

Federal Reserve Bank of Philadelphia

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Business Review

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Truth in Lending Is Around the Corner

Scrutinizing Strikes in Pennsylvania

Southern New Jersey: How Now?

Truth in Lending Is Around the Corner

After seven years of deliberation, the Congress of The United States has mandated a new era in relations between creditors and consumer borrowers. Hopefully, this new relationship will encourage consumers to be wise users of and careful shoppers for credit.

TRUTH IN LENDING will not affect what a creditor may charge or the terms of the credit—it affects only the way in which these are communicated to the consumer.

To become effective on *July 1, 1969*, TRUTH IN LENDING applies to all creditors who normally are in the business of granting and arranging credit. *Clear and conspicuous disclosure* of the terms and conditions surrounding the granting or arranging of credit to individuals for personal, family, household, or agricultural purposes, is required *prior* to the time credit actually is granted or arranged. Moreover, advertising must disclose many of the terms and conditions surrounding the offering of credit if any one term or condition—for example, the monthly payment—is disclosed.

TRUTH IN LENDING introduces two required concepts which are new to the creditor-borrower relationship. The *finance charge* includes almost all costs that stem from the granting of credit whether or not they are imposed directly or indirectly on the consumer. The *annual percentage rate*, calculated according to the actuarial (unpaid balance) method, reflects the real percentage cost of borrowing to the consumer.

TRUTH IN LENDING also creates a new right for consumers. When borrowing on the security of their residence, borrowers will have the *right to rescind* the contract within three business days following the signing of the contract or delivery by the creditor of the disclosure of the right to rescind, whichever is later.

Administrative enforcement of TRUTH IN LENDING has been assigned to nine federal agencies. For example, the Federal Reserve System will have supervisory responsibility for state member banks. Surveillance over creditors who have no regular relationship with any federal agency has been assigned to the Federal Trade Commission.

The Federal Reserve System also has been given the responsibility for promulgating a regulation which implements in detail the requirements of TRUTH IN LENDING. A draft of the proposed regulation, known as REGULATION Z, is available for distribution. The regulation in final form is expected to be available early in 1969.

Creditors are urged to begin at once to study the requirements of TRUTH IN LENDING. Civil and criminal penalties are provided for those creditors who fail to comply with TRUTH IN LENDING and REGULATION Z.

Information on REGULATION Z may be obtained by writing:

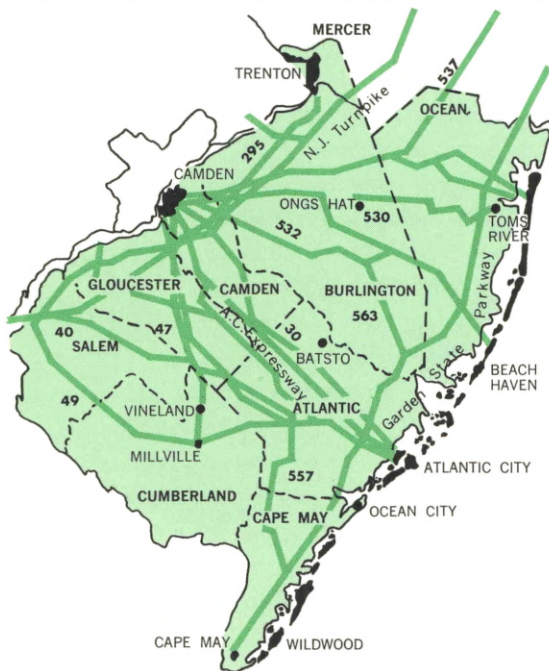
TRUTH IN LENDING
Federal Reserve Bank of Philadelphia
Philadelphia, Pennsylvania 19101

Southern New Jersey: How Now?

by Evan B. Alderfer

Southern New Jersey isn't what it used to be. It still has sun, surf, sand, and seagulls; salt marshes and meadows; "pines" and "plains," lakes and ponds; bogs, creeks, and swamps. It still has farms famous for tomatoes and sweet corn, asparagus and peppers, cabbage and lettuce, beets and beans. It still has cranberry bogs, peach orchards and apple orchards. It still has glass works and ceramics, boatworks and fisheries, oil refineries and dye works, canneries and freezeries.

MAJOR ROADS OF SOUTHERN NEW JERSEY



All these things and more have made Southern New Jersey what it was and is, but it is changing. It is being infiltrated—infiltrated with slabs of asphalt and concrete; bridges and causeways; apartments—high-rise and otherwise; malls and motels; bigger farms; bigger factories that are “divisions of . . .”; rising land values, suburbanization, industrialization, condominiumization, and a sales tax.

For its small size, New Jersey is the most traveled and least observed, the most visited and least really known of all 50 states in the Union. Most travelers through the state are in a flightful hurry to get to New York or Washington; beach-bound vacationers are just as impatient to get to their destinations. Only a few outsiders appreciate the charming contrasts the state affords.

New Jersey leads the other forty-nine states in population density, yet well over half the area is in farms and forests. It is highly urbanized, widely ruralized, heavily industrialized, intensively agriculturalized. The state ranks among the top ten in industrial output, but calls itself the “Garden State.” Miles of ocean frontage, however, have made catering to the vacation trade a major if not the leading source of income.

Technically, New Jersey is a peninsula. Except for the straight stretch on the north where New Jersey is hinged to New York State, New Jersey is surrounded by water: the Delaware River on the west, the Delaware Bay on the south, the Atlantic Ocean and the Hudson River on the east. Where land and water meet there is usually plenty of action.

Just a little below Trenton, where a flying wedge of Pennsylvania pokes New Jersey right hard in the midriff would seem to make a good geographical dividing line between northern and southern New Jersey. A little lower, near the Philadelphia-Camden latitude, is where residents of Ocean County would put it, judged by their shopping habits. In the southern end of the county, people go to Philadelphia when they go shopping in "the city." But when people in the northern end of the county speak of "the city," they mean some place in the vast northern New Jersey urban sprawl which may be Newark, Irvington, or Elizabeth, depending upon whom you are talking to.

This report is about the nine counties indicated on the map, because they are that part of the state included in the Philadelphia Federal Reserve District. By our definition, Southern New Jersey accounts for a fraction over half the area of the state but only a quarter of the people.

The growth and development of Southern New Jersey is attributable more than anything else to the state's highway construction and maintenance policies. Although reasonably good roads, such as the White Horse and Black Horse pikes long accommodated Philadelphia-to-seashore traffic, Southern New Jersey remained essentially insular because it was so peninsular prior to the construction of the north-south superhighways and their over-water connections to points beyond.

