BUSINESS REVIEW

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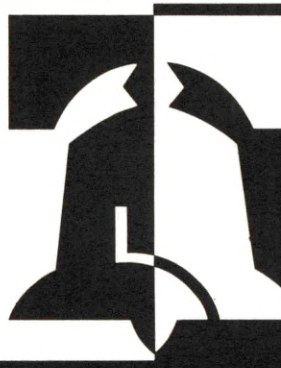


1964

FEDERAL RESERVE BANK OF PHILADELPHIA

The Life and Times of the Northeast

What Attracts Today's Growth Industries?

Resort Business Heads for a New Record

JULY

NEW PUBLICATIONS

Third Federal Reserve District Economic Handbook is a booklet of available economic information about the Third District. It gives such data as population and the number in the labor force by county; employment by county and by industry; median family income by county; and number of farms and size by county as of recent Census dates.

50 Years of the Federal Reserve Act is a revision of a previous booklet published in 1959. It gives a brief description of the Act, its historical development, and a synopsis of major changes over the five decades it has been in effect.

The Fed at Fifty is a reprint of two articles—"Who Changed the Rules of the Game?" and "Aiming at a Moving Target"—which appeared originally in the October 1963 and April 1964 **Business Review.** The booklet covers the evolution and development of tools, and the environment and goals of Federal Reserve policy.

Copies of these publications are available on request from the Bank and Public Relations Department, Federal Reserve Bank of Philadelphia.

BUSINESS REVIEW is produced in the Department of Research. J. Allan Irvine was primarily responsible for the article, "Resort Business Heads for a New Record." The author would be glad to receive comments on his article.

Requests for additional copies should be addressed to Bank and Public Relations, Federal Reserve Bank of Philadelphia, Philadelphia, Pennsylvania 19101.

THE LIFE AND TIMES OF THE NORTHEAST

The Northeast, for our purposes, is defined as the New England states plus New York, Pennsylvania, New Jersey, Delaware, and Maryland. This region, with only one-twentieth of the country's land area, supports a quarter of the population of the United States. Moreover, three-fourths of the people within the area dwell and make their living on a rather narrow fringe close to the Atlantic Seaboard in a more or less continuous metropolitan band from Boston to Baltimore—sometimes referred to as the country's "Economic Main Street."

In contrast with other areas of the United States, the Northeast is not only the most heavily populated, but also the most diversified and highly organized with facilities for the production of goods and services of almost all kinds. It abounds in factories, financial institutions, trade and transportation facilities, libraries and laboratories, and the amenities of life. In stock of wealth, and flow of income it is the richest little corner of the country; which is all the more remarkable because it started out poor. Except for coal in Pennsylvania, the Northeast was poorly endowed with minerals, and after the most accessible forest cover was laid bare, only a modicum of really good agricultural land was exposed.

The best single natural resource of the region is its location. Through the resourcefulness of its people, the Northeast became a great gateway—a natural gateway affording access to a rich Continental hinterland and to the wide, wide world overseas. For a region to have made so much out of so little is *prima facie* evidence of the competence and industry of its inhabitants. To paraphrase the most quoted and least read writer in the English language, "What is a region but its people?"

The growth of the gateway

How the Northeast came to be the great gateway that it is may help us to sharpen our focus on the region's problems and prospects. The original settlers had only a tenuous foothold on the edge of the Continent between the big waters and the big wilderness, so they turned to the sea for a livelihood, based on fishing and whaling. Open areas for agriculture had to be hacked out of the forest which yielded timber for shipbuilding, charcoal for forges and furnaces, and bark for the tanneries. Shipbuilding led to flourishing overseas trade out of which capital was accumulated for expansion of manufactures. Incidentally, Philadelphia's early ascendancy was attributable to a good inland port, a rich agricultural hinterland, and maybe the fact that Boston lost Benjamin Franklin.

The opening of the Erie Canal gave New York City easy access to a greatly enlarged hinterland beyond the Appalachians, whereupon New York City became the gateway's gateway, and that city forged ahead to stay.

Through the inventive genius of Eli Whitney, the manufacture of cotton textiles and small arms had an early start in New England;

* Mr. Alderfer, Economic Adviser at the Federal Reserve Bank of Philadelphia, gave this talk at the Seminar on Private Adjustments to Automation and Technological Change sponsored by the President's Advisory Committee on Labor-Management Policies, Wharton School of Finance and Commerce, Philadelphia, May 21, 1964.

but for the Northeast as a whole, mercantile activity continued to play a dominant role to and through the mid-nineteenth century, when our famed "clipper ships" were threatening British primacy on the high seas.

About that time the invention of the Bessemer furnace gave us a cheap steel, which laid the foundation for the great railroad building era. When the railroads linked the North Atlantic seaboard with the rich agricultural and mineral wealth of the West, the gateway became a great manufacturing region.

New England became the country's cotton textile manufacturing center; New York turned to apparel and other "light" manufactures, and Pennsylvania, with its abundance of coal, naturally turned to iron and steel. Upon the discovery of the fabulous iron ore deposits at the western end of the Great Lakes, which afforded low-cost transportation of the ores to within easy rail haul to Pittsburgh, that city became the country's steel manufacturing center.

