

**CAPITALISM IN THE
CLASSROOM:
EDUCATION VOUCHERS
ABOUT CHRISTMAS TREES
THE FED IN PRINT**



DECEMBER 1971

FEDERAL RESERVE BANK

BUSINESS REVIEW

OF PHILADELPHIA

The Fed in Print

Business Review Topics, Third Quarter 1971, Selected by Doris Zimmermann

BALANCE OF PAYMENTS

The new look for the balance of payments — St. Louis Aug 71 p 8

BANK ACCOUNTING

Some characteristics of Fourth District FCA banks — Cleve July 71 p 3
Functional cost analysis — Dallas Aug 71 p 7

BANK ACCOUNTS

A STUDY OF BANK CUSTOMERS IN CENTRAL NASSAU COUNTY available — N.Y. July 71 p 150

BANK EARNINGS

The bank-income derby in the Third District — Phila Aug 71 p 13
... Operating ratios of Eighth District member banks 1970 — St. Louis Aug 71 p 12

BANK HOLDING COMPANIES

Characteristics of banks acquired by multiple bank holding companies in Ohio — Cleve Aug 71 p 19
Profitability of bank acquisitions by multi-bank holding companies — Bost Sept 71 p 2
Simplification of procedures — F R Bull Sept 71 p 723

BANK LOANS — BUSINESS

Changes in bank lending rates to business — Atlanta July 71 p 137

BANK PORTFOLIOS

Bank holdings of U.S. government securities — Kansas City July 71 p 10

Articles appearing in the *Federal Reserve Bulletin* and in the business reviews of the Federal Reserve banks during the third quarter of 1971 are included in this compilation. To receive copies of the *Federal Reserve Bulletin*, mail sixty cents for each to the Federal Reserve Board at the Washington address on page 18. You may send for business reviews of the Federal Reserve banks, free of charge, by writing directly to the *issuing banks*, whose addresses also appear on page 18.

BANK TAX

Congress and the Fed view bank taxation — Chic Sept 71 p 9

BANKING — FOREIGN BRANCHES

Overseas branches of member banks — F R Bull Sept 71 p 757

BANKING STRUCTURE

Southern banks take cue from economic growth — Atlanta Aug 71 p 151

BANKRUPTCIES

Prosperity and personal bankruptcy — Phila Aug 71 p 3

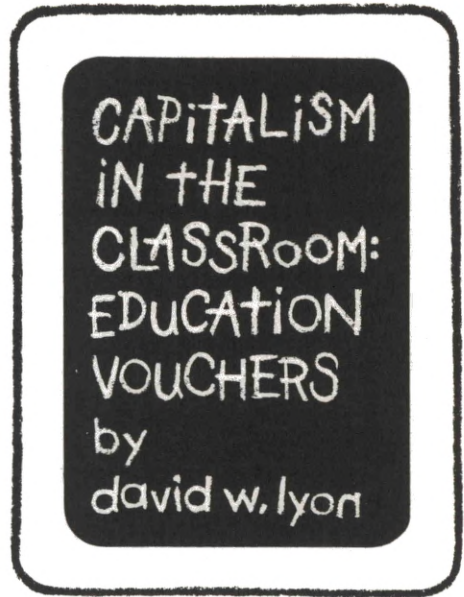
BURNS, ARTHUR F.

Statement to Congress, July 20, 1971

(Continued on Page 15)



BUSINESS REVIEW is produced in the Department of Research. Ronald B. Williams is Art Director and Manager, Graphic Services. The authors will be glad to receive comments on their articles. Requests for additional copies should be addressed to Public Information, Federal Reserve Bank of Philadelphia, Philadelphia, Pennsylvania 19101.



m. russell

The little red schoolhouse is under attack. Public school officials face taxpayer revolts and widespread parental dissatisfaction with what's going on in the classroom. Meanwhile, soaring costs frustrate school administrators' attempts to bring student performance in line with expectations. Proposals to strengthen the besieged education system range all the way from simply providing more money to replacing the current structure with entirely new financial and managerial arrangements.

One of the more revolutionary proposals to revamp primary and secondary schooling is the education voucher—a piece of paper issued to the parent of each child and redeemable for one year's education at any accredited school. Proponents of voucher plans envisage transforming the provision of public education into a profit-making, performance-oriented industry with many more satisfied "customers" than public school districts have today. Yet many educational

planners do not applaud the provision of public education for private profit. Nevertheless, a number of variations on the voucher may, after careful testing, appeal to proponents and critics alike.

WHY REFORM?

Complaining about poor municipal services and bad schools on the one hand and high taxes on the other has always been a favorite American pastime. Why, then, are complaints just now a little louder than usual and proposals for change a bit more radical? In the case of public education, escalating costs, unsatisfactory performance, and a new awareness of the learning environment make the pressure for reform particularly strong.

During the late 1960's, when prices for household goods and services were rising rapidly, the cost of schooling was climbing even faster. Staff increases, special learning programs, and new buildings combined

with escalating personnel salaries and higher construction costs to push the education bill to record levels. Stirred by education's rising claim on tax resources, public spokesmen roused school officials to search out new ways to hold down costs and improve efficiency.

Public pressure intensified as increased expenditures were not accompanied by commensurate gains in performance. In particular, the reading and writing ability of students from minority families in urban ghettos has remained far below the skill level of white students at comparable grade-levels. Moreover, special programs to assist these disadvantaged students have been unpredictable in improving their performance on reading, writing, and verbal examinations.¹ This persisting inequality and uncertainty has further opened the schoolhouse door to criticism of current teaching methods and management policies.

¹ See James S. Coleman et al., *Equality of Educational Opportunity* (Washington, D.C.: U.S. Government Printing Office, 1966), and James S. Coleman, "Increasing Educational Opportunity: Research Problems and Results," in *The Conditions for Educational Equality*, ed. S. M. McMurrin (New York: The Committee for Economic Development, 1971), pp. 104-121.

Many parents and educators have recognized that no "standard" learning environment suits all students. The teacher's task has become one of analyzing and responding to the learning requirements of each student. Some children may respond best to informal educational programs — for example, ungraded classes and team teaching. A traditional classroom structure may more effectively motivate other youth. Despite these observations, school districts have yet to adopt, on a wide scale, a variety of educational alternatives.²

Compounding the problems of higher price tags, unsatisfactory performance, and cast-iron curriculums found in many public school systems is the lack of a *direct* way for taxpayers to hold school officials accountable for the use of public funds. If we don't like the job performed by our dentist, car mechanic, or hairdresser, we can shop around to find an establishment whose work is satisfactory. But if our children are

² For a discussion of the curriculum problems facing public school officials and the failure of reform efforts, see C. E. Silberman, *Crisis in the Classroom: The Remaking of American Education* (New York: Random House, 1970).



not learning to read, our options within the public school system are few. Currently, our only recourse is to complain loudly to the teacher or superintendent of schools and hope for change, or — if the family income is large enough — to move the children and household to a new school district.

