

FEDERAL RESERVE BANK OF PHILADELPHIA

BUSINESS REVIEW

DECEMBER 1959

Our \$2 Billion Wanderlust

The Best Christmas Ever?



Many people are concerned about the heavy outflow of funds to foreign countries. Contributing to the flow is . . .

OUR \$2 BILLION WANDERLUST



It was one of those cool, clear mid-August evenings and every seat on the Zurich-by-Night sightseeing bus was occupied. The conductor gave the tireless tourists a megaphone pitch of the wonders in store—the historic buildings, a visit to an all-Swiss music hall, refreshments at a mountaintop cafe overlooking the illuminated city, a boat ride on the lake, and finally midnight entertainment at a Swiss nightclub.

A roll call of the passengers revealed a polyglot party representing Bombay, Israel, Lebanon, Malaya, Stockholm, Hawaii, California, Florida, Louisiana, Massachusetts, New York, Philadelphia, and Texas. The lady in red from New York was the most traveled tourist; the portly gentleman from Texas was the most talkative tourist; the Philadelphian was the most inquisitive tourist. As usual, United States dollars supplied the most revenue.

In 1958, well over a million residents of the United States visited foreign countries where they spent \$1,460 million. Besides, it cost them \$679 million in fares to get there and return; so altogether they paid out \$2,139 million to gratify their wanderlust.

The \$1,460 million spent by our tourists is a major item in the United States balance of payments, where it is listed, strangely enough, under the general heading "Imports." Tourist expenditures, you see, give rise to an outflow of funds from this country in the same way that imports of merchandise do. When you go abroad to see the Taj Mahal or the changing of the guard at Buckingham Palace, you are in fact a do-it-yourself importer—you are buying what can't very well be shipped in. Nor does it make any difference whether you drink a glass of Bordeaux in your home or at a sidewalk cafe in Paris, so

far as the balance of payments is concerned. In either case you are an "importer."

Foreign countries actually received more than the \$1,460 million spent by our tourists in their countries, because foreign carriers supplied almost half of the \$679 million spent on transportation. Our tourists paid \$320 million to foreign carriers. Thus foreign countries earned a total of \$1,780 million from United States tourists in 1958.

The foreign travel trade is a big industry. Travel is the largest single item of dollar earnings for the United Kingdom, France, and Italy. Canada earned more dollars from United States tourists than from any single export except newsprint and wheat. Money spent in foreign countries and paid to foreign carriers is greater than the dollar value of our imports of petroleum, and much greater than our imports of foreign cars. Last year Americans spent more for foreign travel than they spent for higher education.

Until recent years we had heavy surpluses of exports over imports, usually referred to as a favorable balance of trade. This surplus considered together with transfers of capital and other transactions made foreign countries chronically short of dollars. The dollars spent abroad by American tourists were an offsetting item in the absence of which dollars would have been still shorter. American tourist dollars therefore helped solve the problem of the dollar shortage.

During the past few years the pattern of international business has changed so much that we are now incurring deficits in our composite business relations with foreign countries. In 1958 the outflow was in excess of \$3 billion. Major elements bringing about the change

have been a sharp decline in our exports and a concurrent increase in imports together with continued heavy outlays for military expenditures abroad and foreign aid. Under these conditions, tourist expenditures in foreign countries aggravate the problem.

The tidal trek abroad

A world's-eye view of United States tourism abroad is summarized for 1958 in the accompanying table. Europe got the most money; the West Indies got the most people. Canada and Mexico shared almost equally in ringing up United States tourists' dollars, but we don't know how many American tourists our next-door neighbors entertained; it's impossible to unscramble the over-the-border tourist traffic from the business-and-all-other traffic. South America and all other areas were also-rans.

FOREIGN TOURISM, 1958

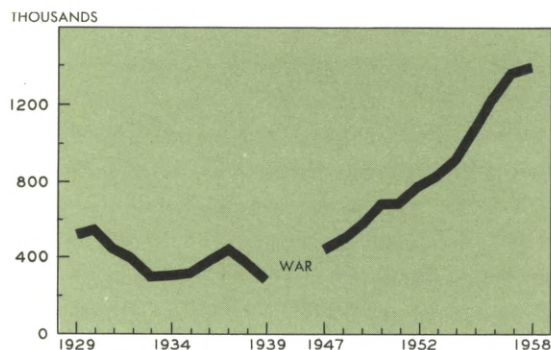
| Major areas visited | Dollars spent in the area (millions) | Number of U.S. tourists (thousands) |
|------------------------------------|--|---|
| Europe and the Mediterranean | 560 | 637 |
| West Indies and Central America | 156 | 645 |
| Canada | 323 | n.a. |
| Mexico | 319 | n.a. |
| South America | 37 | 52 |
| All other areas | 65 | 64 |
| | <u>1,460</u> | <u>1,398</u> |

In 1958, foreign travel set a new record. In addition to the uncounted multitudes who visited Canada and Mexico, 1,398,000 United States tourists went overseas. Had the overseas tourists all gone on big passenger liners, like the *S.S. United States* or one of the *Queens*, over 700 shiploads of outbound traffic would have been required and as many to get the horde home again.

