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Business Review

April



The Enigmatic Consumer

Consumer Credit in 1967

Angling for Industry

The Enigmatic Consumer

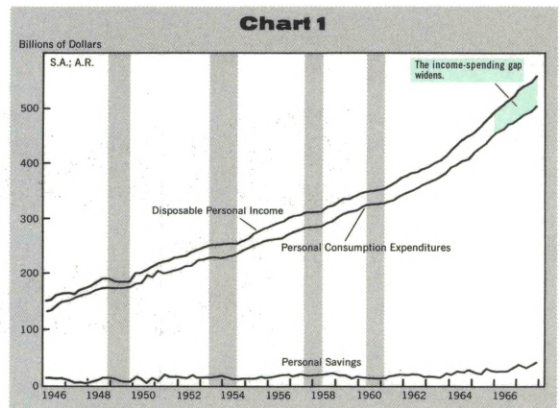
by Sheldon W. Stahl

An important key to business and prices in 1968 is whether American consumers will return to their "familiar" spending habits. Following an unexpectedly restrained performance during 1967, they have built up a sizable backlog of spending power. Chart 1 shows how the gap between their income and spending widened in 1967. The slowdown in spending caused savings to soar upward to nearly one-third above the 1966 level. As a consequence, the saving rate (the ratio of personal savings to disposable personal income) rose from 5.9 per cent in 1966 to over 7 per cent in 1967. Since a change of one percentage point in the saving rate is roughly equivalent to \$5.5 billion in spending, a decline in the rate to earlier levels would seriously aggravate inflationary pressures already plaguing the economy.

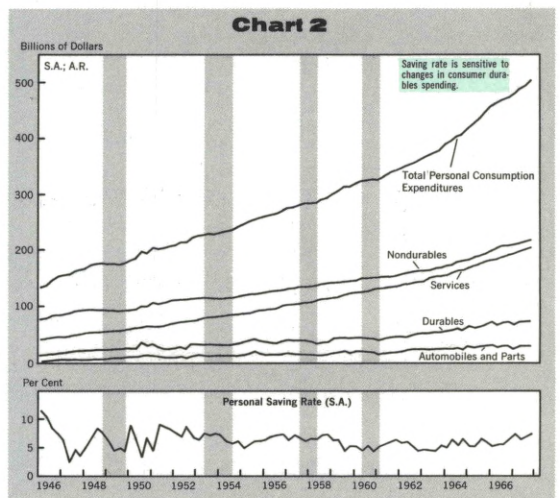
WHAT HAPPENED LAST YEAR?

Although consumer spending was restrained during 1967, a noteworthy shift in behavior had occurred in the fourth quarter of 1966 when the saving rate rose by nearly one full percentage point (see Chart 2). In fact, it was this pronounced weakening in consumer spending which contributed simultaneously to the spectacular inventory buildup during that same quarter. And, as subsequent events demonstrated, it was this large inventory overhang which depressed the level of economic activity during the first half of 1967.

Chart 2 also shows the pattern of spending in current dollars. After adjustment for price changes total expenditures for 1967 rose by 3 per



cent versus 5 per cent in 1966. This kind of restraint was not uniform, however. While spending for nondurable goods followed the same pattern as the total, spending for services rose about the same in 1967 as it had in 1966—roughly 4 per cent. In spending for durable goods, however, consumer restraint clearly hit hardest. After a



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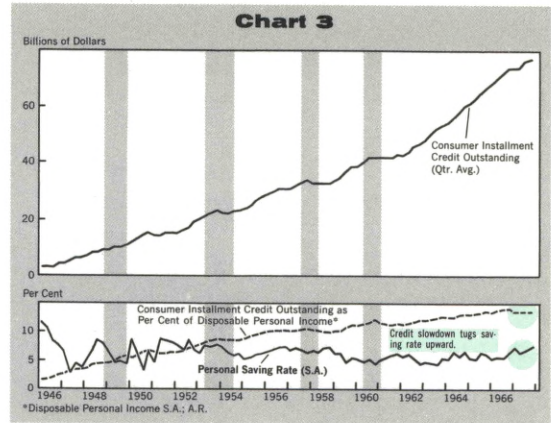
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7.5 per cent increase in 1966, spending in 1967 rose by little more than 1 per cent.

The sluggish behavior of spending on autos and parts was most responsible for reduced consumer buying. During the first quarter of last year this was a key factor in the sharp rise in saving rate. Similarly, the second-quarter recovery of spending on autos partially reversed the earlier rise in the saving rate. Spending for other durables meanwhile continued to advance.

The financial status of consumers in 1967 tended to reflect these developments in the non-financial sector. The slow-down in spending for autos showed up not only as a reduction in the growth of consumer installment credit, but also as increased payoffs on existing debt. (See Chart 3; also pp. 8 and 9). Mortgage debt, although substantially recovering late in the year, nonetheless advanced less rapidly than in earlier periods.

During 1966, as monetary conditions progressively tightened, households increasingly became direct suppliers of funds to the financial market, circumventing such traditional financial intermediaries as commercial banks and savings institutions. By increasing their holdings of bonds they slowed the growth of other more liquid assets such as time and savings deposits. In 1967, however, consumers rebuilt their liquidity, a move which reflected the change in monetary policy toward greater ease. Consumer liquidity was enhanced in part by a shift in portfolios from less liquid securities to more liquid time and savings deposits. Although this did not itself produce a change in rate of saving, the reduced rate of consumer spending caused larger increments of income to be saved. Thus, liquidity was additionally strengthened by stepped-up deposits in commercial banks and thrift institutions. As debt expansion moderated in 1967 and liquidity was restored and expanded, the rise in saving rate mirrored

