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business review

FEDERAL RESERVE
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PHILADELPHIA

PENNSYLVANIA IN THE INTERSTATE STAMPEDE FOR NEW INDUSTRY

Part III: What's Cooking

Pennsylvania's rich endowment of coal was a powerful attraction for industry but coal is no longer the indispensable industrial fuel. Consequently, the Commonwealth is seeking to attract new industries in a variety of ways. This is a report on what's cooking.

DEPOSITS ON THE MOVE

Deposits have grown a lot faster in some Districts than in others. This article shows how the Third District has been doing, and explains some of the factors that have affected our banks' deposits.

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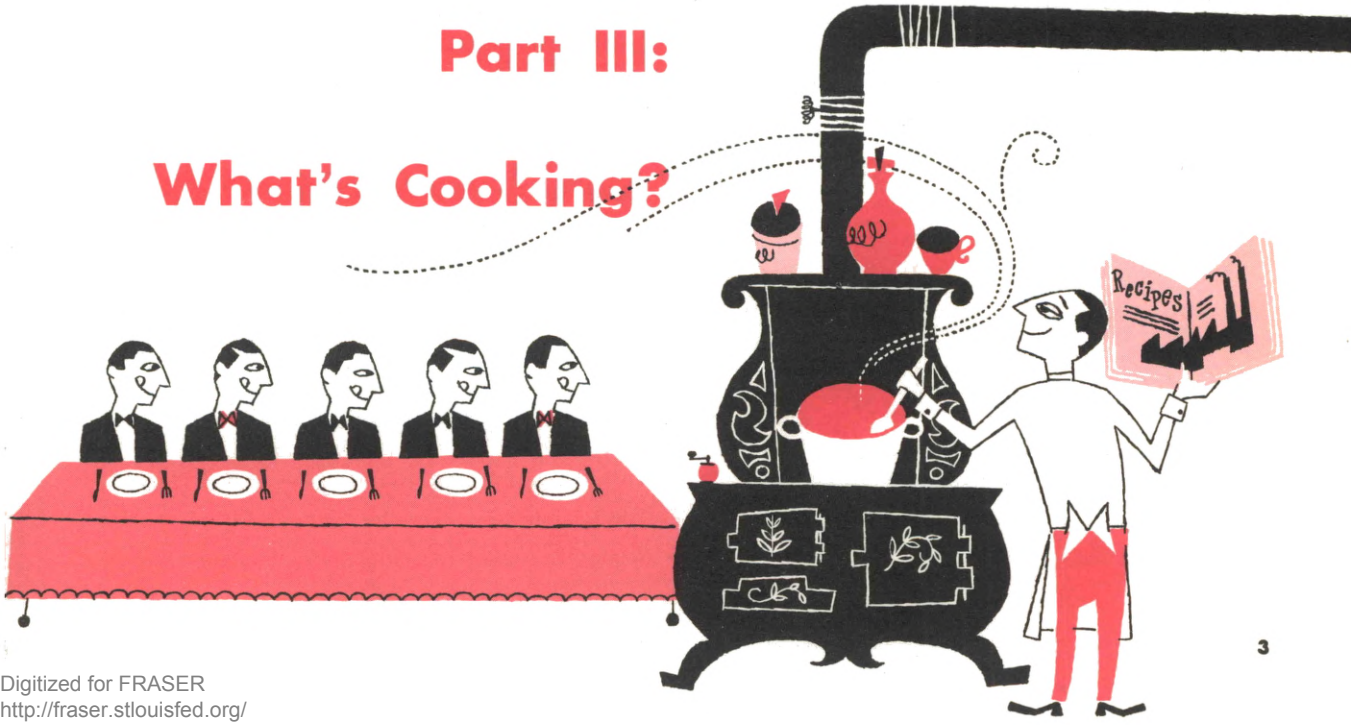
PENNSYLVANIA IN THE INTERSTATE STAMPEDE FOR NEW INDUSTRY

Part III: What's Cooking?

Pennsylvanians have a concern—to use a Philadelphia expression—about Pennsylvania. Her position as an industrial titan is being challenged, and challenged right hard.

As long as coal was the sole and indispensable fuel of industrialism, Pennsylvania—rich in coal—was rich in industry. But coal fell from its exalted position with the advent of competitive sources of fuel and power in the form of petroleum, natural gas, and hydroelectric energy.

Pennsylvania, however, cannot blame all of her industrial trouble on old King Coal. Some Pennsylvania industries declined because they were too slow to recognize basic changes in the markets for their products or were too reluctant to adapt their equipment to basic changes in technology. Some of the footloose industries migrated southward and westward into pioneer industrial areas that offered lower taxes, lower wage rates, and other inducements. Moreover, during World War II when the "Arsenal of Democracy" was greatly expanded, Pennsylvania, like some of the other heavily industrialized states, was deliberately by-passed in the construction of new plants. It was a national defense policy to seek greater



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geographic dispersion of industrial capacity, not only in order to spread the risk but also to utilize labor resources in regions where wartime labor markets were not so tight as in the heavily industrialized East.

Today, while the national economy is operating almost to capacity with very little slack, too much of the slack is concentrated right here in Pennsylvania. Four of the sixteen major industrial areas in continental United States with labor surpluses are in Pennsylvania. These areas are Altoona, Johnstown, Scranton, and Wilkes-Barre—Hazleton. Pennsylvania also has seven of the country's 57 minor industrial areas with labor surpluses. They are Berwick-Bloomsburg, Clearfield-Dubois, Lewistown, Lock Haven, Pottsville, Sunbury-Shamokin-Mt. Carmel, and Uniontown-Connellsville. In Philadelphia and Pittsburgh—the two leading industrial centers of the state—unemployment, though not serious, nevertheless is larger than it should be at a time when gross national product is at an all-time high. The fact that the Commonwealth is "cruising" while the country is "speeding" is what gives Pennsylvanians a concern about their state.

WHAT'S COOKING IN THE COMMONWEALTH?

Businessmen, labor leaders, government officials, and civic-minded citizens of the Commonwealth are fully aware of the fact that the state is in the thick of an interstate struggle for new industry. They are also aware of the fact that Pennsylvania's industrial foundation, so vital to the state's economy, needs fortification. Citizens at large probably have little appreciation of the abundance and diversity of efforts being made throughout the state not only to hold the industries we already have, but also to bring others here. This article is a report on what's cooking.

IN PHILADELPHIA

Philadelphia is a sprawling and complex industrial colossus. The industrial problem is not so much one of bringing in new industries, for there is very little vacant land available on which to build, but it is rather a problem of keeping those that are here and keeping them competitive. New industries, of course, are constantly being sought to take the place of those that move out or die out. The maintenance of a strong industrial base in a city like Philadelphia that is full of industries and full of years is incredibly complicated by a maze of metropolitan problems which the industries themselves help to create, directly or indirectly. It is quite a job of urban housekeeping to supply water, police and fire protection, education, hospitals, sewerage, clean streams, clean air, travelable streets, and all of the other elementary needs of life when people crowd together with over 16,000 to the square mile, as they do in Philadelphia.

People will take only so much and as crowding becomes intolerable they move into the suburbs where they can breathe fresh air and till their gardens. Industries move out where highways are broad and land is cheap enough so that factories can be spread out over the ground instead of up into the sky. Stores move out where parking space is available for their customers. In the process, the city is left with leftovers—housing that shrinks in value and degenerates into slums, abandoned multi-storied factory buildings too obsolete for use if they were given away, and the City Fathers are left an ever-shrinking tax base in the face of progressively rising costs for supplying municipal services.