A MARKET FOR SCHOOLING

Injecting a large dose of market competition into the provision of schooling has been suggested as one means to best match students and school environments. In fact, advocates of a private market for education regard government-operated schools as the crux of the urban education problem.

We all benefit if our neighbors are literate, productive contributors to community life. Hence, education is tax-financed. However, by relying upon education vouchers, the public *fiscal support of schooling* can be separated from the *provision of schooling*. Rather than sustaining school districts, tax dollars would go straight to parents and students in the form of tuition vouchers. Each voucher would then be redeemed for a full year's education at an "accredited"

school of the family's choice.³ School officials, in turn, would forward all vouchers to a government accrediting agency for full cash reimbursement.

Proponents of voucher schemes anticipate the debut of many profit and nonprofit enterprises. The freedom of families to enroll their children in any accredited school should, they believe, generate a broad assortment of education "packages" at varying prices. Parents would shop around for schools with a record of meeting children's learning requirements. Should a school fail to come up to parental and student expectations, it would have no choice but to alter

³ A number of writers have recognized the value of separating public support of education from the provision of educational services. Early proponents were Adam Smith and Thomas Paine. More recently, Milton Friedman has espoused a voucher scheme for public education, and the Center for the Study of Public Policy has designed an experimental voucher program under the direction of Christopher Jencks (see box for comparison of these two models). For further details, see M. Friedman, "The Role of Government in Education," in *Economics and the Public Interest*, ed. R. Solo (New Brunswick: Rutgers University Press, 1955), and Christopher Jencks, "Is the Public School Obsolete?" *The Public Interest*, Winter, 1966, pp. 18-27.



its educational program — or go out of business.

An important feature of some voucher proposals is an option for supplementing

the face value of the voucher. The basic voucher would provide funds sufficient to assure each pupil a minimum level of educational training — say, the current average

EDUCATION VOUCHERS

The voucher system brings the marketplace to education. Under the voucher plan, a parent would choose a learning environment for his child in much the same way as he chooses any other good. A public agency, perhaps the state or a local board of education, would issue to the parent of each school-age child a voucher redeemable for a year's education at any accredited school. The parent would then "pay" the school of his choice with the voucher, and school administrators would turn in all vouchers to the government agency for full reimbursement.

THE FREE MARKET PLAN¹

The Free Market Plan strives to foster competition in the education marketplace. If a parent is unhappy with the quality of his child's education and can afford to spend more in the expectation of receiving higher quality services, he is free to supplement the basic voucher. The prospect of profits provides an incentive to producers to offer the types and quality of educational services that parents are seeking. Government regulations would be kept to a minimum. Virtually no government rules would constrain admissions procedures or the make-up of the student body, and only a few guidelines would be placed upon curriculum content.

THE FREE MARKET PLAN MODIFIED²

The voucher plan proposed by the Center for the Study of Public Policy (CSPP), and adopted by the Office of Economic Opportunity, is designed to correct possible inequities caused by an unrestricted play of competitive market forces.

Unlike the Friedman plan, the CSPP proposal prohibits privately initiated voucher supplements. If a school's tuition exceeds the face value of the basic voucher, the *entire* cost of education must be paid by the parent. Educationally disadvantaged students, however, may receive up to twice the basic voucher amount.

On the "producer" side, the program requires that there be no discrimination in admissions on the basis of race and that at least one-half of all open places be allocated randomly. In addition, school administrators must furnish information about facilities, teachers' programs, and student enrollment to parents and the community. As in the free market model, the government would set down minimum standards of curriculum content. Also, a public agency would be charged with ensuring that there are enough places in publicly managed schools to accommodate every school-age child who chooses not to attend a privately managed school.

¹ M. Friedman, "The Role of Government in Education," in *Economics and the Public Interest*, ed. R. Solo (New Brunswick: Rutgers University Press, 1955). This article is reprinted with slight changes in M. Friedman's *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962), Ch. VI.

² Center for the Study of Public Policy, *Education Vouchers: A Report on Financing Elementary Education by Grants to Parents* prepared for the United States Office of Economic Opportunity (Cambridge: December, 1970).

annual cost of educating a student. Families who wished to purchase a somewhat higher quality education package could simply supplement the basic voucher to meet the price set by school officials. Thus, an individual's "consumption" of education services could exceed the minimum level of training provided by the basic voucher. The level of supplemental services a family chooses would depend, of course, upon its preferences for education, its special requirements, and its income.

However, supplements to the basic voucher need not be initiated only by the family. The government agency accrediting schools might provide supplements to low-income families who otherwise would not be able to increase their education outlays. Alternatively, the agency might give additional support to students attending schools in urban areas where teachers' salaries and school maintenance costs are higher than in suburban and rural communities. Supplements to cover the cost of transportation to and from school might also be provided. In sum, a variety of government-sponsored voucher supplements might enhance the opportunity of each student to attend the school of his choice. Together with privately initiated supplements, government additions

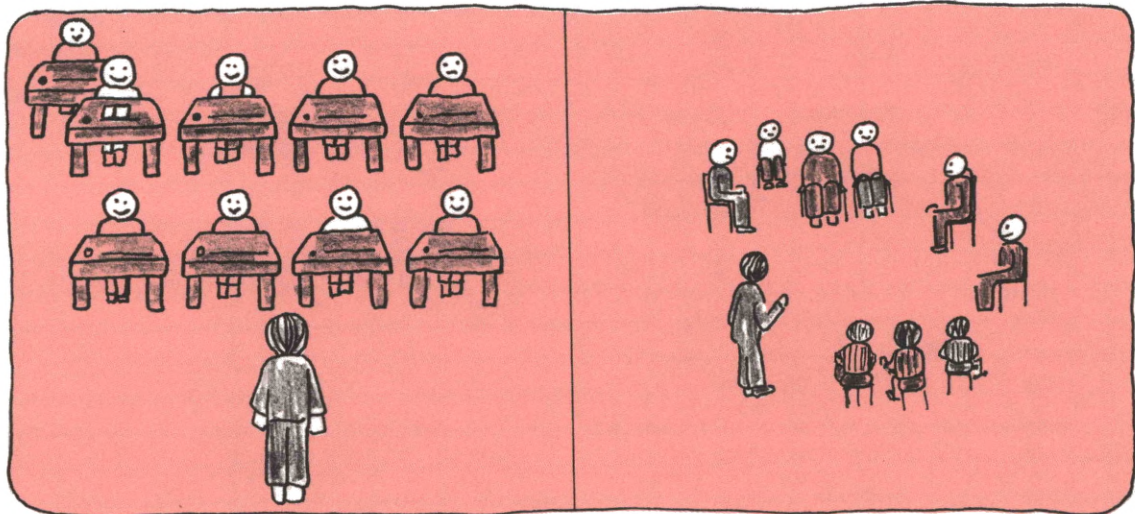
to the basic voucher should go a long way toward offering an education system which promotes freedom of choice and assures equal educational opportunity.⁴

