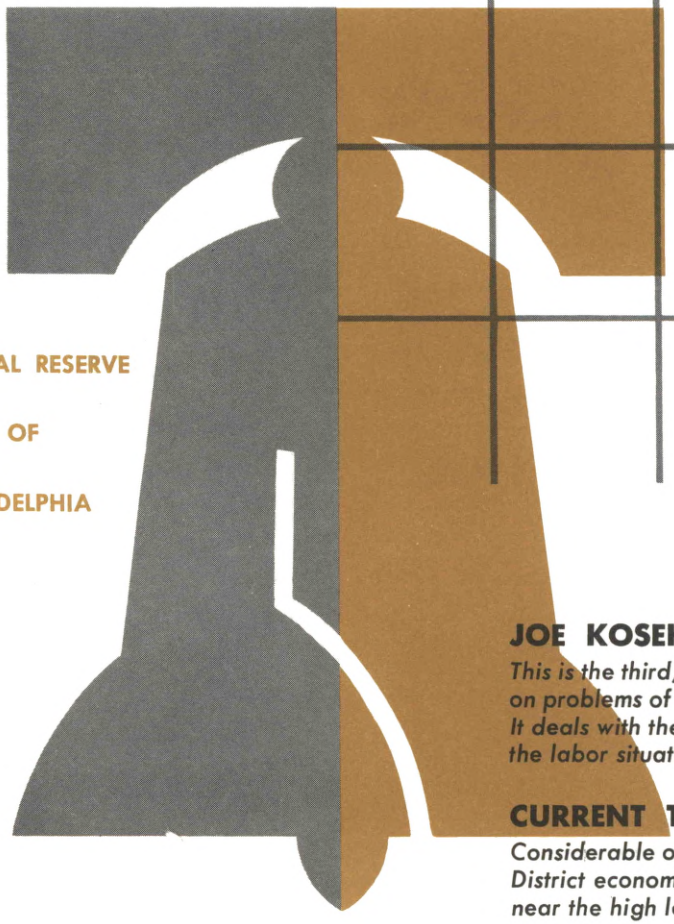
MAY 1956

business review



EDERAL RESERVE
ANK OF
HILADELPHIA

JOE KOSEK LOOKS AHEAD

This is the third, and final, article in a series on problems of the anthracite area of Pennsylvania. It deals with the future, including prospects for hard coal, the labor situation, and industrial development activities.

CURRENT TRENDS

Considerable optimism prevails in most sectors of the Third District economy, with business activity continuing near the high levels reached during 1955.

SAVINGS BOND ANNIVERSARY

Charts show some of the trends in Savings Bonds in the past fifteen years.

JOE KOSEK LOOKS AHEAD

Final instalment of a study of the hard coal region of Pennsylvania

The Future

My boy will see some big changes around here during his lifetime.

I don't exactly know what they'll be. I just know they have to come. If there's one lesson I've learned, it's that you can't turn the clock back. And we wouldn't want to if we could. When we changed from buggies to automobiles, we took a step forward. And if anybody tries to stop changes like these, he's tampering with one of the things that makes this country great.

The trouble is, it's rough on the buggie maker—and the coal miner. Sure, you can say they're only paying one of the prices of progress—and they are. But what a price!

You can't just tell the coal miner to move out and get a job somewhere else. It's not as easy as that. He has a house and a family. He has roots deep down. Anyway, he can't switch from one kind of a job to another overnight. He has to get some training.

What I'm trying to say is this: hard coal is sick. You can't just let the area collapse. We have to make a change from what we've had to something different.

As I see it, the future of this area can be pretty much what my boy's generation makes it. But not quite—it depends partly on what they have to work with. Remember the song a few years ago that went something like this: "It's what you do with what you've got that pays off in the end"? That ought to be our theme song. If you want to know what our future is, the first question to answer is, "What've we got?"

COAL, for one thing. We still have plenty of coal in the ground—enough to last 240 years at the rate we're taking it out. There's only enough oil to last 12 years and enough gas to last 23 years. Of course, people have been saying this kind of thing for years and we haven't run out of

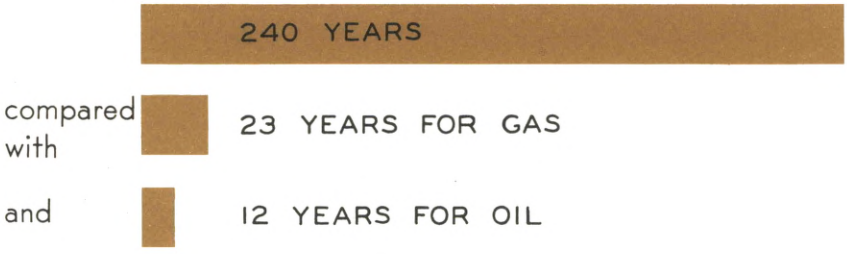
oil and gas yet. But sooner or later I think we're going to get pretty low and then there'll be some changes made. Maybe we'll be using atomic energy, or even the sun's energy. In the meantime, I can't believe we'll just sit on top of all those black diamonds, especially as long as there's any question of another war. One of our biggest assets is our coal.

But it's our biggest problem, too. There's plenty of coal left, but some of the best coal deposits are about used up. You see, up in the northern field, around Scranton and Wilkes-Barre, coal deposits lie fairly flat. This kind of coal is easy to mine, and that's why it was used first. In the eastern middle field, around Hazleton, coal doesn't lie so flat, but it's still easier to mine than in some other areas. It's almost gone now. The western middle field, around Shamokin, Shenandoah, and Ashland, is still harder to mine, so not as much coal has been used up. The southern field, around Pottsville, Tamaqua, and Lansford, originally had the most coal of all, but it lies deep in the ground and runs in steep angles. Because it's hard to get, less has been used there than in the other areas.

Well, one thing that's happened is that we're mining a lot less in the northern field and the eastern

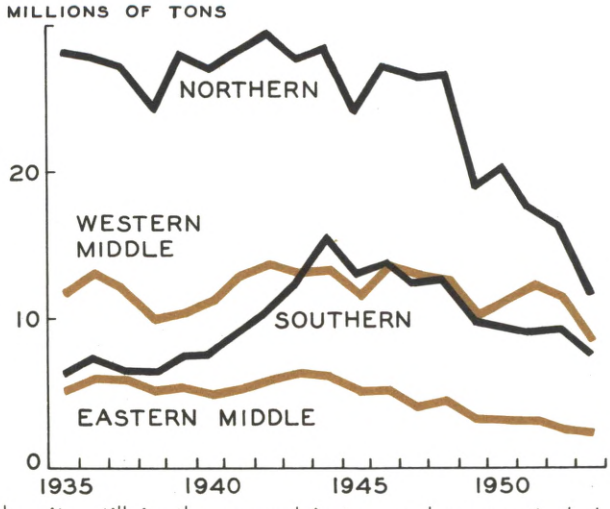
COAL RESERVES . . .

at the current rate of extraction are enough to last . . .



