth of blight and obsolescence. Cities have been caught in a vicious circle of events: the same forces causing losses of population and general deterioration in their physical condition have made it difficult to raise the funds necessary to correct the situation; yet attempts to solve their financial problems, particularly by the incurrence of heavy debts, have served in many cases only to make the cities a less desirable place in which to live and work.

City spending has shown a chronic tendency to outstrip revenues. As cities grew and living standards improved, their populations and businesses demanded more and more services and facilities—fire and police protection, sanitation, transportation, education, recreation. Eventually, as improved transportation enabled city dwellers to move to the suburbs, the population within the legal limits of many municipalities stopped growing and some cities even experienced a decline. But the need for spending continued to rise. Not only were cities obliged to maintain existing services but they had to spend larger sums for things like public welfare, inasmuch as the new families coming to the city usually were those with low incomes.

CITY EXPENDITURES — 1945

Purpose	Five largest cities*
Public safety	17.3%
Schools	17.2
Public welfare	8.7
General control	6.6
Health and hospitals	6.3
Sanitation	5.6
Highways	3.8
Other operations	5.2
Total operations	70.7%
Provision for debt retirement	9.4
Interest on debt	5.6
Capital outlay	2.6
Other	11.7
Total expenditures	100.0%

*Data are for city corporations only.
Source: City Finances, 1945; Bureau of the Census.

Cities, therefore, have faced ever-increasing costs. Dealing as they do with the daily needs of their citizens, they spend for a wide variety of purposes. And many of these expenditures, by their very nature, cannot be contracted without jeopardizing the well-being of the population.

At the same time, cities have had extreme difficulty obtaining current revenue. As an example, indicated in the accompanying chart, Philadelphia's expenditures from the general fund, including those for debt service and capital outlay, have exceeded receipts nearly three-fifths of the time since 1920. In contrast to the wide variety of purposes for which cities spend, only a few sources of revenue have been traditionally accessible, and these have proved inadequate.

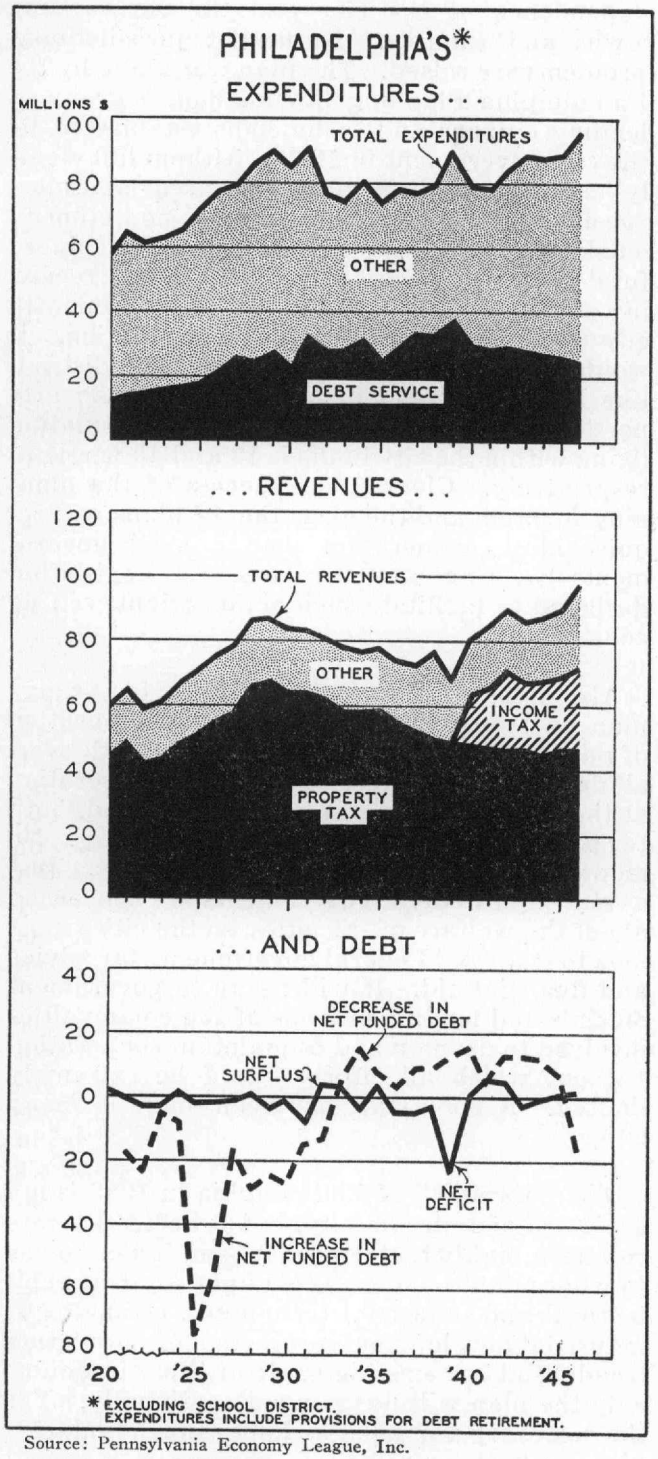
For years the property tax on real estate has been the principal source of city revenue, though its importance has been declining. The property tax suits the purposes of local governments better than those of other governmental units, and to a certain extent provides a reliable flow of revenue to meet some of the more constant expenses. Yet, in practice, it is deficient in several respects even aside from difficulties of administration. Over the long run, migration to the suburbs has meant declining values of city property and heavier tax burdens on those remaining in the city. On the down-swing of the business cycle, property values decline just when revenues are hardest to obtain—and unless tax rates are raised, returns dwindle. Even if rates are held constant the tax is more oppressive in bad times than in good times. Delinquencies rise in depressions; for example, in the early 1930's one-fourth of Philadelphia's current real-estate taxes could not be collected.