To be sure, these conditions are not peculiar to Philadelphia but that doesn't make it any easier to induce industry to come here or to stay here.

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City planning

The job of building and rebuilding a city is never complete, and without a plan there would be utter chaos. In Philadelphia, one sees the emerging fruition of planning in major changes such as Penn Center, Independence Mall, the Walt Whitman Bridge, the extension of the Expressway, and new low-cost housing replacing slums. The agency most directly concerned with this aspect of reconstruction is the Philadelphia City Planning Commission.

The City Planning Commission builds no temples to Athena or any other goddess but is a continuing body of public servants at work on plans for the most urgently needed public improvements. The Commission formulates annually a continuing six-year public improvement program of urgently needed capital improvements within the city and within the city's financing ability. Among the major projects included are such things as water supply and sewage disposal, police and fire protection, streets and mass transit, marine and air ports, health, libraries, recreation and parks, and public welfare. The latest report of the Commission shows $237 million of projects completed during the period 1950 to 1955, and $573 million of projects planned for the period 1956 to 1961.

Cooperating with the Planning Commission is the Redevelopment Authority of the City of Philadelphia, which is basically a land-clearance agency. Created in 1945 by legislative enactment, the Redevelopment Authority is authorized to condemn private property, to acquire land in blighted areas, and to issue its own bonds. The Authority may sell, lease, or rent land, certified by the Planning Commission, for improvement by others. Fundamentally, it is a venture in municipal plastic surgery and, like plastic surgery, it is a time-consuming and costly process. The largest contributor is the Federal Government through the Urban Renewal Agency of the Housing and Home Finance Agency, which contributes two dollars for every dollar of the city's money going into improvements.

According to the Redevelopment Authority's latest annual report, more than 700 houses in the city's worst slums have already been replaced with modern low-cost dwellings, and an additional 1,700 dwellings are in various stages of completion. The largest project in the early stages of redevelopment is the 3,000-acre Eastwick plot in southwestern Philadelphia. Here, adjacent to the International Airport, one of the country's finest, is a no-man's lowland of tumble-down shacks, dumps, auto graveyards, and some nice homes. Plans for redevelopment call for 12,000 new dwelling units to occupy one-third of the acreage, with 61 acres for commercial use, 85 acres for schools, and the remainder for industrial use, parks, and a civic center.

Then there is the problem of food distribution. What a contrast between the glamor of retail food display in the myriads of supermarkets and the squalor of food handling at wholesale! Dock Street is a commercial shantytown of congestion, confusion, and medieval standards of sanitation. But Dock Street is doomed by the creation of the Food Distribution Center Corporation, which will build on the 376-acre Pattison Avenue site a huge food distribution center as bright and clean as a modern showcase.

In the Mayor's office

As might be supposed, the officials of the city government are vitally concerned about not only the long-run industrial trends of Philadelphia but also the immediate problems of industrial Philadelphia—the arrivals and departures of Philadelphia industries. These problems converge in the

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Mayor's office where they receive special attention by the Department of Commerce and the Development Coordinator.

The activities of the Department of Commerce consist of front-office advisory service and back-office research. The advisory services consist of consultation with representatives of concerns interested in locating in Philadelphia, and therefore confronted with the very practical problem of securing the best space and facilities suitable to their needs. The Department's Port Bureau actively solicits shipments through the Port of Philadelphia.

The back-office research consists of studies on subjects such as the availability of industrial sites and industrial properties, analysis of Philadelphia's locational advantages for individual firms desirous of locating here, and studies of the impact on them of local taxes. The Department is promoting an industrial-development program on a revolving-fund basis to restore obsolete land to industrial use.

The Development Coordinator, a staff advisor to the Mayor, coordinates economic and social studies of other agencies such as the Delaware Valley Council, the Delaware River Basin Advisory Committee, and the Metropolitan Studies Commission. As a member of those agencies, he seeks to bring about a balanced long-range program for the city with respect to industrial development, transportation and recreation facilities, urban renewal, etc.

Chamber of Commerce of Greater Philadelphia

"The 156-year-old Chamber of Commerce of Greater Philadelphia is a dynamic force in the current revitalization of the region. The voluntary, non-profit organization represents some 1,700 area firms and is composed of the region's outstanding business and civic leaders who are dedicated to the development, encouragement, promotion, extension, and protection of the area's commercial, professional, financial, industrial, and general business interests. Through its more than 1,000 active, non-salaried committeemen and women, the Chamber bases its programs, services, and activities upon the creation of new-employment opportunities.

"The Chamber provides advice, counsel, and leadership in the fields of industrial renewal and development, economic research, government economy, taxation, transportation, port development, safety, world trade, legislation, and labor relations. Complementing this, a broad publicity and public-relations program is utilized to disseminate Chamber ideas and campaign effectively for their realization.

"Endowed with the practical and successful business experience of its member firms and strengthened by the 'insight' of more than 150 years, the Chamber reflects sound and essential characteristics for the establishment of a healthy commercial and industrial atmosphere. By virtue of its harmonious working relationship with local, state, and federal administrations, this nonpartisan organization is a powerful force operating in the best interests of the business community. It is in the forefront of any movement directed to this end.

"The Chamber publishes many directories and other aids for the businessmen in particular and for the private citizen in general. It also serves as a focal point for area information and the attraction of tourists and conventions."

Bureau of Municipal Research and Pennsylvania Economy League

The Bureau of Municipal Research and the Eastern Division of the Pennsylvania Economy League

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is a consolidation of two Philadelphia agencies with mutuality of interests in promoting improved government for the purposes of achieving more effective performance of public service. The BMR-PEL (ED.) has a major interest, as its title suggests, in local government at all levels in the redevelopment process, which has prompted it to move into the general field of economic renewal. The agency rarely enters the field of action but engages primary in research in the areas of government and school administration, public finance, and other metropolitan problems. Within the Greater Philadelphia five-county area, the organization also offers advisory and consulting services for the installation of systems and techniques to promote sound planning, and it serves as a clearing house for better understanding of government problems.

Citizens' Council on City Planning

The principal purpose of the Citizens' Council on City Planning is to enlist citizen participation in planning. The Council serves its membership by providing information on activities of government planning agencies, guiding citizen participation in the planning process, and expressing neighborhood opinions to official agencies. In addition to the Council's over-all interest in comprehensive planning, it has directed special effort in such areas as transportation, zoning, and redevelopment.

Greater Philadelphia Movement

The Greater Philadelphia Movement is a "voluntary organization dedicated to the improvement of the Philadelphia Metropolitan Area and to make it a better place in which to work and live." GPM is bipartisan in membership, nonpartisan in approach, and its directorship represents leaders in commerce, industry, organized labor, and the professions. A unique feature of the organization is that each member of the Board is expected to participate actively in carrying out the program of the organization—far beyond the usual, relatively passive role of policy maker.

GPM provides leadership by focusing attention on current problems of the region. It sometimes arranges with specialized groups for detailed work on any particular problem. At any single moment of time, the organization usually concentrates on a few major problems, such as the City Charter or the Delaware Expressway, and endeavors to see each project through to completion. Its most effective contributions to community developments, however, are sometimes known only to a few persons.

The wide range of interest with which the GPM is concerned is indicated by some of the other projects to which it has been lending its interest and support, such as the new International Air Terminal, improved metropolitan coordination, regional parks, Skid Row, the new Food Distribution Center, and the area-wide transportation problem.