BUT . . .

partly because coal deposits have been used up faster in some areas than others, production has shifted among fields.



The amount of anthracite still in the ground is tremendous, particularly compared with the relatively short life expectancies for oil and gas (judging by a comparison of current rate of use with known reserves). But some of the best, more easily mined deposits have been about used up. This not only explains the geographical shift in coal output shown above, but also explains why some sections of the anthracite area have moved more vigorously than others in developing new industry.

middle field than we used to. Mining in the western middle and southern fields has held up better.

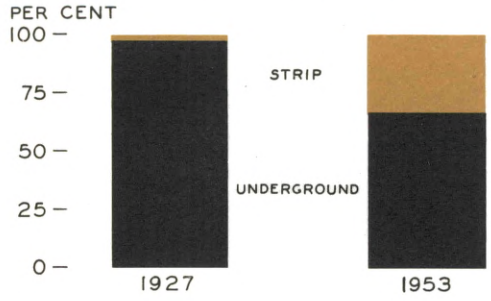
But what's more important, as we use up the best deposits, it costs more to get the coal that's left. Now, when you start talking about *costs* you're really getting to the meat of the coconut; because how much coal people buy is going to depend a lot on how much they have to pay.

One thing holding costs up is that more and more water has been getting into the mines. It's expensive to pump out. The Government's starting to help out on this, but they're only trying to keep things from getting worse.

As we use up our coal, we have to spend more time figuring the cheapest way to get out the coal that's left. The best way to get at flat, deep deposits is by underground mining. You sink a shaft and then work out along the veins. The best way to get coal out of a steeply pitched vein close to the surface is to strip mine. You just take the dirt off the top and scoop out the coal. Because much of the flat deposits have been used up, we're doing more strip mining.

This helps hold costs down. If you've ever seen one of those big new shovels working a 300-foot hole and scooping up 20 cubic yards of coal in one bite, you know what I mean. Of course, you

EFFICIENCY IN COAL MINING . . .



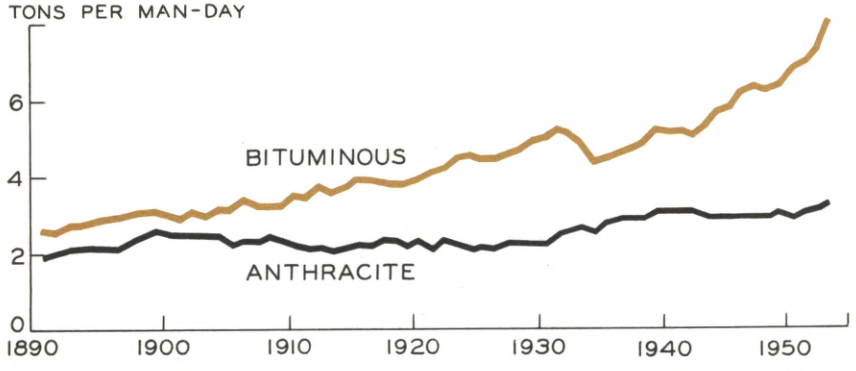
. . . has increased with a shift from underground to strip mining . . .

. . . with more coal mined underground being loaded mechanically . . .

. . . but **not** with more being cut by machines.

AS A RESULT . . .

productivity in anthracite mining has risen, but not so fast as in bituminous.

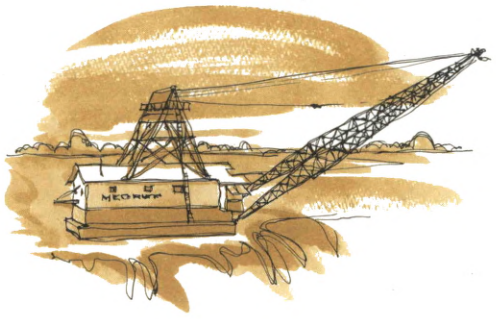


can only go so far with this kind of thing.

We've tried to cut costs by using more machines in underground mining, too. We've made some progress, but not as much as we'd like to. It's not as easy to use machines in the hard-coal mines as in the soft-coal mines. Besides, machines cost money. Unless enough people want coal, it won't be worthwhile for the coal companies to buy the machines. But if they don't buy them, they can't cut costs to stimulate demand. It's like a dog chasing his tail.

Just the same, this is one of the most important things to watch if you want to know how hard coal is going to make out. Productivity, they call it. Back in 1890 a miner turned out a little over 1¾ tons a day. Now he produces about 3¾ tons.

Like everything else, the price of labor is going up. I remember getting 82 cents an hour in 1932. Today the same kind of job pays $2.48. I don't



think, with the union and all, that you're going to cut costs by cutting wages. We'll have to increase the amount of coal each man mines. This is pretty important when you figure that two-thirds of all the costs of producing hard coal goes to pay labor.

Something like 15 cents out of every dollar the consumer pays goes to pay the freight. Of course, the nearer you live to the mines the less it is. The farther you are away the more it is. Now, this business of freight rates is awfully complicated. Some people say they're too high, and maybe they are. It would be good for us if they were lower. But, frankly, I don't see much chance for cutting costs here.

Maybe retailing costs could be cut. The retailer gets about 20 to 25 cents out of every dollar you pay for coal. But most of the ideas you hear for making coal more popular seem to me would add to cost—things like taking ashes away or bringing coal on a degree-day basis.

So I keep coming back to the idea that we have to boost productivity if we want to hold down the cost of coal. And we have to hold down the cost if we want to increase demand.

This brings up the other side of the picture—the *demand* for coal. Most of the anthracite is used in a pretty small area—Pennsylvania, New York, New Jersey, New England, parts of Canada, and a few other places. Freight costs keep the size of the market down. But an awful lot of people live in our market area and they have to heat their houses.

Our problem is getting people who are using hard coal now to keep on using it. And if we can, we want to get people who are building new houses to use it too. There are two ways we can try to do it: make them *like* to use coal, and make the *price* so good they can't help but use coal. We're trying both ways.

But it's discouraging. People just don't seem to like coal. They think it's dirty and takes up a lot of room in the cellar. They don't like to fool around starting the fire. And they hate to take out ashes!

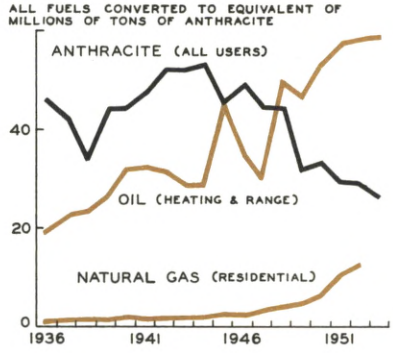
So we've tried to make coal heat more like oil and gas. Have you seen the automatic stokers? They're pretty neat jobs. They work from a thermostat, and some of them even have a way of removing ashes. But I'm afraid we haven't sold many of them. It's hard to make a solid fuel do

the same things a liquid or gas fuel can do.