CITY REVENUES — 1945

Sources of Revenue	Five largest cities*
Taxes:	
Property	63.4%
Sales and gross receipts	7.2
Licenses and permits	2.7
Other (Including income)	2.1
Aid from other governmental units	18.3
Charges and miscellaneous	6.3
Total revenue	100.0%

*Data are for city corporations only.
Source: City Finances, 1945; Bureau of the Census.

Property taxes will remain an important source of city revenues, particularly if their administration can be improved. But cities have



Source: Pennsylvania Economy League, Inc.

found that they must tap other sources of revenue to avoid recurring deficits. Some cities, particularly the larger ones, have adopted sales taxes. These have helped to fill the gap, but are apt to fall most heavily on people with low incomes. Some have pioneered with income taxes. In Philadelphia, a wage and earned income tax now supplies one-fourth of the city's annual revenues. Incomes reflect trends in economic activity more closely than do property values; during the war and postwar periods, for example, income taxes helped greatly in meeting the rapidly rising costs of Philadelphia government. On the other hand, such a flat tax has disadvantages in that it impinges more heavily on small than on large incomes and does not cover certain types of unearned income.

Faced with continuing gaps between their expenditures and their revenues, cities have increasingly sought assistance from the Federal and state governments. In 1945, financial aid received by large cities amounted to more than one-sixth of their total revenues. The basic problem in inter-governmental financial relationships has been that local units tend to be responsible for many more functions than they can finance without assistance. State and Federal Government, on the other hand, have a larger number of reliable sources of revenue. The practice of raising funds at the Federal and state level and transferring them to the local level is preferable to a basic redistribution of governmental functions and the inevitable centralization of power which would result. But another approach to the problem which is receiving more and more attention, is to allocate the sources of revenue which local, state, and Federal Government should tap, making it possible for cities to meet a greater proportion of their needs without outside help.

Not only have cities experienced difficulty in stretching current revenues to meet current expenditures, but they have incurred heavy long-term debts to finance capital expansion. As shown in the chart, Philadelphia increased its net funded debt throughout the 1920's and early 1930's when deficits on current account were the rule. This, of course, intensified the problem of current finances in later years by adding to the expense for debt servicing. Throughout most of the 1930's between 35 and 40 per cent of Philadelphia's annual expenditures were devoted to this purpose.

States have attempted to restrict the incurrence of excessive debt by imposing debt limitations—often a fixed percentage of the assessed valuation of property. The rapid rise of self-

supporting city enterprises and authorities is attributable in large part to the fact that debts of these organizations usually need not be included under the restrictions. The net long-term debt of such enterprises in 1945 amounted to 62 per cent of the total debt of the five largest cities.

New Horizons

It will take much more than a mere recital of physical and financial problems to begin to cure the cities' ills. The cities will have to take a definite course of action — action to plan for growth and to redevelop blighted areas. How does one go about making a plan, and what does it mean to the city and its business?

In Philadelphia within the past month the story of city planning and redevelopment has been dramatized by the Better Philadelphia Exhibition, a large-scale effort to acquaint the public with problems and aims of planning activity. The visitor to that exhibit is shown the difficulties created by the haphazard expansion of the city—traffic congestion and various forms of blight. And he is shown what the city could look like by 1982—if the citizens of Philadelphia plan ahead and carry out redevelopment projects. The city of thirty-five years from now is not unfamiliar, though many things are changed. Of 35 square miles now used for industrial purposes, nine are judged more appropriate for other uses and 28 square miles of additional industrial space will be added, taking into consideration land contours, transportation, and availability of homes for workers. Room has been made for recreation areas throughout the city and these are plotted in accordance with healthful living standards. Commercial areas are matched with neighborhood and city needs according to known principles developed by market analysis. Provision is made for decentralization and increased population in such a way that new residential and commercial areas will be integrated with the whole plan. Transport facilities are enlarged by several means including provision for "special purpose" roads. Heavy motor traffic travels *to* residential areas and not *through* them, and shopping districts are shielded from strangulation by provision of adequate space for parking.

The Philadelphia plan is drawn in terms of the metropolitan district of which the city is the center. This is necessary because of the interdependence of the city and the surrounding towns and suburbs. Naturally, jurisdictional problems are raised. The plan was made by the Philadelphia Planning Commission, a group of leading citizens and technicians established by the city government in 1942. Although it clearly has responsibilities to outside areas and must consider them, the Commission has no authority outside the city limits and no formal machinery for determining acceptance of its plans or receiving suggestions. This is a problem common to city planning groups throughout the nation. It would be true of other cities in our own district, like Harrisburg and Lancaster, where the proportion of the metropolitan area population living within the city limits is 18 and 46 per cent, respectively. Clearly, the success of the planning function and the execution of plans will require close cooperation among local governments covering an entire region. Legislation designed to facilitate such action might well be considered.