REFORM OR RETROGRESSION?

Subsidizing consumers — students and their parents — rather than producers — school districts — may solve many problems of public education. But, some argue, a voucher system may also perpetuate minority group segregation and unwarranted disparities in student performance — two of the issues initially giving rise to calls for reform.

The Reform Side. The introduction of an education marketplace is apt to bring about an efficient use of tax dollars. High-cost schools not doing the job will fall by the wayside as competitors move in with better methods of instruction and tighter management policies. Faced with the threat of losing business, school officials will be en-

⁴ Other social goals such as racial integration might also be incorporated into voucher plans. For example, premiums could be paid to schools that have a specified mix of students from minority groups. In this way, much of the current debate over busing might be avoided.



couraged to provide a good learning environment at the lowest possible price. The final outcome could well be more and "better" education per dollar spent on schooling.⁵

Vouchers could also increase opportunities to match student skills and preferences with teaching techniques. For example, a number of parents embracing a new philosophy of education might join forces to found a new school. By enlisting sympathetic teachers and receiving government accreditation, they could launch their venture — and cover costs with vouchers. Or established schools seeking new students might offer experimental learning programs and supplementary training courses. Overall, a more diverse selection of schools — a selection today available only to wealthy families — is likely to result.

Finally, school officials will be held accountable to parents for their students' performance. If, as is now the case, many low-income parents find that their children fall severely behind national standards in skills such as reading, they can try to work out an improved arrangement with teachers or look to other schools. It seems reasonable to expect that chronically poor performance by a school's management and staff will spell the demise of that enterprise.

Voucher enthusiasts emphasize these potential improvements over the present system of providing public education. Yet the absence of convincing answers to some tough questions raised by opponents has discouraged widespread endorsement of vouchers. Prevention of income and racial segregation, professional vs. profiteer control of education, and separation of church and state — these issues delineate the battleground between proponents and opponents.

⁵ However, tax collections to support a voucher system of public education would be larger than those necessary to finance the *current* public-private mixed system. Students now attending secular and religious private schools would qualify for vouchers. Presently, their parents pay public school taxes without availing themselves of public school services.

The Critics' Side. Most educators feel that a major responsibility of our public education system is to foster equal opportunity to jobs and a comfortable standard of living regardless of race or social class. Actually, racial and income segregation in our public schools has had the effect of reinforcing unequal opportunity.⁶ Critics of education vouchers note that the option for privately initiated supplements to the basic voucher may not provide the reform sought and, in fact, may only strengthen current patterns. Middle- and high-income families — most of them white — might simply buy their way out of "bad" schools. While government supplements to low-income families may improve their children's ability to compete for entrance to high-tuition schools, prospects are that these additions will be too small to insure effective equalization.⁷

The demands of low-income families for improved educational opportunities may not be met for another reason. Crime, vandalism, and a clientele years behind in reading may squelch entrepreneurial efforts to offer alternatives superior to those existing in public schools in urban ghettos. Even with substantial voucher supplements, one of the primary benefits of vouchers, diversity of choice, may not be extended to low-income residents in areas where these problems loom large.⁸

Some educators also fear that opportunities for profit in the education marketplace

⁶ See J. Coleman, *Equality of Educational Opportunity*, Op. cit.

⁷ The voucher plan proposed by the Center for Public Policy addresses this problem. Under the plan, a school would gain accreditation only if half of its applicants were accepted by a random selection process. Such a restriction would prevent overt discrimination in acceptance procedures. However, it might also discourage public approval of the plan. For a summary of this proposal, see box.

⁸ These and other arguments against the voucher proposal of Friedman and others are made by Henry M. Levin in "The Failure of the Public School and the Free Market Remedy," *The Urban Review*, June, 1968.

may attract hustling hucksters out to grab the unwary parent's voucher. Smooth sales techniques may convince a parent to choose a new school only to discover one or two years later that his children have not kept up in basic skills. Most critics believe that low-income families will be especially vulnerable to high pressure advertising promising "quick results for Johnny at half the price!"⁹ Moreover, since public schools as



presently operated fail to deliver a minimally acceptable level of skills to all students, educators are anxious about introducing

⁹ There is some evidence that a number of veterans using the G.I. Bill for education have been "taken" by trade schools that offer worthless skills or fail to deliver on their promises. See Center for the Study of Public Policy, *Education Vouchers* (Cambridge; December, 1970).

The prospect of a parent being "taken" by a hustler is heightened by the lack of a generally accepted measure of a "good" education. School administrators competing for business are likely to stress their students' performance on basic skill examinations. But many educators feel that test scores measure only part of the output of public education. For example, although helping students realize their intellectual potential is an important role played by educators, its outputs are difficult to measure. Without an easy means of comparing schools along qualitative lines, students are vulnerable to schooling that falls short of a full education.

any new measures that may result in even more unfulfilled promises.

Finally, cross fire has been exchanged over the legality of tax support for church affiliated schools. Schools eligible to receive vouchers will undoubtedly be subject to a bundle of government regulations. Voucher agencies are likely to establish and enforce standards on curriculum content, suspension and expulsion of students, and public accounts of the use of funds. If schools with religious ties qualify for accreditation, then the voucher scheme may prove illegal under the separation of church and state clause of the United States Constitution. While the constitutionality of applying education vouchers to schooling in non-secular private institutions will ultimately be settled in the U.S. Supreme Court, critics suggest this issue will splinter public support.