Coal isn't as convenient, so it has to be cheaper; and it is. But it doesn't seem to be enough cheaper—at least, more and more people are using oil and gas. When you think about it, you can't count too much on the American consumer to pinch pennies. Look at the money he spends on cars! Sure, some people with small incomes will buy coal because it's cheaper, but what happens when they get more money? They're apt to switch to oil or gas. It may be that the better off people get, the worse off coal will get—unless we make coal a lot easier to use and a lot cheaper than oil or gas.

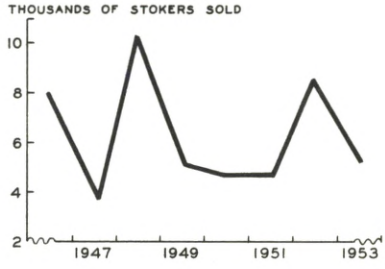
IN COMPETITION WITH OIL AND GAS . . .

. . . consumption of coal (in the anthracite competitive area) has declined — even though it is cheaper. Convenience apparently means more to the American consumer than price.



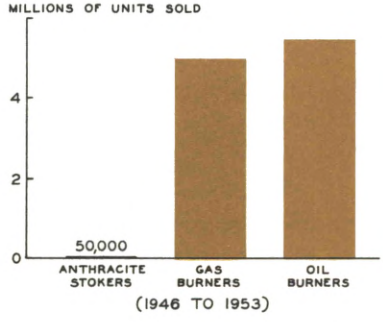
THEREFORE,

. . . the coal industry has promoted the sale of stokers.



BUT

. . . compared with oil and gas burners, few stokers have been sold.



We'll keep plugging away on home heating. But personally, I think the biggest hope for hard coal is to work on other markets, like hospitals, apartments, or office buildings. Utilities are using more anthracite, and scientists probably could find lots of other things to do with it. Maybe they can show how it can be used in manufacturing — like mixing it with coke to make steel. Or maybe they could use it to make synthetics or plastics, or convert it into a liquid fuel, or gas. This will take research. Of course, a lot of research has already been done—by the Anthracite Institute, the Bureau of Mines, and Penn

State. They tell me some of the coal companies are starting to do some research too, but there's room for a lot more. That's where our big chance is.

So don't write coal off. It'll never be as important around here as it used to be, but it's still one of our biggest assets.

LABOR is another. We have plenty of it. And this means a lot to companies that have been in areas where it's hard to get workers. Wage rates here are maybe a little below average, and men are anxious to work.

But in one way our labor's a disadvantage to us. We used to have strikes here and some businessmen think they'd be asking for trouble if they moved into this area. One of our biggest battles is to prove they're wrong.

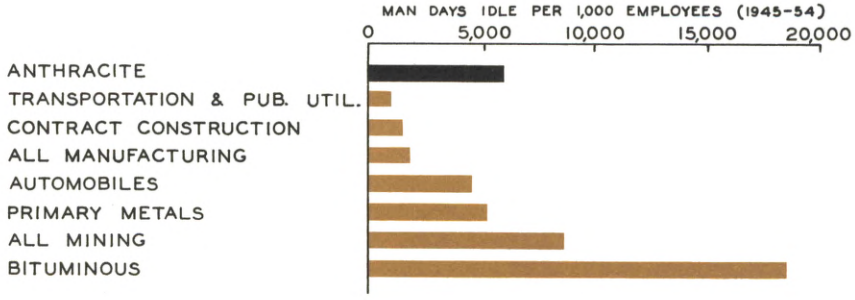
Go talk to the managers of plants that *have* moved in during the last ten years. They can tell you what labor conditions are here. And most of them have worked in other areas, too, so they can compare.

You'll get all kinds of reactions. After all, labor conditions depend on a lot of different things — especially the kind of people you have in management and the kind of people you have in unions. And no two people are alike.

But if you talk to enough companies, you begin to get a story something like this:

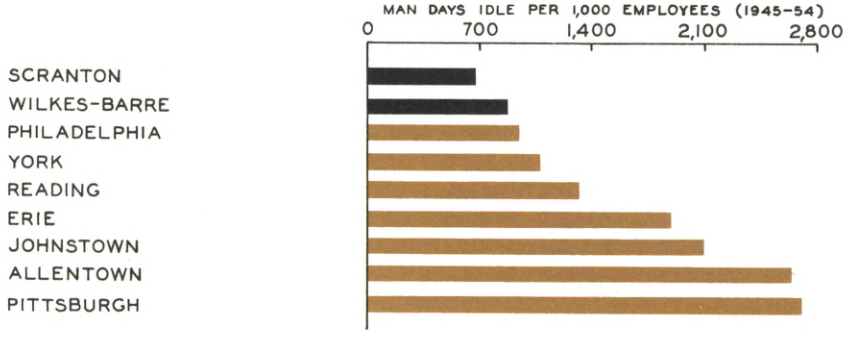
WORK STOPPAGES . . .

in anthracite mining have been more severe than in manufacturing as a whole



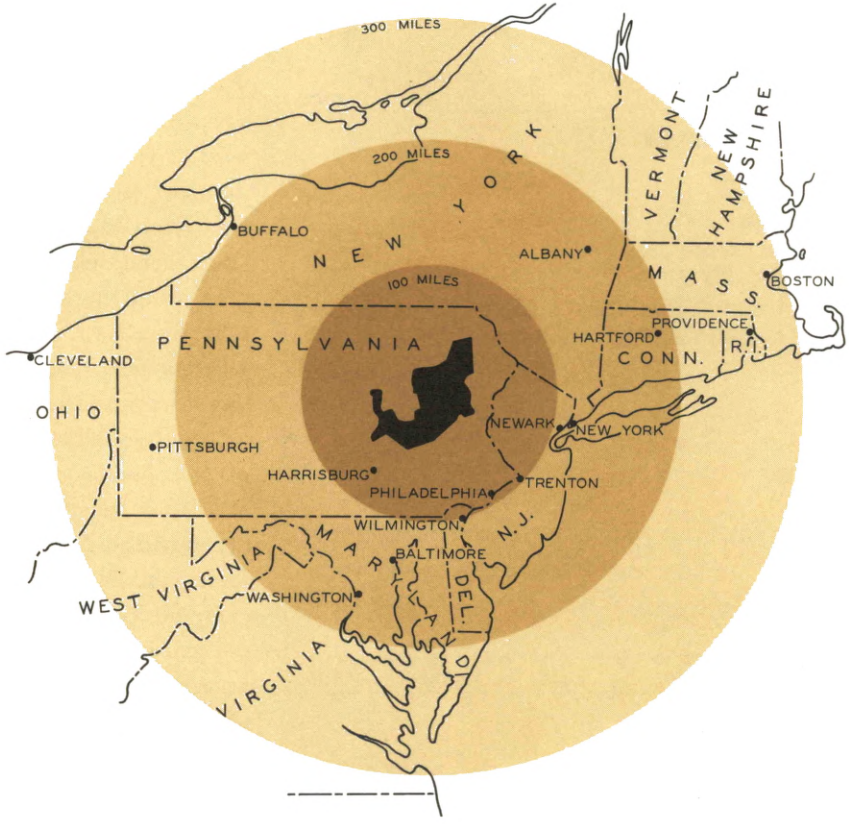
BUT . . .