Also important to Philadelphia's long-range plan, as it must be for any city, is the integration of public utility and highway projects with overall development. Here government cooperation at the state and Federal levels is involved, both for planning and building and for financing. No modern city is a self-sufficient community. Just as state and Federal governments are concerned about the welfare of the cities, so the cities must look to state and Federal governments for advice and financial aid. It will be up to government officials and leading citizens of the communities involved to develop and to maintain cooperation without which all efforts would be extremely limited. A good start has been made in many cities.

The "diorama" of Philadelphia in 1982 is not a picture of a dream city, but it decidedly represents a highly tentative plan—an indication as to what might be done based upon known architectural and industrial techniques, estimates of industrial development, projection of population trends, and our existing mode of life. Undoubtedly the plan will be changed continually. Yet the necessity for such a long-range, tentative plan—a "master plan"—is obvious. It is a goal toward which to aim, and it provides a general framework that permits co-ordination of specific, short-term projects. Leaders of the business community and the public at large have a vital concern in the master plan. In Philadelphia this is reflected in the membership of the Planning

Commission and Redevelopment Authority, and by a list of contributors to the Better Philadelphia Exhibition that includes scores of leading mercantile and manufacturing firms, civic organizations, and banking institutions. The preparation of the master plan is more than a technical job requiring professional skill; it is that stage of city planning at which it must be decided what kind of a community is desired. It is essential that all groups share in making the choice.

The master plan is not a working model. Specific public works projects to be submitted to the city government for approval and to contractors for bids must be mapped out for the immediate future. The Better Philadelphia Exhibition illustrated a typical approach to this problem. The Philadelphia City Planning Commission each year prepares a six-year program of public works expenditures, taking into consideration the city's greatest needs and the availability of equipment, materials, and funds. Work accomplished during the first year is removed from the next six-year plan in favor of new work. Projects which cannot be accomplished remain for a later date. The six-year plan is flexible. Urgent work not foreseen six years in advance may be substituted for previously planned projects. The plan is drawn up on the basis of the needs of the city's operating departments, but the requirements of the master plan are always in mind.

Public improvements for blighted areas will be included in the short-range plans; and such improvements will be part of a redevelopment process that demands the participation of many groups of citizens in the community. A neighborhood program requiring a minimum of demolition, for instance, might require joint action of all home-owners in a particular block. The redevelopment of a badly deteriorated central city area, however, will call for the participation of all types of private enterprise—builders, realtors, merchants, and bankers—and possibly the state or Federal Government. Extensive redevelopment of this type was made possible in Pennsylvania by the passage of the Urban Redevelopment Law in 1945. Several other states, including New Jersey, have legislation designed to accomplish the same purpose.

Why was legislation necessary? Why could not private enterprise go ahead and do the job by itself? Some efforts have been made in this direction. However, in the most pressing cases it was simply not profitable for private enterprise to do the job alone. And it was not profitable chiefly because of the cost of land acquisition—the necessity for purchasing varied properties, owned by many different persons, some of whom invariably held out for exorbitant prices and many of whom had become owners at speculative prices, entirely out of line with current values. No one individual or group is responsible for overvaluation. It came about, as we have seen, through a combination of events connected with the rapid, unplanned growth of the city. But overvaluation has prevented modernization and rebuilding.

Most redevelopment laws, including the Pennsylvania law, provide for the establishment of municipal redevelopment authorities, or their equivalents, which have the right to acquire land by eminent domain, if necessary, and sell it or lease it at reasonable cost to private interests who wish to develop it in conformance with city plans for its use. The procedure is as follows: the City Planning Commission certifies a blighted area to the Redevelopment Authority along with suggestions for its use as a commercial or industrial site or, perhaps, as a public park. The plans are drawn up and reviewed, and submitted to the city government for approval. In the event that the area is to be a park the process is relatively simple—the authority simply turns the land assembled for the purpose over to the appropriate public agency, which contracts for construction. In a commercial development, however, there will be many individuals and firms involved—the builders, the merchants, the realtors, and those who finance them. It is important that all of these groups be in on the plan from the beginning. Needless to say, the development of new commercial, residential, or industrial areas is of vital concern to the entire business and financial community, not only to those who participate directly in it.

The redevelopment authority will, of course, take a "loss" on the resale of land. That loss will have to be financed with city, state, or Federal funds, or by borrowing. A considerable part of the "loss," however, will be made up to the taxpayers over a period of years out of increased tax revenues from formerly blighted sections, especially commercial areas, and, indirectly, out of increased business that a more efficient city will make possible.

Where Is The Money Coming From?

City planning must include fiscal planning. The process of reshaping our municipalities will demand huge sums of money for many years to come. Fortunately, cities emerged from the war in better financial condition than they have enjoyed for a long time. They have taken in larger revenues as a result of higher incomes and rising property values; they have retired and refunded into lower-rate issues large amounts of long-term debt; and some have accumulated surpluses.

Yet many pre-war financial problems may be expected to return, some greatly aggravated by the war. Even aside from extensive plans for city development, spending will be large for some time because of high prices of materials and wages. Philadelphia's budget for 1948, for example, anticipates expenses considerably above 1947 mostly for this reason. Furthermore, cities were forced to postpone many ordinary maintenance expenditures during the war; the physical condition of streets, buildings, water, and sewer systems will have to be restored.