TIME FOR A TEST

The pros and cons of the voucher proposal and other plans for reform must be weighed in light of both the goals of public education and the conditions under which we want these goals to be achieved. Assessing the merit of each proposal is complicated by the difficulty of reaching a consensus on which goals of public education are most important. Educators who place a high priority on helping students reach their full intellectual potential may support one plan for reform. Yet others who stress communication of the values and knowledge they believe necessary to the smooth functioning of a democratic society may reject the very same plan. Clearly, as the emphasis educators place upon goals differs, so also will assessments of reform proposals.

Prerequisite to fulfilling any of public education's broad responsibilities, however, is the development of competence on the part of all students in communicative and cognitive skills. Even this limited objective must be pursued with resourcefulness and an eye to steady improvement in student performance. For example, we should at-

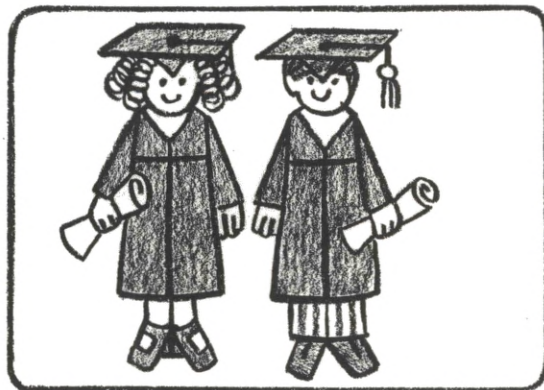
tempt to allot every tax dollar for education to its most efficient use. We should also expect to offer children a wide choice of learning environments, while strengthening the leverage to hold teachers and managers accountable for their performance. And, of course, public education must be offered in accordance with the constitutional right of individuals to equal access to the benefits of public services, regardless of race or family income.

How does the voucher proposal measure up? A voucher plan is likely to offer a far greater selection of learning environments and more efficiency than we have in public education today. But, it carries the risks of continued segregation and an unacceptable variability in the quality of educational services. If government accreditation is based upon strong curriculum guidelines and strict enforcement of a random selection of applicants for part of a school's enrollment, the prospects of transmitting the benefits of public education equally to all students will be greatly improved. Too much regulation, of course, may discourage the plan's entrepreneurial spirit. School managers wound up in governmental red tape may offer services no better than those provided by our present system of publically operated schools.

Voucher proponents have put educators on notice that there is no substitute for individual achievement. Public schools, as currently operated, do not teach basic skills to all students. If this job is to be accomplished, alternative learning environments must be made available. A number of attempts to meet this challenge are now being tried. Some, like performance contracting, utilize the services of private businessmen.

But it may be that the time has come to step completely, albeit carefully, out of the mold of government-operated schools.

To this end, a *testing* of a voucher plan on a limited basis should furnish the information necessary to assess the plan's prospects for success under broad-scale implementation.¹⁰ Testing the voucher plan and other alternatives for reform of public education surely involves direct dollar expenditures and the possibility of failure. But it also presents the possibility of a vastly improved educational process. Growing pressure for reform strongly suggests that the time for "education as usual" is past, and that new ways for making more efficient use of tax dollars and improving student performance must be found. A voucher system may be such a way.



¹⁰ Three cities — San Francisco, Calif.; Alum Rock, Calif.; and Seattle, Washington — have begun *preliminary* planning toward the implementation of voucher plans. These planning efforts are sponsored by the U.S. Office of Economic Opportunity. Evaluation should be easier if tests are launched in more communities and with a representation from different regions of the U.S. ■



About Christmas Trees

by Evan B. Alderfer*

Precisely where and when the idea of bringing an evergreen home for Christmas originated is a mystery. The best the historians have been able to do is to trace the tradition back to about the year 1500 in the Province of Alsace along the Upper Rhine. And what is the significance? Probably "just for nice," as the Pennsylvania Dutch used to say.

For many years it was the custom in this country to go out into the forest and cut down an evergreen suitable for decoration. However, when the steadily rising demand for Christmas trees began to exceed the supply of "wild" trees, enterprising individuals went into the business of growing

Christmas trees as a cash crop. The first national survey of Christmas trees, made in 1948, revealed a harvest of better than 21 million trees, of which about 15 per cent were estimated to be plantation grown. Today over half of all trees harvested are "domesticated."

The production and marketing of Christmas trees is a sizeable business which has many attributes of an industry — specialization, mechanization, seasonality, market analysis, interstate commerce and competition, trade associations, trade journals, conventions, and problems. The 1971 Christmas season is expected to tally sales of 45 million trees for a wholesale value of \$70 million and a retail value of more than \$200 million. The industry gives employment to more than 100,000 people, consisting of 70,000 retailers, 5,000 distributors, 27,500

*Evan B. Alderfer, now retired, is a former Economic Adviser of the Federal Reserve Bank of Philadelphia.

seasonal workers, and 2,500 full-time employees. And the 85 million seedlings planted during the year indicate expectations of expanding future harvests.

GREEN GROWS WHERE COLD WINDS BLOW

Christmas trees make good use of run-down fields and they grow or are grown in every one of the fifty states. The most prolific states, however, are those bordering Canada.¹ The Lake states of Minnesota, Wisconsin, and Michigan produce almost one-third of the annual harvest. Next in importance are the Northwestern and Pacific