International tourism is what the stock market



NUMBER OF UNITED STATES TRAVELERS TO OVERSEAS COUNTRIES EXCLUDING WAR PERIOD, 1940-1946



news letters would call a growth industry. When over a half-million tourists went overseas in 1929, that was regarded as a year of heavy tourist traffic. With the hard times that came in the early 1930's, tourist trade receded substantially, as the accompanying chart shows. During World War II, tourism, of course, was restricted. In the postwar years, however, the tourist trade has flourished as never before, both in numbers and in moneys spent. Our minor postwar recession made no dent in tourism; it is recession-proof but not depression-proof. And tourists momentarily avoid troubled areas in the throes of political turmoil and go elsewhere.

The steadily rising volume of overseas tourist traffic in the postwar years simply means that there are more and more people with enough money who like to spend it that way. Basic is the huge increase in population in the postwar years. Of perhaps equal if not greater importance is the rising standard of living as reflected in progressively higher incomes. Families with annual incomes of \$8,000 and over increased from 8 per cent of all families in 1947 to 22 per cent in 1958. As incomes rose faster than the dollar shrank, people had more money left over, after buying the necessities of life, to spend on

luxuries. Travel is a luxury with a rapidly growing appeal.

Another development in recent years that has favored foreign travel is the shift in the pattern of expenditures. People are spending relatively less for goods, especially nondurables, and more for services such as medical care, education, recreation, and travel. During the decade ending 1958, expenditures for services rose from 32 to 39 per cent of total personal consumption expenditures. During this period, total spending on foreign travel grew more than twice as fast as the growth of disposable personal income.

Behold the tourists!

Technically, a tourist is any citizen or resident alien visiting a foreign country for a period not exceeding one year for any purpose other than foreign immigration. Non-technically, a tourist is anybody who likes to travel and does. That includes all kinds of people. There is the merchant mixing pleasure with a little business; the teacher of French at a finishing school and his wife chaperoning a score of young ladies in search of culture; the Italian barber visiting his relatives in the home country; the grey-haired couple visiting their son in the armed forces in Germany; the retired stock broker taking his unhappily married daughter on a tour for a change; the clergyman bound for Rome or a tour of the mission fields in Africa; the Wyoming rancher who ranched well enough to treat the whole family including in-laws to a globe-trotting trek; and the



lucky-go-happy couple traveling habitually on a substantial inheritance.

Today, the people who go abroad come from all walks of life. The wanderlust affects both sexes, all ages, native born and foreign born, educated and uneducated, first offenders and seasoned travelers.

Years ago, women were a bit timid about traveling alone abroad; but that is no longer true. Last year more passports were issued to women than to men. Nor is there any one age group heavily predominant among the overseas tourists. The number of tourists in their twenties differs little from the number in their thirties or any higher age group up to the sixties. Children, of course, usually travel on their parents' passports, and beyond age 76 few venture abroad.

Whence the tourists?

The urge to go abroad is apparently somewhat stronger among people living along the seaboards than among those who live in the interior of the United States. In 1958, almost half of the tourists who went to Europe and the Mediterranean were residents of the five heavily populated Eastern Seaboard states—Massachusetts, New York, New Jersey, Pennsylvania, and Florida. And the number of Europe- and Mediterranean-bound tourists from Texas and California outnumbered those from the three central states—Illinois, Michigan, and Ohio. Among tourists to the Far East, Texans and Californians predominated; in fact, they outnumbered the Far East-bound tourists from the five above-mentioned states of the Atlantic Seaboard.

Among the tourists who visited Latin America, exclusive of Mexico, 61 per cent were residents of the same five Atlantic Seaboard states—Massachusetts, New York, New Jersey, Pennsylvania, and Florida. Tourists to Latin America



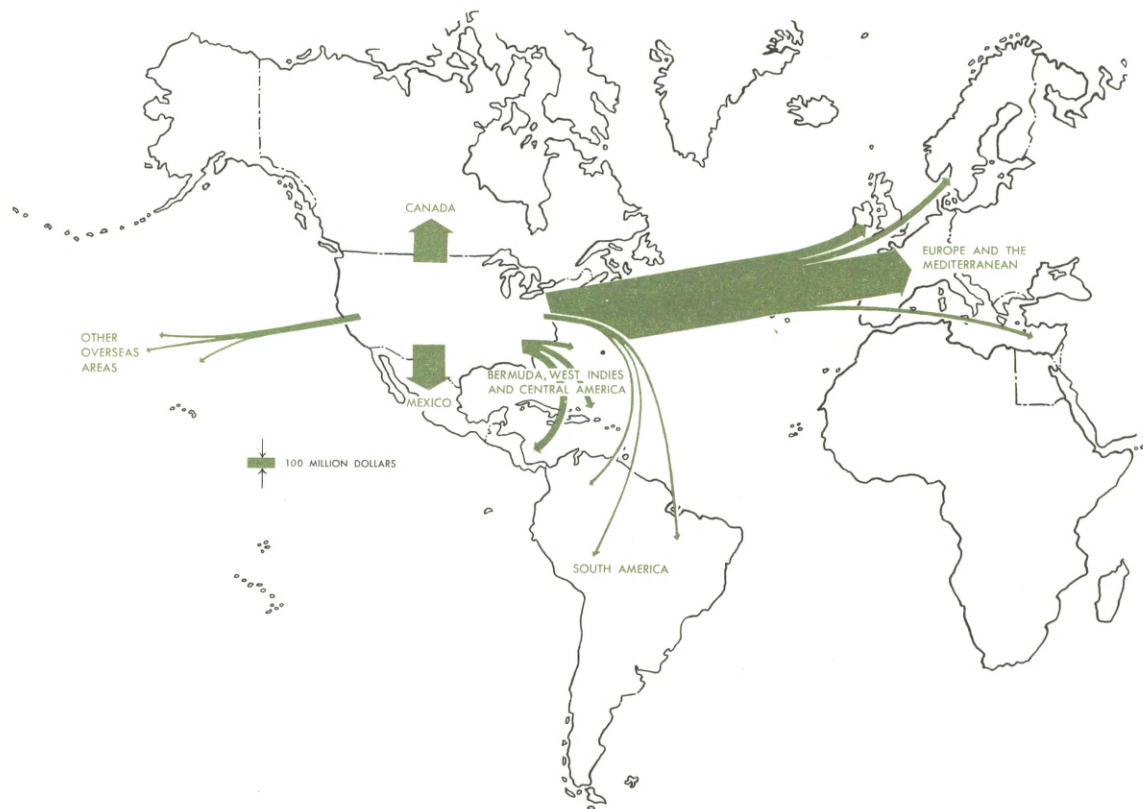
from the three central states (Illinois, Michigan, and Ohio), however, outnumbered the Texans and Californians. It appears, therefore, that Europe and Latin America draw heavily on tourists from the Eastern Seaboard, and the Far East attracts tourists from both seaboards.