Manufacturing in the gateway states continued to grow and proliferate, so that the region became famous not only for its cotton textiles and steel but also for wool, silk, knit goods, hardware, machinery, cement, paper, footwear, food processing, and other industries.

In 1881, Northern manufacturers staged an International Cotton Exposition in Atlanta, Georgia, to interest Southerners in new methods of growing and ginning cotton. That started something, for the Southerners said to themselves, "Why don't we process our own cotton into finished textiles right here near the cotton fields?" You know what happened subsequently.

Without an Exposition, steel manufacturing shifted westward to strategic points along the Great Lakes and elsewhere, so that Pittsburgh gradually lost its "half nelson" on steel. Geographic decentralization took place also in other industries, such as machinery, cement, paper, food, and footwear; and the decentralization accelerated with the rise of new industries such as automobiles in Detroit, aircraft on the West Coast, and more recently space craft and rocketry in the South, the Southwest, and the Far West.

When the industrialists of the Northeast first began to feel the sting of competition from the South and the West, they took comfort in the thought that the new competition would be confined to only the coarse cotton textiles and the crude steel castings, and that customers would continue to come to them for the higher-count cottons and the refined steel and machine products in which they had the "know-how." By and by, however, the new industrial centers also acquired skill, whereupon the Northeast shifted into the more sophisticated "upper stages" of production.

If you take the trouble to look at the latest Census of Manufactures—those great and ponderous tomes of statistics—and compare them with Census reports of several decades ago, you may come away with the impression that the Northeast manufactures almost everything, which is true because the Northeast is also a great center of mass consumption. Upon careful analysis, however, it becomes apparent that the Northeast is going in more for the production of "lighter" products, especially things that are finished and ready for ultimate consumption. The Northeast goes in less for textiles and more for apparel, particularly the "high style" items; less for the chassis and running gear of machinery, and more for the gauges and instruments that control such equipment; less for paper and more for printing and publishing; less for potash and more for plastics, less for horsepower

and more for "miniaturation" and micro-magic. In short, the region is moving closer and closer to the consumer, and seeking to keep up with changing consumer demand.

The Northeast has manufacturing plants in every one of the 20 major Census categories or families of industries, like food, primary metals, chemicals, paper, leather, and so on. From the standpoint of total manufacturing employment in the Northeast, apparel ranks first, accounting for about 12 per cent of the total; electrical machinery ranks second, with approximately 10 per cent of the total. Others are progressively smaller, going all the way down to less than 1 per cent in the case of tobacco products.

The electronics industry is perhaps the best example of the Northeastern region's shift in manufacturing away from the old, staid, and commonplace items into the modern and esoteric. The electronics industry as such has not yet made the Census of Manufactures; you have to grab it by the ears. One branch of the industry makes consumer electronics such as radios and television sets; another produces component parts, such as tubes and transistors; and still another division makes a vast array of "way out" or "gee whiz" electronic products. Technological change in the field is fantastic. By the time the ordinary person recognizes the appearance of a transistor tube it has been superseded by a "Tunnel Diode," which is smaller and smarter.

Closely allied with the rapidly expanding and rapidly changing fields of electronics and neucleonics, is research and development pursued either in industrial laboratories or independent research institutes, often in association with the gateway's academic institutions in or near Boston, New Haven, New York, Philadelphia, Princeton, and Washington. Scientific pioneering in centers such as Princeton, the New York metropolitan area, and Route 128 (Boston's golden semicircle) are exerting a powerful influence on the regional shift into the "higher stages" of industrial production. Much regional research and development is also being carried on in drugs and medicine, biochemistry, communications, and synthetics. The Northeast is becoming more and more an incubator for the country's new industries and new processes.

Heads and hands

Another significant trend in the Northeast, directly related to its gateway function, is its higher-than-national proportion of white collar occupations. This is especially true of the New York metropolitan area. As the headquarters for so many of the country's blue chip corporations, the city has become the mecca for a variety of business and related services such as commercial and investment banking, insurance, advertising, speculation, foreign trade, as well as entertainment, medical, legal, and cultural services. Manhattan's towering skyscrapers are packed with people engaged in various forms of production requiring more use of the head than the hands. In the Hoover-Vernon study of the New York metropolitan area it is predicted that the white-collar jobs will continue to grow both in absolute and relative terms for at least the next two decades.

Enter Banquo's ghost

If the foregoing sketch of the economic evolution of the Northeast sounds like a merry feast, it is time to introduce Banquo's ghost. By almost any measure you might select—whether it be population, income, physical output, or employment—the Northeast has not kept pace with the growth of the national economy. That is per-

haps a natural and inevitable consequence of the geographic decentralization of economic activity accompanying the westward drift of the population center of gravity.

Of much greater concern to the Northeast is its persistent unemployment. Despite its small area, the Northeast has over half the country's major metropolitan areas with unemployment between 6 and 8.9 per cent of the labor force, and over three-fifths of the country's major metropolitan areas with unemployment in the dismal 9 to 11.9 per cent category.

New England has already made notable reemployment progress of the previously mentioned Route 128 type of industrial rejuvenation. Perhaps it was the earlier distress caused by out-migration of textiles that prompted efforts to enrich that area's economic base with 20th century industries.