Solution of the financial problems of cities depends basically upon solution of their economic problems and upon successful city planning. Slum clearance, development of recreation areas, improvement of highways and transportation systems, will help to maintain high property values and high yields from property taxes. Creation of high-grade residential areas will help to check migration to the suburbs and consequent loss of revenues. If city planning fails, financial problems will be intensified. Revenues will be harder to obtain, greater aid will be required, and heavier debts may have to be incurred.

Financial planning, in turn, is essential for solving the redevelopment problems of the cities. First of all, the money necessary to carry out proposed plans must be raised. It appears, for instance, that funds for approximately two-thirds of the projects recommended and scheduled by the Philadelphia City Planning Commission for the period 1948-1953 are reasonably assured. These are to be financed by loans already authorized, assessments against abutting property-owners for improvements, state or Federal aid, and self-supporting loans for water and sewer projects.

The problem of financing the remaining projects is complicated by a wide variety of factors. How much can be raised by additional loans will depend in large part upon the city's borrowing capacity. This will be governed by the level of property valuations and the rate at which outstanding debt can be reduced. Although property values may rise further, particularly if construction flourishes, it is not possible to rely upon this development to solve the problem. Moreover, state legislation has been proposed which would limit borrowing capacity to 12½ per cent of average assessments of taxable real estate over the last ten years rather than 10 per cent of current assessed valuation of real and personal property as at present. This change would contribute to more stable borrowing limits from year to year, but would reduce borrowing capacity over the coming six-year period.

How the projects are to be financed will depend also on the trends of current revenues and expenditures. Sustained high levels of revenue will be needed to service whatever new debt may be incurred. To the extent that it is possible to finance the projects out of current revenue, of course, the total cost will be lowered. But it may be difficult enough to meet current expenses as they come due. Revenues have risen rapidly during the war and post-war periods, but costs have also advanced because of rising prices and wages. The squeeze on the city's current position may become more serious if inflation proceeds further. It would certainly become even more acute if business activity slumps and revenues fall off.

Raising the necessary funds is only one part of financial planning. Cities and other local governments are becoming increasingly aware of the impact of their financial operations on the nation's economic activity. During most of the 1920's and part of the 1930's, spending and taxing by local governments exceeded that by the Federal Government, and have always been larger than state expenditures and revenues. Although they are not nearly so important as before the war and the depression, debts of local governments still constitute 5 per cent of total public debt.

Yet many cities and other local governments have not always regulated their finances with regard to the level of business activity and the flow of income. Anti-cyclical fiscal policies should involve spending during depressions and

the exercise of economy during booms; taxing in such a way as to encourage consumption and investment during depressions but to discourage inflationary pressures in prosperity; borrowing from banks and wealthy individuals so as to increase the money supply and its circulation when business activity slumps, and paying off these debts when the level of activity is high. In general, the Federal Government has attempted to pursue such policies during the past two decades. Local governments, however, borrowed to expand their spending throughout the 1920's, while private business activity was also rising, and they paid off debt and curtailed their spending in the depression when the economy most needed stimulation. In their search for revenues during the depression they often imposed new levies, such as sales taxes, which restricted private spending and fell heavily upon low-income groups.

But it is more difficult for local units of government than for the Federal Government to pursue fiscal policies designed to promote stability of business activity. Many of their expenditures are inflexible and cannot be postponed until a depression comes. Expenditures are apt to lag considerably behind appropriations, and local officials often feel obliged to complete projects regardless of appropriate timing. Administrative difficulties complicate the flexible adjustment of property taxes to the immediate situation. Borrowing is difficult in depressions and easier in prosperity. Finally, an individual city cannot act alone to combat depressions, for it would soon lose funds to other areas and exhaust its resources.

By working together, however, all units of local and state government, aided by the Federal Government, can regulate their finances in such a way as to help minimize swings of the business cycle. Application of such a policy today means postponement of capital expansion wherever possible until costs decline; maintenance of tax rates, reduction of debts, and accumulation of surpluses as long as incomes and property values remain high. Although it is not now in sight, the time may very well come when our economy will need the stimulation which city improvement and expansion can provide. Construction costs will be lower and cities will be in a strong financial position by dint of conservative policies pursued during the preceding boom. The role of financial planning embraces not only the immediate problem of raising the funds for city development, but also the broader responsibility for the stability of the economy.

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The cities are just beginning to adopt that scientific and forward-looking approach which has long been an integral part of modern business operation. Next month's **Business Review,** for instance, will give the results of a survey, now in process, of plant and equipment expenditures planned by Philadelphia manufacturers. More modern factories will help to make the city a better place in which to work; but unless the industrial and business environment is also improved and the city made a better place in which to live, some of the gain may be lost. The start that Philadelphia and several other cities have made toward the implementation of a practical plan for city development is encouraging. No city can live in the past, no matter how great its heritage. The participation of the leaders of business, banking, and community life in the process of planning and redevelopment will enable the cities and their governments to meet the future with confidence.

