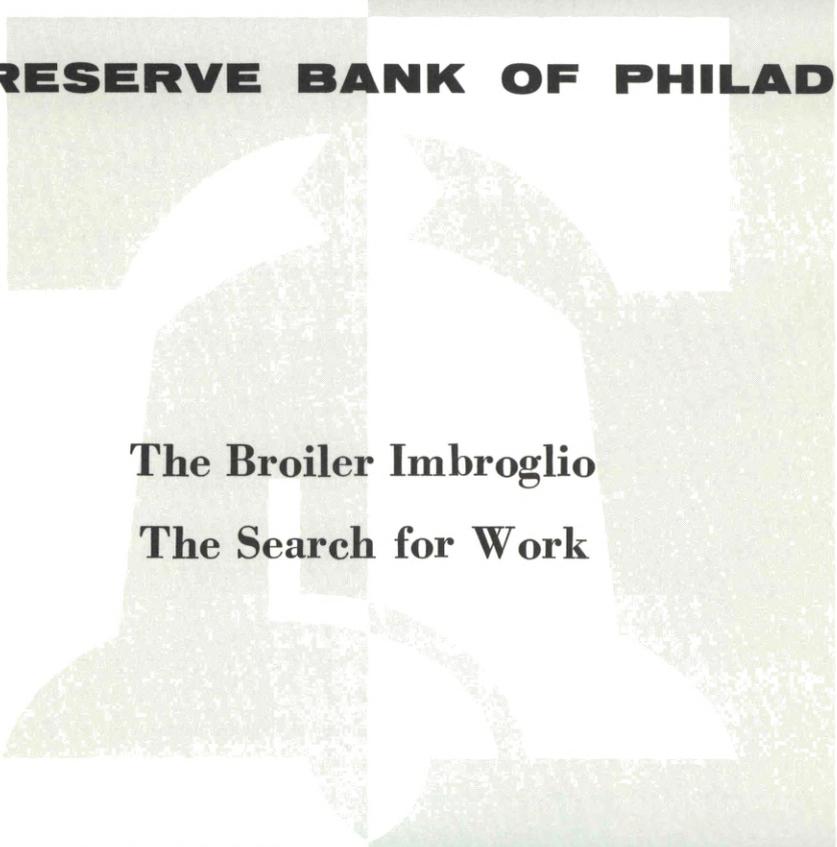


BUSINESS REVIEW

FEDERAL RESERVE BANK OF PHILADELPHIA



The Broiler Imbroglia
The Search for Work

SEPTEMBER 1963

BUSINESS REVIEW is produced in the Department of Research. Evan B. Alderfer was primarily responsible for the article, "The Broiler Imbroglia" and Bertram W. Zumeta for "The Search for Work." The authors will be glad to receive comments on their articles.

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THE BROILER IMBROGLIO

Harassed heads of states, already overburdened with troublesome domestic and international tensions, are now confronted with another difficulty from a most unexpected source—the hen house. Who would have thought the chicken capable of creating an international furor, but it has!

The chicken fluttered up on the international conference table as the result of a prohibitory tariff imposed on American poultry in mid-1962 by the European Economic Community. The E.E.C., commonly called the Common Market, raised the tariff on our broilers from less than 5 cents a pound to about 14 cents because German housewives were buying our broilers in ever-increasing quantities. Common Market countries were buying two-thirds of our exports of frozen chickens which had risen from 24 million pounds in 1958 to 173 million pounds last year.

The higher tariff wall around the Common Market countries achieved its purpose. West Germans, who had been our best Common Market customers, are now buying more chicken meat from the Netherlands (an E.E.C. member), and the American poultry industry has lost an estimated annual market of \$46 million.

A special mission to the Common Market, seeking modification of the heavy tariff, recently returned empty-handed. Now domestic pressure is rapidly building up for the imposition of retaliatory tariffs on United States imports of

products from Common Market countries—France, West Germany, Italy, Belgium, the Netherlands, and Luxembourg. Contemplated targets for retaliatory tariffs include wine and brandy, trucks and buses, photographic goods, electric shavers, bulbs and roots, Roquefort cheese, and steel flat wire.

The broiler imbroglio is of special interest and concern to people in the southern Delaware section of the Philadelphia Federal Reserve District. That is where the domestic broiler industry had its origin (see “The Broiler Peninsula,” *Business Review*, August, 1950), and the Delmarva Peninsula continues to be one of the country’s leading producing areas. Now, a word or two about the chicken before revisiting the Broiler Peninsula.

A wonderful bird, the chicken!

The chicken is a gallinaceous creature whose young run about and start scratching for food soon after hatching. Of the world’s more than 8,500 species of birds, none is so prolific, so productive, and so important to our agricultural economy as the chicken. Turkeys have their day in late November, but chickens lay and die for us daily.

The farm value of poultry products in 1962 came to \$3.3 billion. Of that total, the chicken contributed \$1.8 billion in the form of eggs, and another billion in the form of meat. Readers interested in the egg are referred for light reading to Betty Smith’s “The Egg and I” and for

heavy reading to “The Avian Egg,” by Alexis Romanoff, who made a lifetime study of the egg and is the world’s outstanding authority.

THE BROILER PENINSULA

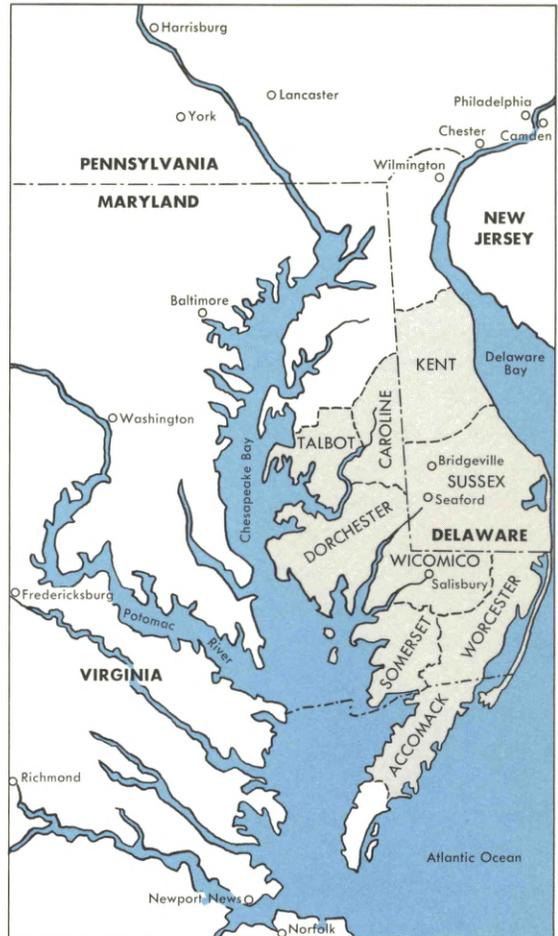
The Broiler Peninsula is that small, jagged body of land which almost got separated from continental United States by the Chesapeake Bay on the west and Delaware Bay and the Atlantic Ocean on the east. The Peninsula includes almost all of rural Delaware, the eastern shore of Maryland, and two counties of Virginia. The inclusion of parts of these three states gave it the name “The Delmarva Peninsula” and, inasmuch as broilers are its leading industry, it may well be called “The Broiler Peninsula.”