GPM finances the Citizens' Budget Committee. The Budget Committee seeks, in cooperation with public officials, to secure the most in public service for each tax dollar.

Delaware Valley Council

The Delaware Valley Council, formerly known as the Greater Philadelphia-Delaware-South Jersey Council, is a voluntary non-profit organization that directs its activities toward the stimulation and co-ordination of research and planning in the Delaware Valley region of Pennsylvania, New Jersey, and Delaware. The organization is especially concerned with the development and improvement of the region as a whole through the medium of a comprehensive plan and to secure,

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by educational means, public support of projects and plans that are approved by the Council and to take action to accomplish their fulfillment.

The Council conducts periodic forums for the interchange of ideas, initiates and collaborates in research studies on subjects such as airports, port development, water resources, and expressways. For example, the Council formulated and presented to the governors of Pennsylvania, New Jersey, and Delaware a Tentative Expressways Plan designed to facilitate the movement of increasingly heavy volume of traffic in the Delaware Valley.

Institute for Urban Studies

The Institute for Urban Studies was established by the University of Pennsylvania to stimulate and undertake a continuing organized program of urban research. The research program of the Institute includes basic studies of the urban community, processes of urbanization, and applied studies of value to the Philadelphia region. Current research projects of the Institute include urban planning requirements, industrial land and facility requirements, the housing market in the Philadelphia area, urban traffic, and methods of forecasting long-range trends in regional economic growth.

The Institute has already issued a comprehensive report to the Philadelphia City Planning Commission on industrial land and facilities for Philadelphia. The report analyzes and appraises the growth and employment prospects of major industries in the Philadelphia five-county area, the availability of land for expansion within the city and within the surrounding area, together with recommendations for land development and other action which will strengthen Philadelphia's position as an industrial center. The Institute cooperates, in its research activities, with other local agencies such as state planning commissions, federal agencies, and local business and civic groups.

Delaware River Basin Advisory Committee

The Delaware River is a major source of water for the citizens and industries of Philadelphia, but it is not exclusively our own river. Its waters are shared by four states—Pennsylvania, New York, New Jersey, and Delaware. Thus far the river has had enough water to supply the needs, for the most part, of the people in the four states who drink out of it and dump their human and industrial wastes into it. But the growth of population and industries in the Delaware River Basin is hastening the day when the waters will be inadequate, particularly in the season of low run-off. New York is now building facilities to increase its take up to the 800 million gallons a day allowed by the Supreme Court.

The Delaware River Basin Advisory Committee, appointed by the governors of the four states and the mayors of New York and Philadelphia, is charged with the duty of reviewing, advising, and assisting in setting up studies and research needed for the completion of a comprehensive, multiple-purpose plan for the utilization of the water and related land resources of the Delaware River Basin and to make recommendations from time to time to the governments involved. While the duties of this Commission may seem to be somewhat remotely related to the immediate task of the industrialization of the Philadelphia region, inadequacy of water supply could restrict the industrialization of this region much sooner than is generally believed.

Other agencies

In addition to the agencies mentioned above, there are other agencies in the Philadelphia area whose activities are related to the industrial development

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of the region. The Delaware River Port Authority, through its Port Development Department, operates a traffic bureau to study rates and practices affecting the port and its users, collects statistical and other information covering the movement of foreign and domestic commerce through the port and solicits business for the port through field offices in New York, Pittsburgh, and Chicago. The Philadelphia regional office of the U. S. Department of Commerce serves the area through the collection and dissemination of basic Census data.

The counties surrounding Philadelphia have their own planning commissions operating in their respective counties, and at one time these commissions united to form the Southeastern Pennsylvania Regional Planning Commission which sponsored an intensive geographic analysis of industrial land use in the Philadelphia suburban area.

The railroads have long been active and very helpful in assisting prospective manufacturers interested in this area in finding sites and accommodations suitable to their needs. The Philadelphia Electric Company is a vast storehouse of engineering and economic information where a prospective industrial client can get specific answers to specific questions relating to vacant buildings, industrial sites, railroad sidings, trucking facilities, zoning ordinances, availability of housing, capacities of electric, gas, steam, and water mains, etc.

IN PITTSBURGH

In many respects, Pittsburgh is like Philadelphia. Except for obvious differences of location, size, and industrial composition, the problems of industrial development in the steel city are similar to those in the Quaker City. Pittsburgh has overcrowded streets, slums, water trouble, port problems, shortage of bridges, inadequate space for industrial development, a flight to the suburbs; and budget-balancing difficulties. The city is confronted with the full complement of municipal and metropolitan problems faced by all modern industrial cities, and despite substantial improvements the city also has the customary difficulties of living down its past. People are prone to think of Pittsburgh as the "Smoky City" converging at the formerly slum-covered junction of the Allegheny and Monongahela Rivers—until they see the great transformation. Pittsburghers are now breathing fresh air, and the Point is a state park with green grass and historic shrines.

An observer of the Pittsburgh scene cannot fail to be impressed by the comprehensive nature of the approach to industrial and area development, the high quality of leadership, the vigorous action, and the genuine cooperation on the part of the various organizations engaged in redevelopment.

Allegheny Conference on Community Development

The Allegheny Conference is responsible for much of the community redevelopment taking place in the city of Pittsburgh and the surrounding eight counties—Allegheny, Armstrong, Beaver, Butler, Fayette, Green, Washington, and Westmoreland. It is a nonprofit, privately financed organization of Pittsburgh's leading citizens concerned with a threefold, comprehensive program of research, planning, and action.

In 1943, when the Allegheny Conference was established, it was designed to operate primarily as a regional research agency and to do studies and prepare plans for the improvement of the area. This the Conference did for the first few years of its life, developing a comprehensive program for Pittsburgh and Allegheny County. Subsequently, the Conference shifted its emphasis from studies and factfinding to promotion of its program and to the securing of cooperation from

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public agencies where they were involved or in case of private agencies, securing their cooperation to the end that the comprehensive program could be accomplished.

As part of the promotion effort, the Conference acts as coordinator between the various public bodies and/or private agencies where they have a common field of interest. Probably the greatest contribution the Conference has made to the Pittsburgh Redevelopment Program has been in the field of coordination.

The studies with which the Conference was concerned embraced a wide variety of subjects, including availability of industrial sites, highways, housing, refuse disposal, feasibility of a river-rail-truck terminal, etc. The Conference was largely concerned, along with the government of the City of Pittsburgh, with the institution of the smoke-control program, and later it assisted the Board of County Commissioners of Allegheny County in extending the City Smoke Ordinance to include all of Allegheny County.

Civic agencies with which the Conference has been closely associated in its program are: the Western Division of the Pennsylvania Economy League, the Pittsburgh Regional Planning Association, the Civic Club of Allegheny County, and the Pittsburgh Chamber of Commerce. The Conference also works with the City and County Planning Commissions and both the City Public Housing Authority and the County Public Housing Authority. It works with both City and County Redevelopment Authorities.