when **all** industries (even including anthracite) are taken into account, the anthracite area compares favorably with other metropolitan areas in Pennsylvania



Back in the old days, workers were kicked around by management. The union stood up for them. Most of the men working today never went through that, but for years they heard their fathers and grandfathers talk around the dinner table about grievances and strikes. So they think in union terms. Some of them seem to have an inbred suspicion of management. But the management that faces up to this doesn't have any trouble. The company that shows it's sincere and will give labor a fair deal gets along fine.

LOCATION OF THE ANTHRACITE AREA



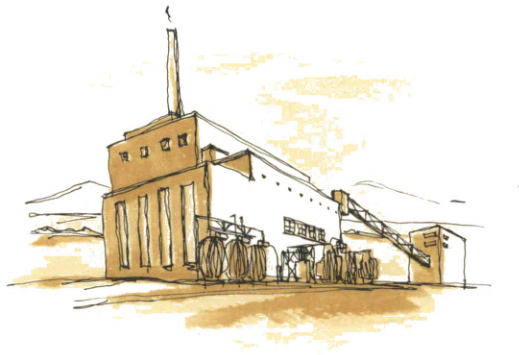
One of the biggest advantages of the anthracite area is its location. The area is overnight by truck or train from the biggest market in the world. It is close to suppliers. Transportation is good, and new roads will make it even better.

Now, as I said, this isn't the only story you'll get, but it's the one you'll hear oftenest. When the managers of these companies talk about the quality of labor we have, though, you get this same story almost every time:

The people of this area are brighter than average, and they're good workers. They produce. They aren't absent much and they don't move around. The biggest drawback is that there aren't enough skilled workers. Many companies have had to train men to do special kinds of work.

But the workers learn fast. Many of them are jacks-of-all-trades and can fit into a new job

without much trouble. Some workers have left this area to get jobs and have picked up skills outside. As soon as they got a chance, they moved back home and put their new skills to work. As more and more industry builds up in the area, this shortage of skills ought to solve itself. In the meantime, trade schools can give a general training that helps.



So if you take what these managers say, you come out with labor on the plus side. We still have a lot of work ahead of us, though, in training labor and making sure labor and management keep on getting along together.

Our LOCATION is an advantage. We've had companies move here from big cities because there's more elbow room. If they're worried about bomb attacks, a row of mountains is between us and the coast. Yet we're overnight by truck or train from the biggest market in the world. We're close to big steel plants and other industries. Millions of people live within only a hundred miles or so of us.

TRANSPORTATION is good. The railroads have been in this area for years and can give freight service going in any direction. They've cut out a lot of their passenger service, though, and sometimes it's pretty hard to get here by train.

But the roads are good, and you can drive here from New York or Philadelphia in a few hours. It will be even better when they finish the northeast extension of the Turnpike. And they're talking about another turnpike that would run east and west through the middle of Pennsylvania. These new roads will be a big thing for truck traffic. As it is, trucks have been doing more and more of the shipping. And air transportation is getting to be more important. We already have one big airport and a lot of smaller ones.

We have plenty of POWER to take care of new industries. And—something that's going to be more and more important—we have lots of good WATER. Our BANKS can supply credit that industry needs.

Except for coal and water, we don't have much in the way of NATURAL RESOURCES to offer industries. Give us time and maybe we could build our timber back to where it was once, but right now it isn't much help.

We do have one thing right at our back door that we brag about. That's our beautiful country. If you like to hunt, we have what you're looking for. In 1954, hunters bagged over 3,000 deer and 32 bears in this area. Or if you like to fish or go boating we have the lakes and streams for it nearby. When you live right here it only takes a short drive to get out to one of the parks for a day's outing.

Our biggest selling point, though, is our COMMUNITIES. Does this surprise you? I know, people outside the area are apt to think this isn't a very nice place to live in. And I'll admit, with the culm banks and all, some towns aren't too pretty. We're starting to do what we can to fix this by planting and cleaning up. But when it comes to the large cities of this area, you can't tell them from any city anywhere, except maybe they're prettier and cleaner than most. And if you happen to be in town on a shopping night,

you'll forget any ideas about this being a "depressed area."

Our houses are old and sometimes on the dingy side. We haven't had much building here for a long time. But workers can find plenty of housing space at very decent prices. Some of the executives who have moved in with the new plants haven't been able to find anything they liked, so they've built their own houses. There are some beautiful locations outside of some of our towns.

We have the churches and schools, several colleges, theaters, orchestras—all the things you want for a good life. And we're improving them all the time.

But when I say our biggest selling point is our communities, I mean mostly the PEOPLE who live in them. There must be something that keeps us here even though the area has been going down hill. And something seems to happen to outsiders who move in, even though they thought they wouldn't like it here. Some of them get to be our biggest boosters.

What is it? Mostly it's a spirit that comes from feeling we're all in the same boat. We're determined to help ourselves—to pull ourselves up by our own bootstraps.

Look what we're doing in INDUSTRIAL DEVELOPMENT. Now, I couldn't begin to tell you all the different things we're doing to improve the area. The one that stands out most, though, is raising money and putting up new plants. Some towns in other areas have been doing the same thing, but I think we've probably gone into it in a bigger way than anywhere else. We're staking our future on it.

But there's one thing you've got to do right off. You've got to decide whether you're going to use your money in a once-and-done scheme or whether you're going to keep it working for you on into the years ahead.

Some towns have done it the first way. They've given a company a plant—or part of the cost of it. Or they got lower rent for the company by using the money to fix up the site, or put in the water or roads. Or they paid the company's moving expenses.

This brings up a question you're probably asking yourself right now: "Is it a good thing to give something for nothing?" The answer depends on where you sit. It's easy to stand off and say it's not good to get industry by giving things away. But when you're right here, you look at it a little differently. We need industry—and sometimes the temptation to give something away is awfully strong.

Actually, it often may seem to be cheaper to make a gift than not to. Because if we don't get industry, the area will go to pot. And if it does, our investment in houses, stores, factories, railroads, power lines, and everything else goes with it.