The New Jersey Turnpike and the Delaware Memorial Bridge quickened Southern New Jersey's industrial expansion by opening the region to fast trucking lines to great markets—the huge metropolitan New York complex to the northeast and Baltimore and Washington to the southwest. Traffic growth was underestimated, so hard beside the Delaware Memorial Bridge another span has been built and the two bridges more than double the carrying capacity.

As if to provide double assurance for the prosperity of Southern New Jersey, the Garden State Parkway—a 173-mile-long dreamway—was laid down close enough to the ocean to serve as a magic carpet for millions of seashore vacationers to any of the 50 resort towns along more than a hundred miles of bathing beaches from Cape May northward. At its northern extremity the Parkway connects with the New York State Thruway, and at Cape May the Parkway motorist can extend his trip by driving onto the ferry for a 70-minute crossing of Delaware Bay to Lewes, Delaware.

Lolling on the Littoral

When sticky-wicked weather descends upon the hinterland, a mass migratory motorcade descends upon the shore resorts. From Philadelphia, Harrisburg, and farther westward they come via the Pennsylvania Turnpike and Benjamin Franklin Bridge, or the Schuylkill Expressway and Walt Whitman Bridge to the Atlantic City Expressway or any of the other main arteries out of Camden. From Northern New Jersey and New York they come down the Parkway or Route 9. Yes, even from Canada. A few years ago New Jersey shore resort ads in Canada brought surprising results, and Canadians keep coming. In a single season, tourist and vacation expenditures in Ocean, Atlantic,

and Cape May counties may be in excess of \$1.5 billion.

Wheresoever they come from, the majority come by private conveyance and the motor car has begun to alter seashore architecture. Most of the newly constructed accommodations are motels, motor courts, or motor inns. One motor inn directly on the ocean and boardwalk offers air-conditioned rooms, TV and HiFi, a telephone in every room, private balconies, free covered parking, and heated swimming pool.

One thing occasionally plaguing new as well as old accommodations is shortage of labor. For lack of help some restaurants have closed-off sections, hotels have closed floors, and motels have offered discounts to their guests for making up their rooms. Such are the pains of prosperity.

A heated pool is the *ne plus ultra*. Any place without a heated pool is dated. Live music nightly, preferably a name band, is also a big attraction. What a contrast with days of yore down at the shore when we played beach tennis, swatting a five-'n-ten ball with the flat hand, in the morning, read detective stories in the afternoon; and took a stroll on the boardwalk after dinner.

Veteran hotels cope with motel competition in various ways. Some of the hotels spruce up their decor, jazz up their entertainment, spice up their cuisine, and offer special rates along with holiday package deals. A number of hotels have been converted into retirement homes for people blessed more generously with years than with worldly goods. Still other hotels are being remodeled to serve as convalescent homes.

Of the more than twoscore resorts along the Southern New Jersey section of the shore, no two are alike and each has its loyal clientele. Cape May, "the nation's oldest seashore resort," is Victorian and deliberately so. In Wildwood,

which has the widest beach, the carriage trade would feel a bit out of place. The leeward side of its boardwalk is one vast amusement park where nothing stands still. Wildwood is also a favorite haven for fishermen. Ocean City, which calls itself "the world's greatest family resort," started as a Methodist Conference town and is still bone dry and without night clubs.

Atlantic City became the Riviera of the United States by capitalizing on its natural advantages. A natural curvature of the coast offers protection against devastating "Northeasters" and the winter climate is tempered by the Gulf Stream. Atlantic City did the rest. It introduced the boardwalk and the rolling chair, erected ocean-front skyscraper hotels to house its guests, and built peerless piers to amuse them. Amusement, culminating each year in the Miss America Pageant, is still its all-sustaining industry; but like some other Eastern Seaboard cities, it has been losing population in recent censuses and is undergoing urban redevelopment.

Throughout the seashore communities there are surprising evidences of wealth and prosperity—crowded restaurants and bars, the new luxury motels, marinas full of pleasure craft, and a large number of people who can presumably afford a second home at the shore for only three months occupancy. A local banker told us of 150 new houses in the \$15,000 to \$21,000 class in his community, of which 135 were for summer occupancy only.

Lower-priced homes for people of modest incomes are being built at Little Egg Harbor in south Ocean County. Also at Beach Haven West on the mainland adjacent to Beach Haven on Long Beach Island, a huge number of two-bedroom houses in the \$5,000 to \$7,000 price range has been built since the early 60's. Owner-occupied, some are retirement homes; others are second homes. Nearby at Mystic Island,

south of Tuckerton, is a similar development of low-cost houses.

Population spillover

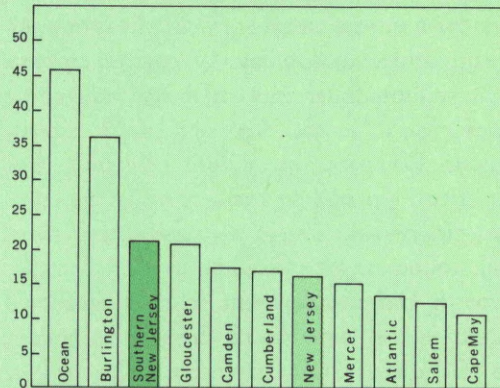
North Jersey is too crowded. Some of its population is spilling over into South Jersey, and the Garden State Parkway is the big spillway. In Toms River, on the edge of the Parkway in Ocean County, we heard how the 900 students in 1958 were bursting the seams of the old high school building; how Toms River put up a new building to accommodate 1,500 students; that the enrollment is now about 2,700; and Toms River is again building another high school. Many of Toms River's gainfully employed work outside the community and the county—fully 40 per cent, a local banker estimates. Again, it is New Jersey's great network of highways that affords the best of two worlds, "the best place to live and the best place to work."

The north end of Ocean County is also a highly favored area for retirement developments and they, too, draw clients from up-state. There is Cedar Glen City, with four units to each building; Holiday City, a huge development with its beautiful man-made lake already being enlarged for more lakeside homes; Leisure Village, which we were forbidden to enter because 7 p.m. was after visiting hours. Then there are also Cedar Glen West, Crestwood Village, Gardens of Pleasant Plains—a new development—Silver Ridge Park, under construction; and, perhaps best known of all, Leisure World—but that is across the line in Middlesex County.

Other attractions lure people to live in South Jersey: more open space, newer homes, modern schools and hospitals, new community colleges, new malls and marinas, good roads, and expand-

ing job opportunities because of new industries also moving into the area.

ESTIMATED POPULATION CHANGE, 1960-1967



Source: New Jersey Department of Conservation and Economic Development.

