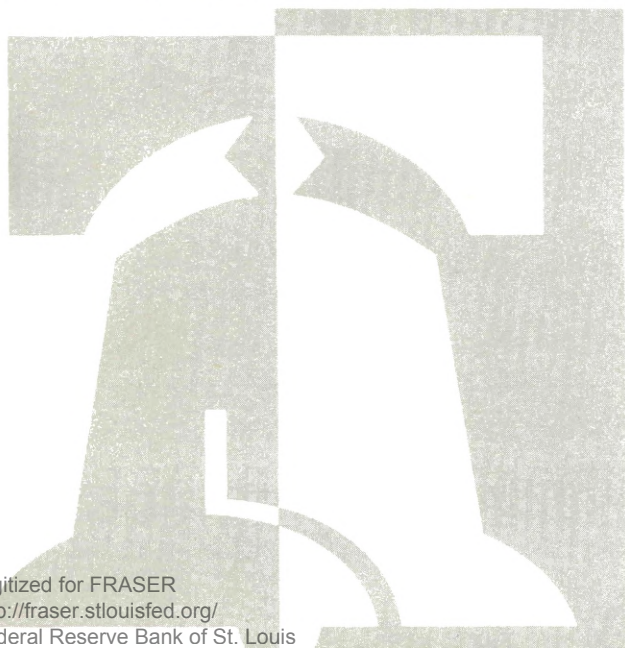


The Delaware Valley and the Big East Coast Ports
Class of '65: Have Diploma, Will ...?
Capital Spending: Onward and Upward

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THE DELAWARE VALLEY AND THE BIG EAST COAST PORTS

...Who's getting the trade?

Philadelphia grew up where William Penn landed. Penn came ashore at that point because it was a fine place to land—a good port. Hence, no port, no Philadelphia.

Poor logic? Undoubtedly. But the conclusion is probably true. Philadelphia's excellent port helps account not only for its beginning but also for its existence as we know it today. In fact, the entire Delaware Valley, from Trenton to below Wilmington, earns a good deal of its living by providing port services and from industries which are there because the Delaware River ports are there.

Large ports also are vital underpinnings for the economies of Boston, New York and Baltimore; and the port complex called Hampton Roads forms a substantial part of the economies of Norfolk and Newport News, Virginia.

In addition to being important to their regions, these five ports have something else in common—problems. Rapid changes in transportation methods and the technology of goods-handling, obsolete facilities, space limitations, financing difficulties are some of the many things that contribute to port headaches.

Because of the significance of their ports to their economies, concerned citizens in each of the major port areas of the East Coast are taking action to overcome these problems. In Philadelphia, the most recent form this action has

taken is the creation of the Philadelphia Port Corporation.

Action to do something about the ports can go a long way to invigorate *all* of the economies of which they are a part; it can enlarge the *total* pie of port business. But to a considerable extent it represents efforts to get a larger slice of the port pie. In this competitive atmosphere each port area will be keeping an eagle-eye on who's getting the trade.

As they compete with other ports, Philadelphia and the Delaware River ports will be building

SUMMARY OF FINDINGS

The Delaware River ports generally increased their share of East Coast port business in the last decade. Their performance in foreign commerce was especially striking between 1959 and 1963. In the very last part of this period, however, they lost ground somewhat.

These rather surprising conclusions are based on:

1. Comparisons of **gross tonnage handled**. By this measure the Delaware River ports gained faster than all ports except Hampton Roads between 1953 and 1963. But a tonnage measure only gives a general idea of performance because it doesn't distinguish between bulk cargo and general cargo. Comparisons that in part minimize this shortcoming show that:

2. In **foreign commerce** (exports to plus imports from foreign countries) the Delaware River ports increased their share of the business more than any of the other big East Coast ports. Their performance between 1959 and 1963 was exceptional. More recently this good performance has tailed off.

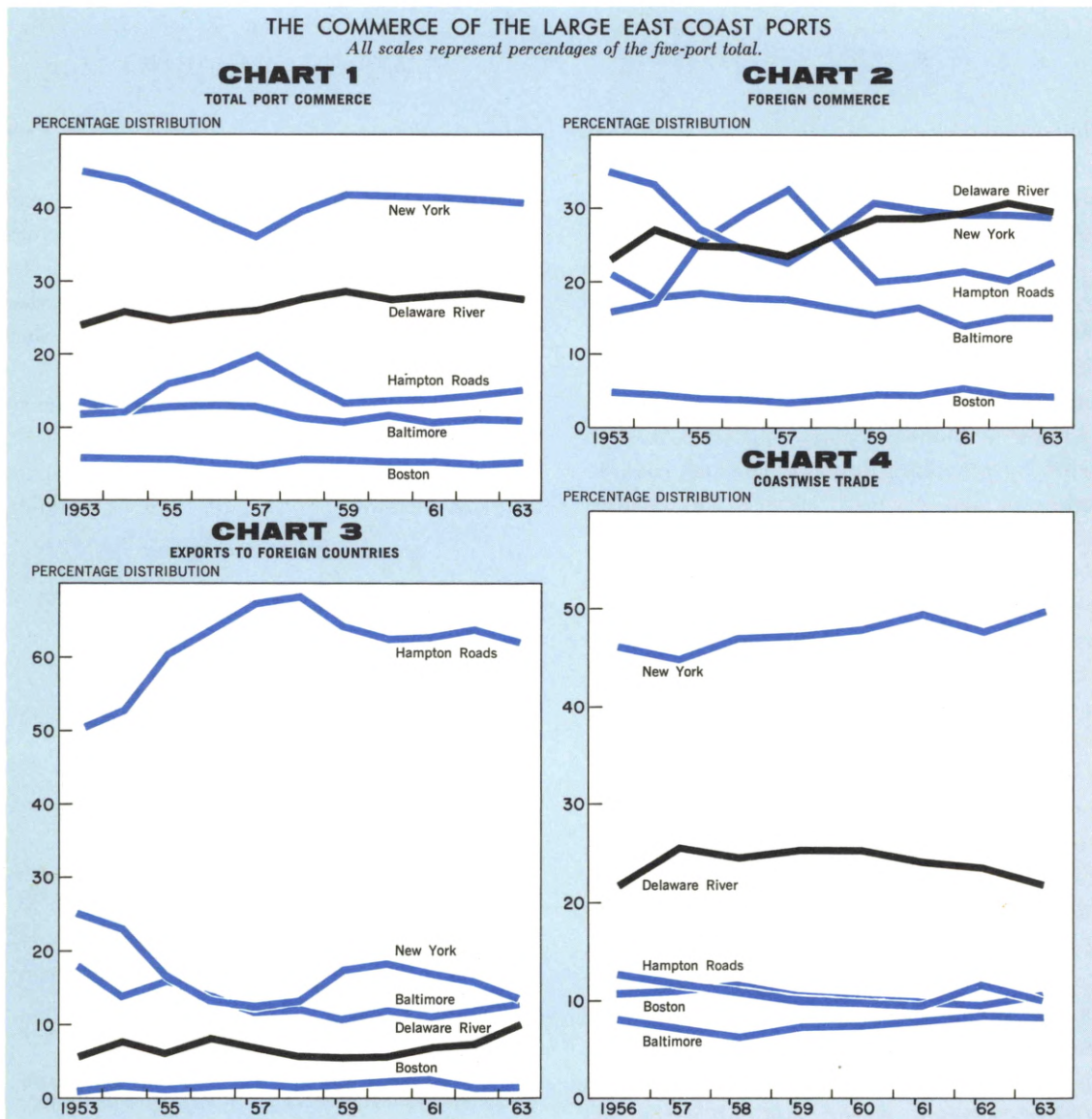
3. In **coastwise commerce**, however, the Delaware River ports lost out to the other East Coast ports.