Broilerland embraces the shaded area of the Peninsula as shown in the map. The heart of the area, with the densest chicken population, is Sussex County in Delaware, and Somerset, Wicomico, and Worcester Counties in Maryland.

The Delmarva Peninsula looks like a broilerland. It has chicken houses by the hundreds, and thousands of acres in corn and soybeans to feed the chickens. The region has numerous hatcheries, a score of poultry-feed manufacturing establishments and over a dozen processing plants where the grown-up broilers are slaughtered and prepared for market. Fleets of trucks haul chicken feed to the growers and still other fleets of trucks equipped with refrigeration haul the ready-to-cook broilers to the markets. Banks in the area do a lot of broiler financing, and the Universities of Delaware and of Maryland do a lot of broiler research.

In Selbyville, Delaware, there is a Poultry Exchange. A regional Trade Association—Delmarva Poultry Industry, Inc., with headquarters near Georgetown—sponsors an annual \$100-a-plate poultry boosters’ banquet; and, as you

THE BROILER COUNTRY



might suppose, there is broiler conversation everywhere—in bank lobbies, stores, restaurants, and over the telephone wires. In 1962, the Delmarva Peninsula produced over 200 million broilers, which brought in \$130 million of revenue.

A modern broiler apartment

The millions of broilers grown in Delmarva do not overrun the countryside; there is no flutter of cackling chickens seeking refuge from the motor vehicles speeding down Delmarva high-

ways. Broilers live in houses, nice houses, the most modern of which are really one-floor apartments and cost more than some of the homes occupied by the farmer-grower.

A modern broiler apartment accommodating 20,000 chickens is of cinder-block construction and the 400-foot length is wire-screened into 20 apartments. The roof is galvanized corrugated metal, with Fiberglas insulation between it and the plastic-coated ceiling. A wealth of window space affords cross-ventilation assisted by electric fans in summertime when needed, and individual stoves provide warmth in winter. Diminutive troughs in each apartment unit automatically deliver food and water, respectively, in cafeteria style. The floor is covered with fine wood chips.

The residents of the apartment we visited did not seem to resent our intrusion. Some were eating and drinking, others snoozing, and still others were engaged in conversation. One thing they all had in common, the same birthday—they were all six days old.

The customary business arrangement in Delmarva is one in which the feed company supplies the food, fuel, litter, medicine, chicks, insurance, and supervision; the grower furnishes the houses, equipment, and the labor. Supervision means that the feed company has a staff of specialists who make periodic visits to the broiler houses to check up on the progress and health of the flocks and to see that they are taken care of in the best manner.

A broiler house is really a “chicken meat factory.” It is a place where newly hatched chicks are transformed into the maximum poundage of edible meat in the shortest possible time by feeding them a highly nutritive, scientifically balanced diet. The chicken, of course, is a bird; and birds have a voracious appetite and a high-speed metabolism. Among some species, a bird

eats the equivalent of its own weight in the course of one day. Corn makes up 60 per cent of the broiler diet, soybean meal 18 per cent, and smaller percentages of fish-meal, and other feed ingredients.

In 1927, when the Delmarva Peninsula was in its broiler infancy, 16 weeks and 12 pounds of feed were needed to produce a 2¼ pound chicken. In 1957, it took only nine weeks and eight pounds of feed to raise a 3¼ pound broiler. Currently, Delmarva growers are unhappy if they fail to produce a bird of about four pounds in nine weeks.

As soon as one flock is mature, the chickens are caught and cooped for shipment to the processing plant. Then the grower cleans out his broiler house, covers the floor with clean litter, and starts another flock of newly hatched chicks. Most growers produce four flocks a year and some five.

A Delmarva feed mill

The modern Delmarva feed mill is a half-million-dollar rural skyscraper attended by a row of tall silos for grain storage. On top of the mill and towering above the silos is a device resembling a Maypole, called a turnhead. From its doughnut-shaped center, metal ducts radiate to the various bins storing different kinds of grain for processing 30 tons of chicken feed an hour.

The inside of a mill is a bewilderment of coordinated machinery where only an occasional worker is seen. Almost everything is automatic. A formula capsule, predetermined by the chief operator, is plugged into the central control board where a multiplicity of illuminated buttons flashing in various colors reveal a continuous display of precisely what is taking place at every major point of production throughout the mill. The least-used button on the elaborate panel-

board is the “panic button” with which the operator can stop everything should the gauges reveal a deviation from the capsule formula as much as 1/10th of 1 per cent. Absolute adherence to formula is a must in a mill that feeds annually 6 million customers from newly hatched chickhood to marketable broilerhood.

A Delmarva processing plant

The processing plant is the last stage in the “manufacture” of a broiler. It is a continuous, straight line, disassembly process. Let’s just gloss over the details with the general observation that nicely dressed, Federal inspected broilers emerge from the end of the line whereupon they are quickly packed into refrigerated compartments of high-speed, motor carriers for rapid transit to the market.