I'm not arguing for subsidies, understand. I'm just trying to say there are two sides to the question. As a matter of fact, I don't think we ought to give anything away if we can help it—mostly because we'll probably get stung. When you give something away you're apt to get the kind of company you don't want. Some towns have found that out the hard way. Sometimes it only takes

one lemon to turn the community sour. Besides, once you've given the money away, you can't use it over again to build another building—like you can if you keep it in a revolving fund.

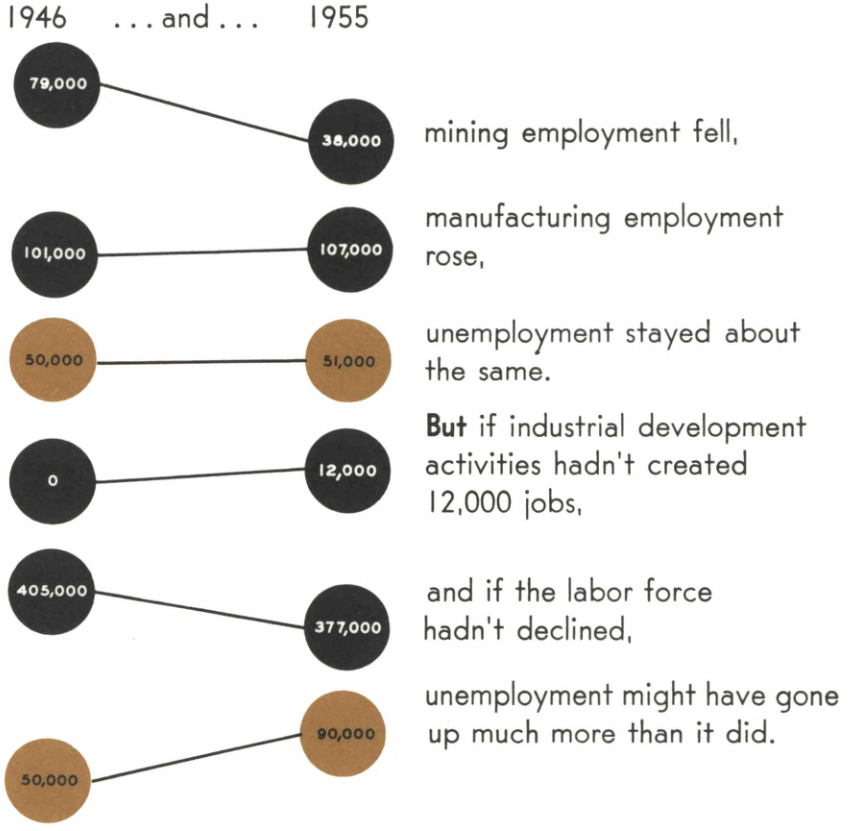
And here's how that works:

The first step generally is to set up an industrial development corporation. This is usually separate from the Chamber of Commerce, but they work closely together. The next step is for the corporation to raise money. Usually it either sells bonds or gets outright contributions. Both ways have their good and bad points. But there's a big advantage to having everybody in the community chip in as much as he can. After all, everybody stands to gain from any new jobs that are created.

There's a difference of opinion on the next step. Some say, when the money is raised, go out and get a company signed up, and then build a plant. Others say, start right in building even though you don't have a prospect yet. This sounds risky. It doesn't help the community's enthusiasm if a building stands idle for a year or so. But most of the time it works. It's a big advantage to be able to show a prospect a modern, one-floor, all-purpose building all ready to move into. And sometimes they don't want to look at anything else.

When the company

SIZING UP INDUSTRIAL DEVELOPMENT



Nobody knows what would have happened in the anthracite area if communities had not taken their future in their own hands and set about to develop industry. But reasonable estimates suggest that if it hadn't been for 12,000 new jobs created through industrial development, and 28,000 people leaving the labor force, unemployment, instead of staying the same, would be much higher.

INDUSTRIAL DEVELOPMENT FUN

These communities . . .	have raised this much money through contributions and bond issues.	They have helped to finance this number of plants . . .	. . . now employing this many people . . .
1. Scranton	$3,800,000	23	7,100
2. Pittston	446,000	9	1,155
3. Wilkes-Barre	1,821,000	9	1,440
4. Freeland	130,000	1*	0*
5. Hazleton	680,000	2	585
6. Shamokin	12,000	1	39
7. Mt. Carmel	34,000	1	75
8. Ashland	5,000	2	180
9. Shenandoah	356,000	1	187
10. Mahanoy City	40,000	1	50
11. Panther Valley	515,000	3	650
12. Jim Thorpe	25,000	0	0
13. Pottsville	477,000	5	238
14. Pine Grove	120,000	1	200
Total	$8,461,000	59	11,899

**Industry employed 100 people until it was purchased by another company which moved it to Europe in 1955. Negotiations are in progress for occupancy of building by another industry.*

This table does **not** tell the whole story of what communities are doing in industrial development. There are so many different kinds of activities going on that it would be impossible to tabulate them all on a sheet like this. For example, this table doesn't include help in the form of working capital, paying taxes, or moving expenses, etc. And it only covers activity since World War II.

DS IN THE ANTHRACITE AREA

. . . and with potential employment of this many.

1	14,450
2	1,755
3	3,000
	—
4	585
5	50
6	75
7	180
8	187
9	240
10	1,105
11	—
12	1,338
13	200
14	23,165

It **does** show, however, the type of activity that anthracite communities have developed more intensively, perhaps, than communities anywhere else. That is, the setting up of an industrial development corporation, raising money from the community, and financing plants for industry. The typical procedure is described in the text. The table indicates that this type of activity is widespread, but also that some communities have been much more successful than others.

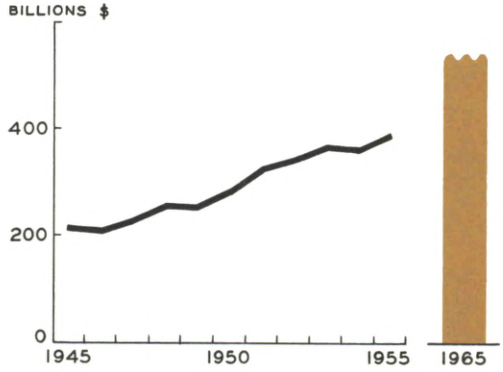
is signed up, it can buy the building. But usually it leases the building for a long period from the industrial development corporation, with the option of buying. The community may not raise enough money to cover the whole cost of the plant, so the rest is likely to come from the local banks. They all get together and take a first mortgage on the building. The rent goes to pay the interest and principal on the mortgage first. The industrial development corporation gradually gets its money back with interest and can use it for another building. And that's what makes the revolving fund that can be used over and over again.