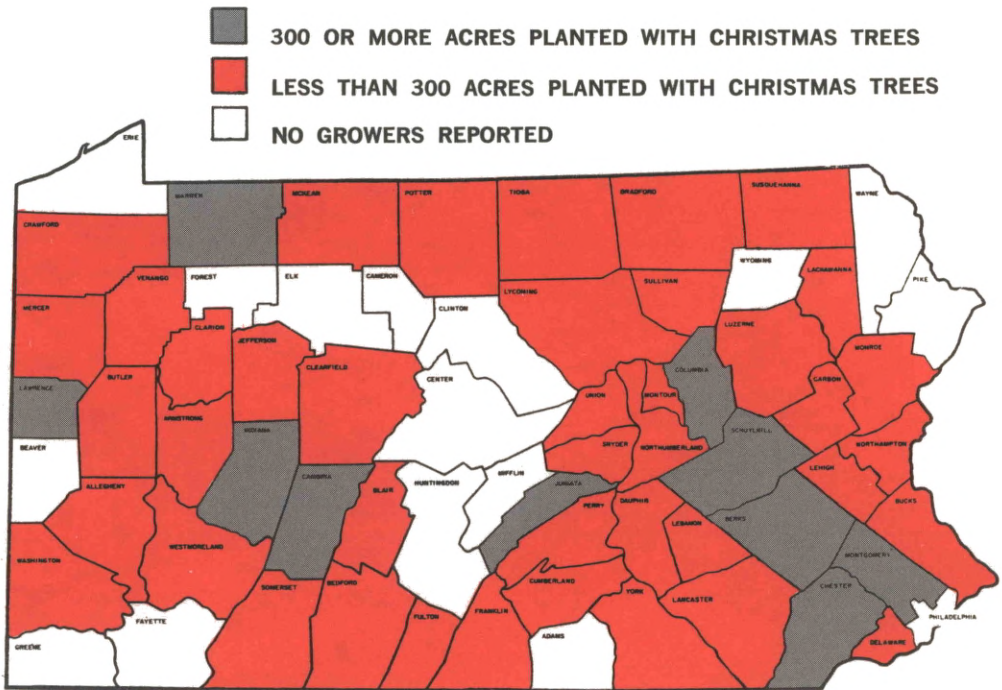
Coast regions (Montana, Idaho, Washington, Oregon, and California) which produce fully one-fourth of the total. Ranking third, with over one-sixth of the total, is the Northeast which embraces all of New England, New York, Pennsylvania, New Jersey, Delaware, and Maryland. These three regions together produce three-fourths of the annual harvest.

PENNSYLVANIA'S PLANTATIONS

It should be no surprise that Pennsylvania, a once all-forested and still more than half-forested state, is among the most prominent producers of Christmas trees. A plantation started in 1918 in Indiana County in the western part of the Commonwealth is said to have been the country's first. Indiana County, the self-styled "Christmas Tree Capital of the World," is still the state's

¹ Imports from Canada, which attained a peak of 12 million trees or one-third of our consumption in 1956, were only 5 million in 1970.

LEADING CHRISTMAS TREE GROWING COUNTIES IN PENNSYLVANIA*



*Based on acreage reports to the Pennsylvania Christmas Tree Growers Association.

leading producer and is said to market over a million trees each year. Trees from some of that county's plantations, which vary in size from ten to over 800 acres, go to distant markets in Florida, Texas, and California. The leading counties on the basis of membership and acreage, reported to the Pennsylvania Christmas Tree Growers Association, are shown on the map.

O TANNENBAUM! O SCOTCH PINE!

Over 30 species of evergreens are commonly used as Christmas trees. The fir tree, the tree of song, was the Christmas favorite for a long time, but in recent years it has yielded first place to the Scotch pine. Ranking second in popularity is the Douglas fir, and third is the Balsam fir. The three together account for 61 per cent of all Christmas trees produced.

A man going forth to buy a Christmas tree is told by his wife to get one that has a full, bushy, symmetrical shape, with strong enough limbs to support the ornaments and electric lights, and with branches springy enough to snap back into good shape when released from the strings that bind it for shipment. And, above all, the tree must have a fresh green color with needles that won't fall off before the New Year, be neither too tall nor too small, smell like pine, and not be too expensive. Of course, he finds that there is no such tree, but the various species displayed on the lot do approach the requested specifications with varying degrees of success.

There is good reason why the Scotch pine has become the country's leading Christmas tree. First of all, it meets a wife's demands — it shapes beautifully, its size and smell are good, and its needles hang on and on. Second, it is easy to grow. It is tolerant to a wide range of soil and moisture conditions and survives planting shock well. And of particular interest to the grower is the fact that the Scotch pine can be grown to Christmas-tree size in about eight years in

contrast with the fir that requires ten to twenty years.

PLANTATION TOILS

Growing Christmas trees as a cash crop looks like easy money. The land need not be the best, the capital requirements are modest, and as Christmas approaches the buyers are in a festive mood. As a business, it is easy to enter and the size of the venture may be as small as a backyard or as large as a thousand acres. Consequently, the business has attracted all kinds of people, especially those with time on their hands and land underfoot. What beginners are likely to overlook or underestimate is the amount of tender loving care and the length of time required before the cash rolls in.

First is the planting of the seedlings which may be done by hand or by machine. The latter is up to ten times more productive, depending upon the size of the plantation and the conditions of the site. To keep the weeds from taking over, the plantation requires frequent mowing with a power mower. To keep the bugs from eating up the plantation requires periodic spraying. To help the trees attain the proper density and proper Christmas-tree shape requires yearly shearing, once the shearing has begun. As harvest time approaches, the grower must identify the trees to be cut down, line up labor to cut, tie or bale the trees, and perhaps arrange for hauling to market. Many growers sell to wholesalers, some do their own retailing, still others engage in both.

There is also the "choose and cut" plantation. Families arrive en masse, finally agree upon a tree, superintend its cutting, and take it home in triumph. The grower sells at the retail price (roughly double the wholesale price), and the customer hauls his own.

PLANTATION TROUBLES

Growing Christmas trees would not be

an industry if it were without troubles. A major pitfall is planting the wrong trees. On ordering seedlings from the nursery, you may select White pine and Black spruce because you observe they are gaining in popularity. But it takes eight years for the White pine and twelve years for the Black spruce to become marketable trees, and consumers are fickle.

Moreover, part-time labor, upon which the industry must rely, is unpredictable. A crew of workers, hired to do shearing in midsummer, may decide, after the sun is directly overhead, that it is a good day to go fishing or simply knock off and do nothing.

Bugs! Over 60 different kinds of insects, from aphids to Zimmerman pine moths, feed on Christmas trees. "It is a rare tree-planting which is not subject to attack by one or more of these pests sometime during the period from planting to harvest," says Extension Bulletin 353, of Michigan State University. And the inch-long, red-headed worms of the pine sawfly come in such swarms that when they move, the whole tree appears to jump. Bugs are not the only pests, but also mice, deer, rabbits, and people.

Then, too, some trees grow crooked, one-sided, or turn yellow. Such trees are a loss — unmarketable. However, the story is told of a grower who advertised his yellowed trees as "Golden Scotch pine" and sold them at premium prices. Now some producers are dyeing Christmas trees in any color to match one's decor.

Plantation growers are also adversely affected by one aspect of what might be called the ecology crisis. Air and water pollution are real and serious, to be sure, but the subject has gotten so much publicity that some people have come to believe that it is sinful to cut down a tree. This attitude was revealed on stopping at a country store to ask directions to Mr. X's tree plantation, and the storekeeper saying, "Oh, you mean the tree butcher." Many peo-

ple fail to realize that Christmas trees are crops harvested from fields which are replanted.