on a record in the recent past that offers promise for the future. Although it is not generally realized, and although it can't be drawn in black-and-white clarity, the picture for the past decade looks generally good for the Delaware River

ports. That is the gist of this article.

Shares of the trade—an over-all view

One way to find out who's getting the trade is



to look at each port's share of total tonnage going through all five ports combined. This is shown in the accompanying charts.

Since 1953 the Delaware River ports made the second biggest gains of all the ports in total commerce (Chart 1). Their gains were especially striking in that part of the business representing trade (exports plus imports) with foreign countries (Chart 2). And although a relatively small part of their business, exports to foreign countries gained significantly (Chart 3). When it came to coastwise trade, however, the ports on the Delaware lost out to others during most of the period (Chart 4).

These comparisons do not tell the whole story, however. They may mask as much as they reveal. Port commerce is counted in short tons. A short ton is a unit of weight, not a measure of value or of effort required to load and unload. The Delaware River ports, for example, have handled greatly increased tonnages of coal in recent years, but have lost business in manufactured cotton products to Boston, Baltimore and Hampton Roads. Coal is loaded and unloaded in bulk—a few men run much machinery. Manufactured cotton goods require more men in the handling, and, being diverse, more people to keep track of what went or came from where, and to write insurance and so on. Which is better, to improve a port's competitive position in the manufactured cotton business or in the coal business?

On a per ton basis, and considering only the employment and income directly associated with the handling and bookwork involved, the answer is clear. It is better to handle additional weights of general cargo items such as manufactured cotton than to move more bulk items. The general cargo generates more jobs and income. So the comparisons on the charts do leave much

to be desired, because in making these comparisons we are counting a ton of coal as equal to a ton of packaged manufactures.¹

Changing shares by commodity groups

A more meaningful way to find out which ports are getting the trade is to investigate separately the traffic in each important class of commodity. Has each port's share of cargo in each commodity group increased or decreased?²

Take wood and paper products, for example. Between 1953 and 1963, there was a shift southward in foreign commerce in these products. Shares of Boston, New York and Delaware River ports declined. Shares of Baltimore and Hampton Roads increased.

Table 1 in the appendix shows similar information for every major group of commodities handled by the East Coast ports, except for iron ore.

Iron ore is a special case. Practically all that moves through the five ports is imported. Baltimore and the Delaware River ports in 1963 had 98 per cent of this business. These two ports serve large steel plants that consume foreign ores. It would have been somewhat misleading to have included this commodity in the general

¹ All is not black or white in the coal vs. cotton argument, or indeed in many bulk vs. general cargo comparisons. There are indirect as well as direct effects to be considered. Take an extreme example: suppose that installing facilities to handle a certain type of bulk cargo would hold or bring to the region of a port an industry that requires the bulk item. The jobs generated in directly handling the item might be few, but those in the industry served might be many.

Another point: because general cargo is generally more desirable does not mean that bulk cargo is undesirable. All five of the ports considered in this discussion are predominantly bulk cargo ports, in tonnage at least. None would be happy to lose its bulk traffic in, say, grain or oilseeds or molasses, though the people working at the waterfronts undoubtedly would feel even more keenly losses in general merchandise volume.

² The findings given here relate to foreign commerce and coastwise commerce. Unfortunately, the information on local traffic and on inter-port commerce that does not cross a portion of the ocean ("internal" commerce) is compiled in such form that for these types of traffic we have found no valid way to make comparisons by commodity group.

In short tons, foreign and coastwise commerce make up about three-quarters of the total commerce through the five ports. The high figure for 1963 was 90 per cent at Boston; the low figure was 68 per cent at New York.

tabulation when two of the five ports almost monopolize it, so it is treated separately here.

As the following table shows, iron ore movements are about equal in the two ports. Until 1959, Baltimore had more of the business; since then, the Delaware River ports have had the advantage. The steep climb in earlier years resulted from the establishment of new mills for making steel from imported ores in the Delaware Valley.