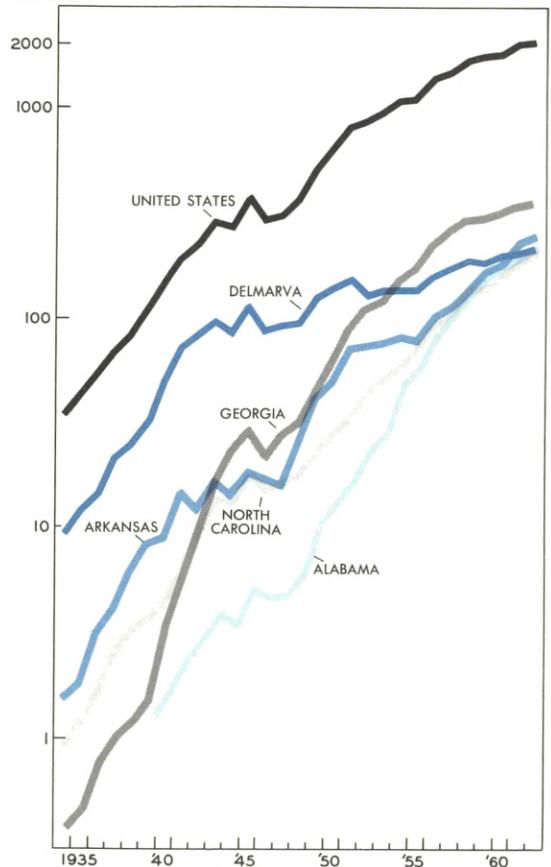
Within the limits imposed by Nature, everything goes fast. It takes 21 days to hatch the eggs, and nine weeks to grow the broilers. Dressing is a matter of minutes, and the trip to market is a matter of hours—usually three or four and seldom over eight, depending upon how far they go.

AVERAGE COST OF PRODUCTION, SUMMER FLOCKS, 1961*

Item	Cents per pound
Feed	11.04
Chicks	3.09
Health and sanitation .....	.66
Fuel .....	.46
Litter .....	.27
Insurance .....	.04
Selling .....	.01
Other .....	.04
Total (less contract)	15.61
Paid to grower	1.66
Total cost	17.27

* Delmarva’s Position in the Broiler Industry (a report compiled by the Staff College of Agriculture, University of Delaware and the University of Maryland).

BROILER PRODUCTION
MILLIONS



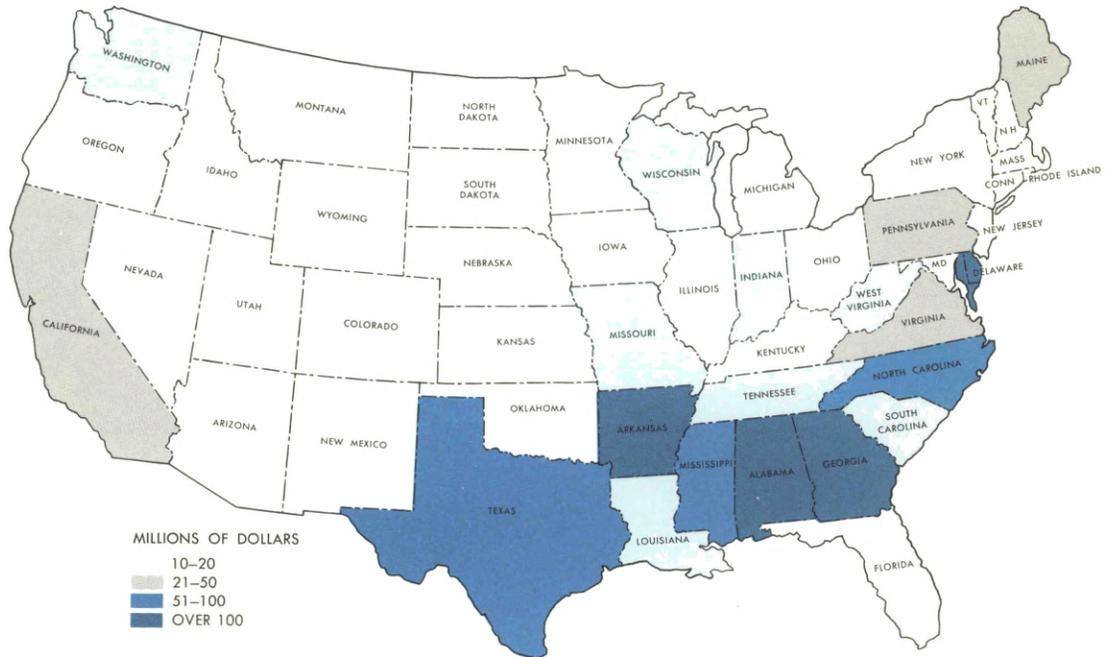
Source: United States Department of Agriculture.

Much of the selling of ready-to-cook poultry is done over the telephone to chain stores, supermarkets, and other retailers. At the Poultry Exchange at Selbyville, open daily from Mondays through Thursdays, about a half-million live broilers change hands daily.

Sharp pencils in broilerland

Broiler people, like bankers, deal in decimals. There is nothing fancy about the office of a broiler grower, but his pencil points are sharp. Just take a look at the broiler breakdown prevailing the summer of 1961, according to a cost

COMMERCIAL BROILERS—1962

Value of production in leading areas.

Source: United States Department of Agriculture.

study of several hundred flocks involving several million birds. Note that the grower received only $1\frac{2}{3}$ cents a pound for his labor and the depreciation on his broiler house and its equipment.

The growth of Delmarva

Delmarva is said to have started in the broiler business in 1923 when Mrs. Wilbur Steele began with a brood of 500 chicks in the usual manner in connection with her laying flock. When the birds reached an average weight of 2 pounds she sold over half of them at 62 cents a pound, live weight, to a local buyer. The following year she raised a flock of a thousand and sold them at 57 cents a pound. Others were quick to follow her example in this lucrative business. Within a few years, Delmarva production jumped to a

million birds, and before 1935 production shot up to 10 million. Subsequent growth is shown in the chart.

Look what Delmarva started! Just as Mrs. Steele's neighbors were quick to follow her example, other states were quick to follow the example of Delmarva.

The interstate broiler race

By 1962, most of the states were in the broiler race and over half of them produced in excess of 10 million birds each. The leaders in the stampede are shown in the chart and the accompanying broiler map of the United States. As you can see, other states are giving Delmarva a terrific battle. Georgia led the pack with 354 million, and in hot pursuit were Arkansas, Alabama, and

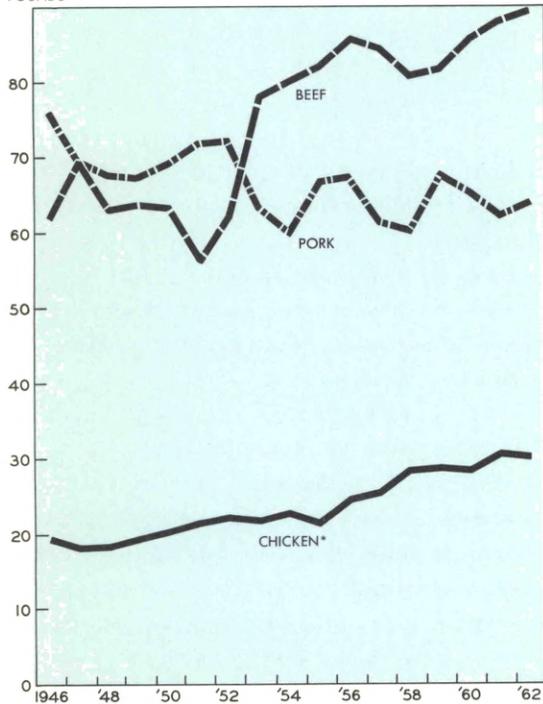
North Carolina—all three in the 200 million class. In the early days, of course, Delmarva was the leader, and although the region has continued to grow, her percentage of the total has declined because of the interstate stampede.