The variety of studies made by the Allegheny Conference is indicated by an 18-page listing of titles of studies made since the founding of the Conference. Among the studies listed are progress reports on:

Agricultural Development in the Pittsburgh District

Direct Air Transportation Services Between the Pittsburgh District and the Southwest

Report on the Feasibility of the Mt. Washington Tunnel on the Penn-Lincoln Parkway

Housing Survey of Pittsburgh and Allegheny County

Prospective Labor Force Employment and Unemployment in Allegheny County

Mass Transportation Study of Pittsburgh and Allegheny County

Report on Community Planning and Integration in Allegheny County

Population Trends in Southwestern Pennsylvania

Report to the Technical Committee on Smoke Abatement

Water Supply Survey

Long-range Outlook for the Pittsburgh Industrial Area (Vol. 1 and 2)

Regional Industrial Development Corporation

In 1955, the Regional Industrial Development Corporation was created to assist in the expansion of existing industry, to attract new industry, and to stimulate industrial development. The Corporation is a privately financed, nonprofit organization, which acts as an industrial-development clearing house for the region and a factfinding and study agency in the economic field. As an over-all agency, the Corporation cooperates with the public utilities and the railroads, industrial realtors, and the various community-sponsored industrial-development organizations that have been formed throughout western Pennsylvania to encourage economic expansion.

The Corporation's research staff is directed by two senior research men, one working on economic aspects of industrial development and the other on the technical and engineering aspects.

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The Regional Industrial Development Corporation is currently conducting or sponsoring studies to ascertain the availability of sites and land utilization on waterways, the feasibility of arbitrating or mediating industrial disputes through a labor-management council, and a comprehensive economic base study of western Pennsylvania.

For highly technical studies, the Corporation turns to organizations like the Pittsburgh Regional Planning Association and the Western Division of the Pennsylvania Economy League. The Pittsburgh Regional Planning Association does technical planning on highway programs, industrial sites, land use, etc.

Pennsylvania Economy League—Western Division

The Western Division of the Pennsylvania Economy League, Inc., founded in 1932, specializes in studies closely related to governmental activities such as air pollution, public health, housing, as well as basic economic analyses. In 1954, the League published a two-volume report entitled "A More Effective Industrial Development Program for the Pittsburgh Region." The study was made for the Joint Committee of the Allegheny Conference and the Pittsburgh Chamber of Commerce at the request of the Allegheny Conference on Community Development. Late in 1956, the League published a comprehensive analysis of the impact of taxes on manufacturing industries in Pennsylvania, particularly in the western part of the state.

Among other studies, the League is now engaged in making an analysis of housing in the Pittsburgh region. In the belief that inadequate housing is an important element contributing to industrial unrest, the League is making a survey of current housing conditions as a basis for appraising the long-run housing needs of the region.

IN THE HARD AND SOFT COAL VALLEYS

The hard-coal country of eastern Pennsylvania is undergoing industrial redevelopment. Anthracite attained its peak at the time of World War I when annual output reached 100 million tons. In 40 years competitive fuels have left anthracite with only one-fourth of its former markets.

When the economic base of the region began to crumble, the cities and smaller communities most seriously affected formed industrial development corporations. In this manner, pools of local capital were used for the construction of manufacturing plants that provided new sources of employment and income.

Industrial development corporations have created new industries in Scranton, Wilkes-Barre, Hazleton, Pottsville, and also in numerous smaller communities such as Ashland, Freeland, Jermyn, Lehighton, Minersville, Shamokin, and Wyoming. The new enterprises, ranging from small firms employing 20 or less workers to large companies employing 1,500 or more workers, represent numerous industries. Products manufactured are such things as apparel, air conditioners, cigars, electronics, footwear, household appliances, hand tools, TV tubes, and a variety of miscellaneous metal products.

Industrial development corporations are also bringing new industries into western Pennsylvania where numerous communities suffered adverse effects from the changing technology in the utilization of fuels. Altoona was the country's largest steam-locomotive repair center, but oil-burning Diesels put the coal burners almost out of business and put a lot of people out of work in Altoona. Unemployment, although still too large, has been reduced considerably as a result of the new manufacturing industries that came to town through the instrumentality of Altoona Enter-

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prises, Inc., the city's industrial development corporation.

Industrial redevelopment organizations are active in a number of soft-coal communities of western Pennsylvania. Notable examples are Johnstown, Indiana, Kittanning, and Lewistown.

A 1956 survey made by the Department of Commerce of the Commonwealth of Pennsylvania reported the existence of 66 community building funds. Between 1945 and 1956, they had put up 104 community-financed industrial buildings, and the new industrial enterprises were responsible for the employment of more than 25,000 workers and more than $70 million in annual payrolls.

In many instances, industrial development corporations engage in so-called speculative building, that is, the construction of an industrial plant before any prospective occupant is in sight. According to the latest Area Development Bulletin (December 1956—January 1957) of the U. S. Department of Commerce, Pennsylvania is the leading state with 21 out of the country's 82 community-built plants of this character.

IN HARRISBURG

At the state level, the problem of industrial development in Pennsylvania is approached in a variety of ways. It is a subject with which virtually all departments of the state government are concerned, such as Commerce, Internal Affairs, Mines, Forests and Waters, Labor and Industry, Highways, and, of course, the Department of Revenue. We shall consider here only the agencies most directly concerned.

Department of Commerce

The Department of Commerce is charged with the Commonwealth's operating responsibility in the field of industrial development. In addition to publicizing the industrial location opportunities afforded by the state, the Department of Commerce engages in three major types of activities, namely, plant-location service, financial assistance to establish new industries in labor-surplus communities, and research.

The plant-location division, in charge of a director with long years of experience, solicits industrial prospects outside the state, supplies technical engineering and economic information to inquiring prospects, and maintains liaison with realtors, utilities, railroads, and community industrial-development organizations of the Commonwealth.

The Pennsylvania Industrial Development Authority was created by legislative enactment in May 1956 to make second-mortgage loans for a maximum of 25 years at interest rates as low as 2 per cent for amounts up to 30 per cent of industrial-plant construction costs in Pennsylvania communities in labor-surplus areas. Local nonprofit, community-sponsored, builder-corporations are required to raise 20 per cent of the required capital for new plants, and the balance —50 per cent—must be obtained from conventional sources such as banks or insurance companies. The Pennsylvania Industrial Development Authority began operating in August 1956, with an initial capital fund of $5 million, and as of February 1957 the PIDA had made 15 loan commitments aggregating more than $2 million in providing jobs for 2,500 factory workers throughout the state.

The Authority cannot lend money to business firms, cannot borrow or pledge the tax power, or public credit, but supplements local subscription funds and mortgage-loan resources. Thus loans made by the Authority reduce the burden on community groups and on banks in labor-surplus areas.

Research activities of the Department are car-

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ried on in a number of areas, notably the use of limestone resources of the state by the chemical industry, by-product waste utilization, industrial water supplies, and the utilization of timber, pulpwood, and other natural resources of the Commonwealth.

Pennsylvania State Planning Board

The Pennsylvania State Planning Board, formerly a part of the Department of Commerce, is now an independent agency, reporting directly to the Governor. Its primary function is that of maintaining a long-term, capital-improvement program for the state government.

The State Planning Board has published studies on the population trends in Pennsylvania and industrial and employment trends of the Commonwealth. Other studies in process or in the planning stage include analyses of state income patterns, the effects of automation and atomic energy on industrial employment, the integration of highways with the ports of Philadelphia, Pittsburgh, and Erie, and long-range flood control in the network of rivers and streams of the Commonwealth.

NOBODY LOVES THE TAX COLLECTOR

Whiskey and tobacco are favorite tax targets, but in Pennsylvania, corporations are also singled out for heavy taxation. It is indeed hard to explain why Pennsylvania tries so hard to bring in new industries and taxes so hard those that are already here.

What has happened in Pennsylvania, as in other states, is that the citizens are constantly demanding more services from the state government and the costs of providing those services are constantly rising. Consequently, at each biennium the Assembly is forced to find more revenue. In search therefor, corporations have been called upon for heavier and heavier contributions because a progressive income tax would require a constitutional amendment, and until recently there was widespread opposition to a sales tax.