IRON ORE SHIPMENTS THROUGH FIVE LARGEST EAST COAST PORTS

Year	Per Cent of Total Shipments	
	Delaware River	Baltimore
1963	51	47
1962	53	45
1961	51	46
1960	49	47
1959	50	45
1958	46	50
1957	47	49
1956	44	52
1955	40	56
1954	35	62
1953	11	86

In addition to increasing their share of iron ore shipments, the Delaware River ports gained in most classes of commodities. Of eleven types of commodities traded with foreign countries, the local ports increased their share in nine. As the following table shows, their performance was especially striking between 1959 and 1963. In that period the Delaware River ports gained a larger share of trade in all eleven types of commodities. More recently, between 1961 and 1963, the local ports did less well, gaining in six commodities and losing in five. Baltimore was especially strong in this last period.

Each number below indicates in how many commodity groups each port increased or decreased its share of the total business of the 5 ports.

	1953-1963		1959-1963		1961-1963	
	Gained	Lost	Gained	Lost	Gained	Lost
Boston	4	7	4	7	2	9
New York	3	8	1	10	5	6
Delaware River	9	2	11	0	6	5
Baltimore	6	5	8	3	8	3
Hampton Roads	5	6	6	5	5	6

See appendix Table 1 for details.

How much gain and loss?

How do these gains and losses add up? Though they show changing shares, they do not show *how much* the shares changed. Which port increased its share most? Which decreased most?

These questions can be answered by figuring how much each port fell behind or moved ahead of the entire group in adding to its share. For example, "chemicals and miscellaneous" commodities look like this for 1959-1963:

Boston	-11,000
New York	-74,000
Delaware River	+ 2,000
Baltimore	+57,000
Hampton Roads	+26,000

New York would have needed 74,000 more tons of this kind of commerce to maintain its share. Baltimore got 57,000 tons more than were required to maintain its share of this trade. With this much information, it is possible to rank the performance of the ports. In the example given above, they rank as follows:

1. Baltimore
2. Hampton Roads
3. Delaware River
4. Boston
5. New York

Baltimore did best in adding to its share of the total trade of the five ports in chemicals and miscellaneous products between 1959 and 1963. New York did worst. The Delaware River ports barely squeaked through on the plus side, to attain third ranking.³

³ See Appendix for discussion of an alternative ranking scheme.

Table 2 in the appendix gives the rankings, worked out exactly as above, for each port in each commodity class during each of three time periods. It also gives the totals of the ranks for each port.

There are 11 commodity classes. If a port increased its share of the trade in each commodity class more than any other port did, it would rank first in each class. The ranks for that port then would total to 11. This is the best any port could score. It represents a very high degree of competitiveness. The worst a port could do would be always to rank fifth, for a total of 55. Such a port would have decreased its share in every commodity group.

The measure just described is far from a perfect index. It depends considerably on the commodity classifications used; by juggling them judiciously, one could make a port look better or worse. And it would be much more sensitive if more classifications were used. It has an advantage, however. It greatly reduces the dominance of bulk cargo tonnage. Petroleum, for example, contributed 85 per cent of the Delaware River's foreign commerce tonnage in 1959 (if we exclude iron ore from consideration). In the ranking scheme, it contributes only one of eleven ranks.

The scores come out like this, with 11 the best possible, 55 the worst possible:

	1953-1963	1959-1963	1961-1963
Boston	32	37	38
New York	42	51	36
Delaware River	23	16	28
Baltimore	36	27	27
Hampton Roads	32	34	36

See appendix Table 2 for details.

During most of the decade, the Delaware River ports scored better than all the other ports.

Their performance from 1959 to 1963 was exceptional. Their ability to increase shares of various types of trade dropped off slightly during the last two years for which data are available, however, and Baltimore made a marginally better showing.

Exports to foreign countries

Imports make up most of the foreign commerce moving through the Delaware River ports, although considerable effort has been devoted to expanding export trade. Table 3 in the Appendix shows how the shares of exports of the various ports have changed.⁴

Here are the scores, with 9 being the best possible, 45 the worst possible:

	1953-1963	1959-1963
Boston	24	27
New York	35	39
Delaware River	23	24
Baltimore	29	22
Hampton Roads	24	23

The Delaware River ports turned in the best performance over the whole period, but their position slipped between 1959 and 1963. The most noteworthy development was the enhanced position of Baltimore during the more recent period, and the worsening performances of the ports to the North, including the ports on the Delaware.

This last fact, compared with the chart of total exports, page 4, which shows faster gains at the Delaware River ports, takes some explaining. The answer is in the enormous growth of coal and petroleum exports on the Delaware, where they almost quadrupled in the four years

⁴ Nine commodity classifications now are employed, rather than eleven. Coal and petroleum are combined because some ports do not export one or the other. Sugar has been combined with the other vegetable food products.

following 1959. At Baltimore, coal and petroleum exports doubled. The table of ranks offsets the extreme effect of this bulk tonnage; the chart does not (a good reason for being careful in judging performance by tonnage alone).

Changing shares of coastwise commerce

The table below shows what has happened in coastwise commerce. These results are available only for 1959–1963, because data in this category were not available for every port for years further

back. Best possible score is 9; worst possible, 45.

	1959–1963
Boston	30
New York	18
Delaware River	35
Baltimore	29
Hampton Roads	23

See appendix Table 4 for details.

The Delaware River ports clearly had the worst performance of all the ports. New York, which lagged generally in foreign trade, improved its position in coastwise trade substantially.

APPENDIX

Source of data

All data used in the analyses described above came from *Waterborne Commerce of the United States; Part 1, Waterways and Harbors, Atlantic Coast*, published annually by the U. S. Department of the Army, Corps of Engineers, New York City.

Commodity classifications

	Corps of Engineers Codes
Animal products	005–098
Grains and feeds	100–110
¹ Sugar	180
¹ Other vegetable food products	120–199
Inedible vegetable products	200–390
Wood and paper	400–475
Coal and coke	501–504
Petroleum products	505–522
Other nonmetallic minerals	523–556
² Metals and machinery	601–796
Chemicals and miscellaneous products	800–999

¹ In analyzing data on exports and coastwise commerce, sugar was combined with the other vegetable food products.

² Iron ore was always excluded.