In Pennsylvania, unfortunately, the problem is still endemic, largely because the Commonwealth's economic base is so heavily weighted with 19th century industry founded on coal and steel. Pennsylvania's Paleozoic coal beds gave rise to its quondam glory as the Keystone State. Now that coal has been robbed of so many of its best markets by competing fuels, notably oil and gas, Pennsylvania hurts with Paleozoic pains, and the principal victims are the unemployed in the coal and steel areas.

Looming up as a difficult and discouraging aspect of the problem of unemployment in the Northeast is its share of the multitude of teenagers, the 18-year-olds—that will be descending upon the labor market within the next few years —and the uncertainty of where they will find employment. The social problems of the teenage group have already assumed alarming proportions, and they promise to be much worse unless substantially improved opportunities are created to make these young people productive members of society.

Looking ahead

The prospects for enlarging employment opportunities in manufacturing industries are rather limited. During the past decade the country's manufacturing industries have spent billions and billions of dollars on new plant and equipment, and yet manufacturing employment today is practically where it was 10 years ago —in part as a direct consequence of money spent for mechanization and automation. Walk through a modern chemical plant or petroleum refinery and what do you see? Great towers, huge tanks, miles of pipes, a control room with panels of gauges and instruments telling what's going on, and an occasional worker with a wrench in his hand and a hard hat on his head.

On comparing the over-all economy of the Northeast with that of the United States as a whole, notable differences show up, as you might expect. Using wage and salary disbursements as the measure for comparing the region with the country, the Northeast is notoriously deficient in both agriculture and mining as sources of income. That, however, is a blessing rather than a curse because neither agriculture nor mining offers any hope whatsoever for expanding employment opportunities in the 1957 to 1976 period, according to the National Planning Association's employment projections. In both farming and mining, employment growth is expected to be negative—that is, a shrinkage.

The proportion of wage and salary disbursements originating from Governmental agencies in the Northeast is also below the country's average. That likewise is not too serious. Government has already had its greatest expansion, and although Government employment may con-

tinue to grow, its rate of growth is expected to be below the average of over-all economic expansion.

The Northeast is heavy in manufacturing—above the country's average. That may be good or bad—depending upon the industrial composition or the manufacturing mix of the Northeast, about which some further observations in a moment.

The Northeast is also heavy in services, with a larger proportion of wage and salary disbursements originating from the service industries in the Northeast than in the country at large. That is definitely favorable for the Northeast because service industries promise the fastest rate of growth among all the major economic sectors, according to the N.P.A. projections.

The Northeast also rates above the United States average in the category called finance-insurance-real estate. Employment in this general field is also expected to be one of the rapidly expanding sectors of the economy.

With respect to the remaining major categories (except manufacturing), namely, contract construction, wholesale and retail trade, transportation, and communications and public utilities, the Northeast is substantially on a par with the country. Construction is looked upon favorably as affording a rapidly expanding employment potential. Trade and the utilities are also regarded as above the average of all economic activity; but transportation ranks low, well below, the average of all economic activity and consequently promises little in the way of growing job opportunities.

Manufacturing calls for further comment because of its predominance in both the regional and the national economy. For the country, manufacturing is still the largest single source of wages and salary payments—just a shade under a third of all wage and salary disbursements. In the Northeast, manufacturing is of even greater relative importance, over a third.

Although the expected growth of employment opportunities in the over-all field of manufacturing is on the lower end of the totem pole of growth, there are notable differences in expected rates of growth in the various manufacturing industries. For the more than 50 manufacturing industries for which the N.P.A. has made employment projections through 1976, the various industries fall within a span ranging from a 6.6 per cent average annual growth for electronics to *minus* 1.5 per cent for clay products. The Northeast, fortunately, is well represented among the industries in the upper half—those with better-than-average growing employment potentialities. Among them, in addition to electronics, are communications equipment, scientific instruments, chemicals, printing and publishing, and others. To be sure, the Northeast also has some of the slower growing industries, notably apparel, primary metals, metal fabrication, and nonelectrical machinery. The region will be better off as it attracts more plants of the dynamic type.

Very definitely, the economic base of the Northeast is a curious mixture of strength and weakness. It is comforting to know, however, that the deficiencies of the area are recognized by its leaders and that substantial progress has already been made further to fortify the regional economy.

WHAT ATTRACTS GROWTH INDUSTRIES?

By Bertram W. Zumeta*

Ladies and gentlemen, tonight I should like to discuss with you a game. It's a game in which most of us have an interest, and some here tonight undoubtedly play a hand. But we don't play for fun. This is a deadly serious contest we are talking about. People's jobs, the quality of their lives, the economic health of counties and states and regions depend on the outcome. We have a polite name for it—industrial development. But polite names cover over the human meaning of things. You know as well as I what the essence of the game is—it's jobs. We want plants—plants that will put people to work. We are saying—California is saying, Michigan, the West, the South, Pennsylvania, all are saying: "Mr. Employer, bring your plant *here;* we have what you want."

Well, what do they want? That's what I'd like to discuss with you.

I want to talk about the rules that regulate the play in this contest. I think the rules have changed, but we have been awfully slow to realize it. Too often we play according to the following set of propositions:

1. Industry requires natural resources and raw materials—power, fuel, things dug up and things grown in the earth.

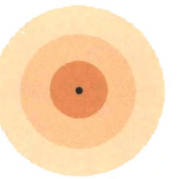
2. Industry must have access—to materials, to resources and to markets where it can sell its products.