What Pennsylvania corporations object to most is the "double barrel"—the corporate income tax plus the capital stock and franchise tax. The tax on net income of corporations, which was 4 per cent in 1943 with no deduction for Federal taxes, was raised to 5 per cent in 1951 and raised to 6 per cent in 1955. The 5 mills capital stock tax is also a comparatively high rate and the "franchise" part of the capital stock and franchise tax applies to "foreign" or non-Pennsylvania companies carrying on business and owning property in Pennsylvania. The capital stock tax is in the nature of a fixed charge against business in Pennsylvania because the tax must be paid regardless of profits or losses.

Although the total tax load in Pennsylvania is comparatively moderate when compared with the tax burdens in other states, Pennsylvania stands at the top of the list of the country's leading industrial states in the "tax take" extracted from corporations.

Taxes, though tangible, are tricky and it is easy to fall in error when making comparisons of taxes in one state with those in another. It is not enough, for example, merely to compare the taxes imposed on corporations by the state of Pennsylvania with those imposed by her neighboring states because corporations are not only residents of states but also residents of local governmental jurisdictions which likewise impose taxes. Some states frequently cited as being much kinder to corporations than Pennsylvania have local governments that are not so kind to corporations as those in Pennsylvania. In 1953, for example, local taxes collected in Pennsylvania were 51 per cent of total state and local collections. In the same year, local tax collections in New Jersey accounted for 74

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per cent of the total tax collections—state and local.

Pennsylvania, however, is rough on corporations, as revealed in a recent study made by the Western Division of the Pennsylvania Economy League entitled "The Relative Tax Cost to Manufacturing Industry." The study analyzed the total impact of taxes (state and local) on three hypothetical corporations in 185 different localities, large and small, in western Pennsylvania and in nine other industrial states. Each of the three hypothetical corporations is a $10 million concern, one with a large proportion of its total assets in fixed investments, another with a low proportion in fixed investments, and the third with approximately equal investments in fixed assets and inventory.

It was found that the corporation with heavy fixed capital investment if located in the borough of Leetsdale in Allegheny County would be required to pay $182,102 in local taxes at the end of the first year of operation and $177,286 in state taxes for a total of $359,388 state and local taxes. The same company located in Newark, Delaware, would be called upon for only $23,478 in local taxes and $1,570 in state taxes, for a total of $25,048 state and local. Thus the total tax burden in the western Pennsylvania community was 14 times greater than in the Delaware community. Taxes in the other 183 communities surveyed varied between these two extremes.

Pennsylvania's tax structure has drawn many strictures from businessmen throughout the state, and there are probably few, if any, authorities on taxation who would come to the support of the Commonwealth's system of taxes. In July 1956, the Governor appointed a bipartisan tax-policy advisory committee composed of business and labor leaders to investigate the Commonwealth's budget and tax situation. Last December the committee made its report. It recommended the continuation of the 3 per cent sales tax, including the extension of the tax to clothing, if needed to balance the budget, and the exemption of manufacturers from the capital-stock tax, together with other changes in the tax structure. Early in February when the Governor submitted his budget for the 1957-1959 biennium beginning June 1 of this year, he recommended the exemption of manufacturers from the capital-stock tax and the removal of other tax obstacles standing in the way of economic growth of the Commonwealth.

To be sure, state legislators are forever confronted with the task of raising more money, and they always come second after Uncle Sam first takes out his big bite of taxes. But Pennsylvania's policy of heavy taxation on corporations is unlikely to win corporations and influence industry for the Commonwealth.

IN CONCLUSION

At the turn of the century, Pennsylvania was at the peak of its golden age of industrial development. At that time, Pennsylvania was the country's leader in the output of glass, leather, iron and steel, and refined petroleum products. Moreover, the state ranked second in a number of industries, notably clay products, women's clothing, confectionery, electrical machinery, hosiery and knit goods, malt liquor, lumber and planing mill products, tobacco products, and woolen goods.

Pennsylvania still ranks first in iron and steel, but in many other lines she has been superseded by other states that have more recently become industrialized. Pennsylvania received none of the new synthetic rubber plants built during World War II. Most of them were located in the Deep South and the West to be near the oil fields that supply the raw material. Neither did Pennsylvania share in the gigantic World War II expansion of

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aircraft manufacturing facilities, although the state benefited indirectly by the manufacture of aircraft engines, instruments, and supplies. Thus far the rapidly expanding aluminum industry has avoided Pennsylvania despite the fact that coal is now being used to generate the electricity used in aluminum reduction. With a few exceptions, Pennsylvania has also been bypassed by the automobile industry in its establishment of regional assembly plants.

Pennsylvania is still strong in petroleum refining, the metal fabricating and machinery industries, stone, clay, and glass products, apparel, and textiles despite substantial out-migration. Her greatest shortcoming is the relatively small representation in the transportation-equipment industries—aircraft, motor vehicle, and shipbuilding. The Commonwealth is also relatively deficient in two other major categories—lumber and furniture, and chemicals. The former declined years ago following the depletion of our forest resources, but further expansion of chemical manufactures is a natural for Pennsylvania, particularly in view of our coal resources, the rapid growth of petrochemicals, and the abundance of petroleum refining in the Commonwealth.

When it comes to basic factors influencing location of new plant sites, Pennsylvania offers far more advantages than disadvantages. The Commonwealth has an almost ideal geographic position with respect to balance between raw materials and markets, and has access to world markets and resources in one of the finest of ocean ports. The state has good transportation facilities, rail and highway, and an abundance of the necessary utilities—electric, gas, and water. Pennsylvania offers a plentiful supply of labor with a variety of skills. Wage rates and utility rates compare favorably with those in other industrial states. Local taxes in Pennsylvania are moderate but state taxes on corporations are high. Living conditions vary from one community to another; as a mature industrial state, Pennsylvania has a number of old communities where living conditions need substantial improvement.

Pennsylvania is undergoing sharp scrutiny by planning and research organizations at both state and local levels. The problems of improving both the business climate and the physical facilities of the Commonwealth are being faced head-on by numerous governmental and private organizations. On getting around the state, one cannot help but observe the progress being made; but Pennsylvania is meeting vigorous competition from other states equally eager for new industries.

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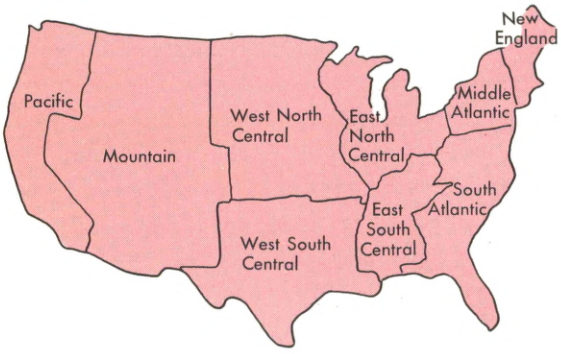
DEPOSITS ON THE MOVE

This article tells how different rates of growth and development in these Census Regions have affected bank deposits



Commercial bank deposits are mobile. They circulate rapidly from bank to bank, from city to city, as they do their work buying goods and paying bills. In the course of a day's business, each bank loses some deposits and gains others.

Yet sometimes, when longer-range forces affect this daily activity, banks in certain areas find they are gradually paying out more deposits than they take in. Deposits accumulate in some sections of the country at a faster rate than in others. This seldom happens overnight but in a slow, nibbling way, much as the sands shift at the seashore—too slow to see from day to day but fast enough to make a big difference over a period of years.