Well, this is the main way we've been getting industry to move in. The company gets a good deal. It gets a brand-new building without tying up its own money. It's apt to pay lower rent because the banks and the industrial development corporation charge a low rate of interest on the loan. It pays less taxes by leasing the plant instead of owning it. Now, when it comes to taxes, the community has to be careful not to get on the wrong side of companies already located in town. But the tax people want to get new companies in just as much as anybody else, so they're usually "reasonable."

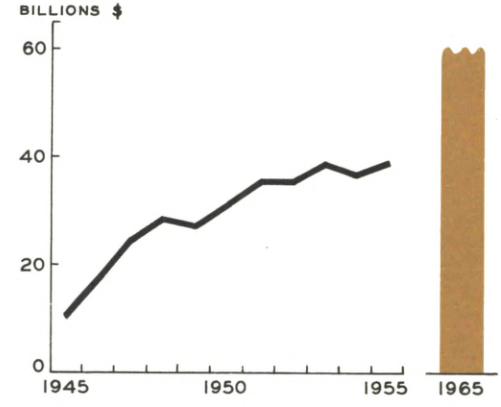
How has it all worked out? We can't

OPPORTUNITIES FOR GETTING NEW PLANTS

. . . should be excellent over the longer run. The total output (GNP) of the country has almost doubled since World War II, and a Congressional committee estimates GNP will be much higher by 1965.



In order to turn out this volume of goods and services, our economy will need more plant and equipment. Spending by business for new facilities has been going up rapidly, but is estimated to increase even more by 1965.



The success of industrial development activities will depend on two main things: 1) whether business is expanding; 2) whether communities can get their share of the expansion. The outlook for business expansion is excellent over the longer run. Business will be looking for places to put up new plants. The challenge facing people in the anthracite area is to attract these new plants to their communities.

tell for sure because we'll never know what would have happened if we'd just let things drift. But I can show you over 50 plants we've helped put up. Thousands of men and women are working in them. If we hadn't brought these companies in, more people would have been unemployed, or would have moved away.

But we haven't been able yet to make enough new jobs to take care of the drop in mining. Unemployment hasn't gone down. In other words, we would be a lot worse off if we hadn't built these plants, but we still have a way to go.

So far, I've been talking about the whole area. But some towns are better off than others. The places where coal ran out first are where people got stirred up first. Then more and more towns got active in industrial development.

You could almost say the worse off the town is the harder it has worked. But that isn't exactly true. In some ways the smaller towns are the worst off, but they haven't been able to do as much as the bigger cities. Usually they're one-industry towns. They're not big enough or wealthy enough to raise much money. They may not have good leadership. And even if they did get active, some of them would have a hard time getting anybody to move in.

Maybe the only thing the smaller towns can do is ride along with the bigger cities. The cities can raise the money and give the leadership. And the cities are running out of good factory sites. Much of the land is hilly or has been mined underneath. So they're moving out to get factory sites. Moving out closer to the small towns.

But we want the small towns to be in on industrial development activities. That's one reason we set up the Northeast Pennsylvania Industrial Development Commission. NPIDC is a big step in the right direction, but we can make better use of it than we have. We can use it more to pool our know-how. And we can use it to keep together. It's always a temptation to try to give away a little more than the next town in order to get a company. But this can start a snowball going, and the first thing you know you've used up all your money in a giveaway race. NPIDC is one way we can keep from doing that.

Good companies aren't looking for a hand-out. But they are looking for towns where they're welcome. What we've been doing shows that we're all together in wanting industry to come in.

Well, ***where do we go from here?*** That's the $64,000 question. I'm sure of one thing: the opportunities will be there if we can just grab them. This country's going to keep growing and business is going to be expanding and setting up new plants. Our job is to get our share.

I think we will; I'm optimistic. But it's going to take time and a lot of hard work. I often think it would be wonderful if we could only bring in a few real big companies and take care of our unemployment in a hurry. But it doesn't work that way. And in the end we'll be better off building up bit by bit, with a lot of different companies that make different kinds of things. We don't ever want all our eggs in one basket again.

It may be slow, but it's sure. And don't forget —nothing succeeds like success. If we keep moving in the right direction, things will start to snowball. Some companies will move in because other companies are here. And the companies we have will grow. Then we're over the hump.

But in the meantime we all have a job to do. All the towns will have to work together for the area through the Northeast Pennsylvania Industrial Development Commission. And in each town we'll all have to do our part. We can't just leave it up to a few people who are trying to develop industry. Go down the list: local governments, businessmen, the railroads, utility companies,

labor leaders, school teachers, churches, and—most of all—the people who just live and work here. We all can do a little something, every day, to make this a better place to live and work in. And we will.

Copies of the full study are available on request to the Department of Research, Federal Reserve Bank of Philadelphia.

CURRENT TRENDS

Business activity in the Third Federal Reserve District continues near the high levels reached last year. Considerable optimism prevails in most sectors of the local economy regarding prospects for the current year. Among the brightest spots in the 1956 outlook are the increased capital spending plans of manufacturers in the Philadelphia metropolitan area and their expectations of higher production trends during the current and final quarters of this year. These developments were discussed in the April issue of our Business Review. About the only signs of weakness and hesitation are in automobiles and housing. Even in these areas current activity compares favorably with other recent years, except 1955. And, unlike the country as a whole, prospects for both cars and houses seem to be improving slowly as the spring season progresses.

Labor market changes in leading industrial areas of this district have continued narrow in recent months. As of mid-March there were only three major areas—Atlantic City in New Jersey and Scranton and Wilkes-Barre in Pennsylvania—where the number of job seekers substantially exceeded the number of job opportunities. In the case of Atlantic City, early spring normally is a period of slack employment. But the convention business is expected to bring some improvement shortly, with employment prospects brightening as the summer visitors take over in late June. Both Scranton and Wilkes-Barre have long been "distress" areas where the unemployed from anthracite mines have not been readily absorbed by the labor needs of other local industries. Johnstown, a steel and soft coal center in Pennsylvania, has materially reduced its labor surplus since last fall. Improvement there has reflected mainly expanding activity in steelmaking, although recently there have been increased demands for workers in apparel, trade, and transportation. All other major areas in this district have maintained a fairly well balanced labor market status.

Factory activity, as measured by production-worker hours, is a little below the 1955 peak reached last December but is above year-ago levels in all our major industrial areas. Since last spring, recovery in employment has been at a somewhat slower pace than the gains in working time. From the standpoint of both employment and working time, improvement in the durable goods industries has been more pronounced than in nondurables. In the district as a whole, very few individual lines have entirely recovered all of the ground lost in the 1953-54 recession. The apparel and rubber industries are about the only ones where employment has come back to or surpasses pre-

recession levels. But there have been moderate gains in primary metals, fabricated metals, chemicals, and electrical machinery. The textile and transportation equipment industries seem to have made about the least progress of any of our more important lines. In the latter group, prospects for shipbuilding have brightened considerably but the outlook for aircraft remains uncertain.