3. Consequently, industry locates where it has best access to the materials it uses and the markets in which it sells.

Materials, markets and access—that's the pitch. Of course, there are also some minor propositions about tax climate and governmental attitudes, but materials, markets and access make up the framework on which it all hangs.

There is, furthermore, a very big assumption. Let me christen it the assumption of like labor forces. I suppose 10,000 localities in the U.S., big and little, play this plant-location game. Have you ever heard of one which didn't have a superbly efficient, skilled, eager, cheap labor force?

In other words, our game as it is often played almost takes labor as given. Emphasis is on other things. The trump suit seems to follow this kind of design:



The dot represents whatever place wants a Framshin factory. The circles show how many people live 100 or 200 or X miles away, or how much ore is mined within three hours by slow freight, or something similar. And to Mr. Framshin, the industrial genius who discovered how to use the stuff, we address arguments that run along the familiar lines of physical access and distance.

There isn't anything wrong with arguments like these. They apply very appropriately to some industries which are firmly established in

* Mr. Zumeta, Economist at the Federal Reserve Bank of Philadelphia, gave this talk at ten meetings of bankers and businessmen sponsored by the Federal Reserve Bank during the spring of 1964.

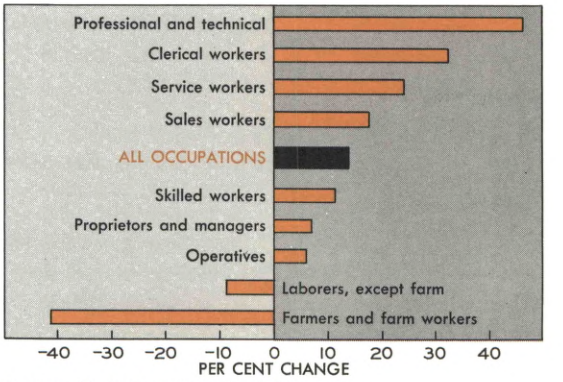
our country, and which occasionally build a new plant. Cement, steel, autos, oil refining all are good examples. The growth of Pittsburgh is a classic case in point. The location was perfect; Pittsburgh was the gateway to the West, although it was also well connected with the Eastern seaboard. Its access to fuel and ore for steel-making was superb. Labor wasn't really a problem. Life was pretty grim for most people a hundred or more years ago, if you think about it. The chance for any job at wages attracted people. Training was rough and ready, on the job or perhaps through an apprenticeship period. Skills required were simple enough to transmit by those methods. Under such conditions, markets, access, materials placed factories; people went to the factories.

But since those days we have passed through two revolutions: one of technology and one of affluence. The growth industries of today largely sell technical sophistication. They are not engaged in producing bulk that has to be transported at great cost. Take just one example. Very little of the value in a printed circuit board is in the materials in it or the cost of transporting it. It's light, small. The value is in the circuit design—just an idea, something that came out of a man's head. Next year, in that man's brain or another's, a better circuit is going to be created. Their companies badly need those men; without the better circuit, they fall behind in the technical race; brains is the resource that creates most of the value in their products.

Industries of this general type account for a very great deal of the really rapid industrial growth today. They include science-based manufacturing: instruments, chemicals, electronics. Two of the biggest and most rapidly growing activities of this sort we don't usually think of as separate industries: administrative and head-office services, and research and development. Often these activities don't produce things at all. Their product may be corporate intelligence, management systems, data handling, ideas, patents—all sorts of intangibles and services.

Companies like this are footloose. They aren't tied to a certain few locations where materials

PERCENT CHANGE IN EMPLOYMENT IN MAJOR OCCUPATIONAL GROUPS, 1950–60



Source: U. S. Department of Commerce.

are; they aren't limited by transport networks for bulk products. Their main resources are brains and technical skills. The chief threat to them is obsolescence, so they put a premium on imagination, education, adaptability, training and curiosity—in short, on quality in people.

At the same time that we have undergone this technological revolution, we have moved toward affluence.

Now maybe you don't feel affluent. I know I don't, because I just found out what it will take to educate two boys through college. But the fact is that for almost 20 years we have been reaping the rewards of an explosion of new ideas. The depression and the war prevented adequate release into the civilian economy, but when the lid finally came off, it resulted in more real in-

come. People, on the average, are just much better off than they used to be.

This applies with special force to the kinds of people I've been talking about: the management experts, scientists, skilled technicians, talented executives, engineers and other professionals for whom the help-wanted sign is up in every successful firm in the country.

People like this are in demand, and they are doing very well. They have choices that, in the conditions of earlier times, people simply didn't have. Sometimes they can practically make companies come to them. In the sense that their choices of where they want to be are less restricted by income pressures than in earlier days, these people are footloose. In the sense that the locations of their employers are less restricted by the conditions of access to materials and markets, these people are footloose. In small groups, such people often break off and form little firms of their own, firms which pretty much peddle ideas and know-how. When they succeed, these firms grow very fast. Their location is not related to materials and mass markets. They are, in those terms, footloose.

Companies are more affluent too. The big, successful firms often are flush with cash today. Ideas for using this cash don't have to pass scrutiny from outside sources of capital as they almost invariably did in the past. Companies have more freedom of action; they are to a greater degree their own masters.