Whither bound?

Of all the tourists who went overseas last year, 46 per cent went to Europe and the Mediterranean, an equal number went to the West Indies and Central America (excluding Mexico), about 4 per cent to South America, and the remaining 4 per cent to other overseas countries. Thus most of the traffic is to two favorite areas—Europe, including the Mediterranean, and the West Indies and Central America. The tourists who go to Europe and the Mediterranean are usually en route for an average of seven weeks; individually and collectively, they spend more money than those who go to the West Indies and Central America. The latter generally take less than two weeks, and their expenditures are correspondingly lower. The tourists to Europe ordinarily make the Grand Tour including a number of countries, whereas tourists to the West Indies and Central America are more likely to select one country, such as Bermuda, Bahamas, Jamaica, or Cuba. In any one of these countries they can get leisure, night life, a balmy climate, and a tan for a comparatively modest expenditure of time and money.

Europe, particularly Western Europe, has almost endless attractions for the tourist. So full of small countries with diversified cultures, cuisines, fine arts, scenic beauty, and history, Europe is a veritable department store of tour-

THE OUTFLOW OF UNITED STATES TOURIST DOLLARS—1958



ism. Whether one's fancy be architecture, music, painting, sculpture, the stage, opera, mountain climbing, sailing, skiing, gliding, scenery, photography, or just plain sightseeing, Europe is an abundantly rich storehouse. Overwhelmed by all that he has seen and unable to see all that he had planned to see, many a first-time tourist to Europe comes away resolved to make return calls for the purpose of exploring and absorbing just one or two countries at a time.

France customarily attracts more of our tourists than any other overseas country. It's not only the smart shops and vacation spots, the good cooking and vintage wines, the Left Bank

and the Louvre, the quaint villages and the rows of Lombardies—it's all this and more, perhaps the courtesy and finesse with which the tourist is induced to part with his dollars so recently converted into francs. The transformation of a few dollars into a fist-full of francs dulls one's sense of values. Over 380,000 Americans visited France last year and, departing, left behind them \$93 million.

The United Kingdom ranks second in the hearts of American tourists—perhaps because the English do everything the other way. At the table, they wield the fork with the left hand, and on the highway they drive on the left. A traffic

circle is a "roundabout," a detour is a "diversion," and a curve is a "bend." They do not *run* for public office but *stand* for election. It does not take the tourist long to appreciate the importance of 4 o'clock tea; it prevents starvation, for it is impossible to get dinner before 7 p.m. Moreover, the American tourist is impressed by the diminutive size of the country, and everything in it is built to scale. Teaspoons are small, robins are small; so are the roads, the cars, the bikes, the shops, and the tomatoes. But American tourists love Great Britain. Last year 338,000 American tourists visited the United Kingdom, where they spent \$90 million.

Italy ranked third last year in number of American visitors, but it ranked first in the amount of money that tourists spent there. The country had 314,000 visitors, who spent \$99 million. Next in order of preference were the Benelux countries (Belgium, the Netherlands, Luxembourg), Germany, and Switzerland. Each of these was visited by more than a quarter-million American tourists last year.

Travel to Europe and the West Indies has unlike patterns of seasonality which are in part complementary. The peak of tourist travel in Europe and the Mediterranean falls in the third quarter of the year, whereas the height of the travel to the Caribbean takes place in the first quarter of the year. In general, the tourist travel to the Caribbean area follows the fluctuations of the tourist season in Florida. In order to accommodate the heavy winter traffic to the Caribbean and to obtain fuller use of their equipment, transatlantic carriers divert some of their liners to the Caribbean cruise trade in the winter where they make calls at the favorite resorts such as Bermuda, Nassau, and Cuba. To iron out



seasonality still more, the major steamship lines, starting next year, are offering special discounts on roundtrip tickets for the "off season."

