

october



Monetary Policy in a "New" Economy

The Acquisitive Bank Holding Companies:
A Bigger Role in Mortgage Banking

Harvesting a Record Corn Crop

FEDERAL RESERVE BANK of PHILADELPHIA

business review



IN THIS ISSUE . . .

Monetary Policy in a “New” Economy

. . . To reduce the economy’s inflationary bias, we either have to lower our expectations, improve the structure of labor and credit markets, or explore other policy tools.

The Acquisitive Bank Holding Companies: A Bigger Role in Mortgage Banking

. . . Bank holding companies with their growth in numbers, financial resources, and access to capital markets have become a powerful competitive force in the mortgage banking industry.

Harvesting a Record Corn Crop

. . . Converting corn in the field into greenbacks in the bank requires hard work, luck, and a harvesting strategy which must now cope with the nation’s fuel shortage.

On our cover: At the junction of Twenty-second street and the Benjamin Franklin Parkway in Philadelphia stands the Rodin Museum. The building, a reproduction of the Musée Rodin at Meudon, France, was opened to the public in 1929. It was designed by Paul Philippe Cret (who also designed the present buildings of the Federal Reserve Bank of Philadelphia and the Board of Governors of the Federal Reserve System in Washington) and Jacques Gréber. In front of the gateway to the structure, on a stone pedestal, sits a replica in bronze of *The Thinker*, probably Auguste Rodin’s best known work. The Museum and its collection, which includes many of the sculptor’s finest pieces, was given to the City of Philadelphia by philanthropist Jules E. Mastbaum, and is now administered by the Philadelphia Museum of Art. (Photo by Sandy Sholder.)

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Monetary Policy In a “New” Economy*

*By David P. Eastburn, President
Federal Reserve Bank
of Philadelphia*

It now seems fairly clear that the economy in 1974 will experience a marked slowdown. All the while prices seem likely to be increasing at an unacceptably rapid pace. Perhaps the most pressing economic question now and for the '70s is what to do about an inflationary bias that persists whether the economy is slack or booming.

I want to approach an answer to this question by trying to answer two others: Do we confront a new kind of economy in which the old solutions are ineffective? What is the role of monetary policy in an economy with an inflationary bias?

A “NEW” ECONOMY

The standard argument for a new econ-

* An address given before the Annual Meeting of the National Association of Business Economists, New York City, September 13, 1973.

omy is based heavily on the premise that both big business and big labor have the economic muscle to escalate wages and prices unaffected by the fact that a substantial amount of productive plant and labor may be unemployed. In this kind of economy, business offers slight resistance to wage increases because the additional cost can be passed on easily. Then as prices rise, labor demands cost-of-living adjustments, business responds, and so on. Expectations of more inflation become self-fulfilling. The argument concludes that in this environment monetary policy cannot be effective short of a deep and prolonged recession.

THE “OLD” ECONOMY

Taking strong issue with this position are those who hold that the old economic laws haven't been abrogated. The fault lies with

policymakers who keep the money spigot open too wide.

Their argument goes like this: Over the long run, inflation is primarily a monetary phenomenon. The more money pumped in, the cheaper it becomes. Increases in prices and wages can't be sustained unless validated by monetary expansion. This argument draws on statistics that indicate an historical relationship between growth of the money stock and inflation. More recently, in about the last decade and a half, the money supply (M_1) grew about $2\frac{1}{2}$ percent a year up to 1965, and we experienced substantial price stability; since 1965, growth in money has shot up to nearly 6 percent a year and prices have shot up as well.

This argument concludes that the old economic laws are intact. Therefore, the old monetary tools should still work.

THE CONSTRAINED POLICYMAKER

Who is right? I give the "old-laws" school high marks for economic logic and the "new economy" adherents high marks for economic and social realism. My main thesis, in short, is that the old monetary tools are as effective as ever, but that they are more difficult to apply because of the tough constraints society now places on public policymakers. Let me cite three of these constraints.

Unemployment. The nation has always placed low unemployment among its most important economic goals. In recent years, however, our concern for the unemployed has risen. We now see unemployment more as a social than an individual failing. We have a new attitude toward the poor and minorities who suffer more from general unemployment.