Basis of rankings

The rankings used in the analyses by commodity classes are based on absolute deviations, in short tons, of each port’s performance from the change required for it just to maintain its share of the business in each commodity group. Another possible basis of ranking would be to use differences in percentage changes. A port which usually did little business in a particular commodity then might attain first rank in a certain time period because, for example, it had a high percentage increase. Yet, this increase, applied to a small tonnage base, would result in quite a small increase in that port’s share in tons.

The plus and minus signs will be the same no matter which ranking scheme is used. The system that was actually employed, based on absolute deviations, may sometimes have given the large ports very high or very low ranks compared with somewhat less extreme ranks under the other system.

TABLE 1

Gains (+) and Losses (–) in Shares of Foreign Commerce*
(Iron ore movements excluded)

Commodity Classification	1953–1963					1959–1963					1961–1963				
	Boston	New York	Delaware River	Baltimore	Hampton Roads	Boston	New York	Delaware River	Baltimore	Hampton Roads	Boston	New York	Delaware River	Baltimore	Hampton Roads
Animal products	+	–	+	+	+	+	–	+	+	+	–	–	–	+	+
Grains and feeds	+	–	+	–	+	–	–	+	–	+	–	+	+	–	+
Sugar	–	–	+	+	–	–	–	+	+	–	–	–	–	+	–
Other vegetable food products	+	–	+	–	–	+	–	+	+	–	–	+	–	–	+
Inedible vegetable products including fibers	–	+	–	+	+	–	–	+	–	+	+	+	+	–	–
Wood and paper	–	–	–	+	+	–	–	+	+	+	–	–	+	+	+
Coal and coke	–	–	+	–	–	–	–	+	+	–	–	+	+	+	–
Petroleum products	–	+	+	–	–	–	–	+	–	+	–	+	+	+	–
Other non-metallic minerals	–	–	+	+	–	+	+	+	+	–	+	–	+	+	–
Metals and machinery, except iron ore	+	+	+	–	+	+	–	+	+	–	–	–	–	+	–
Chemicals and miscellaneous products	–	–	+	+	–	–	–	+	+	+	–	–	–	+	+

* Imports from and exports to foreign countries.

TABLE 2

Rankings of Gains and Losses in Shares of Foreign Commerce
(Low numbers indicate gains; large numbers indicate losses)

Commodity Classification	1953-1963					1959-1963					1961-1963				
	Boston	New York	Delaware River	Baltimore	Hampton Roads	Boston	New York	Delaware River	Baltimore	Hampton Roads	Boston	New York	Delaware River	Baltimore	Hampton Roads
Animal products	1	5	4	2	3	4	5	2	1	3	4	5	3	1	2
Grains and feeds	3	4	2	5	1	3	5	2	4	1	4	3	1	5	2
Sugar	4	5	1	2	3	4	5	1	2	3	2	5	3	1	4
Other vegetable food products	2	4	1	5	3	2	5	1	3	4	3	1	4	5	2
Inedible vegetable products, including fibers	4	2	5	3	1	3	4	2	5	1	3	1	2	5	4
Wood and paper	4	5	3	1	2	4	5	1	2	3	4	5	3	1	2
Coal	2	3	1	4	5	3	4	1	2	5	4	3	1	2	5
Petroleum products	4	2	1	5	3	4	5	1	3	2	5	1	2	3	4
Other non-metallic minerals	3	5	1	2	4	3	4	1	2	5	3	4	2	1	5
Metals and machinery, except iron ore	1	2	3	5	4	3	4	1	2	5	3	4	2	1	5
Chemicals and miscellaneous products	4	5	1	2	3	4	5	3	1	2	3	4	5	2	1
Totals (competitiveness index)	32	42	23	36	32	37	51	16	27	34	38	36	28	27	36

Minimum (best) possible score: 11

Maximum (worst) possible score: 55

TABLE 3

Rankings of Gains (+) and Losses (-) in Shares of Export Commerce

Commodity Classification	1953-1963					1959-1963				
	Boston	New York	Delaware River	Baltimore	Hampton Roads	Boston	New York	Delaware River	Baltimore	Hampton Roads
Animal products	+ 1	- 4	- 5	+ 2	+ 3	+ 1	+ 4	- 5	+ 3	+ 2
Grains and feeds	+ 3	- 4	+ 2	- 5	+ 1	- 3	- 5	+ 2	- 4	+ 1
Other vegetable food products	+ 3	+ 1	+ 2	- 4	- 5	+ 4	- 5	+ 2	+ 3	+ 1
Inedible vegetable products, including fibers	- 3	+ 1	+ 2	- 4	- 5	- 3	+ 1	+ 2	- 5	- 4
Wood and paper	+ 3	- 5	- 4	+ 2	+ 1	- 4	- 5	- 3	+ 2	+ 1
Coal and petroleum	+ 2	- 5	+ 1	- 3	- 4	- 3	- 4	+ 1	+ 2	- 5
Other nonmetallic minerals	- 4	- 5	+ 3	+ 2	+ 1	- 3	- 5	+ 2	+ 1	- 4
Metals and machinery	+ 1	- 5	+ 2	+ 4	+ 3	+ 2	- 5	- 4	+ 1	+ 3
Chemicals and miscellaneous products	- 4	- 5	+ 2	+ 3	+ 1	- 4	- 5	- 3	+ 1	+ 2
Totals (competitiveness index)	24	35	23	29	24	27	39	24	22	23
Minimum (best) possible score: 9										
Maximum: 45										

TABLE 4Rankings of Gains (+) and Losses (-) in Shares of Coastwise Commerce
1959-1963

Total Commerce (Receipts and Shipments)

Commodity Classification	Boston	New York	Delaware River	Baltimore	Hampton Roads
Animal products	- 4	+ 1	+ 2	- 5	+ 3
Grains and feeds	- 3	+ 1	- 4	- 5	+ 2
Other vegetable food products	+ 3	+ 1	- 5	- 4	+ 2
Inedible vegetable products, including fibers	- 3	+ 1	- 5	- 4	+ 2
Wood and paper	- 4	+ 2	- 5	+ 1	- 3
Coal and petroleum	- 3	+ 1	- 5	+ 2	- 4
Other nonmetallic minerals	- 4	- 5	+ 3	+ 2	+ 1
Metals and machinery	- 3	- 5	- 4	+ 1	- 2
Chemicals and miscellaneous products	- 3	+ 1	+ 2	- 5	- 4
Totals (competitiveness index)	30	18	35	29	23
Minimum (best) possible score: 9					
Maximum: 45					



CLASS OF '65: HAVE DIPLOMA, WILL...?