Footloose companies needing the services of people who have unusual freedom of action: these conditions have generated a certain fluidity—an indeterminateness—in the location of a good many modern industries. There are research installations in Florida that might as well have landed in Connecticut. Maybe fishing appealed to the research director. Maybe the climate attracted the president's wife. You can find data-processing centers near Philadelphia which could equally well operate from New York or Chicago. I'm just speculating, but maybe the decision to locate in Philadelphia was swung by the accessibility of a manufacturer's staff which pioneered in simplifying programming systems.

That idea raises another point. A fluid situation of this sort doesn't last forever. There are economies in being near others of one's kind. There are specilazied services which can be supported by several firms but not by one. Some firms complement each other. Such factors encourage clustering. This is quite evident in the groupings of electronic firms near Boston, pharmaceuticals around Philadelphia, certain kinds of research near Princeton. Strong determining factors operate to place these firms, but they aren't the traditional ones. They usually relate to people rather than materials or transport conditions.

One of the strongest determinants of this clustering is the need for access to at least one top-drawer university, technical institute or college faculty. The faculty people are needed as consultants, for ideas. They are needed as teachers, to update the knowledge of professional staffs. I have heard it said that young engineers just out of school today command high starting salaries because it's so hard for older ones to keep up with new developments. That enhances the value of the newly minted ones, with their fresh knowledge. This applies to most technical professions, not just engineering.

What does all this add up to? It's pretty obvious, isn't it? The name of the industrial-location game isn't factories. The name of the game is people. Materials and transportation and access to markets are important, of course,

but they are less important in this period of a new technology and a new affluence, a period which has shifted industrial growth into lines where the major resource is the trained human being. If we want the plants, we've got to attract the people. What does that imply?

It implies attention to what people, and especially the professional and managerial types we have been discussing, want. And what is that? Let me give you my list. You may have things you'd like to add, too. I think people basically want a good place to live. That means:

Pleasant physical surroundings—good housing, attractive towns and countryside.

A social and political climate that's stable and forward looking—not characterized by conflict and dissension, or unprogressiveness or scandal.

Cultural and recreational amenities—parks and museums, music and sports, spectacle and drama—the things that enrich life.

Above all, people today—the people we're talking about—look for an excellent educational system, for their children, and, in many cases, for themselves. The thrust of modern society puts a premium on training and ideas; keeping up with a profession is a continuing challenge today; education never ceases.

Regions acquire reputations. People get the idea certain places are bright or dull, stodgy or exciting, moving ahead or standing still. Facts and stories about an area blend in people's minds into a general image. That image may be just as important in determining a region's economic progress as its location or its other attributes. And images are created by the people in a region, by how they live and govern themselves and educate themselves. This is a fact of life. We can't avoid it; it must be faced.

Providence endowed Pennsylvania with resources and location that won all the marbles when the determining factors were markets, materials and the rest of it. But Pennsylvania

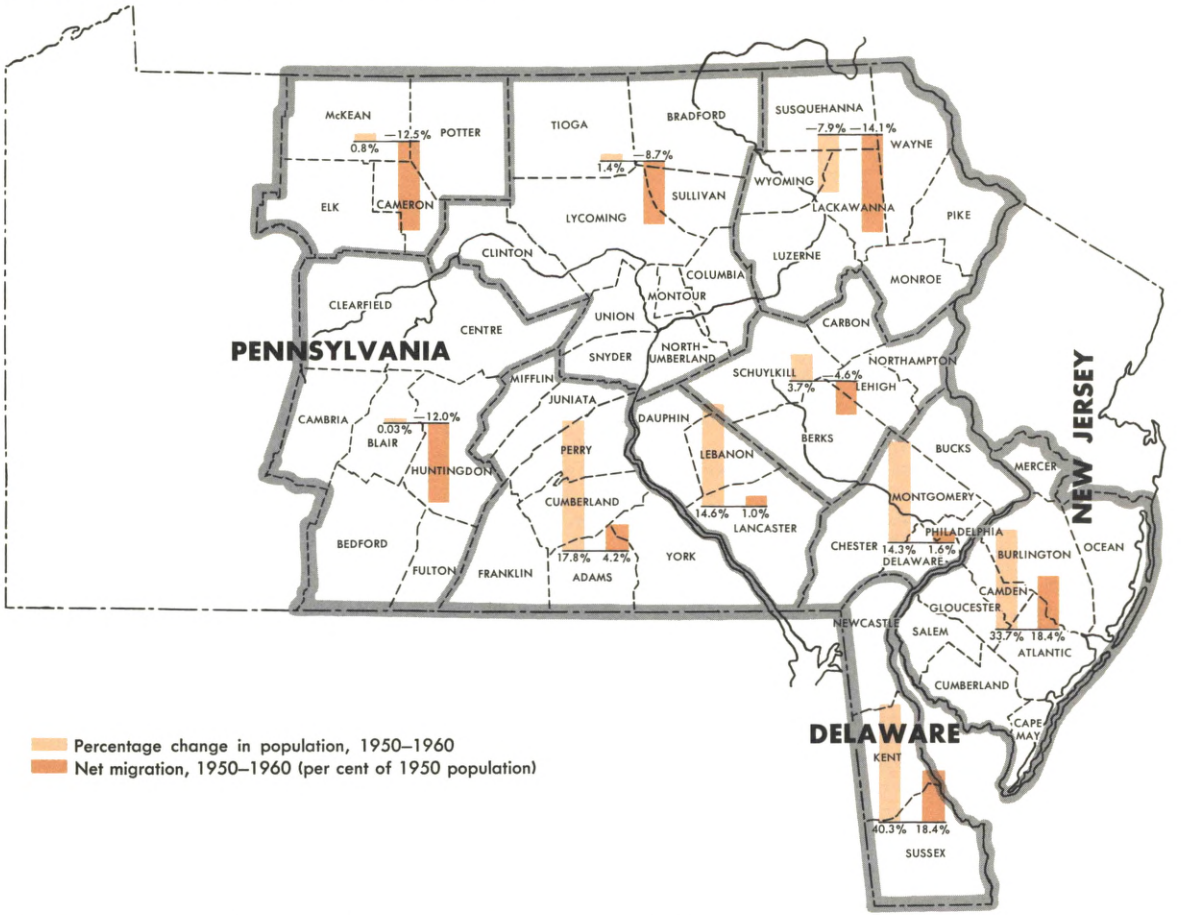
Median Family Income By County, Third Federal Reserve District, 1949–1959