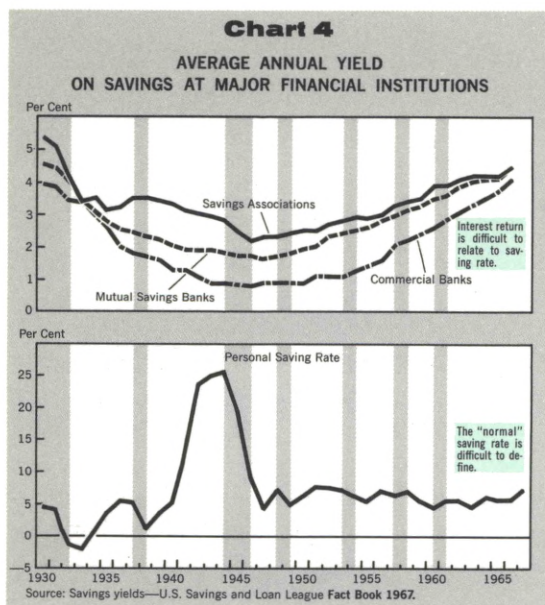


these developments and dramatically pointed the spotlight on the stimulative potential abuilding in the consumer sector.¹

WAS IT UNUSUAL?

It would be highly unreasonable to point out that consumers saved 25 per cent of their incomes in 1944, and conclude that last year's 7.1 per cent rate was "low." At the same time, when the 1967 saving rate is described as "high," it is meaningful only in the context of some "normal" rate of saving. The problem arises in defining what is normal. As Chart 4 shows, the saving record encompasses a period in which there was a major economic-depression, a half-dozen economic recessions, World War II, the Korean War, and the war in Vietnam. An average annual rate of saving

¹ A somewhat autonomous factor related to consumer behavior in 1967 is cited in the 1968 Economic Report of the President. The Council of Economic Advisers includes the Medicare program as one of the elements which may have influenced the saving rate last year. Introduced in mid-1966, it bolstered disposable income in 1967 by \$4 billion. To the extent that part of the cost of covering health care could be met without having to draw down personal savings, it served to keep the saving rate at a higher level than might otherwise have been the case. Recognizing, however, the high propensity to consume generally attributed to those who receive Medicare benefits, this program should not be overly stressed in attempting to explain last year's high saving rate.



for the period, therefore, is not very useful. The period of the Great Depression as well as World War II clearly are not typical. However, it does seem worthwhile to look at the postwar period, and particularly at the decade of the 1960's, to see whether the very recent behavior of the saving rate is unusual. This period, although marked by periodic economic slack and military involvement of less than all-out nature, seems closer to normal.

In the postwar period, consumers have saved, on the average, 6.2 per cent of their incomes. Nearly half the time their actual saving rate has exceeded this average, reaching 7 per cent or higher in eight years, including 1967. The 9.5 per cent rate for 1946—the highest for the period—probably was the consequence of restricted availability of consumer goods following the end of World War II, as well as some degree of carry-over of the forced saving habits of the earlier war years.

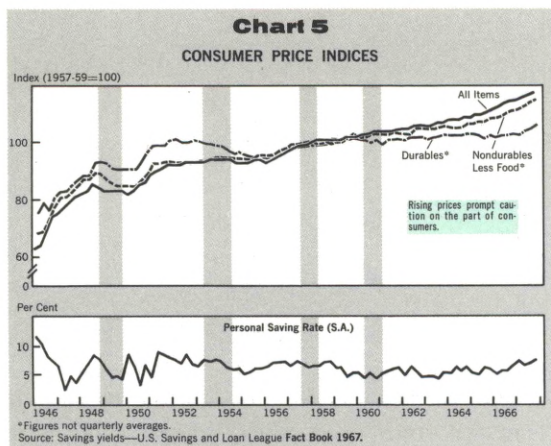
In the 1950's, the saving rate fell below the average of the postwar period in only two years—

1955 and 1959. On the other hand, during the 1960's, the rate was higher than the postwar average only in 1967. During these seven years the average was 5.7 per cent. Taken within the frame of reference of the current decade, therefore, consumer behavior during 1967 clearly was off the norm. Compared with the 1950's, however, one might argue that the behavior of consumers from 1960 through 1966 was abnormal, and that 1967 represented a return to normal. This suggests that a closer look at the behavior of savings during these two time periods may be helpful both in judging the extent to which behavior of consumers last year was unusual and in gauging developments in 1968.

The 1950's

The most obvious single factor influencing consumer behavior during the early 1950's was the outbreak of the Korean War, in June, 1950. The war introduced an element of uncertainty which induced a measure of natural restraint on the part of consumers. Selective credit controls also probably lowered the volume of spending on consumer durables and raised the saving rate from where it otherwise would have been. This can be seen in Chart 4. Consumers increased their rate of saving sharply in 1951 and subsequently maintained it at an average of about 7.5 per cent from 1951-1953. Although saving moderated significantly in 1954, consumers still retained to some degree the saving habits of the preceding three years. In 1955, however, they went on a buying splurge for durable goods, mainly autos. This followed a major relaxation in the terms of auto installment credit and produced a further decline in the saving rate.

In 1956-1958 the saving rate moved up again. Consumer enthusiasm for durable goods, especially autos, was lacking perhaps partly because prices were rising sharply. (See Chart 5.) Con-



sumer prices rose following nearly five years of virtual stability—a period in which prices for consumer durables actually had been declining. Price increases moderated in 1959. This, plus a sharp rise in personal income, coincided with a resurgence of consumer spending for durables and the saving rate fell dramatically to the lowest level of the 1950's.

The 1960's

Beginning in February, 1961, the American economy moved out of the trough of a very shallow recession and embarked on the longest sustained economic expansion in United States history. Unlike the 1950's, the first half of the 1960's was marred neither by significantly rising prices nor by a significant expansion in defense outlays. In an atmosphere of relatively stable prices and steadily growing income, consumer confidence was reflected in relatively low saving rates.

From mid-1965 through 1966, however, the dimensions of the American military effort in Vietnam grew larger. With growing inflationary overtones, consumers, as noted earlier, shifted late in 1966 toward moderation. In addition to the war factor common to the 1951-1953 period, 1966-1967 also was marked by a clear departure

from the relative price stability which had prevailed through most of the first half of the 1960's. And perhaps an added fillip to consumer restraint in late 1966 and 1967 was the growing uncertainty about fiscal action to prevent the economy from expanding too rapidly. All of these elements helped to nudge the American consumer toward greater restraint last year.