Arthur M. Sowder, formerly of the Forest Extension Service, in his monograph "Christmas Trees: The Tradition and the Trade," points out that shortly after Theodore Roosevelt became President, he refused the placement of a Christmas tree in the White House because he felt it a wasteful practice. However, the President changed his mind after Gifford Pinchot of Pennsylvania, who was Chief of the Division of Forestry, convinced him that natural stands of Christmas trees are frequently too thick and that removal of some of the trees affords the remaining trees more soil, sunlight, and moisture, with the result that they grow faster and healthier. Conservation is not saving for the sake of saving, but rather making the most efficient use of natural resources. In many forested areas, Christmas trees are the only practical crop, and, if left to themselves, would eventually stagnate.

One of the most serious problems the industry faces is competition from artificial trees. Made of metal, plastic, or other material, these "trees" sell at prices ranging from two to five times as much as the prices of the real Christmas trees they simulate. Of course, they are cheaper in the long run if used five to ten times, but with repeated usage they show their age. Nevertheless, artificial trees have cut deeply into the natural tree market.

ARTIFICIAL FUTURE

While the future of the Christmas tree industry appears bright, it is certain that meeting the growing demand will involve surmounting a variety of difficulties. Three of these are fickle consumer tastes, labor unpredictability, and insects. Chief among the problems producers face, however, is the burgeoning artificial "tree" business. It appears that for a growing number of consumers a tree is a tree is a tree. ■

BURNS, ARTHUR F. (continued from page 2)

(government loans to industry) —
F R Bull Aug 71 p 653

Statement to Congress, July 23, 1971
(state of the economy) — F R Bull
Aug 71 p 655

Statement to Congress, Sept 27, 1971
(Agency securities) — F R Bull
Oct 71 p 817

BUSINESS FORECASTS AND REVIEWS

Financial developments, Q₂ 1971 —
F R Bull Aug 71 p 639

Midsummer problems — San Fran
Aug 71 p 137

BUSINESS INDICATORS

Cyclical indicators of economic
activity I — Rich Aug 71 p 2

CAPACITY

Revised measures of manufacturing
capacity utilization — F R Bull
Oct 71 p 779

COMMERCIAL POLICY

Trends in U.S. foreign trade — Chic
Aug 71 p 2

Cost of tariffs to consumers — Bost
Sept 71 p 13

Export Expansion Finance Act of 1971 —
F R Bull Sept 71 p 723

CONSUMER CREDIT

Chart story — Rich Aug 71 p 8
Recent developments — F R Bull
Sept 71 p 703

CORPORATE FINANCE

Two techniques of corporate financing —
Rich July 71 p 5

CREDIT

Credit supply in the first half of 1971 —
F R Bull Oct 71 p 761

DEFENSE EXPENDITURES

Defense-related cutbacks:
Their impact on Southeast —
Atlanta Sept 71 p 162

DISCOUNT OPERATIONS

REAPPRAISAL *available* at \$3 per copy —
F R Bull Aug 71 p 699

DISCOUNT RATES

Change, July 22, 1971 — F R Bull
Aug 71 p 698

EDGE ACT

Foreign banking corporations — F R Bull
Sept 71 p 725

EDUCATION

Colleges and jobs — Chic July 71 p 2

ELECTRIC POWER INDUSTRY

Electric power . . . growth — Dallas
July 71 p 1

EURODOLLARS

The Eurodollar market: Some first
principles — St. Louis July 71 p 16

EXPECTATIONS

A test of the "expectations hypothesis" . . .
— F R Bull Aug 71 p 649

FEDERAL RESERVE BANKS —

DIRECT PURCHASE

Act of Congress, July 2, 1971 —
F R Bull Aug 71 p 672

**FEDERAL RESERVE COMMUNICATIONS
CENTER**

Expanded use for wire transfers —
F R Bull Aug 71 p 698

FEDERAL RESERVE FOREIGN EXCHANGE

Reciprocal currency arrangements —
F R Bull Aug 71 p 698

Treasury and Federal Reserve foreign
exchange operations — F R Bull
Oct 71 p 783

**FEDERAL RESERVE SYSTEM—
PUBLICATIONS**

INDEX to Federal Reserve Bank
Reviews 1950-1970 *available* —
Phila July 71 p 10

THE FED IN PRINT a cumulative index
to Federal Reserve Bank reviews
available quarterly — Phila Aug 71
p 9

The Fed in print — Phila Sept 71 p 25

FOREIGN DEPARTMENT—BANK

The spread of international banking:
A regional view — Atlanta Aug 71
p 142

GOVT. AGENCY SECURITIES

Transactions authorized for Open Market
Committee, Sept 16, 1971 —
F R Bull Oct 71 p 866

GOVT. EMPLOYEES

Government: People and pay —
San Fran July 71 p 132

GOVT. EXPENDITURES

Changing priorities in Federal
expenditures — Atlanta July 71 p 122

GOVT. LOANS TO INDUSTRY

Emergency Loan Guarantee Act,
Aug 9, 1971 — F R Bull Aug 71
p 672

GOVT. SECURITIES

U.S. government bonds as capital market
instruments — Cleve Aug 71 p 3

HOUSING

A decade of progress for Southeastern
housing — Atlanta Sept 71 p 171
Can it last? — San Fran Sept 71 p 165

INCOME DISTRIBUTION

Income distribution and its
measurement — Rich Aug 71 p 7

INCOMES POLICY

An idea whose time has come —
Kansas City Sept 71 p 3

INFLATION

Proposed solutions to inflation —
effective and ineffective (Francis) —
St. Louis July 71 p 25

INTEREST RATES

Interest rates — the volatile price
of credit — Chic Aug 71 p 7
Significance of recent interest rate
movements — St. Louis Aug 71 p 2
Use of interest rate policies as a stimulus
to economic growth — F R Bull
Sept 71 p 713

INTEREST RATES—DISCLOSURE

Open end credit — change — F R Bull
Aug 71 p 675
Charges for membership in open end
credit plan — F R Bull Sept 71 p 725

INVESTMENT TAX CREDIT

Replacing the proposed investment tax
credit with a postponement of
Social Security tax increases —
Bost Sept 71 p 20

JAPAN

Rising sun, expanding trade — San Fran
July 71 p 125

LOANS — INDEX-LINKED

Index-linked loans — Kansas City
Sept 71 p 12

MEDICAL COSTS

Medical care policy: A dose of
competition — Phila Sept 71 p 3
Footing the medical care bill — Phila
Sept 71 p 14
Three-tier therapy — Phila Sept 71 p 16