Trenton and Camden

Trenton and Camden have a lot in common. Both owe much to the river on which they are located—the waterfalls at Trenton were largely responsible for that city's early industrialization; and at Camden the river's width and depth favored shipbuilding that flourished in that city for many years. Though the shipyards are now inactive, Camden has a variety of industries; and Trenton, as New Jersey's capital city, has a good offering of state government jobs along with its industrial mix. Curiously, Trenton lost more population than Camden between the past two decades. The trouble with both cities is that they are hemmed in by their suburbs, with no room to expand.

Well, if a city can no longer grow in size it can grow in grace, and that is precisely what both Trenton and Camden are striving for now. As a starter, Trenton, in mid-May, announced a \$25 million housing development in the downtown area adjacent to the state government buildings. In addition to the 1,062 middle-

income apartments, which are part of the John Fitch Way Urban Renewal Project, there are to be new state and county office buildings and a \$30 million commercial mall development.

Wide-open space instead of slums now confronts the motorist emerging from the Benjamin Franklin Bridge in Camden. Camden is to have a multi-million-dollar industrial highway along its waterfront. Several Camden banks, Campbell Soup Company, and other local industries have formed a nonprofit corporation to buy run-down, city-owned houses to rehabilitate them for sale to low-income families.

Growth and development in abundance are apparent in the outskirts of these cities and in some of the outlying communities. Hightstown is alleged to be the fastest growing of all places in Mercer County. Important stimulants were the new McGraw-Hill plant and the improved network of new roads since 1960 which attracted new developers. Outside of Camden residential construction is flourishing in Cherry Hill, Pennsauken and, further north, in Moorestown and Cinnaminson.

The new malls in Cherry Hill, Moorestown, and Willingboro, which house stores such as Sears, Woolworth, Wanamaker, Strawbridge, and Gimbels, have been siphoning trade from local stores in Burlington, Riverside, Bordentown, Moorestown, Mount Holly, Haddonfield, and Woodbury. Shuttered store fronts are a depressing sight. Woodbury fought back by removing its parking meters, whereupon local merchants' sales increased. That's the way people are—they will go to the expense of driving an extra 15 miles rather than drop a dime in a parking meter.

Industry along the Delaware

Beginning at Trenton, the east bank of the Delaware River all the way down to Salem is

becoming more and more industrialized. Trenton has a variety of manufacturers but in the opinion of one Trenton businessman too much of the local industrial activity is directed from faraway skyscraper offices instead of on-the-scene, shirt-sleeve management.

Between Trenton and Camden are smaller industrial towns such as Bordentown, Burlington, Beverly, Riverside, and Riverton. Mention of Camden immediately brings to mind famous names such as Campbell Soup and RCA but the once-flourishing New York Shipbuilding enterprise is now all but forgotten.

Down-river from Camden to Salem one sees an impressive number of plants of blue-chip American industry. At Paulsboro, Mobile Oil, Houdry Process, and others; at Gibbstown, du Pont and Hercules Powder; at Bridgeport, Monsanto Chemical; at offshore Pedricktown, Air Reduction; at Deepwater, where the river is now double-bridged, another du Pont plant; and at Salem, Anchor-Hocking Glass, Gaynor Glass, Mannington Mills, and H. J. Heinz of erstwhile "57 varieties."

The ever-improving accessibility of southern New Jersey is a continuing attraction to new industrial enterprises at both riverside and interior locations. Goodrich recently acquired a 96-acre plot for a plant near Pedricktown; Leone Industries is a new glass container manufacturer at Bridgeton; H. J. Heinz is expanding facilities in Salem; I-T-E Circuit Breaker is coming to Bellmawr in Camden County; a newcomer to Millville is Thunderbird Fiberglass Boat and Public Service Electric and Gas is planning a big nuclear power plant in Salem County.

Industry in the interior

Agess upon eons ago when all of Southern New Jersey was under water as part of the Atlantic Ocean, the foundation was laid for one of its

earliest industries. The foundation is sand, the industry is glass.

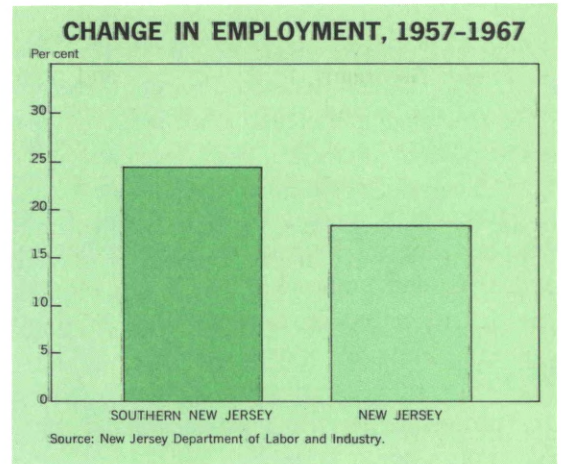
Caspar Wistar built the first glass factory about 1739 on the Alloway-Daretown Road, a little way east of Salem. The Wistarburg glass works made window and bottle glass and chemical apparatus for sale and “off-hand” blown glass, that is, fancy ware for friends. The Metropolitan Museum of New York has what is probably the only surviving piece of unbroken Wistar ware, despite numerous local claims to the contrary. As others learned the art of glass-blowing, glass houses were established at numerous places throughout Southern New Jersey.

As a result of mechanical inventions around the turn of the twentieth century, glassmaking became mechanized and was taken over by large factories in which costly machines turned out bottles so fast and so cheap that hand-blown ware could no longer compete.

The glass container industry still flourishes in Southern New Jersey. Big glass works are largely responsible for industrial centers such as Salem, Bridgeton, Millville, and Vineland. Sand, the major raw material, continues to be locally available in abundance and glass containers are still used as closures for catsup, pickles, and other relishes and food products produced and processed in the area. Southern New Jersey has its own sand to make its own glass containers to pack its own food products that are grown on its own soil. That is a winning combination.

The Garden State's gardens

For its small size and industrial prominence, New Jersey has a surprising amount of agriculture. The state's 1967 crop report, recently released, shows \$129 million worth of crops harvested that year. Another surprise is the importance of commercial garden and orchard



products. Vegetables and fruits accounted for two-thirds of the total—three-fourths if you count potatoes and sweet potatoes among the vegetables.

One reason for the importance of vegetable gardening is a fertile stretch of sandy loam stretching across Burlington, Gloucester, Salem, and Cumberland counties. Another reason is the nearness of big markets for fresh vegetables.

Production for the fresh market usually yields close to twice as much as that for sales to processors. A large proportion of the vegetables for the fresh market is sold by the growers at vegetable and fruit auction markets to representatives of chain stores, supermarkets, and independent brokers. There are nine auction markets throughout Southern New Jersey. The Vineland Auction has enjoyed phenomenal growth; dollar volume has increased four or five times in the past six years. One reason for this may be its long season; the auction opens with April's dandelion greens and runs to October's pumpkins. Another reason may be that the Vineland Auction offers such a wide variety of produce, so that the buyer can get everything he needs at one place.