BUSINESS STATISTICS

Production

Philadelphia Federal Reserve District

Indexes: 1923-5 = 100	Adjusted for seasonal variation						Not adjusted		
				Per cent change					
	Sept. 1947	Aug. 1947	Sept. 1946	Sept. 1947 from Mo. ago	Sept. 1947 from Year ago	1947 from 9 mos. 1946	Sept. 1947	Aug. 1947	Sept. 1946
INDUSTRIAL PRODUCTION	109p	107	106r	+ 1	+ 2	+ 5	111p	108	108r
MANUFACTURING	110p	109	106r	+ 1	+ 3	+ 7	113p	110	108r
Durable goods	117p	113	118r	+ 4	− 1	+ 7	.....	.....	.....
Consumers' goods	99p	100	94	− 1	+ 5	+ 4	.....	.....	.....
Metal products	135	132r	131	+ 3	+ 3	+31	137	138r	133
Textile products	67p	71	70	− 5	− 4	− 1	68p	67	71
Transportation equipment	148p	139	163r	+ 7	− 9	−30	139p	132	154r
Food products	123p	126	101r	− 2	+ 21	+ 7	139p	131	113
Tobacco and products	107	109	102	− 2	+ 4	+ 1	123	117	118
Building materials	46p	44	47	+ 4	− 3	+10	50p	50	51
Chemicals and products	180p	175	163r	+ 3	+ 10	+15	178p	176	162r
Leather and products	88p	90	71	− 3	+ 24	+12	96p	92	78
Paper and printing	125	121r	120	+ 3	+ 4	+ 2	124	118	119
Individual lines									
Pig iron	109	113r	101	− 3	+ 8	+21	103	99r	95
Steel	116	112r	110	+ 3	+ 5	+24	110	114r	105
Iron castings	86	91	82	− 5	+ 6	+14	87	88	82
Steel castings	118	124	124	− 5	− 5	+ 8	107	119	113
Electrical apparatus	187	181r	184	+ 4	+ 2	+43	206	200	202
Motor vehicles	54	54r	26	+ 1	+110	+66	47	45r	22
Automobile parts and bodies	146	143r	136	+ 3	+ 8	+25	139	134r	129
Locomotives and cars	59	56	67	+ 6	− 11	+11	57	56	64
Shipbuilding	.....	.....	.....	+12	− 29	−57	.....	.....	.....
Silk manufactures	84	85	84	− 2	0	− 2	84	83	84
Woolen and worsteds	59p	62	67	− 5	− 13	− 2	64p	64	74
Cotton products	40	42	55	− 3	− 27	−14	38	38	52
Carpets and rugs	87p	97	74	−10	+ 17	+25	92p	90	78
Hosiery	72	80r	74	−10	− 2	− 5	72	70r	74
Underwear	136	142	138	− 4	− 2	− 7	136	132	138
Cement	66p	61	71	+ 7	− 6	+10	77p	77	83
Brick	58	56r	59	+ 4	− 1	+ 9	59	59	60
Lumber and products	27	27	27	− 1	0	+ 4	28	29	28
Bread and bakery products	.....	.....	.....	− 2*	− 4*	− 4*	111	113	116
Slaughtering, meat packing	103	99	32	+ 4	+225	+ 5	107	88	34
Sugar refining	106	111	47	− 4	+128	+21	91	95	40
Canning and preserving	189p	201	155	− 6	+ 22	+17	254p	225	200
Cigars	106	109	102	− 3	+ 4	+ 1	123	117	118
Paper and wood pulp	96	94r	89	+ 3	+ 9	+ 4	96	94r	89
Printing and publishing	131	127	126	+ 3	+ 4	+ 2	130	123	125
Shoes	86p	90	92	− 4	− 6	−15	99p	97	105
Leather, goat and kid	90p	90	51	− 1	+ 77	+62	93p	87	53
Explosives	109	120r	90	− 9	+ 21	+25	109	120r	90
Paints and varnishes	112	111r	105	+ 1	+ 7	+14	107	114r	99
Petroleum products	244p	235	222r	+ 4	+ 10	+11	246p	236	225r
Coke, by-product	186p	171	171r	+ 9	+ 9	+28	179p	168	165
COAL MINING	77p	76	82	+ 1	− 6	− 5	77p	76	82
Anthracite	77	72	79	+ 7	− 3	− 7	77	72	79
Bituminous	80p	105	108r	−24	− 27	+14	81p	98	111r
CRUDE OIL	286	279	312r	+ 2	− 8	− 6	286	279	312r
ELEC. POWER—OUTPUT	483	481	435r	0	+ 11	+ 9	474	457	426r
Sales, total	475	473	434	0	+ 10	+ 9	470	449	429
Sales to industries	329	333	321	− 1	+ 2	+ 9	349	343	340
BUILDING CONTRACTS									
TOTAL AWARDS†	140	143	149	− 2	− 6	− 8	136	139	145
Residential†	91	68	125	+35	− 27	−24	108	76	147
Nonresidential	139	150	142	− 8	− 3	−10	130	138	134
Public works and utilities†	250	370	176	−33	+ 42	+75	227	322	160