MITCHELL, GEORGE

Statement to Congress, Sept 24, 1971
(rural development) — F R Bull
Oct 71 p 815

MOBILE HOMES

Infant industry grows up — Atlanta
July 71 p 129

MONETARY STABILIZATION

SDR: Super-duper reserve? — Phila
July 71 p 11
Remarks by John B. Connally at ABA
conference, Munich, May 28, 1971 —
N.Y. July 71 p 143
Dollars, deficits, and the international
monetary system — St. Louis July 71
p 3
International finance I — Dallas Aug 71
p 1
International finance II — Dallas Sept 71
p 1

MONEY SUPPLY

Central banks and the money supply —
St. Louis Aug 71 p 18
A monetarist view of demand
management: The U.S. experience —
St. Louis Sept 71 p 3

MORTGAGES

Mortgage repayments as a source of
loanable funds — F R Bull Aug 71
p 650

MORTGAGES — SECONDARY

The secondary mortgage market —
Cleve July 71 p 14

OPEN MARKET OPERATIONS

Record of policy actions, May 11, 1971 —
F R Bull Aug 71 p 663

STAFF STUDIES *available* at \$2 per
copy — F R Bull Aug 71 p 699

OPEN MARKET OPERATIONS (continued)

- Record of policy actions, June 8, 1971 —
F R Bull Sept 71 p 715
- Record of policy actions, June 29, 1971 —
F R Bull Oct 71 p 820

POPULATION

- Tenth District population change and
income growth in the 1960's —
Kansas City July 71 p 3
- Fifth District population growth and
distribution 1950-70 — Rich
Sept 71 p 2
- Zero population growth — Rich Sept 71
p 7

PRICE CONTROL

- President's message — San Fran
Aug 71 p 143
- The freeze and after — Chic Sept 71 p 2
- The business situation — N.Y. Sept 71
p 199
- The first ninety days — San Fran
Sept 71 p 153

PRICE INDEXES

- Interpreting short-run price
developments — Cleve Sept 71 p 3

PUBLIC WELFARE

- Walking the tightrope: Public assistance
and work incentive — Phila
Aug 71 p 10

RAILROADS

- Railroads, regulations and public
policy — Phila July 71 p 3

REAL ESTATE INVESTMENT TRUSTS

- An appraisal of their impact on mortgage
credit — N.Y. Aug 71 p 188

REGULATION T

- Changes in OTC margin stocks, Aug 16,
1971 — F R Bull Aug 71 p 699

REGULATION X

- Securities credit transactions:
Rules governing borrowers —
F R Bull Oct 71 p 828

REGULATION Y

- Amendment, Sept 1, 1971 — F R Bull
Aug 71 p 674
- Amendments to Regulation Y, Sept 1,
1971 — F R Bull Sept 71 p 723
- Bank holding companies amendments
effective Sept 21, 1971 — F R Bull
Oct 71 p 832

REGULATION Z

- Amendment effective Oct 1, 1971 —
F R Bull Oct 71 p 833

SECURITIES

- The problem of securities thefts —
N.Y. Aug 71 p 166

TIME DEPOSITS

- Growth — back on track? — Chic
July 71 p 7

TRANSFER OF FUNDS

- Towards a better payments system —
Rich July 71 p 10

UNEMPLOYMENT

- Changing composition of the
unemployed — Bost July 71 p 2
- Unemployment rate behavior during
recessions — Rich July 71 p 2
- High employment without inflation:
On the attainment of admirable
goals — St. Louis Sept 71 p 12

**VOLUNTARY FOREIGN LOAN CREDIT
RESTRAINT 1965**

- Continued compliance — F R Bull
Sept 71 p 757

WAGES — STABILIZATION

- Wage dynamics and national economic
policy — Bost July 71 p 11



FEDERAL RESERVE BANKS AND BOARD OF GOVERNORS

Publications Services
Division of Administrative Services
Board of Governors of the
Federal Reserve System
Washington, D. C. 20551

Federal Reserve Bank of Atlanta
Federal Reserve Station
Atlanta, Georgia 30303

Federal Reserve Bank of Boston
30 Pearl Street
Boston, Massachusetts 02106

Federal Reserve Bank of Chicago
Box 834
Chicago, Illinois 60690

Federal Reserve Bank of Cleveland
P.O. Box 6387
Cleveland, Ohio 44101

Federal Reserve Bank of Dallas
Station K
Dallas, Texas 75222

Federal Reserve Bank of Kansas City
Federal Reserve Station
Kansas City, Missouri 64198

Federal Reserve Bank of Minneapolis
Minneapolis, Minnesota 55440

Federal Reserve Bank of New York
Federal Reserve P.O. Station
New York, New York 10045

Federal Reserve Bank of Philadelphia
925 Chestnut Street
Philadelphia, Pennsylvania 19101

Federal Reserve Bank of Richmond
P.O. Box 27622
Richmond, Virginia 23261

Federal Reserve Bank of St. Louis
P.O. Box 442
St. Louis, Missouri 63166

Federal Reserve Bank of San Francisco
San Francisco, California 94120

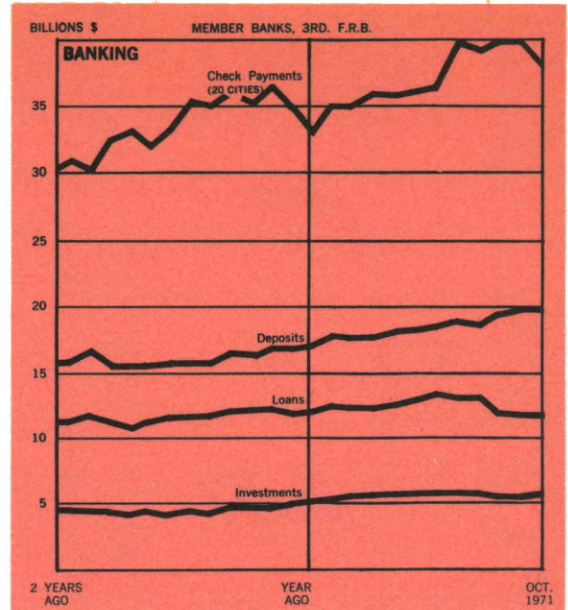
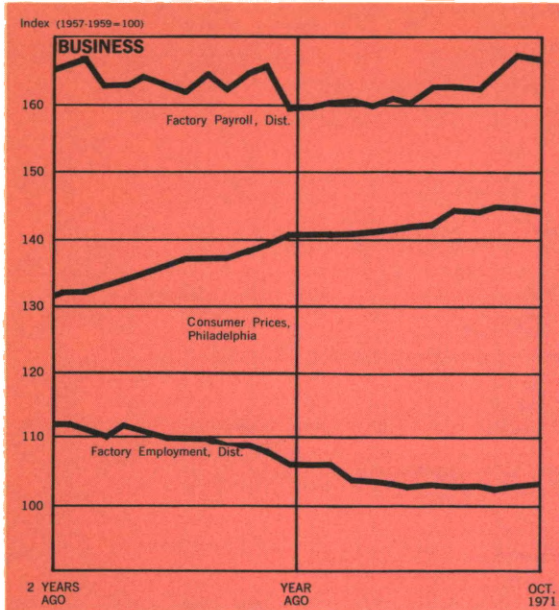
FEDERAL RESERVE BANK OF PHILADELPHIA