The tomato, as the accompanying table shows, is the leading money vegetable—a fact attribu-

table, no doubt, to its versatility in the chef's repertory. Asparagus, fresh-marketed and processed, is the second vegetable in the money—probably because of the region's reputation for flavorful, high-quality spears. Processing is done by a dozen or more processing plants in the region. Campbell Soup is the largest canner of tomatoes, and Seabrook Farms Company was the largest vegetable grower-freezer until acquired recently by Seeman Brothers, Inc., the big White Rose canned-goods producer. Among the processors are also several relatively small operators who are doing very well.

Potatoes are usually classified with field crops, but in culinary circles the potato is generally regarded as a vegetable. Whatever they are, potatoes are an important item of income to South Jersey farmers. A banker of the region said: "When you eat Wise or Frito-Lay potato chips or French fries in Campbell or Seabrook TV dinners, they very probably came from Salem and Cumberland county fields."

Peaches, blueberries, and apples are the big three among fruits produced in New Jersey. Strawberries and cranberries are also substantial money crops. Gloucester, the leading fruit county, had a heavy set of peaches in early summer but bacterial leaf spot hurt the crop, and early marketings from the South reduced prices.

NEW JERSEY'S 1967 VEGETABLE HARVEST

	(thousand dollars)	
For fresh market		\$35,378
Tomatoes	\$ 6,260	
Lettuce	5,004	
Peppers	3,696	
Asparagus	3,267	
Sweet corn	2,992	
Other vegetables	11,529	
For processing		26,995
Tomatoes	13,525	
Asparagus	6,648	
Other vegetables	6,822	
Total vegetables		\$62,373

"This Property For Sale" read a sign posted in a peach orchard along Route 30. Not only peach orchards but a lot of other good farms are being sold at handsome prices, whereupon the farmer retires and the land is "developed." Throughout 1965 the loss of New Jersey farmland was in excess of 200 acres a day. It has since receded, but it is feared that the rate of loss will rise again in the 70's.

A comparatively new development of the region's agriculture is the appearance of greenhouse vegetable growing. Fresh Jersey cucumber and tomato salad with your roast beef Christmas dinner anyone, and Jersey musk-melon for dessert? Greenhouse vegetable-growing is said to be ideal for small-scale enterprises, well-suited for a man-and-wife team with promise of good returns. This type of "agriculture" is immune to drought, flood, frost, and other weather hazards.

The great aquifer

South New Jersey has another great asset, invisible but priceless. In the lower part of Burlington County and corners of Camden and Atlantic counties is an area almost devoid of highways—most unusual for New Jersey. This is the Pine Barrens—a region of sandy soil, scrub oak, scrub pine, and few people. It is the most un-New Jersey-like part of New Jersey. Rain water seeps through the sandy soil very fast to form an immense natural reservoir of pure water—like a subterranean lake, 75 feet deep and about 1,000 square miles in area.

In the mid-1870's, Joseph Wharton, founder of the Wharton School of Finance and Commerce, began accumulating land in this area, ultimately holding about 100,000 acres. His plan was to build a score or more of shallow, interconnected lakes in the pines to feed a big reservoir in Camden from which an aqueduct

under the Delaware would supply Philadelphia with fresh water. The New Jersey legislature blocked the plan and sat on its aquifer until 1955 when for \$3 million it finally bought the property. On the official map of New Jersey it is labeled "Wharton Tract State Forest." Long before down-state becomes as full of people as up-state, New Jersey may have to draw on this great social asset.

Higher education in lower Jersey

Of all the changes taking place in South Jersey, one of the most hopeful, most promising, most important is the growing emphasis on higher

education. An awakening to the educational needs of the region's young people is reflected in establishment of new colleges and vocational schools.

Two-year county colleges are now operating in seven of South Jersey's nine counties—Atlantic, Burlington, Camden, Cumberland, Gloucester, Mercer, and Ocean. This is in contrast with only four such colleges in the twelve North Jersey counties. No doubt one reason why South Jersey has more two-year county colleges is the greater availability and lower cost of land. In heavily populated North Jersey, land for a college campus is almost prohibitively expensive.

SOUTH NEW JERSEYANA

For readers still with us, we can't resist mentioning, just mentioning: Trenton crackers that make an oyster stew stupendous; cranberry bogs which grow a delightful side dish to a Thanksgiving dinner; off-shore commercial fishing and all the fishing for the sport of it, surfside and deep-sea; bird flyways where an estimated quarter-million or more waterfowl dine on the tidelands in a single fall migration; a growing appreciation of horses on both racetracks and bridal paths; more dairy cattle, especially in Burlington and Salem counties; finders-keepers Cape May diamonds of seven-point hardness compared with 10-point hardness of real diamonds that go to the altar; Greenwich like a cross-stitched sampler on a cross-stitched landscape; and quaint old place names. We cite the opening sentence of a chapter in Henry C. Beck's **More Forgotten Towns of New Jersey**: "On a map of New Jersey, issued in 1834, the principal route to Barnegat was shown through Bordentown, Recklesstown, Fooltown or Georgetown, Penny Hill, Mary Ann Forge, Mount Misery, and Old Half Way."

A close look at the facts indicates that Pennsylvania's strike record is more favorable than is often believed.