For almost a generation, we in the Third District have been experiencing this kind of broad and basic change. Deposit growth here has lagged well behind the national average.

True, district deposits have increased more than 200 per cent since 1929. But, though huge Government deficits in World War II and then prosperity swelled deposits everywhere, we didn't get our full share of them. In fact, nine out of twelve Federal Reserve Districts enjoyed greater increases than did the Third.

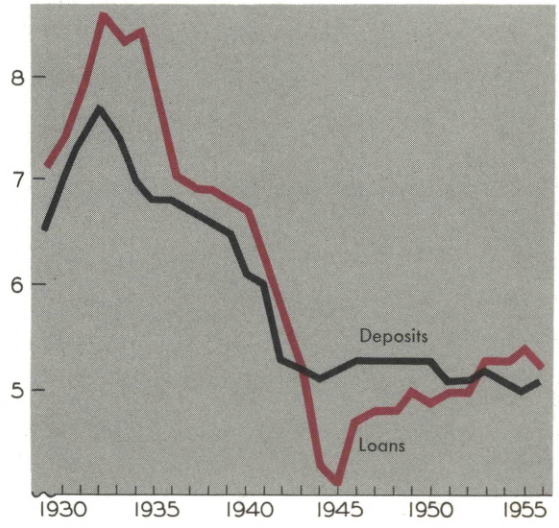
We probably lost existing deposits to other districts, but this is not the only reason for our relatively poor showing. Deposits grew here but much faster in other areas. They were created more rapidly in distant districts and, once created, stayed near home.

Our lagging rate of growth is shown clearly in the following chart. District member bank depos-

THE THIRD DISTRICT'S SHARE OF THE NATION'S DEPOSITS HAS BEEN GETTING SMALLER

Third District Member Bank Loans and Deposits as a Percentage of the United States

PER CENT



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its, expressed as a percentage of the United States total, have been declining or stable since 1932. The percentage dropped steadily to the end of the war, rose slightly from 1945 to 1950, and then moved generally downward thereafter.

Since loans are so intimately connected with deposits, it is not surprising that Third District loans have also declined as a percentage of the nation's. But the recent trend diverges from that of deposits. Our loans, led by the reserve city banks, have been showing comparative gains in the post-war period.

This is a curious situation: loans on the rise while deposits barely hold their own. But before taking a close look at the past few years, it might be well to see why our deposits have not grown so fast as the national average.

SOME IMPORTANT SHIFTS IN THE ECONOMY

Our slower deposit growth is not an isolated instance but part of a broad regional pattern. Deposits have been building up much faster in the Southern and Western sections of the country than in the Northeast. Basic shifts in the nation's economy have been responsible.

Population

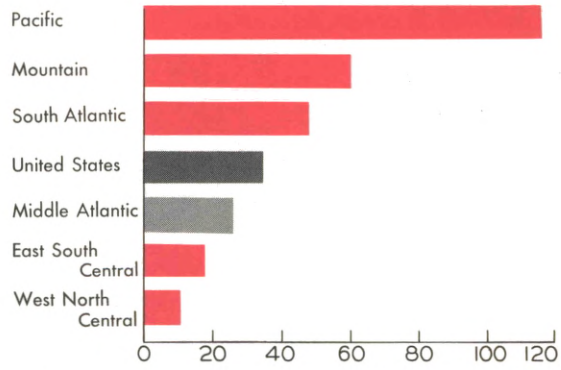
The number of people in the United States has been increasing in recent years by leaps and bounds. Each year brings a bumper crop of babies, and at the same time older folks are living longer.

Growth in population, however, has not been evenly distributed. The Bureau of the Census has divided the country into nine regions and publishes population figures for each. The percentage increases from 1929 to 1955 range from 11 per cent in the West North Central region to 116 per cent in the Pacific region. Generally, the largest gains belong to the Western and Southern regions —the smallest to the Northern and Eastern ones.

People are moving more often and a lot of them are moving westward. The lure might be climate, job opportunities, or something else. The result is that the Third District has been losing potential depositors.

POPULATION INCREASED FASTER IN THE SOUTH AND WEST, SLOWER IN NORTH AND EAST

Percentage Increase by Census Region 1929-1955



Source: U. S. Bureau of the Census

Industry

Although almost two-thirds of the nation's productive capacity still lies east of the Mississippi, industry also has been on the move. Old companies have packed up and headed for the South or West—new firms and branches have located in these sections rather than the Northeast.

Relative changes in value added by manufacture, a measure of industrial production, document this movement. Value added in the Middle Atlantic census region, which includes much of the Third Federal Reserve District, increased 200 per cent from 1929 to 1954. In comparison, value

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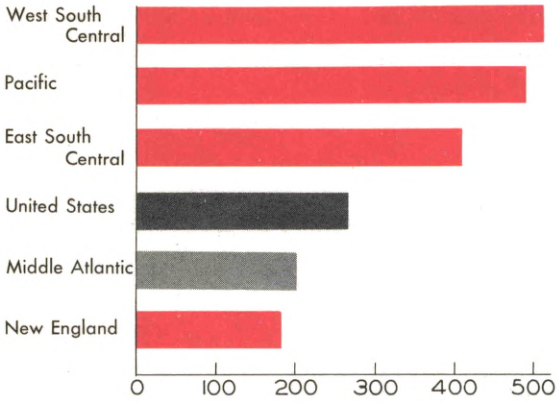
PRODUCTION GROWTH HAS LAGGED IN NORTHEASTERN REGIONS

Value added by Manufacture, Percentage Increase by Census Region 1929-1954



Source: U. S. Bureau of the Census

added grew about 500 per cent in the West South Central and the Pacific regions during the same period.

Industrial shifts received strong impetus during World War II when plants were decentralized for defense purposes. Atomic energy installations have been dispersed throughout the country in the post-war period for much the same reasons.

There are many other explanations for the differences in regional development. In some cases fast-expanding industries have located in the West and South, boosting the whole section's rate of growth. Military aircraft in California, and oil and chemicals in Texas are good examples. Textile mills went South in search of cheap labor. Some firms moved to be nearer raw materials, others for tax concessions, still others for climatic considerations.

Yet these factors do not tell the whole story. Undoubtedly many areas recorded better increases because they were relatively less developed to start with. They had more room to grow, and growth came easier.

Did the industrial shift lead to the population shift or vice versa? Did people move because the jobs were there or did industry go off in search of workers? There is no clear-cut answer. Apparently it worked both ways, each factor complementing the other, each factor crucial in many decisions.

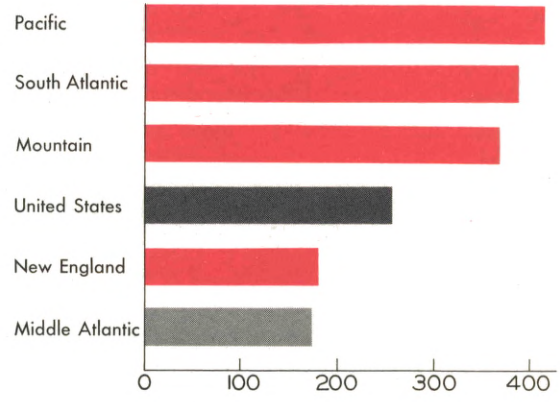
Personal income

When people and the companies that employ them move around the country, they affect the distribution of income. Regional changes in personal income have paralleled changes in population and industry, i.e., slower growth in the Northeast, faster in the South and West. Income in our region, the Middle Atlantic, increased about 180 per cent over the last quarter century, compared to 350 to 400 per cent in the Pacific, Mountain, and South Atlantic regions.