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

Local Business Conditions*

Percentage change—September 1947 from month and year ago	Factory employment		Factory payrolls		Building permits value		Retail sales		Debits	
	Aug. 1947	Sept. 1946	Aug. 1947	Sept. 1946	Aug. 1947	Sept. 1946	Aug. 1947	Sept. 1946	Aug. 1947	Sept. 1946
Allentown	0	+ 9	− 1	+26	− 47	+ 26	+20	+17	− 1	+ 9
Altoona	+ 4	− 9	+ 4	− 3	+125	+343	+22	+ 3	+ 3	+ 3
Harrisburg	+ 1	0	+ 1	+12	− 55	− 66	+35	+14	+10	+13
Johnstown	+ 1	+ 8	0	+23	− 18	+ 18	+19	+19	+ 2	+19
Lancaster	0	+ 1	+ 4	+24	+ 85	+239	+26	+ 6	+ 4	+11
Philadelphia	+ 2	− 1	+ 4	+ 9	− 26	+158	+56	+ 7	+ 9	+ 7
Reading	+ 1	− 5	+ 4	+17	+ 17	+ 37	+23	+ 6	+ 3	+17
Scranton	0	+10	+ 4	+28	+ 88	+117	+29	+ 3	+10	+ 1
Trenton	.....	.....	.....	.....	+262	+297	+24	+ 4	−12	+10
Wilkes-Barre	+ 1	− 3	+ 2	+14	+ 41	+591	+38	+ 9	+16	+14
Williamsport	0	−13	+ 2	+ 2	− 32	+ 90	.....	.....	− 2	+13
Wilmington	+ 1	− 2	+ 2	+12	+ 22	+ 16	+ 9	+14	+23	− 7
York	+ 1	− 5	+ 3	+ 4	+266	+440	+ 6	− 1	+ 1	+ 2

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

Production Workers in Pennsylvania Factories

Summary Estimate--September 1947

	Employment	Weekly Payrolls	Weekly Man-Hours Worked
All manufacturing	1,106,000	$52,687,000	43,386,000
Durable goods industries	627,300	32,692,000	24,565,000
Nondurable goods industries	479,600	19,996,000	18,821,000

Changes in Major Industry Groups

Indexes (1939 average = 100)	Employment			Payrolls		
	Sept. 1947 Index	Per cent change from Aug. 1947	Per cent change from Sept. 1946	Sept. 1947 Index	Per cent change from Aug. 1947	Per cent change from Sept. 1946
All manufacturing	129	+1	+ 1	274	+2	+14
Durable goods industries	155	0	0	311	+1	+14
Nondurable goods industries	106	+1	+ 2	229	+4	+15
Food	134	+5	+ 9	254	+6	+26
Tobacco	101	−1	+ 9	218	+1	+16
Textiles	82	+1	− 3	193	+5	+12
Apparel	94	0	+ 5	216	+3	+13
Lumber	91	+1	− 1	184	−3	+ 7
Furniture and lumber prods.	95	0	− 3	214	+3	+ 9
Paper	119	−1	0	246	+2	+14
Printing and publishing	140	+2	+ 6	278	+7	+22
Chemicals	121	+2	+ 4	238	−1	+16
Petroleum and coal prods.	148	0	+ 1	271	+3	+15
Rubber	159	+1	−12	321	+3	−11
Leather	96	+1	0	195	+5	+12
Stone, clay and glass	135	0	− 2	270	+1	+ 9
Iron and steel	139	−1	0	274	−1	+15
Nonferrous metals	154	0	− 2	291	+2	+ 8
Machinery (excl. electrical)	203	+1	+ 7	406	+2	+18
Electrical machinery	228	+1	0	471	+3	+18
Transportation equip. (excl. auto)	215	+3	−18	379	+5	−14
Automobiles and equipment	192	+8	+22	398	+4	+43
Other manufacturing	136	+1	− 3	254	+2	+ 4

Average Earnings and Working Time

Sept. 1947 Per cent change from year ago	Weekly Earnings		Hourly Earnings		Weekly Hours	
	Average	Ch'ge	Average	Ch'ge	Average	Ch'ge
All manufacturing	$47.60	+13	$1.214	+12	39.2	+1
Durable goods indus.	52.12	+13	1.331	+12	39.2	+1
Nondurable goods industries	41.69	+13	1.062	+12	39.2	0
Food	42.42	+16	1.024	+14	41.4	+2
Tobacco	28.36	+ 6	.744	+ 6	38.1	0
Textiles	42.14	+15	1.072	+13	39.3	+2
Apparel	32.46	+ 8	.876	+ 9	37.0	−2
Lumber	37.67	+ 9	.937	+ 5	40.2	+3
Furniture and lumber products	41.66	+12	.967	+ 9	43.1	+3
Paper	44.61	+15	1.029	+12	43.3	+2
Printing & Publishing	56.04	+15	1.416	+18	39.6	−2
Chemicals	46.86	+11	1.147	+13	40.8	−1
Petroleum and coal products	55.65	+14	1.448	+16	38.4	−2
Rubber	50.17	+ 1	1.308	+ 3	38.4	−2
Leather	34.83	+12	.946	+ 9	36.8	+3
Stone, clay and glass	45.79	+11	1.148	+11	39.9	0
Iron and steel	53.15	+15	1.390	+13	38.2	+2
Nonferrous metals	49.16	+10	1.276	+10	38.5	−1
Machinery (excl. elec.)	50.65	+10	1.279	+11	39.6	−1
Electrical machinery	57.81	+17	1.446	+15	40.0	+2
Transportation equip. (excl. auto)	53.78	+ 4	1.393	+ 5	38.6	−1
Automobiles & equip.	57.04	+17	1.336	+15	42.7	+2
Other manufacturing	39.09	+ 8	1.051	+11	37.2	−3

Distribution and Prices

Wholesale trade Unadjusted for seasonal variation	Per cent change: Sept. 1947 from Month ago	Sept. 1947 from Year ago	1947 from 9 mos. 1946
Sales			
Total of all lines	+17	+10	+ 6
Dry goods	+20	+ 8	+ 7
Electrical supplies	+ 6	+10	.....
Groceries	+13	+12	− 1
Hardware	+37	+ 5	+ 7
Jewelry	+65	−15	−14
Paper	+ 8	+26	+29
Inventories			
Total of all lines	+ 1	+31	.....
Dry goods	− 5	+30	.....
Electrical supplies	− 3	+35	.....
Groceries	+ 7	+34	.....
Hardware	+ 1	+47	.....
Jewelry	− 2	−11	.....
Paper	+11	+46	.....