Scrutinizing Strikes in Pennsylvania

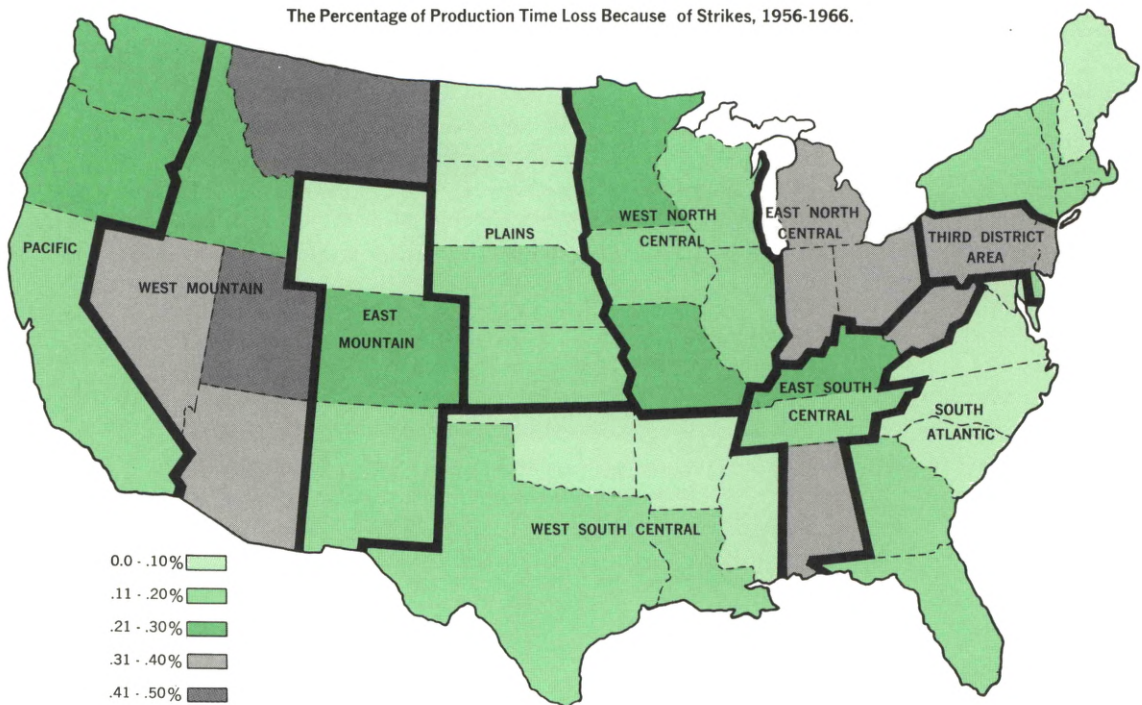
by Richard W. Epps

Pennsylvania, like most of the Middle Atlantic states, is generally viewed as an area of high strike activity. While this general view often exaggerates the situation, many industrialists feel that work stoppages in Pennsylvania pose a problem for the state's development. A recent survey of 350 Philadelphia industrialists, for example, found labor-management relations near the top of the list of factors detracting from development of the area.¹ Similar results were obtained in a survey of counties in northeastern Pennsylvania.²

How deserved is this reputation for high strike activity? What implications does it have for the efforts of industrial developers in the state?

GEOGRAPHY OF WORKSTOPPAGES

The Percentage of Production Time Loss Because of Strikes, 1956-1966.



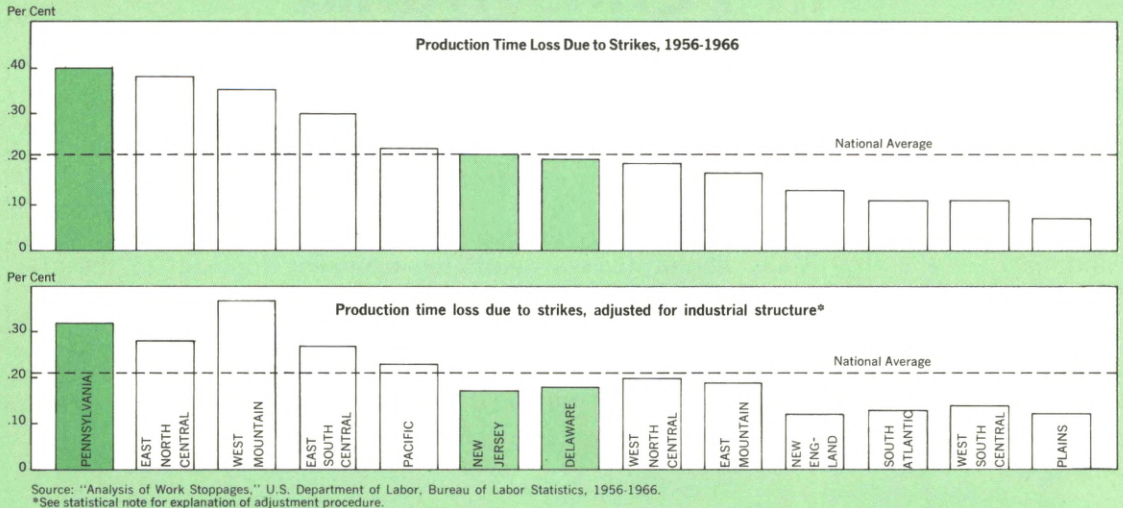
¹ "Earning a Better Living," Southeastern Pennsylvania Economic Development Corporation, 1968.

² "Manpower Dilemma in Northeastern Pennsylvania" Economic Development Council of Northeastern Pennsylvania, April 1967.

Chart 1

SOME TIME-LOSS FROM STRIKES RELATED TO INDUSTRIAL STRUCTURE

Part of the reason for the high level of strike activity in Pennsylvania is that the state has a concentration of industries that have high rates of strike activity nationally. When strike figures are adjusted for such industrial structure, Pennsylvania compares more favorably with the rest of the nation. Moreover, New Jersey and Delaware, the other two Third District states, become comparable with the nation's least strike ridden states. The upper set of bars measures the time-loss record presented in the map, and the lower set represents the adjusted record.



Source: "Analysis of Work Stoppages," U.S. Department of Labor, Bureau of Labor Statistics, 1956-1966.
 *See statistical note for explanation of adjustment procedure.

Root of the Image

Pennsylvania ranks third among the continental United States in production time lost because of labor strife. Its time-loss rate, during the 11 years from 1956 to 1966, was almost double that of its Third District neighbors—New Jersey and Delaware—and more than five times that of some Southern, New England and plains states, as shown on the map. So, Pennsylvania's image appears to have substance—on the surface at least.

But when other facets of the problem are examined, Pennsylvania compares more favorably with other states.

In part, the state's standing is attributable to a concentration of industries which have high national time-loss records. Taking this industrial structure into account by adjusting the time-loss

in each region for such industrial structure, we find that Pennsylvania looks comparatively better—some of the gap between Pennsylvania and other areas is closed; and the state drops from third to tenth in ranking among the continental United States. Moreover, its sister states in the District become nearly comparable with states having the lowest loss of production time. The labor record of each region is compared to its adjusted figure in Chart 1.³

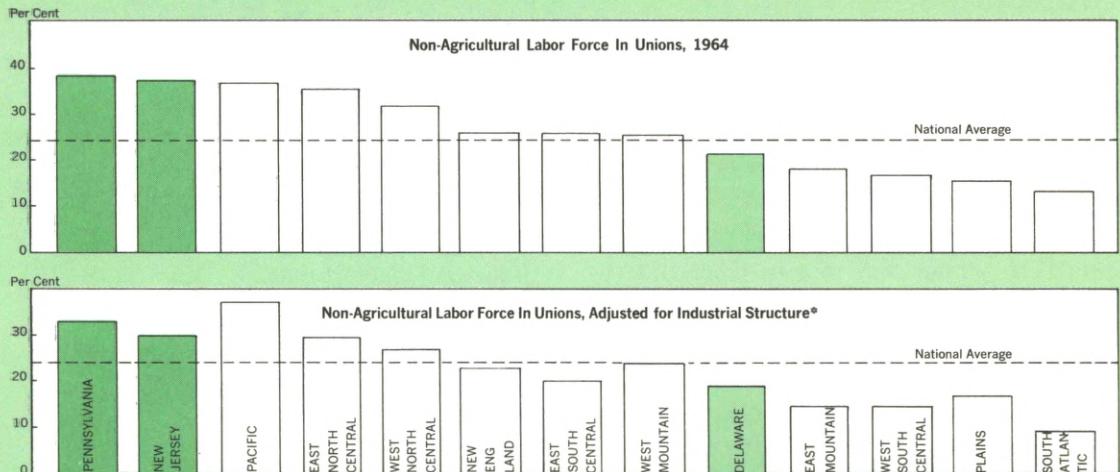
But even after adjustment for industry mix, Pennsylvania's record is somewhat high in comparison with the South, New England and plains states. One possible explanation is the level of unionization.