Tourist travel to faraway places off the beaten paths encountered indifferent success in contrast with the heavy traffic to Europe and the West Indies. Only 52,000 American tourists visited South America last year. That was a bit short of double the number of tourists who went to South America in 1947, which is in contrast with a threefold increase of visitors to Europe during the same period. American travel to Europe is favored because of closer ties to that area than to South America; fares to South America are higher because of the generally greater distances, and South American countries have been somewhat backward in cultivating the tourist trade.

Travel to other overseas areas, such as Japan, Hong Kong, and Australia, though a small part of the total tourist traffic, has nevertheless been prospering. The 64,000 tourists who went to these diverse and distant places last year represented almost a fourfold increase over the 1947 traffic.

In a class all by themselves are the around-the-world tourists. This used to be a rather exclusive club of adventurous and well-heeled travelers with lots of time on their hands in the days when rounding the globe was a journey by sea. Now that the around-the-world tourist has the choice of going by air or sea, more people are undertaking the venture. Last year it attracted about 8,000 American tourists.

Nearby tourism

In dramatic contrast to the globe-trotting overseas tourism is the over-the-border travel to our neighboring countries—Mexico and Canada. In general, Mexico offers one of the most inex-

pensive vacations to the American tourist. Among the attractions in Mexico are the glamor of Mexico City, the beach of Acapulco, native handicrafts in silver, the ruins in Yucatan, the fiestas, and the bullfights. Major airlines offer nonstop service to Mexico City, passports are not required, hotels are good, and the Mexican government actively promotes tourism from a topflight office at the President's cabinet level. American tourists spent \$319 million in Mexico last year.

Canadian cash registers rang up 323 million American dollars last year. Canada is easily accessible to the American tourist, offers both summer and winter sports, foregoes all entrance formalities except simple identification, affords ample accommodations, is highly appreciative of the tourist trade, and French-speaking Canadians are very tolerant of American tourists practicing their classroom French on them. For all these and other reasons, Americans spend more in Canada than in any other foreign country. Incidentally, Canadians out-tour us—last year their tourists spent more here than ours spent there.

Modes of travel

Overseas travel statistics of sorts have been compiled ever since 1820 when the Secretary of State transmitted a letter to Congress listing the names and other pertinent data of 2,000 native-born citizens who returned from abroad in the year ended September 30, 1820. Prior to 1850 the annual tourist travel overseas was not

large and frequently did not exceed the capacity of one of the large modern liners. In those early days, travel by sea was a hardship which was not undertaken unless one had extremely important business abroad. Ships were wooden crates of small tonnage and although designed for passenger traffic, they did not afford much comfort to the passengers. A cow was housed over the

main hatch to supply milk for the women and children, and there was also provision for sheep and pigs which were slaughtered to supply fresh meat as required. Early steamers were actually sailing ships fitted with boilers and engines, and the vessels were usually under sail most of the 25 to 30

days that were required to cross the Atlantic. In rough weather the vessels were wracked so violently that the deck seams frequently opened and allowed water to run down into the passengers' quarters. The noise of the machinery was heard throughout the ship, and fumes from the hot animal oils with which the engines were lubricated permeated the cabins. The sanitary conditions were crude, and the food was seldom appetizing. Meat was likely to be spoiled, the bread moldy, and the drinking water scarce.

The term "tourist" is altogether too elegant a term to be applied to the passengers of that early period. The five months' voyage of the *Quaker City* to the Mediterranean and the Holy Land in 1867, with 60 passengers aboard, was probably the first ocean cruise conceived and advertised for tourists. Included among the passengers was Mark Twain, who recorded the



journey in "The Innocents Abroad." The cost of the passage was \$1,200 for each adult passenger, and it was estimated that \$5 in gold a day would cover shore expenses. But apparently it didn't, judging by Mark Twain's frequent reference to "pirates" encountered en route.

In contrast with the early hardships of travel, the modern passenger liner is *leisure de luxe* adrift. The cabins, well-ventilated and illuminated, are adequately equipped with comfortable furniture, soft bedding, together with sanitary facilities including a shower with hot and cold running water, and also ice water to drink. They even have soap—a commodity that a substantial part of Europe does not yet provide. The dining room is commodious, clean, and cheerful. And what menus! The chef never runs out of surprises or choice cuts of meat. The variety of food and drink is infinite, ranging from caviar for the most educated palates to hamburger for the most uneducated. All possible needs of the passengers have been anticipated. There is a barber shop and a bar, a beauty shop and a bank, a ballroom and a movie theatre, a chapel and a hospital, a library and a gymnasium, a cigar store and a drug store. And although the passenger isn't aware of it, there must be an engine room because after about a week of dining, dozing, daydreaming, he wakes up to the strange fact that the floating palace has arrived at its faraway destination. An ocean voyage affords enforced leisure, movement without motion, the most restful form of unconfined travel yet invented—provided the ocean behaves itself and doesn't try to imitate the Alpine topography.

More and more tourists, however, prefer to get to their destinations in a hurry, so they fly. Instead of taking about a week to



cross the Atlantic at leisure, they soar across the ocean in less than a day. And now jet planes make the flight from New York to London in 6½ hours. Breakfast at Times Square, lunch aloft, and dinner on the Strand. What a mockery of distance!