Source: U. S. Department of Commerce.

Prices	Sept. 1947	Per cent change from Month ago	Year ago	Aug. 1939
Basic commodities (Aug. 1939 = 100)	322	+ 5	+34	+222
Wholesale (1926 = 100)	157	+ 2	+27	+ 57
Farm	186	+ 3	+21	+ 86
Food	179	+ 4	+36	+ 79
Other	138	+ 2	+23	+ 38
Living costs (1935-1939 = 100)	Aug.			
United States	160	+ 1	+11	+ 63
Philadelphia	160	+ 1	+11	+ 63
Food	192	+ 1	+13	+106
Clothing	182	0	+15	+ 83
Fuels	128	+ 3	+ 7	+ 32
Housefurnishings	182	0	+13	+ 81
Other	138	0	+ 9	+ 37

Source: U. S. Bureau of Labor Statistics.

Indexes: 1935-1939 = 100	Adjusted for seasonal variation: Sept. 1947	Aug. 1947	Sept. 1946	Per cent change: Sept. 1947 from Month ago	Sept. 1947 from Year ago	1947 from 9 mos. 1946	Not adjusted: Sept. 1947	Aug. 1947	Sept. 1946
RETAIL TRADE									
Sales									
Department stores—District	268p	258	245r	+ 4	+ 9	+ 10	268p	193	245r
Philadelphia	243	221	224	+10	+ 8	+ 10	245	157	227
Women's apparel†	251	218	261	+15	− 4	− 4	266	183	280
Men's apparel	285	224	264	+27	+ 8	+ 9	265	163	244
Shoe	209	201r	212	+ 4	− 2	0	247	165r	251
Furniture	.....	.....	.....	+26*	+ 15*	.....	.....	.....	.....
Inventories									
Department stores—District	211p	206	210	+ 2	+ 1	.....	232p	214	230r
Philadelphia	198	196	198	+ 1	0	.....	222	205	222
Women's apparel	194	195†	251†	0	− 23	.....	221	216r	286
Shoe	143	150r	72	− 5	+100	.....	147	149r	74
Furniture	.....	.....	.....	+ 1*	+ 12*	.....	.....	.....	.....
FREIGHT-CAR LOADINGS									
Total	132	145	135	− 9	− 2	+ 12	148	147	151
Merchandise and miscellaneous	126	131	128	− 4	− 1	+ 11	138	135	139
Merchandise—l.c.l.	91	88	93	+ 3	− 2	− 3	94	88	96
Coal	145	170	156	−14	− 7	+ 11	160	155	172
Ore	163	191	154	−15	+ 6	+ 40	262	285	248
Coke	161	185	180	−13	− 10	+ 32	171	172	191
Forest products	89	90	88	0	+ 1	− 4	112	109	110
Grain and products	119	151	107	−21	+ 11	+ 8	118	147	106
Livestock	84	89	42	− 5	+101	− 20	101	85	50
MISCELLANEOUS									
Life insurance sales	179	201	207	−11	− 13	− 9	158	169	182
Business liquidations									
Number	.....	.....	.....	−24*	+223*	+262*	19	25	6
Amount of liabilities	.....	.....	.....	−78*	+ 72*	+101*	7	30	4
Check payments	240	216	235	+11	+ 2	+ 4	216	192	211

* Computed from unadjusted data. p—Preliminary. r—Revised.
† Indexes have been revised: earlier data may be obtained upon request.