Because of the growing concern over the costs of unemployment, the Fed probably has followed a more expansionary policy than it otherwise would, and this has complicated the problem of dealing with the bias toward inflation.

Uneven Impacts of Restrictive Policy. Restrictive policy does not affect all sectors of the economy equally. Monetary policy hits some high-priority sectors—notably housing and municipalities—particularly hard. This was the case in both the 1966 and 1969 tight-money periods and, so far as housing is concerned, is the case today. The Fed has been understandably more reluctant to restrict growth in money and credit for fear of the severe effects on areas of high social priority.

Interest Rates. Low interest rates have long had popular political appeal. Recently, the Fed has been very much aware of this as other forms of income, like wages, have been under direct Government controls.

WHAT CAN MONETARY POLICY DO?

In short, the inflationary bias in the U.S. economy can be traced to some extent to growing concern with other economic and social goals. Since these are goals that are likely to remain with us, we do, in fact, have a new economy. An important problem of the rest of the '70s will be how to resolve the tension between these goals and price stability. As I see it, the process requires a three-pronged effort.

1. The public will have to lower some of its expectations.
2. The economic structure will have to be reorganized so the economy is better able to meet the new demands.
3. Authorities should seek new tools.

Public Expectations. Part of the conflict between price stability and other goals can be resolved by the public deciding to give up something. Bringing inflation under control is not costless. One cost is unemployment. I don't see how inflation can be overcome without having—in the near term, at least—higher unemployment than any of us would like. Another short-run cost is high interest rates during and after periods of

monetary restraint. If the inflationary bias in the economy is to be rooted out, the public will have to be persuaded to relax its demands for low unemployment and low interest rates. It must also be persuaded to be patient. The economy does not respond immediately and perfectly to monetary policy. Expectations of quick success may lead to frustration which encourages desperate and ill-conceived policies.

Structural Changes. A second solution is to change the structure of the economy so as to improve the chances of achieving all our objectives.

In time, we should be better able to have low unemployment with stable prices by oiling the workings of the labor markets. Frequently people are unemployed even though jobs are available. By providing education and job training to match skills to tasks, and better information to get people and jobs together, we can make substantial progress toward lower long-run unemployment. In addition, more flexible minimum wage legislation would allow those particularly prone to unemployment—such as teen-agers—to offer their services at lower wages and so be more likely to find jobs.

Unduly severe impacts of tight money on particular sectors of the economy can be reduced by structural improvements in credit markets. Usury ceilings and restrictions on the activities of specialized lending institutions interfere with the allocation of funds and put certain sectors of the credit market at a competitive disadvantage. Implementation of the Hunt Commission (the President's Commission on Financial Structure and Regulation) recommendations would help to correct some of these shortcomings.

New Tools. A third approach to stable prices without giving in too much on other goals is to seek new tools. Two examples are selective control of resource allocation and incomes policies.

Selective control of resource allocation is hardly new. We have long used the tax structure, for example, to encourage or discourage production in particular sectors of the economy. We have had selective controls on credit for the purchase of stocks, durable consumer goods, and housing. These should be reexamined. It is interesting to ask, for example, whether consumer credit controls might have dampened the recent consumer spending boom. Another possibility is selective credit controls that could insulate the housing market from the extremes of tight credit. One suggestion has been to place reserve requirements on various forms of bank assets that can be moved up and down as one or another form of credit is to be encouraged. Another is to give tax breaks to income derived from such sources as interest on mortgages.

Tools designed to alter resource allocation have many potential problems as well as benefits. Interference with free choice, difficulties with bureaucratic administration, and so on, are all widely recognized. Nevertheless, given the existence of strong social priorities, this device seems to have enough merit to warrant further study and experimentation. If allocational priorities can be achieved through selective policies, some of the burden will be taken off the more traditional broad-based tools of monetary policy.

Incomes policies offer some promise, but present enormous problems. Certainly, to the extent they are successful, they take some of the burden of restraint off monetary policy. This removes some of the pressure on interest rates and housing and municipal bond markets. But recent experience reveals the difficulties. One is the counter-productive expectational and catch-up effects. Inflation soars when easy "phase" follows tough "phase." Another is the effect of direct controls on normal supply and demand relations which result in shortages.