Area	Median Family Income, 1959	Percentage Increase 1949–1959
United States	$5,700	84
Pennsylvania	5,700	80
Potter	4,500	102
McKean	5,300	69
Elk	5,600	85
Cameron	6,500	101
Cambria	4,800	65
Blair	5,100	86
Fulton	3,900	139
Huntingdon	4,100	77
Bedford	4,300	127
Clearfield	4,600	91
Centre	5,200	99
Sullivan	4,300	84
Northumberland	4,500	75
Snyder	4,600	107
Tioga	4,800	93
Columbia	4,900	81
Union	5,000	108
Montour	5,100	118
Clinton	5,200	95
Lycoming	5,200	85
Juniata	4,100	96
Perry	4,700	89
Mifflin	4,900	76
Franklin	4,900	82
Adams	4,900	95
York	5,700	87
Cumberland	6,000	89
Lebanon	5,500	74
Dauphin	5,800	76
Lancaster	5,800	71
Luzerne	4,700	65
Lackawanna	4,900	74
Wyoming	4,200	96
Wayne	4,400	89
Susquehanna	4,800	92
Pike	4,900	98
Monroe	5,100	84
Schuylkill	4,600	71
Carbon	4,800	62
Northampton	5,700	70
Berks	5,800	71
Lehigh	6,100	78
Philadelphia	5,800	74
Chester	6,600	101
Bucks	6,800	96
Delaware	7,300	76
Montgomery	7,600	94
New Jersey	6,800	85
Cape May	4,900	102
Atlantic	5,200	86
Ocean	5,500	97
Cumberland	5,600	89
Salem	6,300	84
Gloucester	6,300	85
Burlington	6,500	98
Camden	6,700	87
Mercer	6,700	75
Delaware	6,200	96
Sussex	4,700	122
Kent	4,900	108
New Castle	6,800	91

Source: U. S. Census of Population.

GROWTH AND MIGRATION OF POPULATION

Field Meeting Areas, Third Federal Reserve District



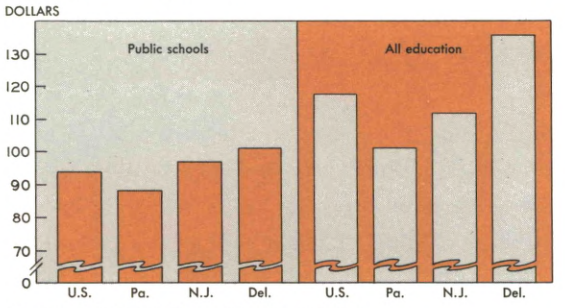
is playing in a different game in the middle part of the 20th century. Failure to realize this has hurt. As older industries slowed down, too many modern ones went elsewhere. Lack of economic opportunity has impaired Pennsylvania's reputation as a place to live.

People have moved out, on net balance, from a majority of counties in the state; population growth has slowed; incomes, once well above the national level, have dropped to the national average. These are serious problems. More serious still is the question of education at all levels. The State is exporting too many college students, and is failing to educate too many. The public school system is spotty, ranging from excellent to quite bad. A nationally circulated magazine recently pointed out that in Pennsylvania only 29 per cent of high school graduates go on to further education, compared with a national average of 50 per cent.

But these I believe are very hopeful facts. I said, hopeful. A region can't do much about its location, its climate, its endowment of natural resources. It can do a great deal about its

GOVERNMENTAL EXPENDITURES FOR EDUCATION

Per Capita of Population



Source: National Education Association.

political and social image; it can develop its reputation as a good place to live and do business; above all, it can foster its universities, colleges, technical training. It *must* become known for excellence in education. California —just to take another example—had a lot going for it, and has grown enormously. Not the least ingredient in that growth was California's image of solid educational excellence at every level. It is quite possible for other states to develop that kind of reputation, too.

Now, if I were sitting where you are, I'd be wondering, at this point, about jobs for the people in my town, who need work. They aren't scientists, or idea men, or technicians with scarce skills. What about them?