What has been called the “anatomical explosion” of post-World War II will produce the biggest boom in high school graduates this June that the United States has ever witnessed. More than 2½ million teenagers will be graduated from the Nation’s public and nonpublic secondary schools in 1965. This will be an increase of ¼ million over last year, 1¼ million over that of 10 years ago.

Pennsylvania, New Jersey, and Delaware will, of course, contribute to the swelling rosters of high school graduates.* Public and nonpublic secondary schools in these three states will graduate an estimated 278,000 teenagers this year. This will be 13 per cent more than in 1964, almost 40 per cent more than in 1960, just five years ago.

How well—indeed, *how*—will the economy absorb this massive vanguard of the “war babies?” Their future is of mounting concern to government officials, educators, and sociologists. They are a growing component of the labor force—high school graduates in Pennsylvania, New Jersey, and Delaware this year will be one-third more of a factor in the three states’

total civilian work force than they were in 1960. While teenagers throughout the United States, high school graduates and nongraduates alike, are but nine per cent of the labor force, they accounted for 26-plus per cent of all unemployment in April.

Interviews with educators and officials of state labor and industry departments, together with the experiences of past graduating classes, offer some clues as to the future of 1965’s high school graduates from the Third Federal Reserve District.

Post-high school education increasing

Public high school graduates in Pennsylvania, New Jersey, and Delaware since 1960 have increasingly sought additional education, as the first chart indicates.* This trend is expected to continue in 1965 because of growing exhortation on the need for post-high school education, general affluence of the economy, and various levels of government support and subsidy programs.

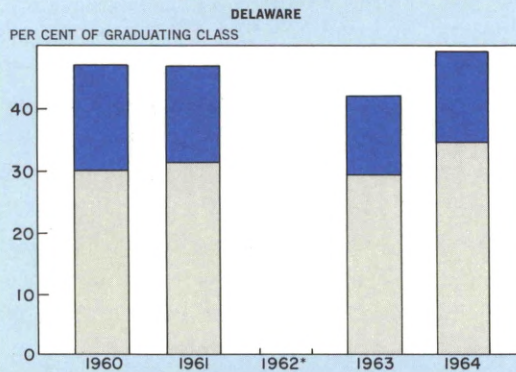
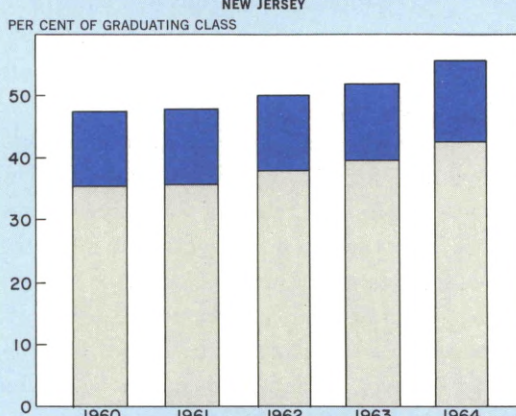
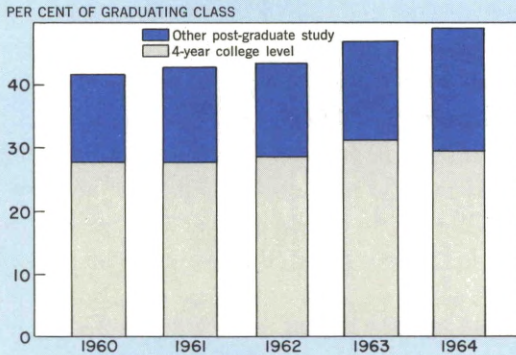
Approximately 34 per cent of the 1964 public high school graduates in the three states entered 4-year colleges and universities. One in-

* The Third (Philadelphia) Federal Reserve District is comprised of the eastern 48 counties of Pennsylvania, the southern nine counties of New Jersey, and the State of Delaware.

* Data on post-high school education for all nonpublic schools were not available. However, fragmentary data indicate that nonpublic secondary school graduates at least equal the “further education” experience of public school graduates.

CHART 1

PUBLIC HIGH SCHOOL GRADUATES ENTERING POST-GRADUATE SCHOOLS, 1960-1964 PENNSYLVANIA



*Data for Wilmington public high schools for 1962 were unavailable. Data for the other years indicate a lesser percentage of public secondary school graduates in Wilmington enroll in post-graduate schools than do graduates of secondary public schools outside Wilmington.

hibiting factor to an increase in this percentage for 1965 is that the well-known colleges and universities are under-campused and overcanvassed. Offsetting this condition is the fact that today guidance counsellors know more about the less-prominent colleges, and are successfully persuading students—and their parents—that matriculation in these colleges is desirable.

Schools other than degree-granting institutions—junior colleges, nursing, business, technical and trade schools, and others requiring high school diplomas for admission—will also attract a greater number of this year’s high school graduates. It is a fairly certain prediction that more than half the total 278,000 secondary school graduates in the three states in 1965 will enroll in either 4-year institutions or in other kinds of schools.