SOME ADDED CONSIDERATIONS

There is some reason to suspect, therefore, that high saving rates are associated with reduced levels of consumer durable sales and rising prices. But why is a higher saving rate seemingly manifested in a reduced rate of spending on durables rather than on other types of purchases? Why would high saving rates be related to rising prices, since one would think that consumers would purchase more goods before the value of the dollar declined further? Finally, what is the role of interest rates in influencing consumer behavior?

The role of durables

Unlike spending for nondurables or services which are not so amenable to postponement, the purchase of a durable good can be postponed. For the economy as a whole, the more durable goods consumers have, the more likely they will defer replacement if their expectations of future income become less favorable or if prices for durables are rising. But the growth of ownership of durable goods contributes to growth of expenditures for nondurables and services as well. Thus, it would be difficult to draw any conclusions as to the nature of the overall relationship between the stock of durable goods and the level of consumer expenditures at any given time. However, in an economy such as ours, characterized by a sizable proportion of disposable personal income devoted to the purchase of durable goods, the

saving rate will show greater variability than in circumstances where durables purchases are less important. Similarly, the larger the stock of durables consumers have, the greater the variability of saving and spending behavior.

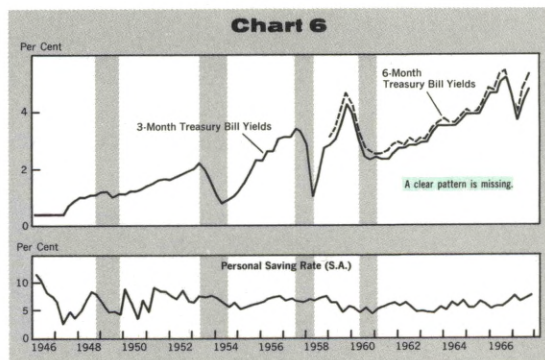
The role of prices

On first inspection, it would seem that in a period of rising prices consumers might be expected to step up their purchase of goods in order to offset the loss in purchasing power of their income. In this connection, the role of price expectations may be of more significance to consumers than current price developments. For example, if they felt as though future prices would be lower, they undoubtedly would postpone current spending; if they expected higher prices, one would expect them to spend a larger fraction of their income on current consumption. Clearly, the outlook throughout 1967 was for intensified inflationary pressures; but instead of spending an increasing share of income, consumers increased their rate of saving. One probable explanation may be that rising prices forced consumers to reassess their capabilities for servicing fixed commitments. This concern on the part of consumers that income gains may lag behind price increases has been borne out by various consumer surveys, and suggests that the negative impact of rising prices on discretionary income may tend to outweigh the advantage in moving from money into goods.²

Interest rates

Although interest rates are also prices, it is difficult to make any generalizations about the relationship between them and saving. (See Charts

² Although recent evidence appears to confirm this view, it should not be assumed as invariable. The hyperinflationary experience of Germany during the 1920's, for example, provides clear evidence that there is a rate of price increase which would alter the above pattern of consumer behavior.



4 and 6.) Saving rates have declined, risen, or remained unchanged when interest rates have risen. The same holds true when interest rates have fallen. That savings show little predictable response to interest-rate changes suggests that if the level of savings should rise substantially during a short period of time, the predominant reason may likely be other than the favorable yield paid for saving. It is true, as the experience of 1966 and 1967 demonstrated, that if individuals decide to save they will tend to seek out the highest rate of return. This is different from saying that rising interest rates induce them to save more out of their incomes.³ Rate competition between commercial banks and savings institutions may only serve to reallocate the existing pool of savings without adding significantly to that pool.

CONCLUSIONS

It is difficult to establish a norm against which to measure the behavior of consumers in 1967. When viewed against the backdrop of the early 1960's, however, last year's performance was restrained. Uncertainty over the cost and impact of the war in southeast Asia, the threat of a tax increase, and a continuation of rising prices were all contributors to consumer restraint. As it has

³ This is a matter which remains the subject of extensive debate among professional economists despite an already lengthy and impressive record of past debate and analysis.

been in the past, the rise in the saving rate was associated with a softening in spending for consumer durables. Although interest rates may not have affected the level of consumer saving significantly, rising interest rates and reduced credit availability may prompt consumers to shift the composition of their asset portfolio back to less liquid, higher-yielding financial assets, raising anew the possibility of some degree of financial disintermediation.

Given the continued presence of many of the same elements in 1968 which motivated consumer behavior in 1967, the performance of the consumer in the months ahead is not likely to depart dramatically from that of last year. Any significant decline in the saving rate will rest, in large part, on a step-up in spending by consumers for durable goods. Evidence available for the early months of 1968 does indicate that consumer spending, especially for durables, has picked up.

With recent improvement in the prospects for peace in Southeast Asia, consumers may be moved to spend more freely, saving relatively less out of their current income. Although consumer behavior can shift rapidly, nonetheless, circumstances still favor a high saving rate in the months ahead relative to the standard of most of the 1960's. Given the outlook for continued upward pressure on prices in 1968, this view tends to be reinforced.

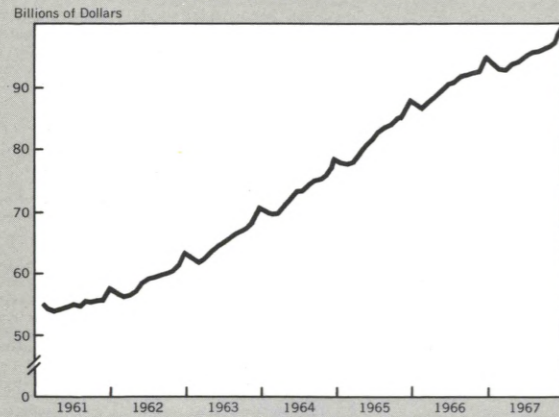
Note: For those readers who would care to pursue this subject in more detail, including such important considerations as the long-run or secular relationship between consumption and income, the relationship between the stock of financial assets and spending habits, and the impact of changing income distribution on spending, several excellent reference sources are offered. See Robert Ferber, "Research on Household Behavior," American Economic Review, March, 1962, pp. 19-63; Edward Shapiro, Macroeconomic Analysis, Harcourt, Brace & World, Inc., New York, 1966, Chapters 10 and 11; James S. Duesenberry, Income, Saving and the Theory of Consumer Behavior, Harvard University Press, Cambridge, Massachusetts, 1959.