My point applies precisely to those people. It is, I believe, perfectly true that the resources that create jobs today are the brains and knowledge of the kinds of persons I have been discussing. But those persons do not by any means fill most of the jobs. Just because our job-creating resources today are more in the mind than in the earth doesn't mean that jobs aren't being created. How is corporate information produced? How are instruments or transistors actually manufactured? Not by scientists, I assure you. Somebody has to man the machines, process the data, guard the plant, do the work. For every professional in most modern science-based corporations, there are many non-professionals. And in every town that has a plant, matching the jobs in the plant are the jobs in the businesses that serve the plant and the people in it, and their families. The important thing is not that brains are the resource. The important thing is to get that resource operating *here*.

Ladies and gentlemen, it adds up to this:

Because the name of today's industrial-location game is people, therefore the conditions of living, the reputation of our communities, can't be one of stodginess or inflexibility; rather, we must project the kind of open-minded enthusiasm and progressiveness that will appeal to the decision-makers whose choices bring new jobs to communities or preserve existing ones. More and more, those choices revolve around what kind of a community they, and their people, will live in.

If we make it clear that we want Mr. Employer, his executives and his idea men, we may get his factory!

RESORT BUSINESS HEADS FOR A NEW RECORD

Along the shorelines of New Jersey and Delaware and in the Pocono Mountains of Pennsylvania, resort people have a lot going for them this year. We talked with bankers and businessmen in these areas of the Philadelphia Federal Reserve District and, without exception, found them exceedingly optimistic over prospects for the current season.

Never has the nation's economy been at a higher level than at the start of vacationtime 1964. The Democratic Convention in Atlantic City and the New York World's Fair promise to vie for top honors in promoting travel this summer. And speeding the flow of traffic is the Chesapeake Bay Bridge-Tunnel, ferry service between Cape May, New Jersey, and Lewes, Delaware, and the early completion of a good part of the Atlantic City Expressway.

The increase in travel implicit in this favorable combination of factors should mean a lot more vacation dollars spent for lodging, food, and recreation. It is no wonder that many landlords and merchants have begun thinking in terms of new records that may well be set during the ten weeks or so of "sun and fun" stretching from the Fourth of July to Labor Day.

Transient business is tops

A long string of beautiful weekends seems to have contributed greatly to this year's exceptionally good volume of early season business. In some areas, the comment most frequently heard is "transient business has never been so good." This description applied especially to the Memorial Day and several succeeding weekends, when the weather was nearly ideal in both precipitation and temperature. Spending patterns observed thus far leave little to be desired, according to those with whom we talked.

Real summertime weather through much of June sent many people to seashore and mountain resorts in search of weekend relief from the heat and humidity. Some places reported lodging accommodations filled to capacity by short-staying guests. Lines formed in front of many restaurants in the best tradition of peak-season operations. Recreational facilities came in for heavy use, and cash registers played a merry tune in the shops of many retail merchants.

Reservations set a torrid pace

Almost everywhere in our area, advance reservations seem to have come very early and in

FOURTH OF JULY WEEKEND

Resort people set a lot of store by Fourth of July weekend. It marks the beginning of the peak season for visitors—a time to pack them in until all facilities are bulging at the seams.

From all accounts, no one was disappointed this year. The weather, while perhaps not ideal for the whole three days, was plenty good to send vacationers onto the highways in droves. A great many of our shore and mountain resorts seem to have set new records in both number of guests and vacation dollars spent.

Thus, "no vacancy" signs were a common sight by Friday night in all our more popular spots. Parking space was at a premium just about everywhere. Long lines formed early in front of restaurants. Amusements were operating at capacity right through the weekend. And, for retail merchants, this early summer holiday seems to have been a time for real rejoicing.

unexpectedly large volume. Long before the schools closed, landlords were reporting bookings well above year-earlier levels. And pre-season 1963 saw an unusually large number of vacationers signed up in all our more popular resort areas. As might be expected with drawing cards like the Fair and Convention, more of this year's reservations are coming from people living at greater distances from our beaches and mountain resorts.

Length of stay has changed little

Some of our resort people see the possibility of a stretch-out in rentals this season. Others tell us reservation periods may be shorter because of time allowed to visit the New York Fair grounds. Over-all, the consensus seems to indicate that vacationers will spend about the same time in their favorite resort as in other recent years. Visitors occupying cottages generally stay longer than those renting hotel or motel rooms, or even apartments. In any case, landlords do not object to turnover just as long as their facilities are well occupied.

Rate changes seem unlikely

Pressure of demand could, to be sure, bring some rate hikes this season; however, our inquiries show that no general advance is in prospect. Where living accommodations have been improved or new recreational facilities provided, guests should expect to pay a little more. On the basis of advance reservations and other indications of an excellent season, rate concessions are not "in the cards" for this year.

Construction volume is up sharply at some resorts

Building to expand capacity has been a noteworthy feature of a number of Third District resorts this season. Cottage construction which had been lagging at the seashore is said to have perked up sharply. Most of those not owner-occupied are renting promptly, according to local realtors. New motels also have appeared on the scene in several South Jersey resorts. In the Pocono Mountains one "big name" resort has added an entire building, and other favored spots have continued a fairly pronounced cottage building trend. Motel construction in much of our mountain vacationland seems to have ended for the present.