The broiler explosion

Annual broiler production of the United States is now over 2 billion birds. That is almost seven times the production at the beginning of the postwar period. This does not tell the full growth story because broilers have gained in weight in recent years.

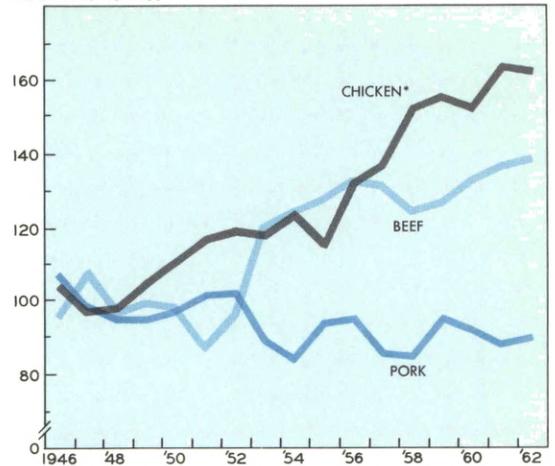
The phenomenal growth in broiler production is naturally reflected in the rising consumption of chicken meat. The growing importance of chicken in the American diet is shown in the

PER CAPITA MEAT CONSUMPTION
POUNDS



* 1946 not strictly comparable.

GROWTH IN PER CAPITA MEAT CONSUMPTION
INDEX 1946-48=100



* 1946 not strictly comparable.

Source: United States Department of Agriculture.

charts portraying recent annual trends in per capita consumption. Beef holds undisputed first place—close to 90 pounds. Pork (surpassed by beef a decade ago) seems to have a hard time holding its position, but is still well ahead of chicken. Chicken, however, has shown the fastest rate of growth, as indicated in the second chart, where the three meats are anchored on a 1946–1948 base index. Chicken shows the lustiest rate of growth with an increase of 60 per cent over the period. Improvement in the quality of the chicken, no doubt, plays a part in its growing acceptance; but most of the increase is attributable to its long-run decline in price. The price of broilers declined from a postwar high of better than 35 cents a pound live weight, to 15 cents last year, as shown in the chart.

Broiler competition

Any standard textbook in economics points out that competition is a relative term, that it varies from complete monopoly, which is rare, to the other extreme called pure or perfect competition

which is also rare. Between these two extremes are various gradations of so-called imperfect competition. The essence of pure or perfect competition is a market in which there are thousands of buyers and thousands of sellers, no one of whom is large enough to exercise any control over the price of an identical product. One of these textbooks points out that "perfect" competition no longer exists except in a few lines of agriculture. We submit that the domestic broiler industry is one of the best if not *the* best example.

The broiler-growing industry is one in which there are thousands of producers and many, many buyers. If there is any one producer large enough to exert an overt influence on the market, we have not heard of him. It cannot be claimed that all chickens, even after Federal inspection, are identical; but that is about the only criterion of perfect competition that the broiler business fails to meet.

There are no chickens on the floor of the New York Stock Exchange, there is no "General Broiler Corporation" and there is no silly sing-song advertising to the effect that so-and-so's broilers are fortified by a Madison Avenue in-

redient newly discovered by a copywriter. The growers get no Government price support, though their chickens eat price-supported grain. When broilers go to market, quality for quality, they fight it out on the price line. The chicken stands on his own two little feet.

The chart "Postwar Trends in the Broiler Industry," showing the ascending line of production and the descending line of price, bears eloquent testimony to the severity of competition. In the six years from 1955 to 1961, the number of broilers produced in the United States increased from 1.1 billion to 2.1 billion, and the gross income of producers rose only 17 per cent. The comparatively small increase in gross income in contrast with an almost doubling in number of birds produced reflects the vigor of price competition.

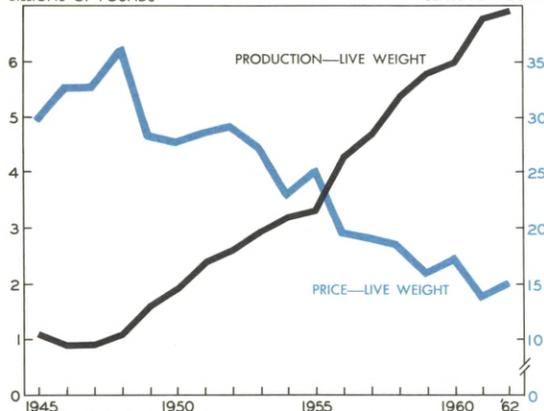
Prices fluctuate from day to day, and broiler talk is always in decimals. When we visited a broiler grower in mid-July and asked the going price, the answer was "15.98,"—not "about 16 cents." The cent is still a respectable coin in broilerland and small fractions thereof separate the successful growers from the candidates for Dun & Bradstreet's "Business Failures."

Periodically, the broiler industry is plagued with overproduction. A good market and rising prices stimulate an expansion in chicks placed for broiler hatchery supply flocks. As the growing multitude of chicks mature to marketable weight, prices sag, profits shrink or turn to losses, marginal producers fail and go out of business. With the ensuing cutback of chick placements, broiler prices strengthen, and the cycle repeats.

Delmarva vs. the Southeast

Delmarva has been encountering and continues to encounter beak-and-claw competition from the

POSTWAR TRENDS IN THE BROILER INDUSTRY
BILLIONS OF POUNDS CENTS PER POUND



Source: United States Department of Agriculture.

Southeast. When Delmarva people speak of the Southeast, they mean Alabama, Arkansas, Georgia, and North Carolina. Each of these states, except North Carolina, is now producing more broilers than Delmarva but the Peninsula people are fighting the competition with Peninsular weapons, as we shall see a few paragraphs hence.