Basic steel capacity in this district is continuing to expand. Last year we experienced one of the sharpest tonnage gains of any steelmaking area being exceeded only by additions made in the Buffalo region. Third District output of ingots and steel for castings increased 4 per cent during 1955, compared with a nationwide gain of 2 per cent, and some further expansion is in prospect over the remainder of the current year. Steel mills have been operating above their rated capacity almost continuously since last October and with the new facilities that have come into production in our area the tonnage increases have been impressive.

Bituminous coal production has been showing large year-to-year increases since the early months of 1955, reflecting the rising trend in consumption by heavy industry and the electric utilities. These gains have occurred in spite of spot shortages of coal cars, which from time to time have limited mining operations to the capacity of existing storage facilities. In the anthracite fields of Pennsylvania, it's been quite a different story. Demand for the heating sizes has continued to decline steadily and even the severe weather of this past winter seems to have had less than the expected effect on operations. About the best that can be said for anthracite is the increasing use of this fuel in the manufacture of coke.

Construction activity on the basis of contracts awarded has been running at high levels for many months. However, since the turn of the year there has developed a shift in emphasis from the residential to the industrial field. In the early months of 1955 awards for family houses were showing larger year-to-year gains than any other major category. But in the quarter ended March 1956 awards for one- and two-family houses were about 7 per cent less than a year earlier, while the dollar volume of contracts let for factory buildings was considerably more than double the first-quarter 1955 total.

Lenders, builders, and realtors tell us that home-building prospects for this year still are somewhat uncertain. Mortgage money is a little easier than it was last fall but the availability of construction loans to builders has not changed significantly. There has been a little more activity in the market for old houses but prices remain under pressure. The builders themselves have experienced some delay in operations because of material shortages and the unusually severe winter weather. Construction costs in most parts of this district seem likely to go higher. At this point, many builders are giving more thought to finishing houses for the spring market than to starting new large scale projects or undertaking extensive land developments.

Farm cash income in Pennsylvania, New Jersey, and Delaware was little larger in 1955 than in the preceding year and 1954 was not a good year. Income from livestock products held up surprisingly well, particularly in Delaware, where prices of broilers brought good returns over much of the year. Income from crops was low everywhere, with receipts from vegetables particularly disappointing. Unfavorable weather not only reduced yields very sharply but resulted in poor quality, which in turn brought lower prices. In the early months of 1956 total cash income was about 1 per cent higher than a year earlier. Farm land values, however, have increased in both Pennsylvania and

New Jersey, and are well maintained in Delaware. In this Federal Reserve District there has been a continuing tendency for farmers to enlarge their land holdings into more efficient units. This development has contributed much to maintaining an active demand for farm acreages and has enhanced land values in most sections.

Freight car loadings through the first quarter of 1956 held well above the levels of the two preceding years and nearly equaled the large volume reported in the pre-recession period of 1953. Forecasts of the second-quarter total indicate an increase of about 8 per cent over a year earlier. On a commodity basis, some of the sharpest increases are expected in loadings of coal, coke, steel, machinery, and building materials.

Department store sales have continued in large volume in recent months and well above the levels of one and two years ago. Both cash and instalment sales have been higher than in the winter and spring of 1955 but dollar volume on regular charge accounts has diminished. Increases over a year ago in total dollar sales have occurred in nearly all major city areas of this district. Business volume in the so-called "big ticket" items like appliances and television compares well with a year ago.

Automobile dealers complain of severe competition and many of them seem to feel they are not receiving their share of consumers' dollars. Nevertheless the record of registrations indicates a steady climb from early winter lows. In the Third District counties of Pennsylvania new car registrations are showing a good margin of increase over both one and two years ago. This year's first-quarter total was up 10 per cent from 1955 and almost 30 per cent from 1954. Meanwhile, latest reports indicate that used car markets have been holding up well.

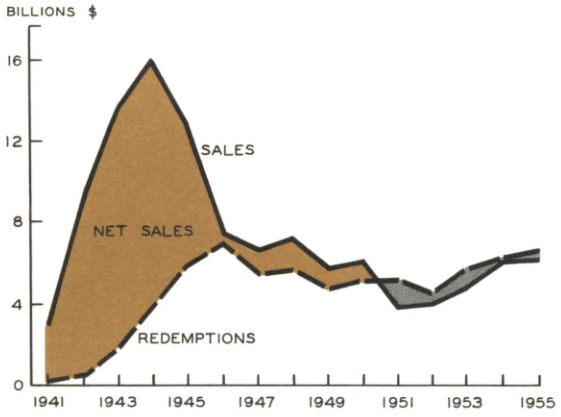
THIRD FEDERAL RESERVE DISTRICT

SAVINGS BOND ANNIVERSARY

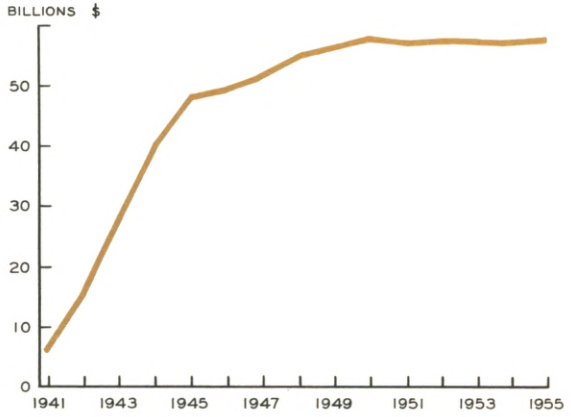
This month marks the 15th anniversary of the savings bond program. It was inaugurated in 1941 to help finance the Second World War and at the same time help maintain a strong and stable economy. By taking excess dollars from the market when civilian goods were scarce, savings bonds provided an important defense against inflation.

At the present high level of economic activity, the possibility of inflation means that the savings bond program is still an important weapon.

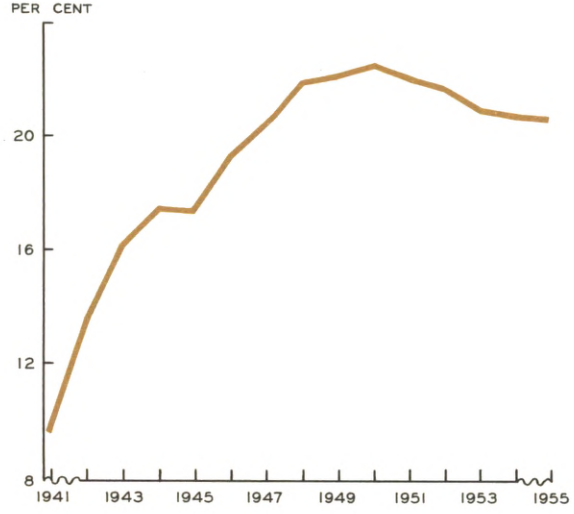
The following charts show some of the trends in savings bonds in the past fifteen years.