In order to avoid this problem, controls will have to keep a lid on the average price level while not distorting relative prices.

Once the worst of the inflationary bias is squeezed out of the economy, some sort of wage-price guideposts, such as those attempted in the early '60s, might prove feasible. But in any event, it is important to recognize the inherent limitations of direct controls. At best, they can shorten the lags that link growth of the money supply and excessive demand to price increases. At worst, they will collapse if monetary policy is overly expansive.

CONCLUSION

Let me sum up. One reason it is now more difficult to subdue inflation is that this goal conflicts with other goals more sharply than in the past. Low unemployment is a more pressing economic and social goal, and the uneven impact of tight money is higher in the social conscience than, say, two decades ago. These higher expectations of the economy produce an inflationary bias because policymakers are more constrained in resisting inflation than they once were. To reduce this bias, we either have to lower our expectations, improve the structure of labor and credit markets, or explore other tools. I believe we should forge ahead on all three fronts during the '70s. But we should not kid ourselves into believing that

adjusting upward what we can accomplish and downward what we want from the economy will be without frustrations.

In this frustrating situation, the Fed has unique responsibilities and opportunities. It has a responsibility to use its major tool of policy—the control of money and credit—in a manner that will squeeze the inflationary bias out of the economy. This means avoiding extremes on the upside but also sharp movements on the downside. Steady growth of money at moderate rates perhaps can do more than any other single policy to bring the economy closer to price stability.

In its position of independence from partisan politics, the Fed has unique opportunities. It is better able to pursue policies that may have unpopular effects, such as high interest rates. It is better able to withstand criticism when policies force a revision in the public's expectations. And it is better able to take the long view and to exert the kind of persistent influence that will be necessary to solve the deep-seated problem that inflation has become.

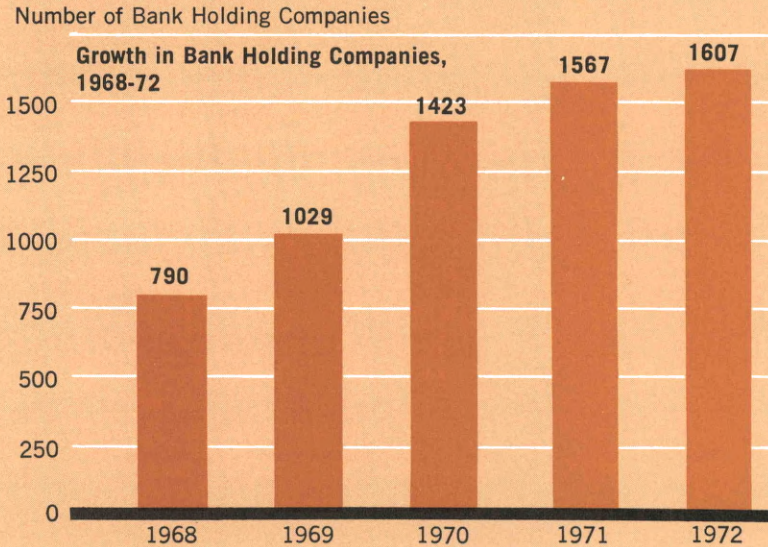
At the same time, the Fed is in a good position to explore different kinds of solutions and to experiment with new techniques that may help make progress in achieving all our objectives. The new demands put upon our economy are not likely to go away. We will have to use our imagination to meet as many of them as possible. ■

The Acquisitive Bank Holding Companies: A Bigger Role In Mortgage Banking

By John Wentz and Gertrude Mazza

CHART 1

MANY COMMERCIAL BANKS ARE RAPIDLY DIVERSIFYING INTO BANK-RELATED FIELDS THROUGH BANK HOLDING COMPANIES (BHCs) WHICH HAVE MORE THAN DOUBLED IN NUMBER SINCE 1968.



Source: U. S. Congress, House of Representatives; American Bankers Association; Board of Governors, Federal Reserve System.