The Southeast has a number of advantages over Delmarva. To begin with, the Southeast got started later and profited by the mistakes of the pioneers. The new broiler-growing areas have newer broiler houses, equipment, feed mills, and processing plants than Delmarva.

Land is cheaper in the Southeast because there is more of it in relation to the number of people who want it than in the Peninsula. The Peninsula is a small area hard by the industrious and populous Northeast which is already spilling into the Peninsula, sending up the price of land.

Lumber to build broiler houses is cheaper in the Southeast which has vastly greater forest resources than the Peninsula. Labor to saw the timber into lumber and build the houses also costs less in the Southeast.

The cost of labor to grow the broilers is lower in the Southeast because the alternative opportunities for employment in industry are not so great as in Delmarva. The lower cost labor is probably the greatest single advantage enjoyed in the Southeast, although this is an advantage that may diminish as the South becomes more industrialized.

The cost of fuel is less in the Southeast. This grows out of a natural geographic advantage. Broiler growers down South have shorter and milder winters and therefore save on fuel.

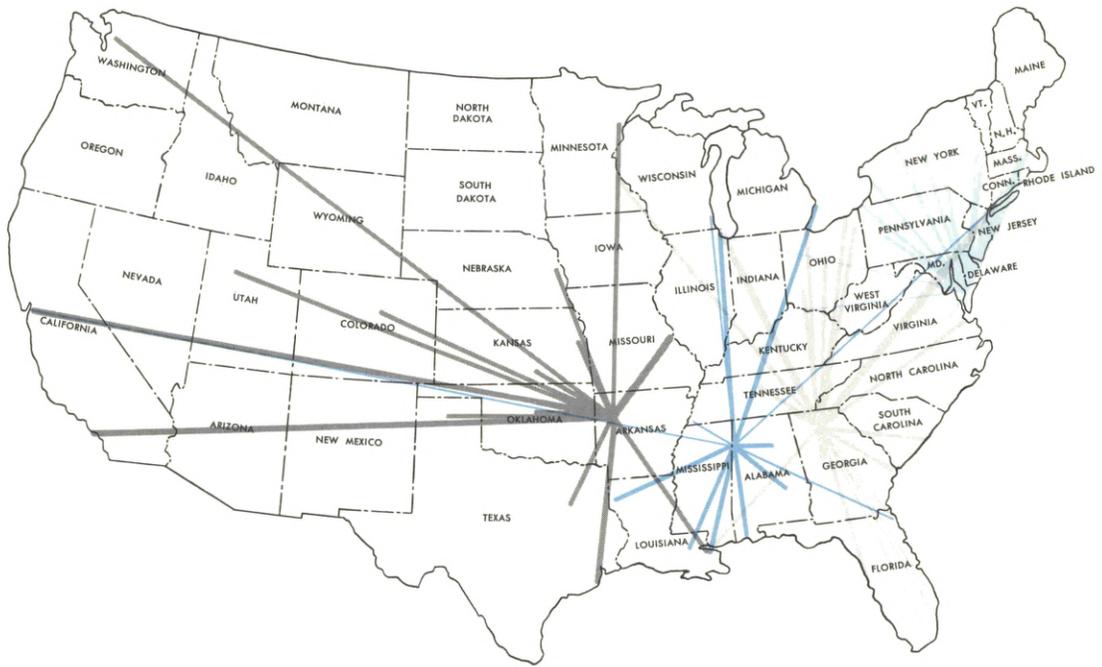
Finally, the Southeast has an advantage over Delmarva in the cost of shipping corn, soybean meal, and other grains from the great Midwest

granary. Railway rate structures favor the Southeast. Broiler growers in that region enjoy still further savings in transportation costs afforded by barge and motor-truck transport. In 1960–1961, the freight rate on corn shipped from Chicago to Salisbury, Maryland, was \$11.80 a ton (all rail) in contrast with \$10.80 to Durham, North Carolina (in part by barge), \$7 to Gainesville, Georgia (in part by barge), and \$3.73 to Gunthersville, Alabama (all barge). Such were the handicaps under which Delmarva broiler growers imported over a million bushels of corn from the West in 1961. However, the Southern Railroad is apparently determined to beat the barge and motor-truck competition. The Southern is replacing its old 50-ton cars with new 100-ton lightweight aluminum hopper cars, which enables the railroad to reduce freight rates on grain shipments as much as 50 per cent on multiple-car shipments.

As a result of all these advantages, the Southeast had a cost edge over Delmarva of $2\frac{1}{2}$ cents in mid-1961 and, remember, in the broiler business a $2\frac{1}{2}$ cent advantage is 250 points.

Delmarva, on the other hand, has one big advantage over the Southeast. It is closer to the big markets. Delmarva is strategically situated to serve the populous urban Northeast—Washington, Baltimore, Philadelphia, the great New York Metropolitan Area, up-state New York cities, and Boston. Delmarva broilers shipped into these great markets arrive fresher by hours than those from the Southeast. The markets served by Delmarva and their Southeastern competitors, respectively, are shown in the accompanying map. Curiously, Philadelphia buys more broilers from the Southeast than from Delmarva which is only $2\frac{1}{2}$ hours distant. According to the broiler growers, the reason seems to be that too many Philadelphians are unwilling

APPROXIMATE DISTRIBUTION OF BROILER-FRYERS: MAJOR BROILER AREAS TO MAJOR CITIES—1961



Source: Delmarva's Position in the Broiler Industry (a report compiled by the Staff College of Agriculture, University of Delaware and the University of Maryland).

to pay the premium prices Delmarva broilers command in New York and other more discriminating markets.

How Delmarva is meeting the competition

The broiler people on the Peninsula are meeting the severe competition from other areas by two methods: (1) by turning out a superior product and (2) by reducing their costs of production.

To say that Delmarva puts out a superior product is not a matter of local pride but a simple statement of fact, easily documented. In the first place, Delmarva broilers are heavier than those of most competing areas; and in the second place the records show that their broilers sell at premium prices—that is, at a higher price

per pound than those of most competing areas. Lacking the means of underpricing their most serious competitors, they produce the quality to justify their higher prices.

Improvement in quality is obtained in a variety of ways. The industry cooperates closely with the Agricultural Experiment Stations of the Universities of Delaware and Maryland where all kinds of tests and experiments are performed to determine the best procedures in egg selection, brooding, chicken diets, medical care and sanitation, feeding schedules, broiler-house construction, light, and atmospheric conditions, and catching and handling chickens. You just can't name any aspect of the business, full-cycle from egg to chicken to egg, that the Delmarva people haven't explored and are continuing to explore.