“Found Work” experience

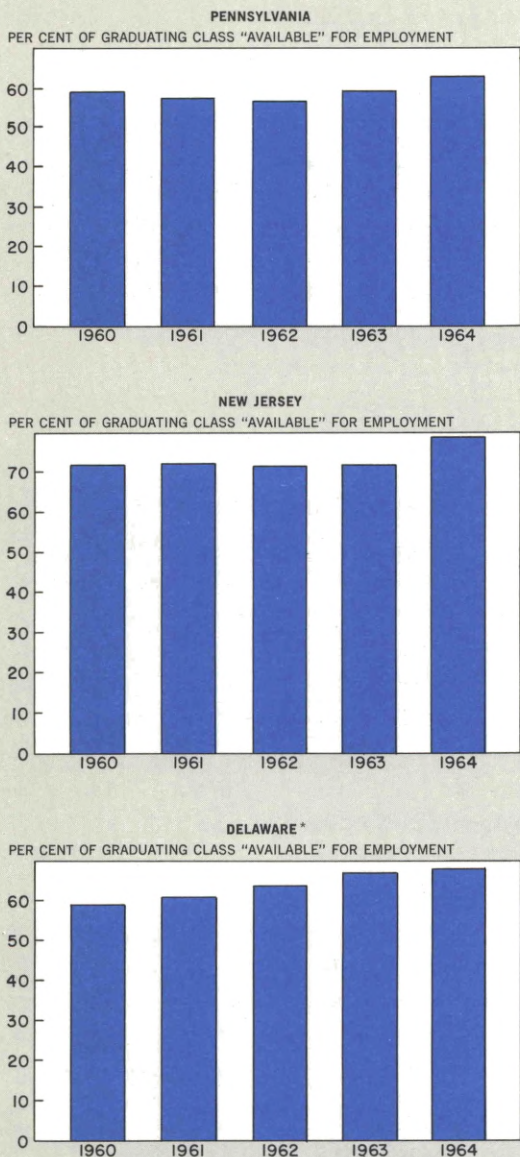
For those graduates *not* going on into further education—those, in effect, who were “available” for work—the experience of recent years is encouraging.* As Chart 2 shows, there was a significant increase in 1964 of the percentage of “available” graduates who secured employment. General prosperity in this District last year is considered in the main to have been responsible for this advance.

These charts do not measure teenage employment and unemployment, for they are based on public secondary school *graduates* only. Thus, they do not include those who have left high school prior to graduation, the so-called “drop-outs.” This factor is sizable: in Pennsylvania, 20 per cent of the ninth-graders who began

* This concept of “availability” is valid only for a given instant in time, i.e., while graduates are in post-graduate schools only, and not simultaneously employed. (For example, it is estimated that one-fourth of all college students remain in the labor force.) Data used herein are census data enumerated as of a single date.

CHART 2

"FOUND WORK" EXPERIENCE OF PUBLIC HIGH SCHOOL GRADUATES WHO DID NOT CONTINUE EDUCATION, 1960-1964



*Excluding Wilmington. Partial data for public high schools in Wilmington indicate that a higher percentage of their graduates obtains employment than do graduates of secondary public schools outside Wilmington.

with the 1964 graduating classes of all state public high schools failed to graduate in 1964. College "dropouts" also influence teenage employment and unemployment; some studies suggest that as many as 50 per cent of those who enter 4-year colleges fail to obtain a degree.

Prospects for 1965

Increased international tensions could, of course, mean more graduates going into military service, and fewer taking civilian jobs or entering non-military schools. But because this is difficult to forecast, the following observations are based on anticipation of nothing more than a minor acceleration in draft calls and enlistments.

Some authorities believe that a number of job opportunities for teenagers have been automated out of existence, have been eliminated through changes in processes and procedures, or now require skills—specialized skills—beyond those taught in high schools. Their recommendation is that education be continued after high school graduation. This would serve two purposes: it would qualify more teenagers for the kinds of jobs available today, and for some period of time it would retard their entry into the lists of job-seekers.

Overall opportunities for post-high school education are increasing, many with governmental support. Various work-and-study programs stemming from the Economic Opportunity Act of 1964 (the "Anti-Poverty" bill) will provide education and gainful occupation simultaneously. Efforts in Distributive Education (teaching graduates, and some undergraduates, while concurrently employing them in the fields of merchandising, transportation, and related occupations) are on the rise in local school districts. States and communities are planning and building new junior colleges. For 1965, these several endeav-

ors should increase job opportunities for teenagers generally, as well as make it possible for some to go to school, and so stay out of the labor force.

On the other hand, some authorities see many new job opportunities for young people today, particularly in growing service industries, that do not require extensive education. They are convinced that one very important determinant of teenage employment is the general state of the economy; and that another is the state of mind of the teenager.

Adherents to this latter point of view think that success in finding jobs is more a matter of the general supply of, and demand for, labor, than a structural defect of youth employment. They reason that intensive efforts to employ youngsters in a depressed economy will not be realized; and as a corollary, that such efforts are not necessary in today's prosperous economy.

They would prefer that more effort be made to induce youths to take "entry" jobs of whatever kind available, rather than to sit around wishing for ideal white-collar positions. Educators and employment counsellors holding these views assert that implementation of their beliefs is more difficult than those who advocate extended education: They must cope with an intangible, a state of mind; and ironically, they must do so in an affluent society where it is easily possible for teenagers to live comfortably without having to work.

Most authorities agree that despite the great number of high school graduates this year in Pennsylvania, New Jersey, and Delaware, job opportunities open to them are relatively better now than they have been for some years. One group would lead graduates by the hand; the other would point the way, then perhaps shove a bit. Both believe jobs are there.

CAPITAL SPENDING: ONWARD AND UPWARD

Manufacturers in the Philadelphia Metropolitan Area now plan to spend \$526 million on plant and equipment in 1965. This is an upward revision of nearly 17 per cent since previous estimates made in October, 1964, and, if realized, will be an increase in capital expenditures of almost 35 per cent over last year's figures.

Manufacturers in three other areas also report increases. Lehigh Valley firms have raised their sights for 1965 by 35 per cent since October, and now project a 38 per cent rise over last year's spending. Wilmington manufacturers have increased estimates by 4 per cent since last fall, and, if plans are carried out, their 1965 capital expenditures will top 1964 by 48 per cent. In the Trenton area, the outlook is less ebullient, though better than before. Companies there have increased their capital spending estimates for 1965 by 8 per cent, but still expect that they will be 22 per cent under last year's figures.