Consumer Credit

by Kathryn Kalmbach

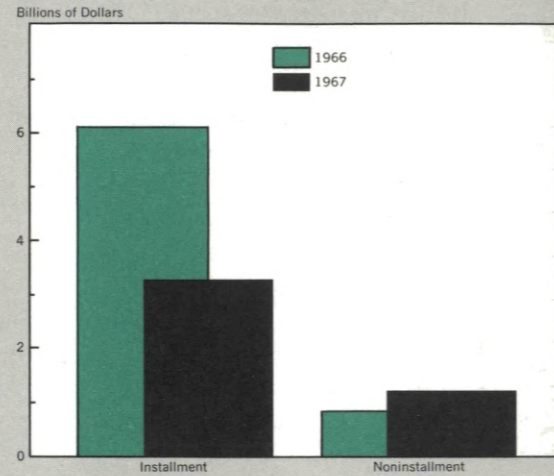
Consumer credit outstanding continued to rise in 1967.

CONSUMER CREDIT OUTSTANDING



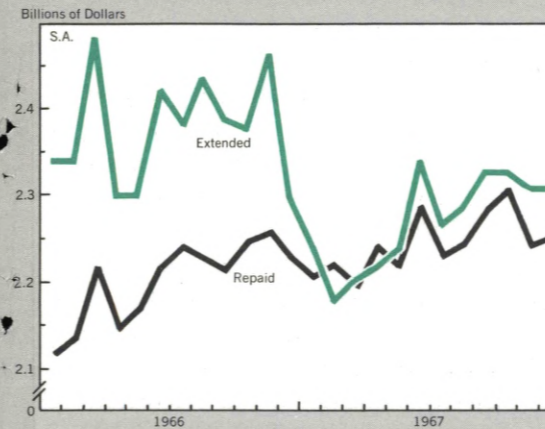
Responsible for the slackening was a slowdown in installment credit . . .

ANNUAL CHANGE IN CONSUMER CREDIT OUTSTANDING



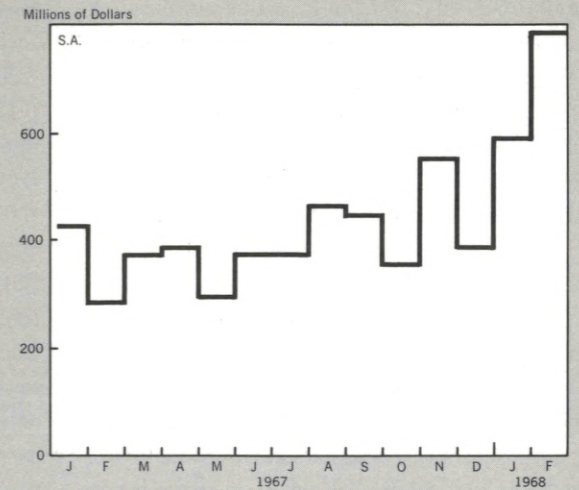
A drop in automobile sales in 1967 resulted in a dip in credit extended, while repayments continued to rise.

AUTOMOBILE CREDIT EXTENDED AND REPAID



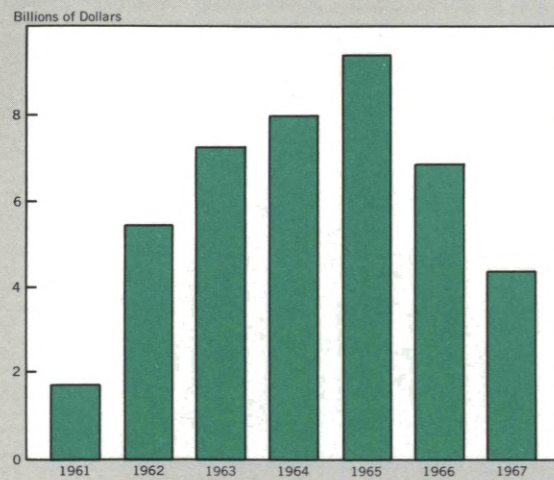
Recently, monthly gains in credit outstanding have grown larger . . .

MONTHLY CHANGE IN CONSUMER CREDIT OUTSTANDING



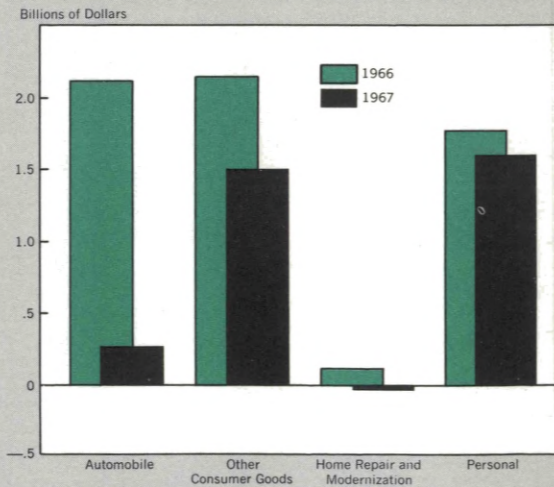
However, for the second straight year the rate of growth declined.