BANKING STATISTICS

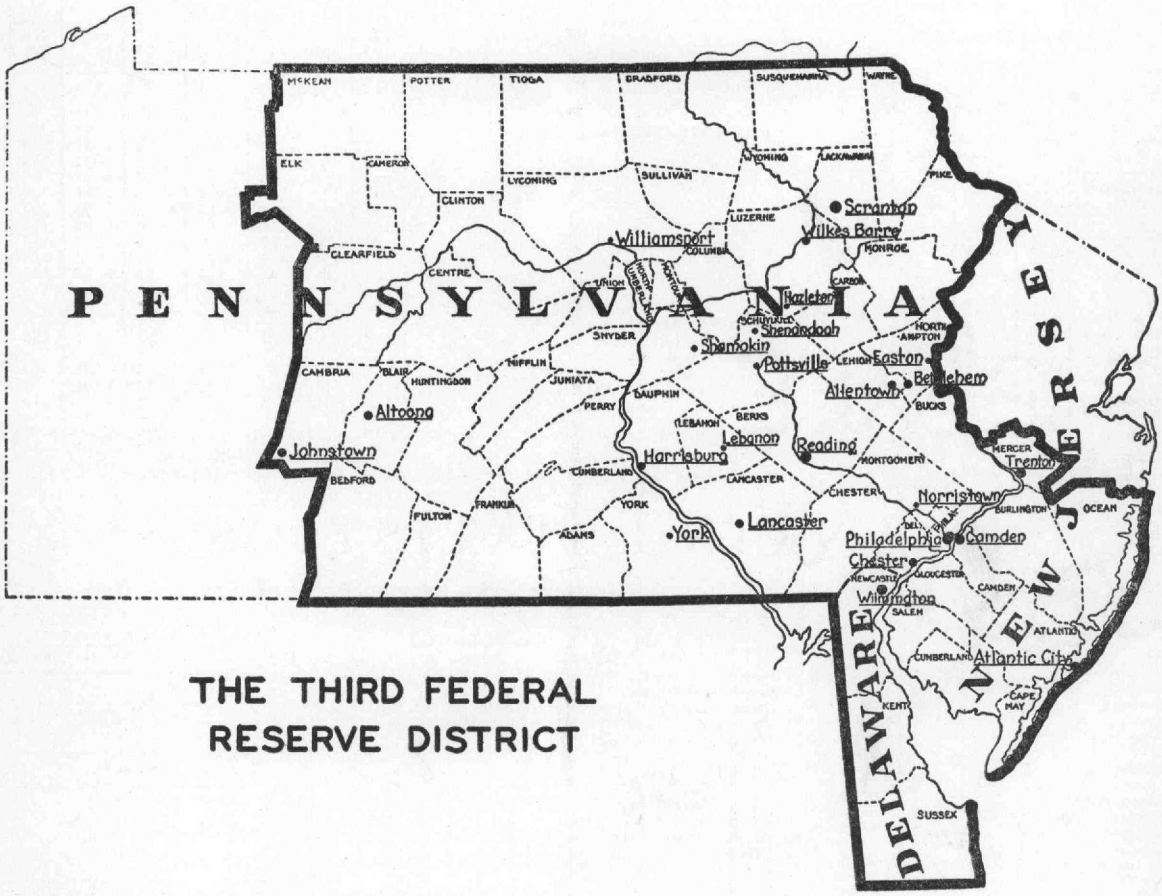
Reporting member banks (Millions $)	Oct. 22, 1947	Changes in—: Four weeks	One year
Assets			
Commercial loans	461	+ 4	+ 59
Loans to brokers, etc.	39	+11	+ 8
Other loans to carry secur.	20	+ 5	− 9
Loans on real estate	78	− 1	+ 12
Loans to banks	1	− 3	− 1
Other loans	224	+ 9	+ 45
Total	823	+25	+114
U. S. Govt. securities	1,487	+ 2	−221
Other securities	263	+ 9	+ 20
Total investments	1,750	+11	−201
Total loans & investments	2,573	+36	− 87
Reserve with F.R. Bank	491	+ 6	+ 24
Cash in vault	43	− 2	+ 1
Balances with other banks	107	+13	+ 5
Other assets—net	53	+ 2	.....
Liabilities			
Demand deposits, adjusted	2,095	+39	+ 96
Time deposits	422	− 1	+ 26
U. S. Government deposits	43	+14	−189
Interbank deposits	368	− 7	+ 4
Borrowings	11	+11	+ 5
Other liabilities	25	− 1	− 4
Capital accounts	303	.....	+ 2

MEMBER BANK RESERVES AND RELATED FACTORS

Third Federal Reserve District (Millions of dollars)	Changes in weeks ended—: Oct. 1	Oct. 8	Oct. 15	Oct. 22	Changes in four weeks
Sources of funds:					
Reserve Bank credit extended in district	+ 1	−17	.....	+24	+ 8
Commercial transfers (chiefly interdistrict)	+ 1	+14	+27	−49	− 7
Treasury operations	+ 3	+ 5	−27	+ 9	−10
Total	+ 5	+ 2	.....	−16	− 9
Uses of funds:					
Currency demand	− 4	+ 1	+ 1	−11	−13
Member bank reserve deposits	+ 9	+ 1	− 1	− 5	+ 4
"Other deposits" at Reserve Bank	.....	.....	.....	.....	.....
Other Federal Reserve accounts	.....	.....	.....	.....	.....
Total	+ 5	+ 2	.....	−16	− 9

Member bank reserves (Daily averages; dollar figures in millions)	Held	Required	Excess	Ratio of excess to required
Phila. banks				
1946: Oct. 1-15	$410	$403	$ 7	2%
1947: Sept. 1-15	424	419	5	1
Sept. 16-30	429	422	7	2
Oct. 1-15	437	428	9	2
Country banks				
1946: Oct. 1-15	$392	$335	$57	17%
1947: Sept. 1-15	394	344	50	14
Sept. 16-30	401	347	54	16
Oct. 1-15	400	349	51	15

Federal Reserve Bank of Phila. (Dollar figures in millions)	Oct. 22, 1947	Changes in: Four weeks	One year
Discounts and advances	$ 21.0	$+ 16.9	$+ 2.0
Industrial loans	1.9	+ 0.0	+ 0.9
U. S. securities	1520.1	−166.5	− 99.2
Total	$1543.0	−$149.6	$− 96.3
Fed. Res. notes	$1648.4	−$ 9.7	$− 8.4
Member bank deposits	833.7	+ 3.7	+ 37.8
U. S. general account	33.8	− 29.7	+ 6.0
Foreign deposits	31.4	+ 2.8	− 10.6
Other deposits	1.9	− 0.1	− 0.3
Gold certificate reserves	1002.2	+109.6	+105.1
Reserve ratio	39.3%	+4.7%	+3.8%



THE THIRD FEDERAL
RESERVE DISTRICT