This spring's findings continue an upward trend which began in 1962. Since then, Philadelphia manufacturers each spring have raised their fall estimates, and also have increased the actual amount spent on plant and equipment each year. Results from the other, smaller areas are more subject to erratic fluctuations. Nevertheless, they show similar though less consistent patterns of rising capital expenditures and upward revisions of annual plans with each new estimate.

CHANGES IN CAPITAL SPENDING ESTIMATES

	Each spring, manufacturers have raised their fall estimates by—		
	1965	1964	1963
Philadelphia Metropolitan Area	12%	16%	18%
Lehigh Valley, Trenton, Wilmington areas	12%	31%	10%
	Each year, total spending has exceeded the year before by—		
Philadelphia Metropolitan Area	—	12%	4%
Lehigh Valley, Trenton, Wilmington areas	—	6%	11%

Capital spending plans reflect business expectations

In the nation, spending also has increased steadily since 1962. This is hardly surprising. Capital spending is a lagging economic indicator. It reflects what businessmen think about future business conditions, based necessarily on their evaluation of the current economic environment. The graph shows how, during the postwar period, capital spending plans have held firm until recessions actually got under way, even when drops in corporate profits and new orders were signalling possible trouble ahead.

These relationships indicate that, although manufacturers' plans for increased capital spending are entirely consistent with an optimistic outlook for business in the year ahead, they do not guarantee that business will be good.

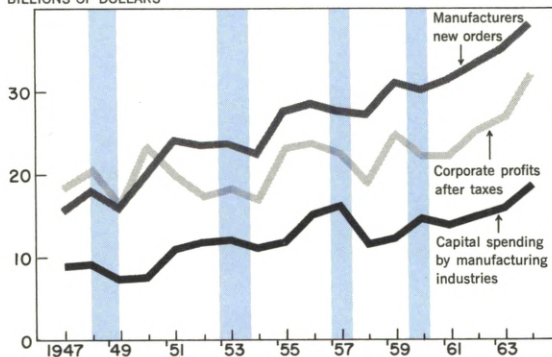
**ESTIMATED CAPITAL EXPENDITURES OF MANUFACTURERS IN THE DELAWARE AND
LEHIGH VALLEYS, 1964 AND 1965**

Region and Industry	Expenditures 1964	1965 Estimate As of		Change in 1965 Estimate Fall-Spring	Change 1964-1965
		Fall 1964	Spring 1965		
Philadelphia Metropolitan Area					
All Manufacturing	\$389.1	\$451.0	\$525.7	+16.6	+ 35.1
Durables	156.9	207.0	233.6	+12.9	+ 48.9
Lumber and furniture	2.1	5.7	6.2	+ 9.1	+195.2
Stone, clay, glass	21.6	14.1	16.3	+15.8	- 24.5
Primary metals	30.7	75.5	77.8	+ 3.0	+153.4
Fabricated metals	18.4	16.4	29.5	+79.7	+ 60.3
Machinery (excl. elec.)	27.8	29.1	32.3	+10.9	+ 16.2
Electrical machinery	25.9	27.9	35.6	+27.5	+ 37.5
Transportation equipment	12.2	17.9	9.6	-46.6	- 21.3
Instruments and misc.	18.2	20.4	26.3	+28.8	+ 44.5
Nondurables	232.2	244.0	292.1	+19.7	+ 25.8
Food and tobacco	53.1	62.0	86.0	+38.7	+ 62.0
Textiles	14.1	7.3	11.5	+56.9	- 18.4
Apparel	2.5	5.3	9.7	+83.1	+288.0
Paper	34.0	39.2	47.9	+22.1	+ 40.9
Printing and publishing	11.8	12.2	11.0	-10.2	- 6.8
Chemicals	74.6	74.3	88.9	+19.6	+ 19.2
Petroleum and coal	41.2	42.6	35.8	-15.9	- 13.1
Rubber and leather	0.9	1.1	1.3	+16.3	+ 44.4
Lehigh Valley					
All Manufacturing	63.9	65.5	88.2	+34.7	+ 38.0
Trenton					
All Manufacturing	35.4	25.6	27.6	+ 7.7	- 22.0
Wilmington					
All Manufacturing	45.0	64.0	66.5	+ 3.9	+ 47.8

What are sufficient conditions for continued good business? One, certainly, is strength in consumer spending. Demand from consumers directly brings forth more than three-fifths of this country's total output of goods and services

In the postwar years, capital spending has held firm until recessions (shaded areas) actually began. "Leading series" such as new orders and corporate profits have tended to turn down earlier.

BILLIONS OF DOLLARS



Source: United States Department of Commerce.

each year. Another is strength in governmental spending. Demand emanating from governments accounts for about one-fifth of our total output each year.

A third requirement is that there will not be events of the kind that trigger drops in confidence and spending, with repercussions on incomes that then bring on further drops. Events of this nature might include swings from accumulating to reducing inventories. They could include situations where consumers or governments reach some limit such that their demand for goods and services levels off, so that comfortable expectations of increasing sales rather suddenly disappear.

Finally, generalized shocks to confidence can hurt business. These could include a sharp tightening of the international tensions that characterize today's world, or increased difficulties in the financing of international transactions, with

consequent unsettling effects on exchange markets and businessmen's calculations.

The current outlook

At the moment, most of the conditions for good business this year are present. Consumers are spending confidently. Total government spending is still increasing. Americans have become used to international tensions and, if a little puzzled by international finance, as yet have not let balance-of-payments difficulties impair their confidence in domestic prosperity.

The labor-relations situation in the nation's steel industry poses the clearest threat to the economy in 1965, even in view of the recent contract extension. Inventories of metals and other durable goods are building up in the expectation that steel supplies may be cut off later in the year. At times in the past, just such a situation has suddenly led to a decline in production when a new labor contract was signed. Production for inventory slackened; instead, inventories were liquidated. This affected demand as workers lost overtime pay or were laid off. Consequent curtailed sales expectations of businesses contributed to cumulative downturns in output.