In 1955, for the first time, more Americans traveled to Europe by air than by sea. Last year, two-thirds of the travelers to Europe went by air and one-third by sea. The tourists to the West Indies and Central America are even more air-minded; over 90 per cent of this traffic last year was by air. For all overseas traffic to all destinations, airlines carried almost four times as many passengers as the steamships did last year.

Traveling by air has the obvious advantage of getting the tourist to his destination in much shorter time; this allows him more time for sightseeing abroad. It has its greatest appeal to those who go abroad for business reasons.

Despite the growing popularity of overseas travel by air, it is not to be assumed that "crossing by boat" is on the way out. Many tourists still prefer the more leisurely travel afforded by a sea voyage, and numerous shipping lines have announced comprehensive programs to put new and faster ships into service for those who prefer an ocean voyage to flying. A number of plush passenger liners are already on the planning boards or on the ways. The new liners are designed to travel at greater speeds, are equipped with stabilizers and air-conditioning, feature such luxuries as closed-circuit television, infrared heat for deck lounging in cold weather, complete health centers, theatres with Cinema-scope screens and stereophonic sound, and prom-

ise still more elegance in the way of cuisine and shipboard entertainment. At the same time comes the announcement of plans for two 90,000-ton liners, each capable of carrying 6,000 passengers, cafeteria service, and one-way fares to Europe as low as \$50, which is in contrast with the most inexpensive ship fare to Europe now of about \$200, including food.

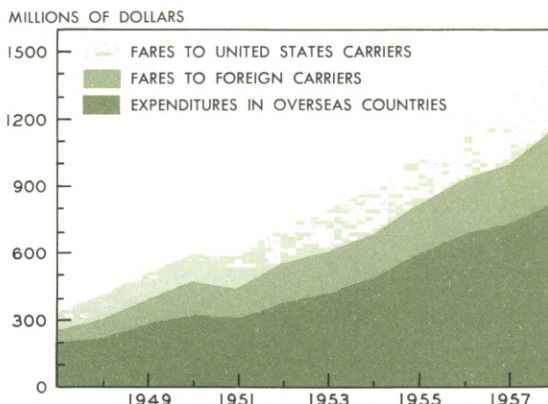
Overseas travel trends and expectations

Expenditures for overseas travel have risen consistently during the postwar period except in 1951, when the trend was momentarily interrupted by the fighting in Korea. Expenditures in overseas countries, as the chart shows, rose from \$192 million in 1947 to \$818 million in 1958. This represented a better than threefold increase. Fares paid to United States carriers rose from \$88 million to \$359 million, which was also a threefold increase. Fares paid to foreign carriers rose from \$55 million to \$320 million, for a fivefold increase. Total expenditures on overseas travel rose from \$335 million to \$1,497 million, which represented a better than threefold increase.

The postwar rise in overseas travel expenditures reflects not only the increased participation of more and more people going overseas but also the generally prosperous times that prevailed over these years. The carriers, both domestic and foreign, have of course done much to promote overseas travel. They have been offering constantly improved facilities, faster schedules of travel, and in 1954 they introduced the "go now and pay later" plans. With huge investments in transport equipment, the carriers are under constant pressure to operate at maximum capacity.

The foreign travel industry is looking ahead with great expectations. By 1969 the industry an-

EXPENDITURES FOR OVERSEAS TRAVEL BY UNITED STATES RESIDENTS, 1947-1958



icipates a twofold increase in the number of American visitors going abroad, and tourist expenditures are expected to rise from the 1958 level of slightly over \$2 billion to \$6½ billion.

It is quite conceivable that there will be 4½ million Americans in 1969 who will want to go touring in foreign countries and that they will have the means to do so, but will the foreign hosts be able to accommodate so many visitors? In many countries hotel facilities are already inadequate either because there are not enough rooms or because the rooms are of inferior quality. It might also help to increase the flow of tourists' dollars if steps were taken to eliminate many unnecessary documents, to ease the restrictions on foreign currencies, to eliminate currency exchange taxes, to simplify customs regulations, and to facilitate the passage of motor vehicles from one country to another for tourists traveling in their own or rented cars.

The imbalance in tourist trade

Tourist trade is a two-way street. Last year, foreign visitors to the United States spent \$825 million here. Over half of the total was accounted for by Canadian tourists, and expenditures by

Canadian and Mexican visitors together accounted for about 70 per cent of the total foreign tourist expenditures in the United States. Expenditures by overseas tourists other than Canadians and Mexicans have been negligible, largely because of severe restrictions heretofore imposed upon tourist travel by countries chronically short of dollar funds. Their tourists were limited to paltry dollar allowances for the express purpose of discouraging tourism and preserving dollar exchange.

Although tourist trade is a two-way street, travel is largely one way. American tourists spend almost twice as much abroad as foreign tourists spend here. As a consequence, we have

an adverse balance of tourist trade which aggravates the deficit in our over-all balance of payments.

Recent developments have taken place both abroad and at home which may have the effect of reducing our lopsided balance of tourist trade. The British Government has eased restrictions on the amount of sterling currency it will let Britons have for spending money while traveling abroad. Any British subject wishing to obtain funds for foreign travel can now get an allowance up to \$700 each year. At home, travel organizations are making a special effort to promote 1960 as "Visit U.S.A. Year," officially established by Presidential Proclamation.