ANNUAL CHANGE IN CONSUMER CREDIT OUTSTANDING



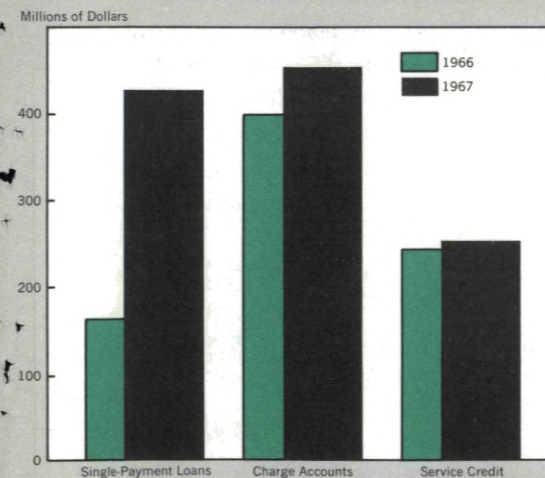
which, in turn, primarily reflected a reduction in the growth of automobile credit.

CHANGE IN INSTALLMENT CREDIT OUTSTANDING



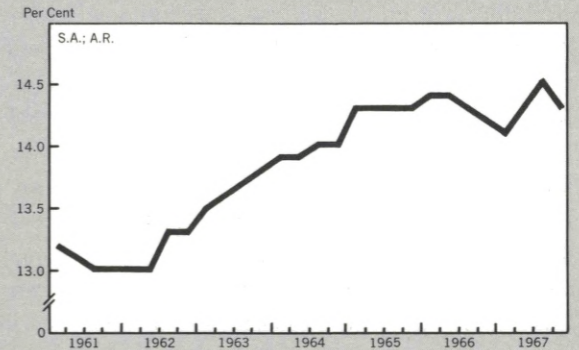
On the noninstallment credit side, all major categories contributed to the increase in its growth.

ANNUAL CHANGE IN NONINSTALLMENT CONSUMER CREDIT



and the ratio of repayments to disposable personal income has fallen. Together these may be indicating a change in trend for 1968.

RATIO OF REPAYMENTS TO DISPOSABLE PERSONAL INCOME



Angling for Industry

by Evan B. Alderfer

The best single prescription for regional health is national prosperity. Or so it seems, because a period of expanding business activity marked by receding unemployment permeates all areas. But regional infirmities, momentarily obscured by national prosperity, may reappear when a recession sets in unless something is done in the meantime to fortify regional health. Much has been done to improve the industrial scene throughout the Philadelphia Federal Reserve District.

Anyone now getting around the region, after an absence of five or ten years, would be surprised to see the large number of modern industrial plants. And what a contrast to the old multi-story, mill-type structures are the new factories—neat and low, tidily tucked into their landscaped settings! They are to be seen throughout the coastal plains of Southern New Jersey and Delaware, in the valleys of the Schuylkill, the Lehigh, the Susquehanna, the Juniata, and as far away as Johnstown on the western slopes of the Appalachian plateau.

Baiting the lines

Many of the new industries have come into the area in direct response to concerted efforts on the part of numerous agencies, both public and private. Active anglers for new industry are the state governments, municipalities, counties, and townships. Also numerous private agencies such as the electric utilities, railroads, gas and water companies, telephone companies, industrial parks, chambers of commerce, realtors, commercial banks, and suppliers of building materials. With such a multitude and variety of anglers for new

industries there just had to be some success. Moreover, they are all continuing to angle, each in his own way—as we shall see.

The state governments play prominent roles in promoting industrial development. In New Jersey the arm of government most directly concerned is the Department of Conservation and Economic Development. In Delaware it is the State Development Department. In Pennsylvania it is the Bureau of Industrial Development, a division of the Department of Commerce. Indirect contributions are made by the state governments in their expenditures—for construction and maintenance of highways, schools, hospitals, and other public services.

Pennsylvania assists in the financing of new enterprise. What has come to be known as the “Pennsylvania Plan” was the creation, in 1956, of the Pennsylvania Industrial Development Authority to lend second mortgage money at interest as low as 2 per cent to assist in the establishment of industrial plants in high unemployment areas throughout the Commonwealth. Through 1967, P.I.D.A. has made about 700 loan commitments for a total of almost \$150 million which afforded an estimated 100,000 new jobs. On the wall of the administrator’s office in Harrisburg hangs a map of Pennsylvania with a dot at each place where plants get P.I.D.A. help. The two dotted areas are the hard coal section in the east and the soft coal area in the west.

Industrial development corporations

With financial assistance from the Commonwealth, numerous counties in Pennsylvania

created industrial development corporations. The *Philadelphia Industrial Development Corporation* may be cited as an example of a large I.D.C.

P.I.D.C. is a nonprofit partnership of the City of Philadelphia and the Chamber of Commerce organized in 1958 to help Philadelphia industries get more space and to attract new industries to the city. With funds contributed by the Chamber of Commerce, by the state under the Industrial Development Assistance Act, and by the city government, P.I.D.C. assembles and develops industrial land for new industries seeking sites in the city and for going concerns seeking room for expansion. The corporation's latest annual report shows over 300 companies so accommodated.

Not industrial development corporations in the technical sense but with much the same purpose are the Pennsylvania Development Credit Corporation and the Southeastern Pennsylvania Economic Development Corporation. SPEDCO, through its separately incorporated fund, makes loans for equipment or working capital to worthy business applicants in the Philadelphia five-county area when not otherwise available. SPEDCO also lends on buildings; for example, it joined with P.I.D.C. in acquiring and modernizing a 16-story building close to center city as the first of several planned centers for apparel manufacturers. The same kind of financial assistance is offered in the other Pennsylvania counties of our District by the Pennsylvania Development Credit Corporation.

The smaller-sized and smaller-staffed industrial development corporations in the less highly industrialized counties outside of Philadelphia differ from each other less in their statements of purpose than in the means of attainment. Success in obtaining new industry depends largely on the experience, initiative, and resourcefulness of the executive director because limited budgets some-

times confine assistance to secretarial help. They all maintain files of available industrial land and buildings, and have budgets for some form of advertising. Branch plants of nationally known companies—as York County has obtained with notable success—add luster to a county's industrial roster. Among those that stress financial aid as an inducement, some turn to P.I.D.A. and others to the Small Business Administration.