Conditions have not yet reached such a pass,

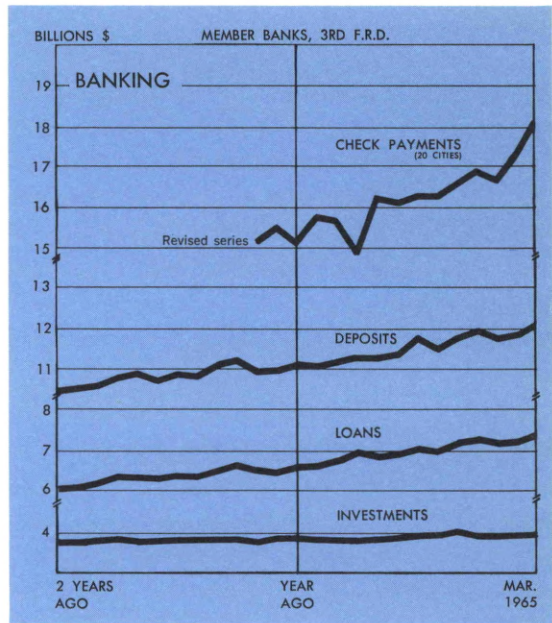
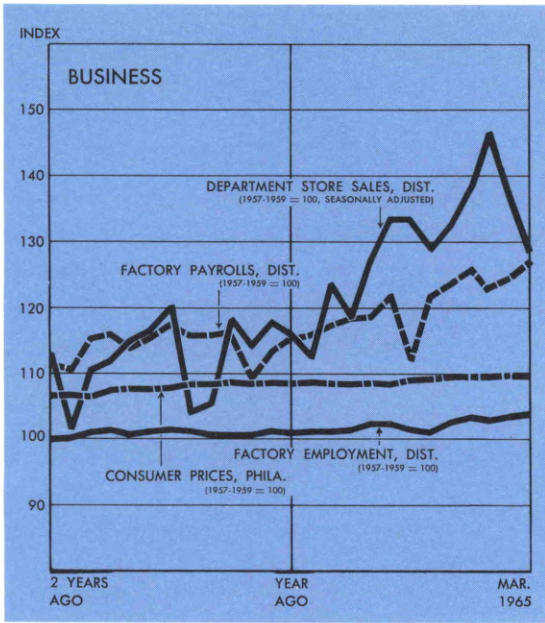
by any means. Business has been good; high sales have taken some goods that might have gone into inventory. As a result, inventories of steel and other durable goods for the most part are at manageable levels. Given a continuance of these reasonably favorable trends, the indicated swing in inventories would be supportable; the economy could take it in stride.

Most industries plan to spend more

In the Philadelphia area, the total projected increase in capital spending represents quite well the situation in individual industries. Only 3 of the 20 manufacturing industries failed to increase their original estimates of plant and equipment expenditures for 1965. Makers of nondurable goods now plan to spend almost 20 per cent more than they did last fall. Apparel manufacturers especially have sharply increased spending plans. In durable goods industries, estimates have been increased 13 per cent, with exceptionally large increases by the fabricated metals industry.

If current plans are realized, durable goods industries will spend 49 per cent more on capital projects this year than in 1964, and makers of nondurables will spend 26 per cent more.

FOR THE RECORD...



SUMMARY

	Third Federal Reserve District			United States		
	Per cent change			Per cent change		
	Mar. 1965 from		3 mos. 1965 from	Mar. 1965 from		3 mos. 1965 from
	mo. ago	year ago	year ago	mo. ago	year ago	year ago
MANUFACTURING						
Production.....	.....	.....	.....	+ 1	+10	+ 9
Electric power consumed.....	+11	+13	+ 9	.....	.....	.....
Man-hours, total*.....	+ 2	+ 8	+ 9	.....	.....	.....
Employment, total.....	+ 1	+ 4	+ 4	.....	.....	.....
Wage income*.....	+ 2	+11	+11	.....	.....	.....
CONSTRUCTION**.....						
	+82	+35	+12	+31	0	- 2
COAL PRODUCTION.....						
	- 1	+12	+ 6	0	+ 9	+ 6
TRADE***						
Department store sales.....	- 7	+ 2	+ 1	.....	.....	.....
BANKING						
(All member banks)						
Deposits.....	+ 2	+ 9	+ 8	+ 3	+10	+ 9
Loans.....	+ 3	+12	+12	+ 2	+14	+14
Investments.....	0	+ 2	+ 2	- 1	+ 1	+ 2
U.S. Govt. securities.....	- 1	- 5	- 4	- 3	- 6	- 4
Other.....	+ 1	+13	+13	+ 2	+13	+13
Check payments.....	+ 5†	+20†	+14†	+ 3	+13	+11
PRICES						
Wholesale.....	.....	.....	.....	0	+ 1	+ 1
Consumer.....	0‡	+ 1‡	+ 1‡	0	+ 1	+ 1

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

‡20 Cities
 †Philadelphia

LOCAL CHANGES

	Factory*							
	Employment		Payrolls		Department Store Sales†		Check Payments*	
	Per cent change March 1965 from		Per cent change March 1965 from		Per cent change March 1965 from		Per cent change March 1965 from	
	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago
Lehigh Valley...	+ 2	+ 9	+ 3	+18	.....	.....	- 3	+14
Harrisburg.....	+ 1	+ 1	0	+10	.....	.....	+ 2	+14
Lancaster.....	+ 1	+ 5	+ 2	+10	-15	+ 2	- 1	+15
Philadelphia.....	+ 1	+ 2	+ 2	+ 9	- 3	+ 1	+ 7	+15
Reading.....	0	+ 4	+ 2	+10	-10	- 2	- 7	+10
Scranton.....	+ 1	+ 2	+ 1	+ 7	- 3	+ 4	- 8	+ 9
Trenton.....	0	+ 3	0	+ 4	- 3	+ 8	- 7	+20
Wilkes-Barre...	+ 1	+ 3	+ 4	+ 4	-10	- 2	+ 1	+15
Wilmington.....	0	+ 6	+ 1	+15	-11	+ 8	+ 2	+66
York.....	0	+ 7	0	+12	- 9	+12	+12	+23

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