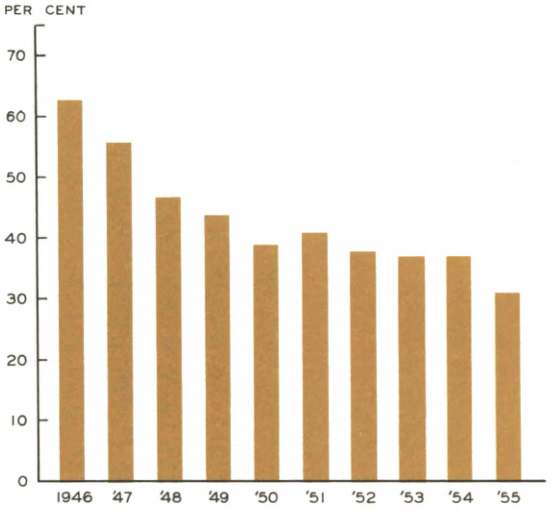
1. **Sales** of savings bonds reached a peak of $16 billion in 1944. They dropped off sharply after the war but continued to exceed **redemptions** until 1951.



2. **Savings bonds outstanding** leveled off considerably after the war, and have been quite stable in the past five years.

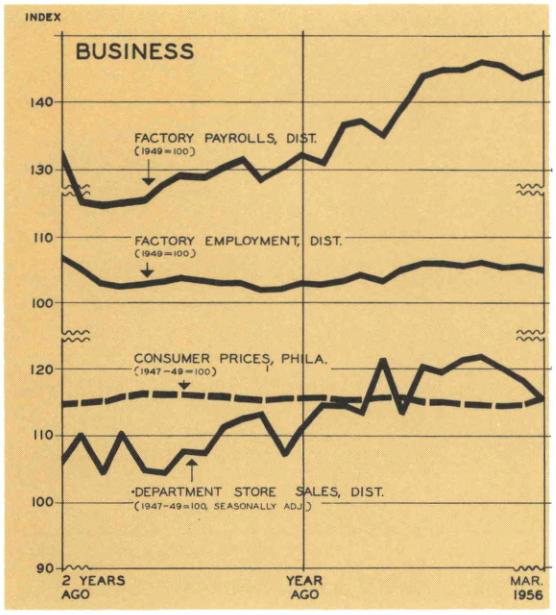


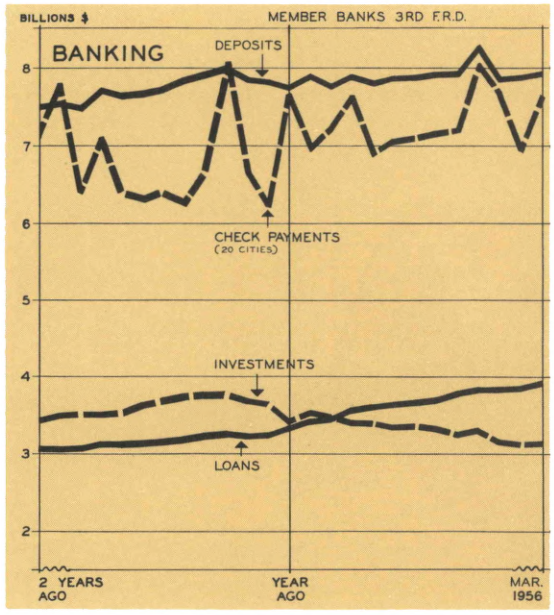
3. From 1941 to 1950 the **proportion of the total federal debt represented by savings bonds** increased to a high of 23 per cent. Since 1950 the proportion has declined slightly but steadily.



4. The **proportion of families holding savings bonds** has declined from two-thirds at the end of World War II to less than one-third in 1955.

FOR THE RECORD...





SUMMARY

	Third Federal Reserve District — Per cent change			United States — Per cent change		
	March 1956 from		3 mos. 1956 from year ago	March 1956 from		3 mos. 1956 from year ago
	mo. ago	year ago		mo. ago	year ago	
OUTPUT						
Manufacturing production	0	+ 3	+ 5	0	+ 4	+ 7
Construction contracts*	+ 1	− 4	+ 4	+ 9	+10	+14
Coal mining	− 5	+12	+11	− 2	+21	+17
EMPLOYMENT AND INCOME						
Factory employment (Total)	0	+ 2	+ 3	0	+ 4	+ 5
Factory wage income	+ 1	+ 9	+11	.....	.....	.....
TRADE**						
Department store sales	− 2	+ 9	+ 9	+ 2	+ 5	+ 8
Department store stocks	− 1	+10	.....	− 2	+ 9	.....
BANKING (All member banks)						
Deposits	+ 7	+ 2	+ 1	+ 1	+ 3	+ 2
Loans	+ 2	+18	+18	+ 3	+18	+17
Investments	0	−11	−13	− 1	− 9	−10
U.S. Govt. securities	0	−11	−13	− 1	−10	−12
Other	0	−12	−14	0	− 3	− 3
Check payments	+10†	0†	+ 8†	+17	+ 6	+10
PRICES						
Wholesale	.....	.....	.....	0	+ 3	+ 2
Consumer	+ 1‡	0‡	− 1‡	0	0	0

*Based on 3-month moving averages.
**Adjusted for seasonal variation.
†20 Cities
‡Philadelphia

LOCAL CHANGES

	Factory* — Employment		Factory* — Payrolls		Department Store — Sales		Department Store — Stocks		Check Payments	
	Per cent change March 1956 from									
	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago
Allentown	0	+ 7	0	+18	.....	.....	.....	.....	+ 6	+7
Harrisburg	0	+10	+2	+22	.....	.....	.....	.....	+ 9	+1
Lancaster	0	+ 5	−2	+13	+34	+ 8	+ 4	+ 6	+ 4	+4
Philadelphia	0	0	+1	+ 7	+16	+ 6	+ 6	+14	+ 8	−1
Reading	−1	+ 3	−2	+10	+29	+ 9	+ 7	+10	+10	+4
Scranton	0	+ 2	0	+12	+27	+12	+ 7	+ 6	+15	+8
Trenton	+1	+ 3	+1	+ 9	+25	− 1	+12	− 7	+19	+3
Wilkes-Barre	+2	+ 2	+5	+ 8	+35	+ 8	+ 5	− 3	+11	+4
Wilmington	−1	+ 8	0	+ 9	+25	+12	+ 7	+18	+34	−7
York	−1	+ 3	−1	+10	+34	+20	+14	+ 9	+ 3	+7

*Not restricted to corporate limits of cities but covers areas of one or more counties.