BUSINESS REVIEW

TABLE OF CONTENTS — 1971

JANUARY	The Securities Business and Consciousness III by David P. Eastburn Recovery From an Inflationary Recession by Edward G. Boehne Regional Economy Slips in '70 by Kathryn L. Kindl Annual Operations and Executive Changes
FEBRUARY	The Fight Against Inflation: Barebone, Jawbone, or Lawbone? by Mark H. Willes The Wage-Profit Battleground by Kathleen C. Holmes Services: Bridge Over Troubled City Waters? by Elizabeth P. Deutermann
MARCH	The Financial Future of City and School Government in Philadelphia by David W. Lyon The Fed in Print by Doris Zimmermann
APRIL	Forecasting and Policymaking: Some Lessons from Experience by David P. Eastburn Pressures in the Powerhouse by Evan B. Alderfer Income Maintenance Programs: Spending the Benefits by James L. Freund
MAY	Social Man and the New Stationary State by David P. Eastburn How Well Do Economists Forecast? by Ira Kaminow
JUNE	State Dollars To School Districts by Kathryn L. Kindl Population Growth in The Third District: Scorecard From the Census The Household As A Saver by James M. O'Brien The Fed in Print by Doris Zimmermann
JULY	Railroads, Regulations, and Public Policy by James L. Freund and Richard W. Epps SDR: Super-Duper Reserve? by Alan J. Krupnick
AUGUST	Prosperity and Personal Bankruptcy by Duane G. Harris Walking the Tightrope: Public Assistance and Work Incentive by Kathleen C. Holmes The Bank-Income Derby In The Third District by Donald J. Mullineaux
SEPTEMBER	Medical Care Policy: A Dose of Competition by W. Lee Hoskins Footing the Medical Care Bill Three-Tier Therapy by Cynthia A. Elinoff The Fed in Print by Doris Zimmermann
OCTOBER	Business Mortality: A Necessary Evil? by Duane G. Harris Paving the School District's Bumpy Fiscal Road Blueprint for Metropolitan Reform by L. Christine Grad
NOVEMBER	The State of Confidence: Short and Long Run by David P. Eastburn Paying the Pollution Bill by Kathleen C. Holmes Carving Up the Seas: Problems of Ocean Ownership by W. Lee Hoskins
DECEMBER	Capitalism in the Classroom: Education Vouchers by David W. Lyon About Christmas Trees by Evan B. Alderfer The Fed in Print by Doris Zimmermann

FOR THE RECORD...



SUMMARY	Third Federal Reserve District			United States			LOCAL CHANGES								
	Per cent change			Per cent change			Manufacturing		Banking						
	October 1971 from		10 mos. 1971 from	October 1971 from		10 mos. 1971 from	Employment	Payrolls	Check Payments**	Total Deposits***					
	mo. ago	year ago	year ago	mo. ago	year ago	year ago	Per cent change October 1971 from	Per cent change October 1971 from	Per cent change October 1971 from	Per cent change October 1971 from	month ago	year ago			
MANUFACTURING															
Production				+ 1	+ 4	N/A	Wilmington ...	0	+ 3	- 2	+ 17	+ 16	+ 15	- 1	+ 18
Electric power consumed	- 1	+ 1	0				Atlantic City ..	- 2	+ 3	- 3	+ 7	+ 2	+ 17	+ 5	+ 31
Man-hours, total*	0	- 2	- 7				Trenton	0	- 2	+ 1	+ 9	+ 2	+ 22	+ 5	+ 12
Employment, total	0	- 3	- 6				Altoona	- 1	- 1	0	+ 5	- 4	+ 7	+ 1	+ 10
Wage income*	- 1	+ 5	0				Harrisburg	- 3	- 4	- 1	+ 4	- 1	+ 16	+ 2	+ 12
CONSTRUCTION**	- 14	+ 9	+ 17	- 4	+ 20	+ 16	Johnstown	+ 3	- 6	+ 4	+ 9	- 2	+ 23	+ 2	+ 16
COAL PRODUCTION	- 81	- 82	- 5	- 72	- 73	N/A	Lancaster	- 1	- 5	0	0	+ 8	+ 5	+ 5	+ 94
BANKING							Lehigh Valley ..	0	- 4	- 2	+ 5	+ 1	+ 8	+ 3	+ 16
(All member banks)							Philadelphia ..	0	- 3	0	+ 5	- 10	+ 5	+ 3	+ 12
Deposits	+ 3	+ 15	+ 15	+ 2	+ 14	+ 15	Reading	- 1	- 1	0	+ 6	+ 1	+ 8	+ 3	+ 10
Loans	+ 1	+ 9	+ 9	- 1	+ 8	+ 7	Scranton	+ 1	0	+ 2	+ 7	+ 3	+ 1	+ 2	+ 18
Investments	+ 2	+ 26	+ 27	+ 2	+ 16	+ 21	Wilkes-Barre ..	- 1	- 2	0	+ 8	- 1	+ 30	+ 4	+ 25
U.S. Govt. securities	+ 1	+ 7	+ 11	+ 3	+ 4	+ 12	York	+ 1	- 2	0	+ 10	+ 6	+ 15	+ 3	- 37
Other	+ 3	+ 39	+ 37	+ 2	+ 25	+ 27									
Check payments***	- 4†	+ 9†	+ 6†	0	+ 14	+ 15									
PRICES															
Wholesale				0	+ 3	+ 3									
Consumer	0‡	+ 4‡	+ 5‡	0	+ 4	+ 4									

*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.