UNIFORM COMMERCIAL CODE

The General Counsel of this Bank has prepared a Digest of Secured Transactions provided for in Article 9 of the Code which will be distributed to banks within the Third Federal Reserve District. Since the Pennsylvania Code now conforms to the 1958 Official Text of the American Law Institute and Commissioners on Uniform State Laws, this Digest may be useful in other states which have adopted the Code and to those in states where the Code is under consideration.

The Digest consists of only two pages and is folded into convenient size. It outlines the salient features of Article 9 in a functional manner and constitutes a handy desk reference.

Copies may be obtained by addressing requests to the Bank and Public Relations Department of this Bank.

THE BEST CHRISTMAS EVER?



Christmas lasts a month on Main Street. From Thanksgiving until the last present has been bought the old street has a festive, frantic time. It dresses up for the occasion with garlands of lights and laurel. Shoppers with wind-cherried noses crowd its sidewalks. Sad-faced Santas guard its every corner.

Main Street's store windows vie for attention with displays of candles, creches, and all manner of gifts for the young and the not so young. Behind the windows a jostling sea swirls and eddies around counters, examining, asking, buying. "How much is this?" "I'll take that." "No, I don't know her exact size." From various vantage points store managers watch with practiced and anxious eyes. A lot depends on Christmas month—it can make or break the whole sales year.

With Christmas now on Main Street we have just finished talking to department store executives in Philadelphia and other leading cities of the Third Federal Reserve District.¹ We wanted to find out how the early sales were going and

what the outlook is for the entire Christmas season of 1959.

Reports on early sales were mixed. Some executives said that sales were up over last year; others said sales were off. For the district as a whole, 1959 now seems to be running at least even with 1958. Our contacts are definitely optimistic about the remainder of December, however. The majority expect this Christmas to be the best ever. They say that Christmas sales should top 1958, which itself set a record for district stores.

These are the predictions of experts. Still a lot can happen between now and Christmas eve. A prolonged spell of rainy or snowy weather could upset everything. Or the public mood might change suddenly in mid-season. This has happened before—in 1958, for example. That season closed with a rush after a somewhat sluggish start. It could work the other way this time.

These gloomy cautions are our own and perhaps uncalled for. We didn't get gloomy reports at all from the store executives. In fact, they say there is a good chance that 1959 will

¹ Allentown, Easton, Harrisburg, Lancaster, Reading, Scranton, Trenton, Wilkes-Barre, Wilmington, and York.

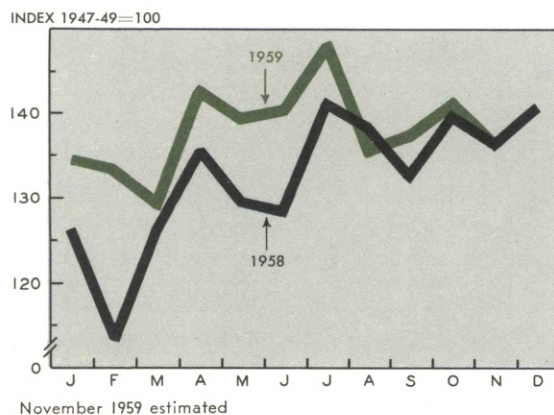
end with a last minute buying explosion larger than last year's. Christmas comes on Friday, giving put-off shoppers an extra day in Christmas week.

Statistics bear out the prediction that a Christmas sales record is in the making. So far this entire year department store sales in the district have been running more than 4 per cent above 1958. Estimates for November sales dropped down to last year's level but this is not necessarily disheartening. Much of that month's weather was too warm for serious shopping and it rained on several key days, we were reminded.

Random reports

Do you have the feeling that Christmas has been starting earlier and earlier each year, that store and street decorations are going up sooner? We did, so we asked about it. It is not true, according to the department store men. Almost without exception they said that decorations have been put up at the same time for the past few years. Moreover, most stores have not decorated any more lavishly this year than last nor are they planning any additional promotion or advertising.

THIRD DISTRICT DEPARTMENT STORE SALES *Seasonally adjusted*



Discount houses are a sore spot. Many department stores are experiencing stiff price competition and in some cases are matching the discounters' prices. One store stated flatly, "We will not be undersold by anyone." Competition has forced some stores to sell below prices quoted in their published catalogs. In Philadelphia there is a vest-pocket price war going on in toys. It seems there is an unusually large concentration of toy discount houses here.

In spite of the discount competition, store executives did not feel that customers are more price conscious than last year—if anything, they are more quality conscious. Shoppers have money and are "trading up." While they're not throwing their money away—they want value, to be sure—neither are they inclined to skimp and make do. Santa is traveling first-class in 1959.

Sales in our Philadelphia area branches are running better than in the downtown stores. But this is an old story. Branches located in fast-growing suburbanland have consistently recorded better gains than the main stores throughout recent years. Suburbanites do tend to shop a bit more in center city at Christmas time than at other seasons, however. The figures for 1958 show that the month of December accounted for 16 per cent of the yearly sales of the downtown stores and 15 per cent for the suburban stores.

On Santa's list

We asked the executives, "How have specific types of merchandise been moving?" Their answers gave us an indication of how "early bird" shoppers are spending their money.