Outlays for renovations are substantial

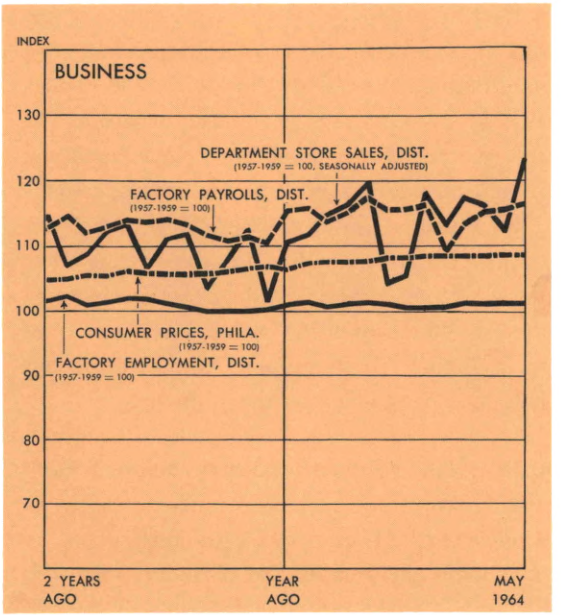
A pet renovation project in many resorts is the enclosure of existing swimming pools to make them all-weather, year-round facilities. This generally is a costly undertaking but, in the opinion of landlords, is worthwhile because it reduces to some extent the effects of unfavorable weather. Guest rooms have undergone considerable re-doing, and dining rooms and indoor recreational areas also have come in for a share of the spending for plant improvement.

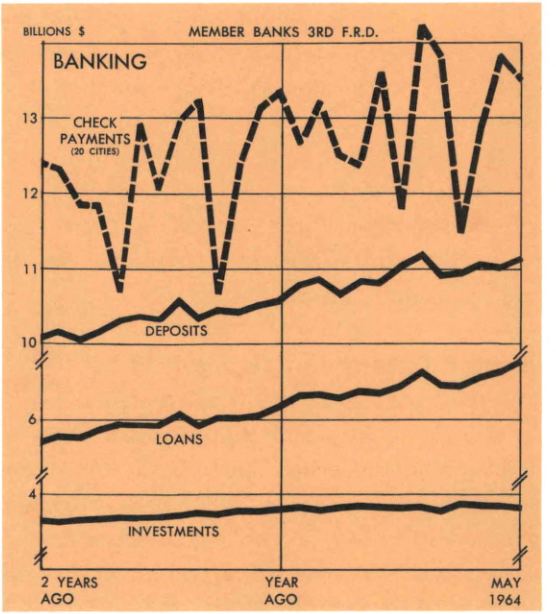
The weather has been near-perfect . . . thus far

The weather has been so good for so long that businessmen and bankers in every summer resort have their fingers crossed as peak season approaches. From now until Labor Day, weather becomes an increasingly critical factor that could spell boom or bust for almost any part of our vacationland.

But, as we have said before, optimism runs unusually high for the weeks ahead. The opportunity is there to make this a memorable year in the mountains and at the beaches.

FOR THE RECORD...





SUMMARY

	Third Federal Reserve District			United States		
	Per cent change			Per cent change		
	May 1964 from		5 mos. 1964 from year ago	May 1964 from		5 mos. 1964 from year ago
	mo. ago	year ago		mo. ago	year ago	
MANUFACTURING						
Production	....	....	....	0	+ 5	+ 6
Electric power consumed	+ 1	+ 5	+ 7	....	....	....
Man-hours, total*	0	− 2	− 2	....	....	....
Employment, total	0	0	0	0	+ 1	+ 2
Wage income*	+ 1	+ 2	+ 2	....	....	....
CONSTRUCTION**	−17	+18	+22	+ 6	− 4	+ 9
COAL PRODUCTION	+19	+12	+ 5	+ 8	+ 1	+ 2
TRADE***						
Department store sales	+10	+11	+ 8	....	....	....
BANKING (All member banks)						
Deposits	+ 1	+ 5	+ 5	0	+ 7	+ 7
Loans	+ 2	+ 9	+ 9	+ 1	+14	+12
Investments	− 1	0	+ 2	− 1	− 1	0
U.S. Govt. securities	− 1	− 7	− 6	− 2	− 8	− 8
Other	0	+16	+19	0	+12	+16
Check payments	− 2†	+ 1†	+ 4†	− 6	+ 4	+ 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

LOCAL CHANGES

	Factory*				Department Store†			
	Employment		Payrolls		Sales		Check Payments	
	Per cent change May 1964 from							
	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago
Lehigh Valley	+1	+1	+ 1	+ 4	....	....	− 5	+ 0
Harrisburg	0	+1	+ 2	+ 9	....	....	− 1	−15
Lancaster	0	0	+ 1	+ 5	+ 6	+ 7	− 4	+11
Philadelphia	−1	−2	0	− 1	+10	+10	0	0
Reading	0	+2	0	+ 6	+ 8	+16	− 8	0
Scranton	0	+2	0	+ 6	+11	+11	− 3	+ 1
Trenton	0	0	+ 1	+ 6	+13	+13	−18	0
Wilkes-Barre	+1	+1	+ 1	+ 8	+14	+ 6	0	+ 7
Wilmington	+1	+2	+ 3	+12	+ 7	+14	− 4	+ 4
York	0	+5	+ 1	+12	+11	+13	+ 4	+37

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