³ See statistical note for explanation of the adjustment procedure.

Chart 2

INDUSTRIAL STRUCTURE AFFECTS THE UNIONIZATION PICTURE

The upper row of bars is the actual percent of the labor force in unions, while the lower set measures the level of unionization after adjustment for differences among states in industrial structure. All three states in the Third District have lower relative unionization when industrial structure is taken into consideration.



Source: "Directory of National and International Labor Unions in the United States, 1965," United States Department of Labor, Bureau of Labor Statistics.
 *See statistical note for explanation of adjustment procedure.

Large differences among states in the extent of unionization do exist. As indicated in Chart 2, more than one out of three workers in the old manufacturing belt and the West belongs to a union while less than one out of five workers in the South is a union member.

Unionization, in part, reflects the industrial structure of each state. Particularly in manufacturing, union organizers tend to work along industry lines. Textile manufacturing, for example, is less than 20 per cent organized across the nation, while petroleum refining is almost completely organized. Although the level of organization of each industry varies among states, the extent of variation is small for more highly unionized industries. Therefore, states with a concentration of industries which are highly organized nationally will normally tend

to have high levels of unionization. In short, just as industrial structure in part determines the level of work stoppages, it also, in part, sets the level of unionization in each state.

The lower set of bars in Chart 2 indicates the level of unionization for each region adjusted for differences in industrial structure. Diversity among regions in levels of unionization still remains and accounts for one-third of the variation in work stoppages not accounted for by industrial structure.⁴

Thus, even after taking differences in industrial structure into account, we find that Pennsylvania's record of time-loss in production is somewhat higher than that of the South, New England and plains. And we might expect such

⁴ See statistical note for explanation.

a rating, for Pennsylvania labor is highly organized. So, there is some basis for the view which suggests that Pennsylvania has a high degree of strike activity, although the view may be exaggerated.

Implications for Industrial Developers

Businessmen look at a number of items in deciding where to locate, among which is the probable quality of labor-management relations. The moderately high level of time-loss from strikes and the relatively high level of unionization in Pennsylvania may thus be deterrents to state development, but more for some industries than others. As already mentioned, some industries are more likely to have strikes than others, no matter where they locate. Moreover, since labor-management relations is only one of the items businessmen consider in deciding where to locate, other characteristics of Pennsylvania may outweigh the state's labor relations situation.

INDUSTRY RECORDS

The aggregate strike record of Pennsylvania is composed of the varied experience of individual industries. As the aggregate picture would suggest, most, 20 of the 28 state industries, have had somewhat more strike activity in Pennsylvania than in the nation during the period starting in 1956 and ending in 1966. Each industry's state record is compared with its national record in the accompanying table. A plus sign indicates more-than-national strike activity in Pennsylvania, and a minus sign indicates a less-than-national record in Pennsylvania.

Strike activity of these industries varies from year-to-year. If the industrialist looked at a different set of years, he might find more industries with relatively low levels of time-loss in the state. Figures in the table are starred where the difference between the state and national strike experience seems to be too large, on the basis of statistical theory, to be attributable to year-to-year fluctuations. Examining the record on this basis, we find that only 13 industries have more-than-national strike activity in Pennsylvania.

COMPARISON OF INDUSTRY STRIKE RECORDS IN PENNSYLVANIA AND THE NATION, 1956-1966

- (+) indicates more strikes in Pennsylvania than in the nation
- (-) indicates less strike activity in Pennsylvania than in the nation
- (*) indicates that the difference in strike records is statistically significant.†

Industry	Strike Comparison
Manufacturing:	
Ordnance and accessories	+ *
Tobacco manufacturing	+
Textiles	+ *
Apparel products	+ *
Furniture and fixtures	+ *
Paper and allied products	+
Chemicals and allied products	+ *
Rubber and plastics	+
Stone, clay and glass	+ *
Fabricated metals	+ *
Machinery	+ *
Electrical machinery	+ *
Instruments	+
Miscellaneous products	+ *
Food and kindred products	- *
Lumber and wood products	-
Printing and publishing	-
Petroleum refining	-
Leather	-
Primary metals	- *
Transportation equipment	-
Non-manufacturing:	
Mining	+
Construction	+
Transportation, public utilities	+
Wholesale and retail trade	+ *
Finance, insurance, and real estate	+ *
Services	+ *
Government	- *

Source: "Analysis of Workstoppages," U.S. Department of Labor, 1956-1966.

† Significance of differences between national and state records is judged by the "t" test. In this test the average difference between the records is divided by the average variation in the difference. If the average difference is as large as the average variation, the difference is judged significant.

The importance of labor strife and unionization in the businessman's decision on location involves at least three factors. One is the type of labor he needs; a second is the probable flexibility of his labor relations; and a third is how important labor is in comparison to all other location factors.

1. Labor is both physical power and intelligence. Demands for these two aspects of labor vary among employers. Some—chemicals manufacturers, for example—rely heavily on highly trained manpower; others, characterized by less capital-intensive methods of production, can utilize less trained labor.

Because highly trained labor is scarce, industrialists requiring these specialized workers must often put considerations of labor supply above any other aspect of labor in choosing a location. For these businessmen, the quality of labor-management relations may be relatively less important. Rather, it is a strong complex of higher education and a resident supply of skilled workers that is of significance.

2. But the industrialist with few particular skill requirements may regard labor-management relations as an important consideration. He may react in two ways. First, the businessman may look for an area where labor is not organized. Second, if he finds that he will face a labor union, the businessman may search for an area with a low strike record, in the South or New England, for example, and restrict his bargaining to it.

The industrialist's ability to choose whether or not he will face a labor organization is importantly influenced by the industry in which he operates. If he is in one of the nation's highly organized industries, for example, the chances are that he will face a union wherever he goes.