Toys and games are selling better than last year in most district cities. Some Philadelphia stores are disappointed, however. They say that discount house competition has slowed sales and pinched profits. Nevertheless, few stores, if any,

are really hurting. The tremendous number of children born in the past 15 years makes for a strong basic demand. One cause of concern: a possible shortage of steel toys.

Reports on sporting goods sales range from "solid" to "sensational." Sports equipment has long been favored as the gift for men. "Uncle Fred fishes, so we'll get him something to do with fishing." In recent years, due to increases in income and leisure, the number of sportsmen has swelled rapidly.

Sales of men's wear are off in some stores. Dad evidently can't afford to buy clothes near Christmas and he doesn't seem likely to get many of them as presents—except, of course, the traditional assortment of lurid neckties. The rest of the family is due for a well-dressed yule. Women's and children's wear are selling well and this generally pulls the entire apparel category above last year.

Furniture is more than holding its own. Recent sales are up, according to most of our correspondents. High consumer incomes and the relatively favorable business outlook make many feel this is a good time to buy that new sofa or extra bed, even if it takes a little financing. The high level of housing starts over the last year or two also strengthens the demand for furniture. New-home buyers generally step up in floor space and need extra pieces.

Major appliances, such as washers, refrigerators, and stoves (the trade calls them "white goods") are big sellers in Philadelphia—far ahead of 1958 in some instances. But "white goods" showed some weaknesses in other cities. Luke-warm reports often came in from out-of-town stores. Maybe variations in the impact of the steel strike have caused these geographical differences.

"Hot" is the word for stereo and hi-fi sets. Every store handling this equipment reports the tweeter and woofer enthusiast is spending heavily this year. Demand is no longer restricted to the musical sophisticate; many low-fi ears are purchasing sets, possibly as something of a status symbol. Although a little expensive for an individual gift, hi-fi or stereo often is purchased by a family as a present to itself. In contrast, television sets are off in a majority of stores, and radios are generally down now that last year's excitement about transistors has worn thin. Other small appliances—toasters, irons, etc.—are not setting records.

Consumer credit has risen rapidly in the nation this year, so we wondered if the department stores had noticed any increase in credit sales. In Philadelphia, only one store had. Elsewhere credit-sales ratios are up in the majority of stores. For the most part, these stores are pushing credit and introducing new types of credit accounts, types the Philadelphia stores have had for some time. Another reason for Philadelphia stores' relatively small credit expansion may be that banks and finance companies are doing a greater share of consumer financing here. Several local store executives thought a significant number of purchases were being paid for out of revolving check credit accounts which now are offered by five major banks in this city.

Yes, there is a Santa Claus, and it looks as if he's going to bring district department stores another banner season, Virginia. It may be touch and go but if we can believe our on-the-scene reporters, a new sales record will be in the books by the time Christmas leaves Main Street.

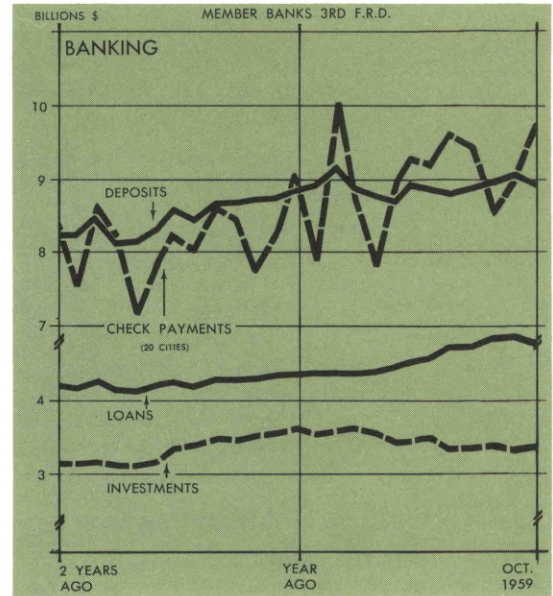
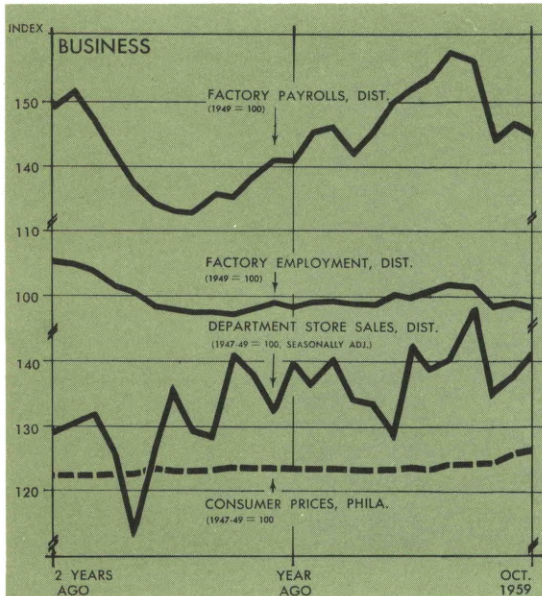
business review