For example, they are now experimenting with window-less broiler houses, illuminated with low-wattage electric bulbs and a short-cut method of producing soybean meal.

The Delmarva people do not overlook any avenue for cost reduction. To reduce the freight-rate handicaps on corn imported from the Corn Belt and soybeans from the Soybean Belt, the Peninsula is growing more and more of its own corn and soybean requirements. Much progress has already been made toward self-sufficiency but the region finds difficulty in attaining that goal because of the limited amount of land and more profitable alternative uses.

As the pioneer broiler area, the region naturally has some of the oldest equipment in the industry, but that is rapidly changing. Old processing establishments that had originally been built as tomato canneries are being replaced by brand-new plants specially designed and built for chicken dressing, and others are tightening their operations to cut costs.

Old broiler houses are being replaced by modern broiler apartments. New broiler-house construction in the Peninsula during the past year or two has proceeded at such a rapid rate that it scares some of the oldtimers in the industry who fear that the new construction is leading to overcapacity. Those in the know, however, point out that the new construction has added only 8 or 10 per cent to capacity because most of the construction is new equipment replacing the old.

There is a marked trend toward larger-scale production for the purpose of cost reduction. In the past decade, at least four of the area's dressing plants have gone out of business and a steadily larger volume is being handled by fewer and larger plants. There is also a trend toward integration of the type where, for example, the

large broiler grower merges with or builds his own dressing plant; or where the grower acquires or builds his own feed mill. The small feed dealer has gone the way of the village blacksmith. Broiler houses are likewise getting larger, thus reducing unit costs of production. Broiler growing is no longer a sideline of general farming, but a full-time business of its own.

The tariff turmoil

Even though Delmarva sells very little of her output abroad, she feels the impact of the collapsed E.E.C. market. With the loss of that market, Southeastern producers are competing more vigorously in domestic markets, which affects the Peninsula.

Common Market countries have been buying about \$1¼ billion of our agricultural exports or about one-third of our farm products sold abroad. The chicken tariff, as stated at the outset, has caused an estimated annual loss to our poultry industry of \$46 million. Why all the hubbub over chickens which constitute so small a percentage of trade in agricultural products between the United States and the Common Market countries?

The broiler imbroglio is another example of the fact that we are living in a rapidly changing world. Since the end of World War II European countries have made remarkable recovery and in the process we gave them considerable aid. Now that they can fend for themselves they are, once again, formidable competitors and in the creation of the Common Market the participating countries have further strengthened their competitive position.

The General Agreement on Tariff and Trade (GATT, for short) promised greater freedom of international trade, mutually advantageous to

the 53-member organizations. Negotiations for further tariff reductions were scheduled for next year, and to that end Congress gave the President greater tariff-cutting powers last year. But with chicken feathers flying, negotiations at best are difficult.

The logic of free trade is unassailable. Under free trade, the citizens of each country are employed in the industries where they excel in productivity, and buy goods and services abroad in those countries where they get the most for their money. After some progress toward that goal, came the chicken tariff—and chickens are allergic to logic.

American ingenuity combined avian dietetics and mass production so successfully that our broilers could cross the Atlantic, hop over a 5-cent tariff wall, and undersell Common Market chickens, whereupon protectionism superseded logic.

Chickens are an agricultural commodity, and farm products are especially sensitive to tariff bargaining because so many of them are in

chronic surplus. Bargainers on this side of the ocean fear that the broiler tariff increase may be the opening wedge of higher tariffs to come on other farm products; and with a large adverse balance of international payments and outflow of gold, retention of foreign markets is imperative.

Common Market countries, also burdened with agricultural surpluses, are eager to preserve their own markets for their own products. Although their surplus of broilers is not so great as that of some other commodities, the Common Market broiler producers are utilizing American methods and expanding production rapidly in their quest to become self-sufficient in broilers.

The case of the American broiler versus the E.E.C. has received so much publicity as to obscure basic problems of the industry. Even if the tariff negotiations reach a mutually satisfactory accord, the domestic broiler industry will still have its troubles of periodic over-production, falling prices, and disappearing profits.

THE SEARCH FOR WORK

Population shifted dramatically in the Third Federal Reserve District during the Fifties, as people moved where the jobs are.

In Bucks County, Pennsylvania, there were 213 people in 1960 for every 100 who lived there in 1950. Towns stood where there were only villages a decade earlier. Across the Delaware River, Burlington County in New Jersey posted population growth of 65 per cent over the decade. Kent County in Delaware checked in with a 73 per cent increase.

Growth like that lifts up a region. There is bustle and business; tradespeople prosper; construction is everywhere. Growing pains go with growth, of course: scars in the earth waiting to be covered; too many jammed roads. But there are gains to seek, possibilities to explore, jobs to do.

All the places cited are in the southeastern part of the Third Federal Reserve District. The district as a whole experienced no such ebullience, however. In spite of the lift from the south and east, the district's population gain over the decade from 1950 to 1960 was only 14 per cent, compared with close to 19 per cent in the United States. The northern and western counties almost all lost people through migration—more people moved out than in. In many cases this movement was masked by natural increase, that is, the excess of births over deaths. But in 14 counties the total population actually decreased over the decade.

The 60 counties of the Third District fall into three groups:

- I. The 14 counties where population decreased between 1950 and 1960.
- II. A larger group of 33, which includes the first 14 plus 19 more which experienced net out-migration even though their total populations increased somewhat.
- III. The remaining 27 counties, where population increased and more people moved in than out; i.e., there was net in-migration.