As with industry, relative changes in income might be tempered by the fact that some regions were far behind at the beginning of the period and are just catching up.

INCOME REFLECTS CHANGES IN POPULATION AND PRODUCTION

Personal Income, Percentage Increase by Census Region 1929-1955



Source: U. S. Bureau of the Census

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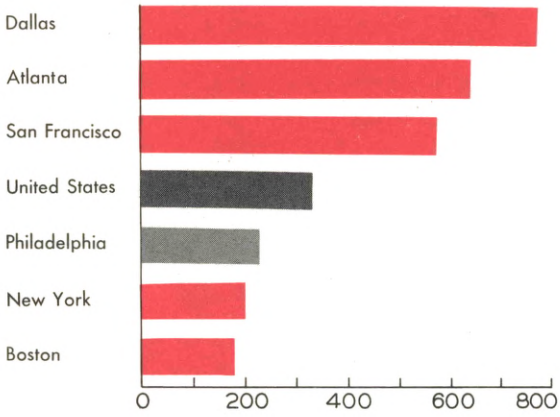
WESTERN AND SOUTHERN DISTRICTS HAVE GAINED DEPOSITS MORE RAPIDLY

Member Bank Deposits, Percentage Increase 1929-1956



THE EFFECT ON DEPOSITS

Banks serve people and business firms and they deal in one product, money. Thus, these shifts in population, industry, and income have caused shifts in bank deposits. The mobility of the banks themselves is restricted by regulation. They cannot always follow the movement of people and plants, but deposits do—they are free to go wherever their owners take them.

To measure relative member-bank deposit growth, we must turn from census regions to Federal Reserve Districts. Though we set the stage differently, the story is much the same.

Deposits in the Northeastern districts increased at a slower rate than the United States. For example, growth in the Philadelphia district from 1929 to 1956 was 237 per cent compared to a national gain of 330 per cent. Again, the Southern and Western districts were way ahead. Deposits in the Dallas District increased almost 800 per cent. Atlanta and San Francisco Districts both scored near 600 per cent.

The concentration in outlying sections of the country has changed the distribution of deposits among the three classes of member banks. In 1929, deposits were about evenly distributed among central reserve city, reserve city, and country banks.

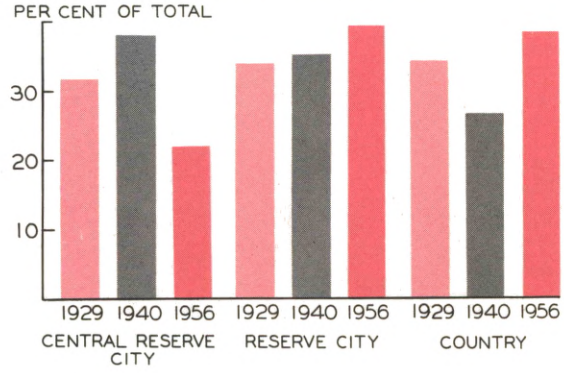
By 1940, the central reserve city banks (New York and Chicago) had jumped to almost 40 per cent. The depression and gold inflow served to concentrate balances in the large money centers; but they were not there to stay.

December 1956 figures show that New York and Chicago banks dropped to 22 per cent, while the other two classes were neck-and-neck with slightly less than 40 per cent each.

As deposits drifted away from the two major money centers, smaller regional centers became more important in the financial mechanism of the nation. With their deposits and their influence increased, regional banks have been performing functions formerly typical of New York and Chicago. They have received a number of new correspondent accounts and they now engage directly in foreign operations. With lending limits increased, they have begun to range farther from home in search of the larger borrowers.

DEPOSITS HAVE MOVED AWAY FROM THE MAJOR MONEY CENTERS

Member Bank Deposits by Class of Bank



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A DIFFERENT DIRECTION

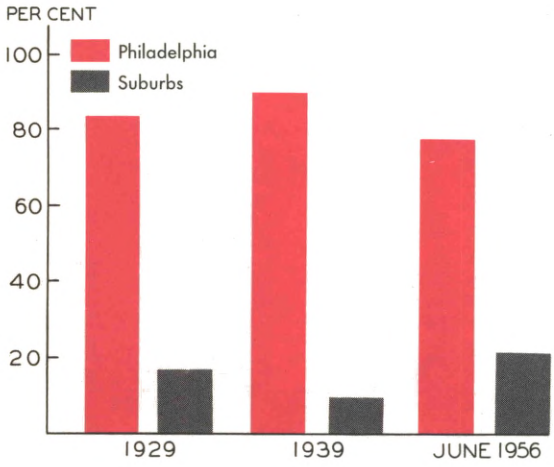
Thus far, this article has been concerned with broad regional movements and their effects on deposits. But there is another trend that should be considered—intra-area in nature yet national in scope. It is sometimes called "the explosion of population," but it is not nearly so violent as it sounds.

For some time now, people have been "exploding" or moving from center city to the commuting-distance suburbs. These people are usually in the middle or upper income brackets—the ones most likely to have checking accounts. They often choose to bank near home, changing their accounts from downtown to suburban banks and branches.

Service establishments, stores and the like, tend to follow their customers to the suburbs. Industry, too, has been seeking the cheaper, less crowded land in outlying areas. Both add to the suburban deposit total.

WHEN PEOPLE MOVE TO THE SUBURBS DEPOSITS GO ALONG

Distribution of Total Deposits in the Philadelphia Metropolitan Area



The pull of the suburbs has been strong in the Philadelphia area. According to latest estimates, the population of Philadelphia proper increased about 12 per cent from 1930 to 1956 compared to a 70 per cent gain in the seven surrounding counties.

Our suburban growth has tended to attract deposits from the downtown area but not so fast as people have moved. Not every account has shifted with its owner, but enough accounts have done so to make a noticeable difference. The chart shows the percentage of metropolitan-area deposits held by Philadelphia county and suburban banks. Figures for 1956 have been adjusted for the recent wave of mergers by including branch deposits in the county where the branch is located rather than with the head office.

In 1929, suburban banks had about 17 per cent of metropolitan area deposits. The figure shrank to 10 per cent in 1939. But by 1956 suburban banks had bounced back 12 points, to 22 per cent.

BACK TO LOANS

There is still the unanswered question: why has our share of loans been increasing recently when our share of deposits has not?

The next chart focuses on trends of bank deposits and loans in the Third District during the past five years. Expressed as a percentage of the United States, our loans have been rising—our deposits stable to declining. Reserve city banks accentuate these trends with a greater loan increase and a more pronounced deposit decline.

The reason for these disparate movements seems to lie in the borrowing habits of large national firms. Although they have offices elsewhere, they often return to the old traditional money centers, such as Philadelphia, to borrow. They get their loans here and spend the proceeds elsewhere.