CHART 2

ONE ACTIVITY THAT BHCs ARE ALLOWED TO ENTER (EITHER BY ACQUISITION OR CREATING THEIR OWN SUBSIDIARY) IS MORTGAGE BANKING.

ACTIVITIES PERMITTED TO BHCs*

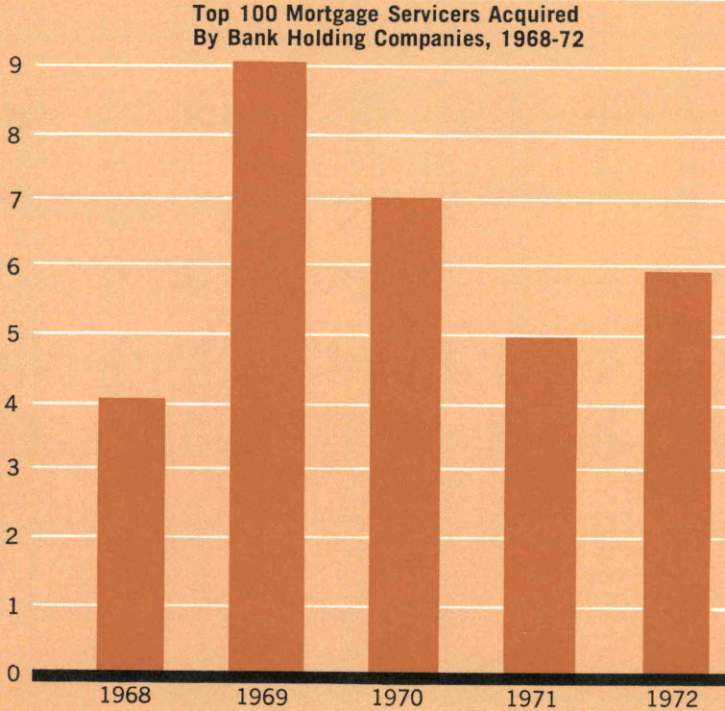
- Mortgage Banking
- Consumer Financing
- Credit-Card Lending
- Factoring and Commercial Financing
- Leasing Personal Property or Equipment
- Data Processing and Bookkeeping
- Selling Credit-Related Insurance
- Industrial Banking
- Loan Servicing
- Investing in Community Welfare Projects
- Economic Forecasting, Trust and Investment Advising
- Operating a Trust Company

* Under Amendments to the Bank Holding Company Act of 1956.

CHART 3

THEIR GROWING NUMBERS, FINANCIAL RESOURCES, AND ACCESS TO CAPITAL MARKETS ARE MAKING BHCs POWERFUL COMPETITORS IN MORTGAGE BANKING. FOR INSTANCE, THEY HAVE ALREADY ACQUIRED MANY OF THE INDUSTRY'S MAJOR FIRMS.

Number of Servicers Acquired

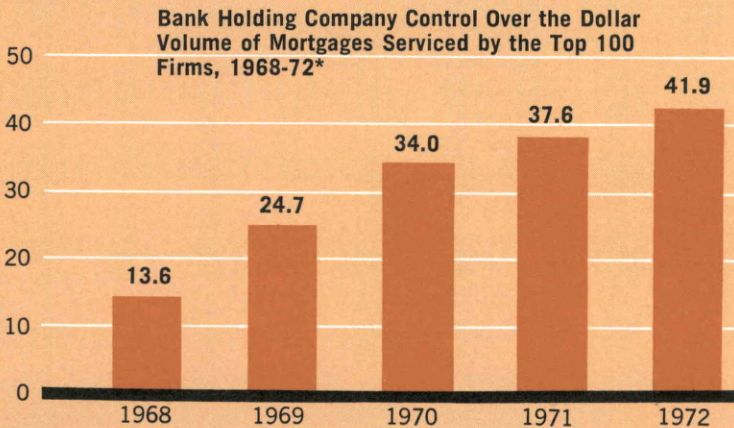


Source: **American Banker**; Board of Governors, Federal Reserve System.