It is not to be presumed that there is one best way either as to method of operations or form of organization. In Southern New Jersey, county and township Industrial Commissions appear to accomplish what industrial development corporations achieve in Pennsylvania. However, the public utilities are also very active promoters of industrial development in New Jersey, as well as in Delaware and Pennsylvania.

Industrial Parks

An industrial park is a more or less improved plot of land hopefully dedicated to occupancy and use by industrial and commercial enterprises. Improvements sometimes include shell buildings for prospective occupants. Financing is usually done by either profit-seeking corporations or community development corporations.

Well over 100 industrial parks are to be found throughout the District, with a clustering in the counties near Philadelphia. Bucks County, with 30 parks according to a recent count, is by far the leading county, and Chester County with eighteen ranks second. Montgomery County has fewer but among them are the big Fort Washington (600 acres) and King of Prussia (over 700 acres) industrial parks, both well-occupied with industries.

Some industrial parks are still without occupants. So it is not the number of parks that counts. Of greater moment are the number and kind of industrial occupants, the number of em-

ployed workers, stability of employment, size of payrolls, and the buying power generated. The success of an industrial park turns on many things. Does it have a good location; does it have electric power, gas, water, sewers? What transportation facilities are available—rail, motor freight, highways, airport? The Labor supply? The banking facilities? Lack of only one of these essentials may cost the park a good prospect.

“The New Northeast”

The nine Northeastern counties of Pennsylvania call themselves “The New Northeast,” and a well-deserved appellation it is, for the region is undergoing an astonishing industrial transformation.

These nine counties are Lackawanna, Luzerne, Schuylkill, Carbon, Monroe, Pike, Wayne, Susquehanna, and Wyoming. Perhaps such leading cities as Scranton, Wilkes-Barre, and Hazleton are more familiar names. People outside the area remember the area’s quondam anthracite, the loss of markets, the ensuing hard luck—thousands of unemployed miners, men staying at home, women working in sewing factories, young people moving out, Government handouts, despondent people, disfigured countryside. Old images, never die, they just ossify.

Lots of things have happened since those evil days, 20 years ago and more. Citizens groups throughout the area have raised over \$21 million out of their own none-too-adequate incomes. Industrial parks were built and shell buildings were erected to house new industries. Financial assistance for many of these projects was obtained from the Pennsylvania Industrial Development Authority.

For the decade 1958 through 1967, 547 new industries have located in Northeast Pennsylvania. They provided 39,814 jobs and \$191 million annually recurring payrolls. In addition to the new

arrivals there were numerous major expansions by industries already in operation. Unemployment in the region declined from 17 per cent of the labor force in 1958 to less than 4 per cent in 1967. In fact, there have been complaints of labor shortages. Incidentally, since 1963 there has been no net outmigration.

An active participant in the industrial development of the area is the electric utility which serves a large part of Northeastern Pennsylvania, though the company headquarters is in Allentown. The utility’s area development department, established in 1929, now has a professional staff of 22 people, including a forester. The company has a site acquisition program, a shell building program, and a community planning program. It conducts seminars on area development, publishes an area news letter, maintains an active mailing list of 21,000 business executives east of the Rockies, has four industrial development specialists who personally follow up inquiries, and maintains a \$4.5 million fund from which it lends without interest to local communities for site acquisition purposes.

Why the forester? He is in charge of the company’s “Operation Trees”—a tree-planting program to cover and screen the eyesores left by open pits and spoil banks of strip-mining and the man-made mountains of deep-mine waste. In four years over a half-million seedlings were planted on more than 300 sites by groups representing 37 communities.

Northeastern Pennsylvania is well-favored with first-class highways. This is a major asset favoring the industrialization program because transportation is always one of the first elements considered by a business manager in search of a site. Running right through the heart of the region, as if expressly planned for it, is Interstate 80—the Keystone Shortway, an east-west superhighway

nearing completion. Interstate Route 81 leads to the South, Route 84 to New England, and the Northeast Extension of the Turnpike to Philadelphia.

Climate and geography work together for yet another industry of the region—recreation-tourism. Glaciers of the Ice Age did just enough scraping and filling in the Pocono and Moosic mountains to make hundreds of lakes and slopes for summer and winter sports. What's more, this playland which is already grossing more than \$90 million annually, is strategically located on the edge of the great Boston to Washington megalopolis.

The Economic Development Council of Northeastern Pennsylvania was created in 1964, a non-profit research and service organization. An "Overall Economic Development Program" is the title of one of the Council's latest studies, which contains a forthright analysis of the area's strengths and weaknesses. Plans are afoot for greater diversification of the industrial mix, for improving managerial practices, for creating more vocational-technical schools, for expanding the tourism-vacation industry, for making the area a more attractive location as a place to live.

The Altoona story

Going around the Horseshoe Curve, just a few miles west of Altoona, the railroad passenger on a day train sees a big black steam locomotive fenced in as a permanent outdoor exhibit. That old "Iron Horse" retired in 1955 after almost 21½ million miles was presented to Altoona by the Pennsylvania Railroad Company. That was a nice gesture, for the Pennsy made Altoona; but, alas, the Penn-Central superseded the Pennsy and the Diesel superseded steam.

The shift from steam to Diesel locomotives was destined to be fast and sure. The steam loco-

otive, despite its monstrous image of power, was none too efficient and required a lot of round-house nursing. The Diesel is more efficient and runs ever so many more miles between trips to the repair shop. That's what hurt Altoona, because a high proportion of its work force was employed in the car shops. In the Altoona area, Pennsylvania Railroad employment declined from over 17,000 in 1950 to slightly over 5,500 in 1966.

As early as 1946 the Altoona Chamber of Commerce inaugurated a financing plan known as Altoona Enterprises, Inc. Money subscribed by local business firms and individuals was used to acquire land and to erect industrial buildings. Additional funds were raised in a subsequent drive, known as "Jobs for Joes," in which employees participated—a dollar a month under a payroll deduction plan. More recently, Altoona Enterprises, Inc., has had the assistance of P.I.D.A. loans to help finance the establishment of new industries.