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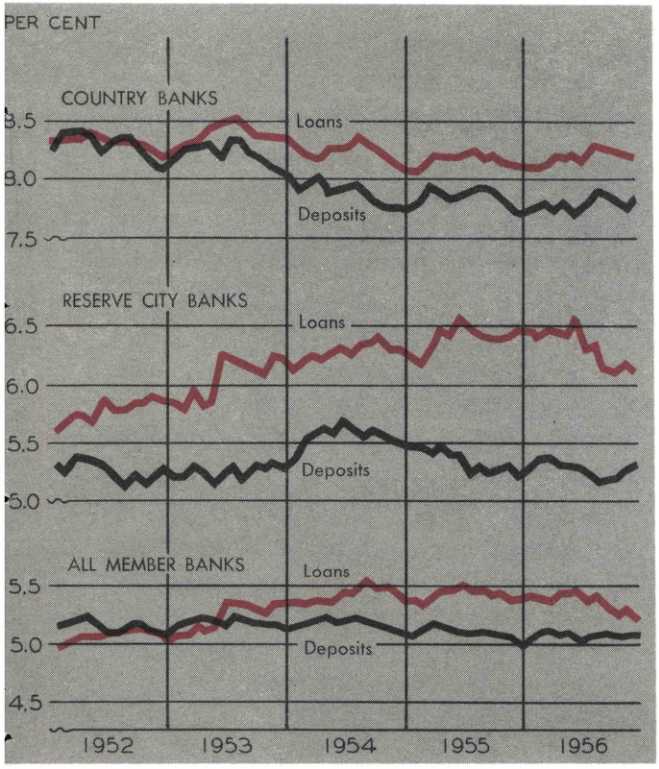
THE THIRD DISTRICT ACCOUNTS FOR A GREATER PERCENTAGE OF LOANS THAN DEPOSITS

Third District Member Bank Loans and Deposits as a Percentage of the United States



Evidence from New York and Chicago seems to bear out this theory. Their loans have also been growing faster than their deposits. From 1940 to 1956, their share of the nation's deposits dropped from 38 to 22 per cent, as we have mentioned, yet their loan share remained stable at about 25 per cent.

How have these banks been able to do it? You can't lend out deposits you haven't got! This is the way they managed: Philadelphia banks, along with the entire banking system, came out of the depression and World War II with a huge cushion of funds tied up in Government securities. So when loan demand exceeded deposit intake, this cushion absorbed the impact. Philadelphia banks sold some of their securities and put the money into loans.

Of course, they can do this only so long as they have the extra securities. Our banks have sold quite a lot by now and the day soon may be coming when they will no longer be able to increase loans more rapidly than deposits.

CONCLUSION

Third District deposits have increased more than 200 per cent since 1929. Though this is a substantial figure, growth has been slower here than in most other districts. This has not been a chance happening but the result of some basic shifts in our economy. Population, industry, and income have been moving westward and deposits have naturally followed.

Though these shifts received impetus from the depression and the war, they have continued through the past decade. They appear to be deep-rooted and not likely to change. We cannot reasonably expect quantities of deposits to flow back into the district—at least not in the near future. Rates of growth may slow in other sections of the country, however, as they, too, begin to feel the stability that comes with more complete development.

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THIRD FEDERAL RESERVE DISTRICT

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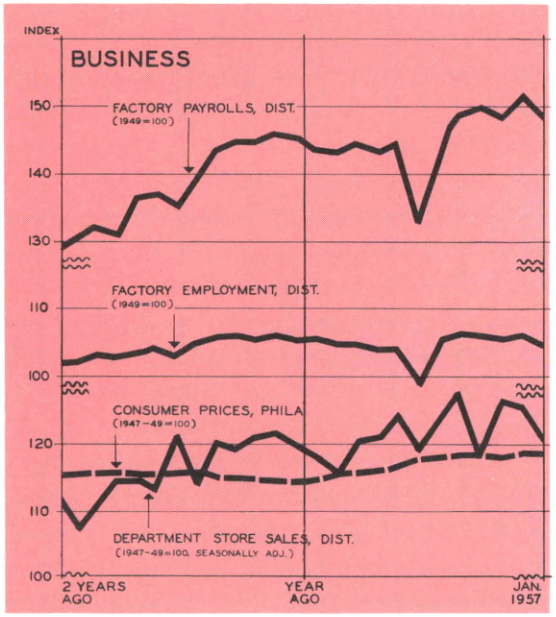
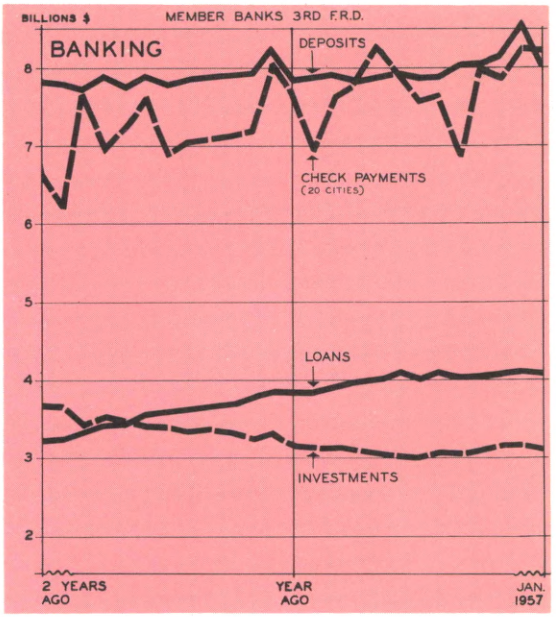
FOR THE RECORD...





SUMMARY

	Third Federal Reserve District: Per cent change, January 1957 from mo. ago	Third Federal Reserve District: Per cent change, January 1957 from year ago	United States: Per cent change, January 1957 from mo. ago	United States: Per cent change, January 1957 from year ago
OUTPUT				
Manufacturing production	−1	− 4	+1	+2
Coal mining	+1	−13	0	−9
EMPLOYMENT AND INCOME				
Factory employment (Total)	−1	0	−1	+1
Factory wage income	−1	+ 2	.....	.....
TRADE**				
Department store sales	−4	+ 1	−3	+1
Department store stocks	−1	+ 4	−1	+3
BANKING (All member banks)				
Deposits	−4	+ 2	−3	+2
Loans	−1	+ 7	−3	+9
Investments	−1	− 1	−1	−6
U.S. Govt. securities	−2	− 2	−1	−7
Other	0	− 1	0	−3
Check payments	−1†	+ 7†	+1	+9
PRICES				
Wholesale	.....	.....	+1	+4
Consumer	0‡	+ 4‡	0	+3

**Adjusted for seasonal variation.

†20 Cities
‡Philadelphia

LOCAL CHANGES

	Factory*: Employment, Per cent change January 1957 from mo. ago	Factory*: Employment, year ago	Factory*: Payrolls, mo. ago	Factory*: Payrolls, year ago	Department Store: Sales, mo. ago	Department Store: Sales, year ago	Department Store: Stocks, mo. ago	Department Store: Stocks, year ago	Check Payments, mo. ago	Check Payments, year ago
Allentown	−1	0	0	+9	.....	.....	.....	.....	+ 3	+ 6
Harrisburg	−1	+4	−1	+8	.....	.....	.....	.....	+ 2	+ 6
Lancaster	−1	−2	−3	0	−56	+ 5	− 4	+ 3	− 6	+ 5
Philadelphia	−1	+1	−2	+6	−56	0	− 2	+ 4	+ 1	+ 7
Reading	0	−3	−1	−2	−58	+ 6	− 9	+ 7	− 3	− 5
Scranton	−1	0	−2	+8	−63	− 2	− 2	+12	− 2	+ 1
Trenton	0	+2	−4	+7	−59	+ 1	− 4	+19	0	+11
Wilkes-Barre	+2	−3	−2	+3	−63	− 1	− 3	+ 2	− 8	0
Wilmington	−1	−4	−9	+4	−61	+12	−10	+ 8	−17	+11
York	−1	0	−3	+7	−61	− 6	− 7	− 3	+ 2	0

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

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