Moreover, if bargaining is done on a multi-area or industry-wide basis, the chances are that no matter where the firm sets up production, its work force will be involved in the same strike.

All manufacturing industries are ranked in Table 1 on the basis of the extent of organization of their labor force nationally and the extent of single-plant bargaining (used as a proxy for single-area bargaining). Industries toward the lower left-hand corner of the table have the most flexibility in their relations with labor; those toward the upper right-hand corner are the most restricted. *Italicized* industries have substantial skill requirements.

RANKING OF INDUSTRIES ON FLEXIBILITY OF LABOR RELATIONS				
Extent of Single-Plant Bargaining				
		64%-35%	35%-20%	20%-0%
Extent of union-ization	100%-70%	<i>Ordnance Petroleum</i>	<i>Fabricated metals</i>	<i>Transportation equipment Primary metals Rubber</i>
	70%-60%	<i>Machinery Chemicals Paper</i>	<i>Electrical machinery</i>	<i>Stone, clay, glass Printing Food</i>
	60%-0%	<i>Instruments Miscellaneous manufacturing</i>	<i>Furniture Tobacco Textiles</i>	<i>Apparel Leather Lumber</i>

Italicized Industries have strong demands for skilled and professional workers.
Source: "Directory of National and International Labor Unions," 1965, U.S. Department of Labor.

As indicated by italics, most manufacturing industries with a significant amount of single-plant bargaining also require skilled work forces. The highly skilled labor force of Pennsylvania may outweigh the tendency for these industries to be attracted to areas of less organized labor.⁵

⁵ Discussion of the importance of labor organization in location decisions is, in part, based upon two comprehensive studies of location factors for the various manufacturing industries. See: (a) Victor R. Fuchs, *Changes in the Location of Manufacturing in the United States Since 1929*, Yale University Press, 1962, pp. 91-95, 102-104, 172-190. (b) Wilbur R. Thompson and John M. Mattila, *An Econometric Model of Postwar State Industrial Development*, Wayne State University Press, Detroit, 1959.

So, firms in these industries should be prime targets for regional developers in the state.

Manufacturing industries with low rates of unionization, on the other hand, tend to require a low-skill labor force. These industries, then, may find highly unionized areas such as Pennsylvania and New Jersey less attractive than others.⁶ Efforts to entice these industries may be more difficult.

3. Of course, labor is only one criterion the industrialist uses in selecting a location. Size and growth of market, supporting business services, urban amenities, and transportation facilities are also important.

Pennsylvania has a strong standing on most of these factors. Location on the Eastern Seaboard affords access to one of the nation's largest markets. Moreover, by the large size of metropolitan areas in the region, the three-state economy provides a broad menu of business services and urban cultural activities. Finally, both port and airport facilities are available.⁷

Combined with the region's skilled work force, these assets may hold a number of industries that might otherwise be attracted to areas in which labor is less highly organized.

Implications for the state

Consideration of time lost in production because of strikes in Pennsylvania is both discouraging and encouraging. The state tends to have more strike activity than New England, the South and the plains. But, the state's image of a high level of workstoppages seems to exaggerate the strike record.

⁶ *Ibid.*

⁷ See Richard Epps, "Strategy for Industrial Development," *Business Review*, November 1966, for further discussion of location factors of the various industries.

Moreover, the labor situation may not be too important for development of the state. First, not all employers have alternatives to the labor organization and characteristics of this area. Some firms, particularly in the machinery, chemicals, and petroleum complexes, will face a labor union no matter where they go, and many of these have multi-plant bargaining, meaning the same collective bargaining wherever they go. Others, textile and apparel manufacturing, for example, may be able to avoid collective bargaining in some states, and thus become poor prospects for development in Pennsylvania. Second, labor is only one location factor. The area has a strong standing on many other important aspects, such as large markets, extensive subsidiary services, and port facilities. Finally, the dependence of all industries upon skilled labor, which is a strong point of the state and Third District economy, is increasing. Thus, there is reason to suspect that the importance of labor strife as a location factor will diminish in the future.

STATISTICAL NOTE

The discussion of aggregate work stoppages is based upon an analysis of the correlations among work stoppages, industrial structure, and unionism. The statistical analysis concerns two major questions—the extent of variation in work stoppages among states, and the role of differences among states in levels of unionism in causing the time-loss variation. Study of both questions is complicated by the fact that industrial structure varies among states, and this variation in industrial structure leads to some of the diversity in both time-loss and unionism. Some industries tend to have high levels of work stoppages and high levels of unionism no matter where they locate.

Thus, as a first step in the analysis, both time-loss figures and unionism were adjusted for industrial structure. The adjustment process followed was to compute an index indicating what time-loss and unionism would be in each state if the industries in each state had exactly their national rates of time-loss and unionism. The index figures were subtracted from the actual figures for each state, resulting in:

1. The variation among states in time-loss caused by each industry having more or less time-loss in the states than nationally, and
2. the variation among states in unionism attributable to each industry having more or less unionization in the states than nationally.

The two indexes were computed by multiplying the industrial structure of each state by the national time-loss and unionization figures for the appropriate industries. For example, if a state had employment in only textiles and primary metals manufacturing, the per cent of employment in textiles would be multiplied by the national unionization figure for the textiles industry, and the per cent of employment in primary metals would be multiplied by the national unionization figure for primary metals. These would be added together, the sum being the index of unionism.

Adjustment for industrial structure reduced the diversity in both time-loss and unionism—by 39 per cent for time-loss and by 29.5 per cent for unionism.

The resulting adjusted figures were then correlated for the 48 continental states with the result that adjusted unionization accounted for 31 per cent of the variation in adjusted time-loss figures.

One additional result was found. It appears that states with a concentration of industries which have high rates of time-loss nationally will tend to have excessive time-loss in most of

their industries. One might expect that industrial structure would affect the level of aggregate work stoppages only via the relative concentrations of industries with high and low rate of time-loss. In this case, actual work stoppages would increase only at the rate of the index of work stoppages. If actual time-loss in fact increases more rapidly, as it appears to do, then the industrial structure must be having an additional impact. This means that in a state with a concentration of industries with high rates of work stoppages, most firms tend to have more time-loss than do their national counterparts.

In fact, the following relation was found:¹

¹ *The coefficient on I_w is significantly different from 1.0 with probability .01.*

$$W = -.0004 + 1.6206 I_w$$

$$\text{Coefficient of correlation} = .638$$

where W stands for the actual percentage time lost in work stoppages, and I_w is the index of work stoppages explained above. The multiplier relating the index to the work stoppages is significantly different from 1.0; actual time-loss increases more rapidly than industrial structure would indicate.