In the *Wall Street Journal* last November 3 appeared an ad by the General Public Utilities Corporation telling how Pittsburgh Plate Glass chose to build a new plant just a few miles north of Altoona. The utility's site-service specialists, working with the company's Altoona subsidiary, Pennsylvania Electric Company, and Altoona Enterprises, Inc., the industrial development organization, helped the glass company find the right location close to their own raw glass sources.

Through its industrial development efforts, the Altoona area has made noteworthy progress from almost complete dependence on railroad employment to a healthier state of diversification. Manufacturing industries in 1950 employed only one-eighth as many as the railroad; now they employ considerably more than the railroad. Moreover, the manufacturing mix isn't too bad. The mixture includes apparel, food, textiles, leather, electrical

machinery, nonelectrical machinery, and paper manufacturing.

Altoona Enterprises, Inc., is fully aware of the area's handicaps. To improve higher educational facilities, the Pennsylvania State University was invited to establish a local campus. Efforts are also being made to promote construction of an Appalachian Throughway which would give the city a halfway position between the Keystone Shortway and the Pennsylvania Turnpike. Meanwhile, still more industries are being sought because metropolitan Altoona's unemployment rate, though much improved, is still too high.

Southern New Jersey

The nine counties, here designated as Southern New Jersey, taken together form a kind of peninsula—for they all have water frontage, either riparian or oceanic. The counties of Mercer, Burlington, Camden, Gloucester, Salem, and Cumberland front on the Delaware River; Atlantic and Ocean counties front on the Atlantic Ocean, and Cape May on both.

Its peninsularity once shielded all but a small part of this region from industrialization. But no longer. Industries favor the Delaware for its navigability and ocean shipping, and upstream the river is bridgeable.

All this area needed to make it a part of megalopolis was transportation. Transportation it now has—the New Jersey Turnpike, the Garden State Parkway, the Atlantic City Expressway, and connecting cross-stream links—the bridges with which the Delaware is already spanned and new ones planned, Chester-Bridgeport and Bridesburg-Delair.

Southern New Jersey is vibrant with industrial development and with organizations promoting it. Among them are Atlantic City Electric, Delaware Valley Council, Pennsylvania-Reading Seashore

Lines, Public Service Electric and Gas, the Reading, South Jersey Gas, Southern New Jersey Development Council, and at least 16 additional organizations—all of which are members of the New Jersey Industrial Development Association. Furthermore, the nine counties have 23 industrial parks and a large number of real-estate offices active in seeking new industries.

The electric utility, with headquarters in Atlantic City, has an area development department which is a mine of up-to-date regional information on any conceivable subject an industrial prospect might want to know. For example, the department has prepared a handbook of community profiles which contains for each of 120 communities in the region information such as population, housing, government services, taxes, utilities, labor, transportation, banks, medical facilities, newspapers, radio and television, churches, schools, recreational activities, cultural facilities, and industries. The utility's role in promoting Bayside—a vast industrial tract on the Cumberland County shore of Delaware Bay—and in fostering site improvements at the Lindenwold terminal of the Southern New Jersey Rapid Transit Line are typical of the area development activities.

High priority is given to higher education in Southern New Jersey. Two-year colleges have been or are being established in Atlantic, Cumberland, Gloucester, and Camden counties. Salem County now has a vocational technical school, another is being built in Cape May County, and Glassboro State College is in the midst of a large expansion program.

Down Delaware way

Delaware's three counties are likely to be thought of as industrial New Castle in the north, political Kent in the middle, and agricultural Sussex in

the south. With the passage of time the image changes.

Wilmington's industrial expansion is filling up New Castle and spilling into the lower counties. Illustrative of the continuing southward trend are Kent's new advanced circuitry plant and a big office machinery manufacturing installation in lower Sussex.

Delaware is advantageously located for industry, has deep-water sites, and attractive incorporation laws. However, the scarcity or infrequency of vacant industrial buildings is a drawback to the area's industrialization.

In conclusion

Industrial development activities differ from one section to another, but perhaps the differences are more one of degree than of kind. Some stress advertising more than others. Some devote practically all their efforts to getting in new industries, whereas others divide their efforts between getting new firms and helping established concerns to expand. There are also different practices with respect to giving financial assistance. Some offer little or no such help and others do all they can to get a newcomer established. The more financial assistance you offer, said one industrial development official, the more likely you are to attract marginal firms with little staying power.

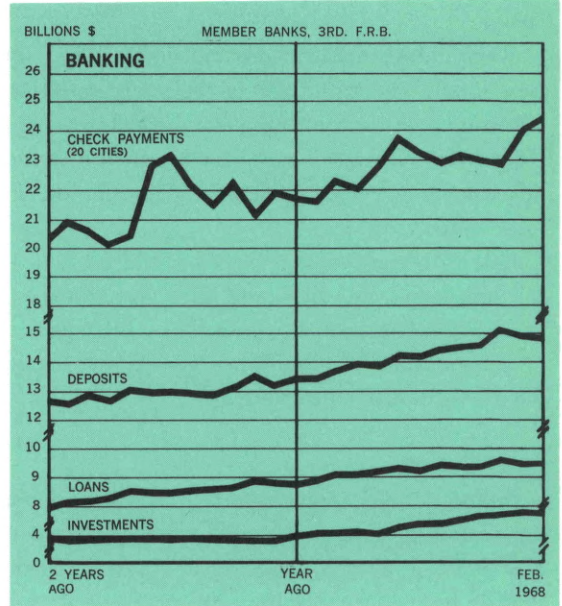
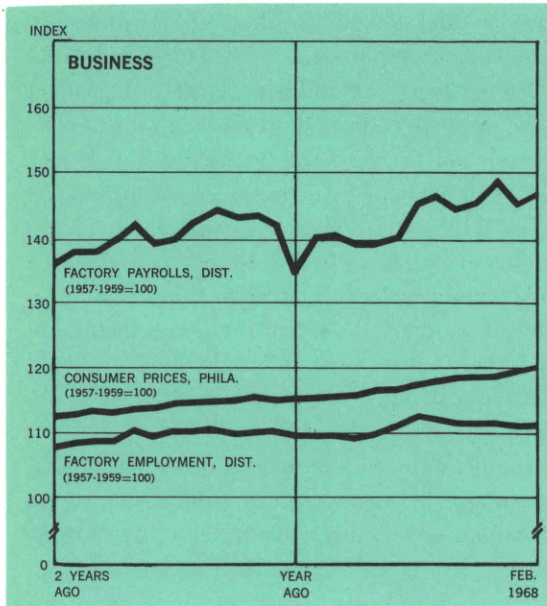
In the early stages of industrial development