FEDERAL RESERVE BANK OF PHILADELPHIA

TABLE OF CONTENTS—1959

| | |
|---|---|
| JANUARY (Annual Report Issue) | Looking Into the Eyes of a Giant Discount Policy and the Discount Rate Operations of the Bank |
| FEBRUARY | Consumer Aspirations: An Experimental Survey Banking's Fast-Growing Family The Lag in Factory Employment |
| MARCH | Drugs and Bugs How Did Banks Make Out in 1958? |
| APRIL | USED CARS: Second-Hand Sirens Confidence, Tempered with Caution Rules Our Housing Market |
| MAY | Capital Spending—A Mammoth Change "What's My Line?" |
| JUNE | The Quest for Security The Economy at Mid-Year: More Pressure on the Consumer Spotlight on Treasury Financing Consumer Prospects in Perspective |
| JULY | Why Doesn't the Fed do Something About Government Bond Prices? Much Ado About Doing Resort Business is Booming |
| AUGUST | Guides to Monetary Policy Appliances in an Expanding Market |
| SEPTEMBER | Revolving Check Credit: Is It Fad or Fixture? Higher Education in the Third Federal Reserve District—A Growth Industry |
| OCTOBER | Dimes, Dollars, and Drive-In Windows Banking: An Industry of Ideas and Innovation Farmers Had Good Crops—But Low Prices |
| NOVEMBER | Capital Spending—Still High Dimes, Dollars, and Drive-In Windows |
| DECEMBER | Our \$2 Billion Wanderlust The Best Christmas Ever? |

FOR THE RECORD...



| SUMMARY | Third Federal Reserve District | | | United States | | |
|--------------------------------------|--------------------------------|----------|----------------------------|-----------------|----------|----------------------------|
| | Per cent change | | | Per cent change | | |
| | Oct. 1959 from | | 10 mos. 1959 from year ago | Oct. 1959 from | | 10 mos. 1959 from year ago |
| | mo. ago | year ago | | mo. ago | year ago | |
| OUTPUT | | | | | | |
| Manufacturing production. | -1 | 0 | +4 | +2 | +8 | +14 |
| Construction contracts ... | +23 | -25 | 0 | +2 | -5 | +5 |
| Coal mining | +4 | -28 | -4 | +8 | -7 | +1 |
| EMPLOYMENT AND INCOME | | | | | | |
| Factory employment (Total) | -1 | 0 | +1 | -1 | +4 | +5 |
| Factory wage income..... | -1 | +3 | +9 | .... | .... | .... |
| TRADE* | | | | | | |
| Department store sales ... | +3 | +1 | +5 | +1 | +7 | +7 |
| Department store stocks .. | -1 | +4 | .... | -1 | +5 | .... |
| BANKING (All member banks) | | | | | | |
| Deposits | -1 | +1 | +4 | -1 | +2 | +4 |
| Loans | -1 | +10 | +9 | 0 | +13 | +10 |
| Investments | +1 | -8 | +1 | 0 | -10 | 0 |
| U.S. Govt. securities..... | 0 | -9 | +1 | +1 | -12 | -2 |
| Other | +1 | -3 | +1 | -1 | -1 | +5 |
| Check payments | +7† | +7† | +11† | +7 | +8 | +9 |
| PRICES | | | | | | |
| Wholesale ..... | .... | .... | .... | 0 | 0 | 0 |
| Consumer | 0† | +2† | +1† | 0 | +1 | +1 |

*Adjusted for seasonal variation. ‡20 Cities †Philadelphia

| LOCAL CHANGES | Factory* | | | | Department Store† | | | | Check Payments | |
|-----------------|--------------------------------|----------|--------------------------------|----------|--------------------------------|----------|--------------------------------|----------|--------------------------------|----------|
| | Employment | | Payrolls | | Sales | | Stocks | | Per cent change Oct. 1959 from | |
| | Per cent change Oct. 1959 from | | Per cent change Oct. 1959 from | | Per cent change Oct. 1959 from | | Per cent change Oct. 1959 from | | Per cent change Oct. 1959 from | |
| | mo. ago | year ago | mo. ago | year ago | mo. ago | year ago | mo. ago | year ago | mo. ago | year ago |
| Lehigh Valley.. | 0 | -12 | -1 | -14 | .... | .... | .... | .... | +5 | +11 |
| Harrisburg ... | 0 | -3 | +2 | 0 | .... | .... | .... | .... | +1 | -1 |
| Lancaster | -1 | +5 | 0 | +8 | +2 | +6 | -2 | +8 | +8 | +7 |
| Philadelphia . | 0 | +1 | -2 | +8 | -3 | -1 | -3 | +4 | +11 | +9 |
| Reading | -1 | +4 | +1 | +11 | +3 | +8 | +5 | +3 | -1 | -4 |
| Scranton | -1 | -2 | +5 | +4 | +3 | +3 | +1 | 0 | 0 | -7 |
| Trenton | -4 | +5 | -6 | +11 | +2 | +1 | +8 | +9 | +10 | +11 |
| Wilkes-Barre . | -1 | +5 | -3 | +2 | +14 | +6 | -1 | +8 | +2 | -2 |
| Wilmington .. | 0 | +5 | +1 | +11 | -1 | +7 | +1 | +6 | -7 | +5 |
| York | -2 | 0 | -1 | +3 | +8 | +10 | +7 | +15 | 0 | +11 |

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

†Adjusted for seasonal variation.