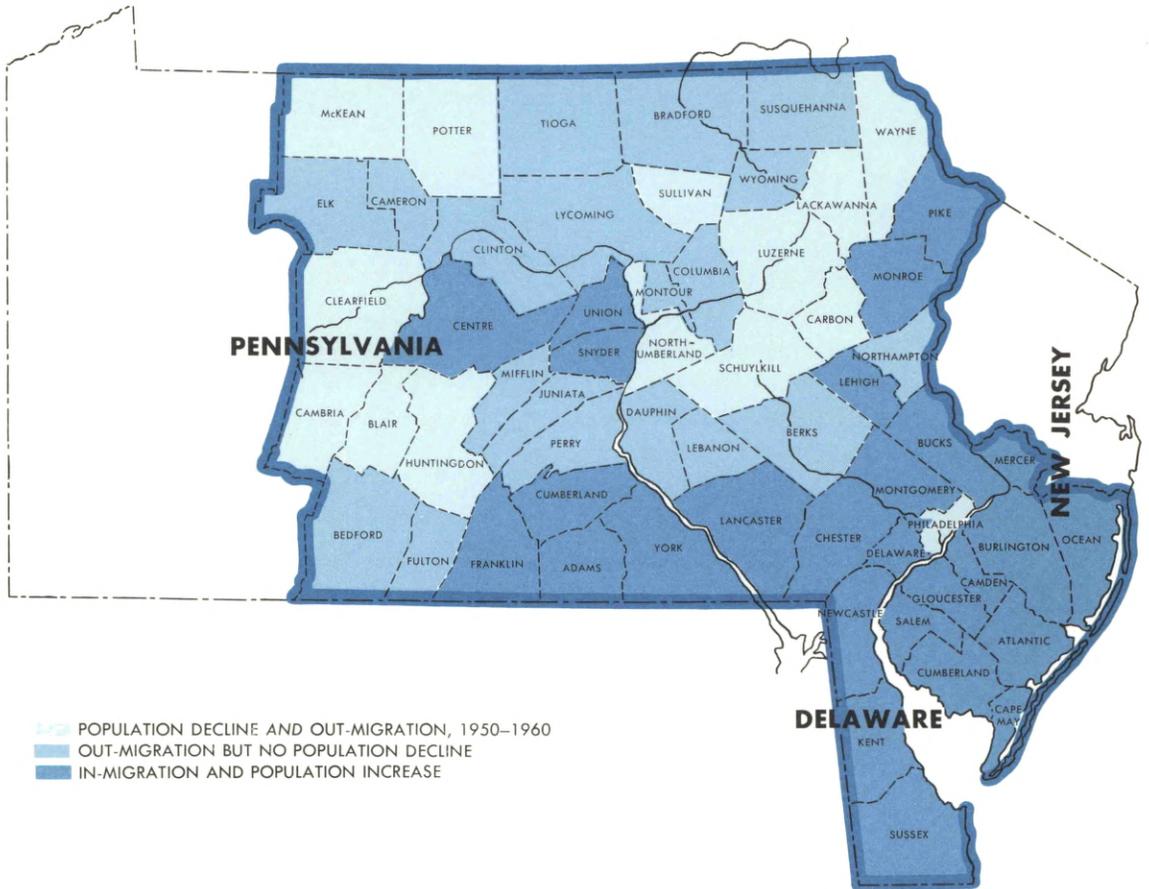
Population shifts reveal how an economic region is allocating its productive energies. In the Third District after 1950, population changes indicated an important movement of resources out of the district's northern and western regions. The evidence, from the U. S. Census of Population, is developed below. It illustrates how dominant a determinant of change is people's need to work.

People go where the jobs are

When an area ceases to develop for whatever reason—lack of diversification, changing markets, decline of a dominant firm—its inability to employ a growing population will be reflected in unemployment. A sort of folklore has grown up about such depressed areas; it is the notion that unemployment in them is peculiarly intractable because people will not move out. This is certainly true in particular: people do not take kindly to the abandonment of their home territory; there are numerous instances of fearsome

SOUTHEASTWARD SHIFT

Population changes and migration in the Third Federal Reserve District, 1950–1960.



trips to work undertaken to avoid moving. It is not true in general, however. When total population movements over a decade are examined, the areas which lost people turn out most often to be those which had an unemployment problem; the ones which gained were usually those where jobs were not so scarce.

The population censuses contain estimates of labor force and unemployment for each county. When the 1950 unemployment rate—unemployment expressed as a percentage of the labor

force—is computed for each county, and the rates are averaged for each of the three groups of counties, the results look like this:¹

Group of Counties	Number of Counties	Median Unemployment Rates, 1950 (Per Cent of Labor Force)
I. Population decreases, 1950–1960	14	6.7
II. Net out-migration, 1950–1960	33	5.8
III. Population increases and net in-migration, 1950–1960	27	4.0

¹ The average employed is the median, which has the effect of reducing the influence of atypical counties. A median of 4.0 means that half the counties with unemployment rates other than 4.0 had higher, and half had lower rates.

The counties which lost people, either in total or through migration, started the decade with considerably higher unemployment than the others. This tendency, while quite clear in the averages, was not universal. There were some counties having high unemployment rates in 1950 which nevertheless gained population, and there were other counties with no unemployment problem in 1950 which subsequently lost people, either through migration or in total.

In 13 counties which gained population despite having unemployment rates in excess of 4 per cent in 1950, more often than not unemployment decreased during the subsequent decade. The major exceptions were four southern New Jersey counties with salt-water shorelines: Ocean, Atlantic, Cape May, and Cumberland. Population has grown rapidly along the South Jersey shore, often for reasons not directly related to employment opportunities.

There were 13 other counties which lost people through migration in spite of beginning the decade with unemployment rates under 5 per cent. Of these, 12 had higher unemployment percentages in 1960 than in 1950. In sum, then, there were 26 cases where population changes between 1950 and 1960 did not appear to be reactions to the relative scarcity or abundance of jobs at the outset of the decade. In 20 of these instances, however, the population movements were associated with later changes in unemployment rates. People usually moved out of counties with growing unemployment; they moved into counties with decreasing unemployment.

While it is no surprise to find that population will shift to where there are employment opportunities, the extent of the adjustments which occurred in the relatively short space of a decade is impressive. The facts indicate that people do go where the jobs are.

Often it is not the people directly affected who move out; it is younger persons not so firmly established in social and employment patterns. This tendency is apparent in the census data. In the 33 counties having net out-migration, average ages increased. Among the others, average ages decreased.

Group of Counties	Median Age of Population	
	1950	1960
I. Population decreases, 1950-1960	31	33
II. Net out-migration, 1950-1960	30	31
III. Population increases and net in-migration, 1950-1960	31	30

Where are the jobs?

During the decade following 1950, people, and apparently younger people, left the areas of high or growing unemployment in the Third District. People moved into areas with less unemployment. The necessity for these adjustments is emphasized by the fact that they were not sufficient. Despite out-migration, unemployment increased in the less favored areas; without that safety valve, it might have exploded.

Group of Counties	Unemployment Rates (Per Cent of Labor Force)	
	1950	1960
I. Population decreases, 1950-1960	6.7	8.2
II. Net out-migration, 1950-1960	5.8	6.6
III. Population increases and net in-migration, 1950-1960	4.0	4.6

The census comparisons disclose also that in each group of counties average unemployment increased between 1950 and 1960. Pressures increased, not only in the places of greatest pressure, but in the more favored areas as well. Readjustment has been occurring in an environment where readjustment does not appear to be a sufficient remedy.