activity there is a tendency to accept with open arms any and all comers. That is likely to lead to lopsided industrialization with a preponderance of low-wage-paying industry largely dependent upon employing female workers. For example, apparel and textile plants accounted for 49 per cent of all the manufacturing employment in 1960 in the Wilkes-Barre-Hazleton area, which was in marked contrast with the 16 per cent for the Philadelphia metropolitan area. Since that time, dependence upon those two industries in the up-state region has been reduced, and continued efforts are being made to attain still greater industrial diversification.

Another aspect of industrial development that is gaining wider appreciation is the need to make the community an attractive place to live. Attractiveness has many facets, such as physical appearance, cleanliness, educational facilities including higher education, hospitals, police and fire protection, cultural and recreational activities.

To a certain extent, the regional growth and development is tied to that of the national economy, but to a certain extent only. Regional development is also a matter of internal influences—managerial talent, initiative, education, investment in productive and cultural facilities. In final analysis, much depends upon the caliber of community leadership.

FOR THE RECORD . . .



| SUMMARY | Third Federal Reserve District | | | United States | | |
|-------------------------|--------------------------------|----------|---------------------------|-----------------|---------|---------------------------|
| | Per cent change | | 2 mos. 1968 from year ago | Per cent change | | 2 mos. 1968 from year ago |
| | Feb. 1968 from | mo. ago | | Feb. 1968 from | mo. ago | |
| | mo. ago | year ago | mo. ago | year ago | | |
| MANUFACTURING | | | | | | |
| Production | | | + 2 | + 3 | + 2 | |
| Electric power consumed | - 2 | +12 | +10 | | | |
| Man-hours, total* | + 1 | + 4 | + 1 | | | |
| Employment, total | 0 | + 2 | + 2 | | | |
| Wage income* | + 1 | + 9 | + 6 | | | |
| CONSTRUCTION** | + 3 | +14 | +17 | 0 | +12 | +21 |
| COAL PRODUCTION | + 7 | -12 | -13 | + 6 | - 1 | - 4 |
| BANKING | | | | | | |
| (All member banks) | | | | | | |
| Deposits | - 1 | +11 | +12 | - 1 | +11 | +12 |
| Loans | 0 | + 9 | + 8 | 0 | + 8 | + 8 |
| Investments | 0 | +20 | +21 | + 1 | +17 | +18 |
| U.S. Govt. securities | - 1 | +12 | +14 | + 2 | +12 | +12 |
| Other | 0 | +29 | +30 | + 1 | +22 | +24 |
| Check payments*** | + 2† | +12† | +11† | - 1 | +15 | +15 |
| PRICES | | | | | | |
| Wholesale | | | | + 1 | + 2 | + 1 |
| Consumer | 0† | + 4† | + 4† | 0 | + 4 | + 4 |

| LOCAL CHANGES | Manufacturing | | | | Banking | | | |
|--|--------------------------------|----------|--------------------------------|----------|--------------------------------|----------|--------------------------------|----------|
| | Employment | | Payrolls | | Check Payments** | | Total Deposits*** | |
| | Per cent change Feb. 1968 from | | Per cent change Feb. 1968 from | | Per cent change Feb. 1968 from | | Per cent change Feb. 1968 from | |
| | mo. ago | year ago | mo. ago | year ago | mo. ago | year ago | mo. ago | year ago |
| Standard Metropolitan Statistical Areas* | | | | | | | | |
| Wilmington | - 2 | - 1 | + 1 | + 8 | +12 | +13 | - 7 | + 8 |
| Atlantic City | | | | | + 3 | +20 | - 1 | - 1 |
| Trenton | - 1 | - 1 | - 5 | + 4 | +34 | +41 | 0 | +12 |
| Altoona | + 2 | + 2 | + 7 | +16 | + 5 | +12 | + 1 | +11 |
| Harrisburg | - 1 | 0 | 0 | +10 | + 8 | + 7 | 0 | +14 |
| Johnstown | + 1 | - 1 | - 4 | + 4 | - 8 | + 9 | 0 | +10 |
| Lancaster | + 1 | - 1 | + 1 | + 5 | - 5 | + 9 | 0 | + 9 |
| Lehigh Valley .. | 0 | 0 | + 2 | + 7 | - 6 | + 6 | 0 | +11 |
| Philadelphia | 0 | 0 | + 1 | + 8 | - 2 | +11 | - 1 | +12 |
| Reading | + 1 | + 1 | + 3 | +12 | 0 | +19 | + 1 | - 5 |
| Scranton | 0 | - 1 | + 3 | + 6 | + 5 | +11 | + 2 | +14 |
| Wilkes-Barre | + 1 | 0 | + 6 | +10 | -11 | + 2 | 0 | +14 |
| York | - 2 | - 2 | 0 | + 6 | - 3 | + 8 | + 1 | + 6 |

*Production workers only
 **Value of contracts
 ***Adjusted for seasonal variation
 †15 SMSA's
 ‡Philadelphia

*Not restricted to corporate limits of cities but covers areas of one or more counties.
 **All commercial banks. Adjusted for seasonal variation.
 ***Member banks only. Last Wednesday of the month.