There are two possible explanations. First, it might be that a concentration of industries with high rates of time-loss is associated with exceptionally high levels of unionism. The unionism might, in turn, be involved in the extra strikes. Or, second, the frequent strikes in industries of high time-loss might affect attitudes of workers in other industries increasing the tendency for all workers to go out on strike.

The second explanation seems to be more appropriate. Unionization appears to increase no more rapidly than industrial structure would suggest:

$$U = -.050 + 1.038 I_u \quad R = .552$$

where U stands for per cent of the labor force

in unions and I_u is the industrial structure index of unionization. Moreover, when unionism, adjusted for industrial structure, is included in the work stoppage equation, the rate of increase of time loss remains high:²

$$W = .0001 + 1.49I_w + .0053 (U - I_u)$$
$$R = .743$$

Data used in the analysis were as follows:

1. Time-loss—average figures for the 1956-1966 period, from “Analysis of Work Stop-

pages,” U.S. Department of Labor, Bureau of Labor Statistics, 1956-1966.

2. Unionization—1964 figures from “Directory of National and International Labor Unions in the United States, 1965,” U.S. Department of Labor, Bureau of Labor Statistics.

3. Industrial structure—1964 figures from “State Projections to 1975,” National Planning Association, October, 1965.

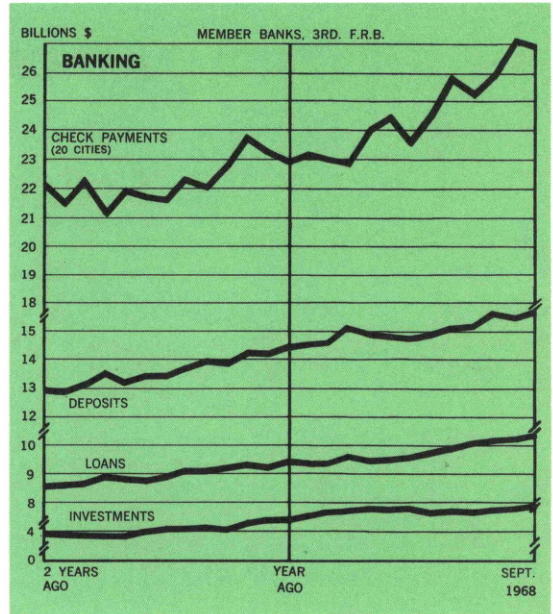
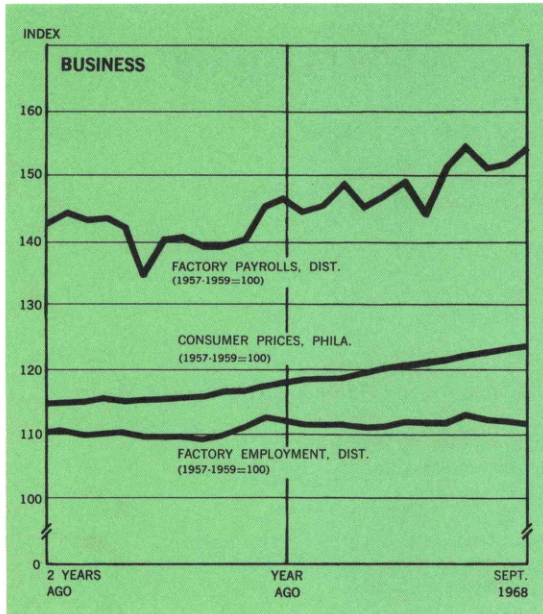
²The coefficient on I_w is significantly different from 1.0 with probability .025.

Federal Reserve Bank of Philadelphia

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FOR THE RECORD ...



SUMMARY	Third Federal Reserve District			United States			Manufacturing				Banking			
	Per cent change			Per cent change			Employment		Payrolls		Check Payments**		Total Deposits***	
	Oct. 1968 from		10 mos. 1968 from	Oct. 1968 from		10 mos. 1968 from	Per cent change Oct. 1968 from		Per cent change Oct. 1968 from		Per cent change Oct. 1968 from		Per cent change Oct. 1968 from	
	mo. ago	year ago	year ago	mo. ago	year ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago
MANUFACTURING														
Production				+ 1	+ 5	+ 4								
Electric power consumed														
Man-hours, total*	0	+ 1	+ 1											
Employment, total	0	0	+ 1											
Wage income*	0	+ 8	+ 6											
CONSTRUCTION**	+ 49	+212	+47	+19	+19	+14								
COAL PRODUCTION	- 23	- 25	- 4	-24	-23	- 1								
BANKING														
(All member banks)														
Deposits	+ 2	+ 10	+10	+ 2	+ 9	+ 9								
Loans	+ 1	+ 11	+ 9	+ 1	+11	+ 9								
Investments	+ 2	+ 9	+14	+ 3	+10	+12								
U.S. Govt. securities ..	+ 2	+ 1	+ 7	+ 4	+ 4	+ 6								
Other	+ 2	+ 18	+22	+ 2	+16	+17								
Check payments***	+ 3†	+ 20†	+13†	+ 3	+23	+19								
PRICES														
Wholesale				0	+ 3	+ 2								
Consumer	+ 1‡	+ 5‡	+ 5‡	+ 1	+ 5	+ 4								

LOCAL CHANGES	Standard Metropolitan Statistical Areas*							
	Employment		Payrolls		Check Payments**		Total Deposits***	
	Per cent change Oct. 1968 from		Per cent change Oct. 1968 from		Per cent change Oct. 1968 from		Per cent change Oct. 1968 from	
	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago
Wilmington ..	- 1	0	+ 5	+20	+19	+27	+ 8	+22
Atlantic City ..					- 4	+ 9	- 2	+ 7
Trenton	0	- 1	- 1	+ 4	+12	+39	+ 6	+12
Altoona	- 1	+ 3	- 1	+13	- 6	- 1	+ 3	+16
Harrisburg ...	- 1	- 2	- 2	+ 2	- 4	+11	0	+12
Johnstown ..	- 3	- 5	0	+ 1	+ 3	+11	+ 1	+11
Lancaster ...	0	0	0	+ 5	- 1	+10	- 1	+11
Lehigh Valley	0	0	0	+ 9	+ 4	+16	+ 1	+12
Philadelphia	0	- 2	- 1	+ 5	0	+18	+ 2	+10
Reading	0	+ 2	+ 2	+12	+ 1	+32	+ 2	-24
Scranton	0	- 1	- 1	+ 4	+13	+27	+ 1	+10
Wilkes-Barre .	0	+ 4	- 1	+ 9	+ 1	+16	+ 1	+10
York	+ 2	+ 4	+ 1	+12	+ 1	+ 5	+ 1	+ 7

*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.