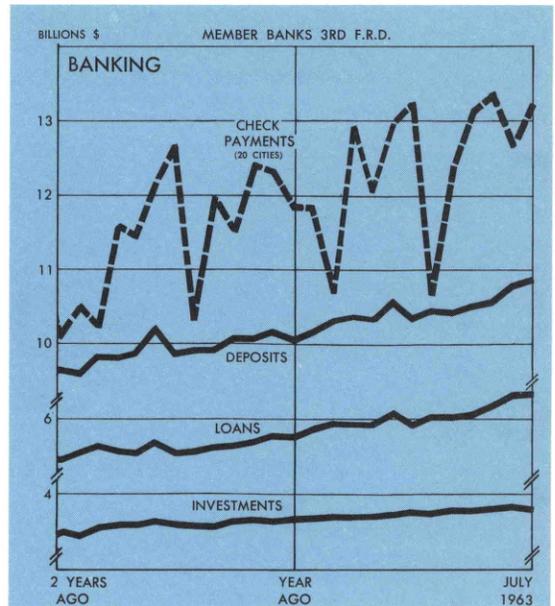
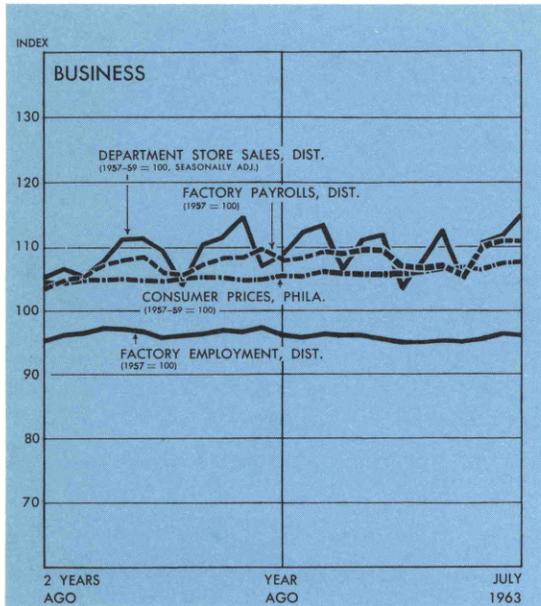
Increases in unemployment were greatest in the counties of Group I. The unemployment data therefore suggest that economic differentials may have increased over the decade. This is borne out by census estimates of family incomes. Differences on the average were considerably larger in 1960 than in 1950.

The Third District began the decade following 1950 with regional concentrations of unemployment. Despite substantial population adjustments

Group of Counties	Median Family Incomes	
	1950	1960
I. Population decreases, 1950-1960	\$2,700	\$4,600
II. Net out-migration, 1950-1960	2,700	4,800
III. Population increases and net in-migration, 1950-1960	3,000	6,100

during the decade, economic disparities among areas appear to have increased. These facts underline the extent of the problem that still remains.

FOR THE RECORD...



SUMMARY

	Third Federal Reserve District			United States		
	Per cent change			Per cent change		
	July 1963 from		7 mos. 1963 from year ago	July 1963 from		7 mos. 1963 from year ago
	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago
MANUFACTURING						
Production.....	.....	.....	.....	- 6	+ 6	+ 5
Electric power consumed.....	- 2	+ 8	+ 4	.....	.....	.....
Man-hours, total*.....	- 1	- 1	- 2	.....	.....	.....
Employment, total.....	0	0	- 1	0	+ 1	+ 1
Wage income*.....	- 1	+ 2	+ 1	.....	.....	.....
CONSTRUCTION**.....	.....	.....	.....	- 6	+10	+ 7
COAL PRODUCTION.....	-33	+41	+ 7R	-38	+24	+ 5
TRADE***						
Department store sales.....	+ 3	+ 2	- 1	0	+ 5	.....
Department store stocks.....	+ 4	0	.....	.....	.....	.....
BANKING						
(All member banks)						
Deposits.....	+ 1	+ 8	+ 6	0	+ 9	+ 7
Loans.....	0	+ 9	+ 8	0	+13	+11
Investments.....	- 1	+ 4	+ 5	- 1	+ 4	+ 5
U.S. Govt. securities.....	- 2	- 2	- 1	- 2	- 4	- 3
Other.....	+ 1	+19	+19	+ 2	+21	+23
Check payments.....	+ 4†	+11†	+ 7†	+ 7	+15	+ 9
PRICES						
Wholesale.....	.....	.....	.....	0	0	0
Consumer.....	0†	+ 2†	+ 2†	0	+ 2	+ 1

*Production workers only.
 **Value of contracts.
 ***Adjusted for seasonal variation.

†20 Cities
 ‡Philadelphia
 R-Index revised

LOCAL CHANGES

	Factory*				Department Store†				Check Payments	
	Employment		Payrolls		Sales		Stocks			
	Per cent change July 1963 from		Per cent change July 1963 from		Per cent change July 1963 from		Per cent change July 1963 from		Per cent change July 1963 from	
	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago
Lehigh Valley.....	0	0	+ 1	+ 2	.....	.....	.....	.....	+ 4	+ 7
Harrisburg.....	+ 1	+ 1	+ 1	+ 3	.....	.....	.....	.....	+11	+24
Lancaster.....	0	0	- 1	- 1	+ 4	+ 2	+ 3	- 2	+ 6	+17
Philadelphia.....	0	0	- 1	+ 2	+ 6	+ 4	+ 4	- 2	0	+11
Reading.....	- 1	- 2	- 1	+ 3	0	+ 3	+ 2	- 2	+ 7	+18
Scranton.....	- 3	- 7	- 4	- 8	0	+ 3	+ 1	+ 6	+16	+14
Trenton.....	- 2	+ 4	- 6	+ 2	+ 4	+11	+12	+22	+34	- 6
Wilkes-Barre.....	+ 1	0	0	+ 4	+ 1	+ 9	+ 2	+11	+11	+17
Wilmington.....	+ 1	+ 6	0	+10	- 7	+ 3	+ 2	+ 8	+10	+19
York.....	- 1	- 5	- 2	- 1	+ 2	+ 2	+ 7	+ 3	+ 5	+12

*Not restricted to corporate limits of cities but covers areas of one or more counties.
 †Adjusted for seasonal variation.