CHART 4

AS A RESULT OF THESE ACQUISITIONS, INVOLVEMENT IN THE MORTGAGE BANKING INDUSTRY BY THE COMMERCIAL BANKING SECTOR HAS INCREASED STEADILY.

Percent



Source: **American Banker**; Board of Governors, Federal Reserve System.

* The top 100 servicers represent approximately 55 to 60 percent of the mortgages serviced by the mortgage banking industry.

Harvesting a Record Corn Crop

*By Duane G. Harris**

A pleasant, early-autumn drive through Webster County, Iowa; McLean County, Illinois; Blackford County, Indiana; or any of hundreds of other farm counties from California to New Jersey will offer the observer a glimpse of the 1973 record corn crop. Recent projections have U. S. farmers harvesting 5,768 million bushels this fall. Bushel-wise, the crop will be a record-setter—up slightly from the previous mark of 5,641 million bushels in 1971. But dollar-wise the harvest will be a *record-buster*. Strong demand for corn and other feed grains has caused corn prices to soar to unprecedented levels. Recent cash prices for corn have been in the

\$2 to \$3 range.¹ So record production coupled with record prices give U. S. farmers potentially the most valuable corn crop ever.

But turning golden corn in the field into greenbacks in the bank requires careful planning, hard work, and luck. Four-, six-, and eight-row corn combines must be greased and oiled for their trips to the field. Artificial driers must be set in place to remove water from the high-moisture corn that streams from the spouts of the combines. And arrangements must be made for transportation, storage, propane, and other fuel needs.

In past years, many farmers could base their harvesting plans on prior years' experi-

*Dr. Harris, formerly an economist at the Federal Reserve Bank of Philadelphia, is Assistant Professor of Industrial Administration and Economics at Iowa State University.

¹Only two years ago, corn averaged \$1.08 per bushel at the national level.

ence. But this fall they are confronted with unique circumstances. While they may be able to enjoy record corn prices, they may also be faced with, among other things, a fuel shortage. To squeeze the last dollar of profits out of their harvest, farmers must be able to cope with this new and different world.

SHORTAGES IN THE MIDST OF PLENTY

For the past several decades, U. S. farmers have had the potential to produce themselves into the poorhouse. Rapid technological advances in crop production have multiplied yields so that greater output can be produced on the same number of acres. And in many years, aggregate demand for farm products has simply not been great enough to absorb the production potential of the farming sector.

Thus, large increases in the supply of farm commodities typically have driven prices so low that farm incomes have plummeted. To stabilize farm income and prices, policymakers have relied on a variety of measures to restrict supply or foster demand. Included among these measures were (1) voluntary reductions in acreages of basic crops, (2) direct payments for participating producers, and (3) use of Federal funds for expanding agricultural markets and the removal of crop surpluses.

But all of this has changed. While the U. S. farmer is as productive as ever, the world is clamoring more than ever for his output. Cries for more beef, pork, and cornflakes have driven domestic demand for corn upward. And on the international front, more nations are looking to the U. S. to help feed their hungry people. In anticipation of this dramatic change in the farm demand picture, policymakers have shifted from worrying about surpluses to worrying about shortages. New farm policies have been designed to stimulate production rather than restrict output.

The 1973 record corn crop is partly a re-

sult of this new look in farm programs. And for '74 there will be no holds barred. Farmers are being asked to "plow up the fence-rows" to fill the world's empty stomachs. This presents special problems for corn producers, especially when they face the potential of a widespread fuel shortage.

TREND TOWARD FIELD SHELLING AND ARTIFICIAL DRYING

Farmers of yesteryear relied primarily on natural processes to produce corn appropriate for use or sale. They allowed the corn to dry naturally in the field to about 20 to 22 percent moisture, harvested the corn in ear form, and allowed it to dry in cribs. When the corn reached 15.5 percent moisture it could be shelled and sold as No. 2 grade.²

With the advent of corn combines, field shellers, and artificial drying machines, however, the harvesting scene began to change dramatically. This new technology allowed the farmer to harvest the corn in shelled form at virtually any moisture content, because the wet corn could be dried to appropriate moisture levels by propane-driven dryers. And once on the scene, high-moisture harvesting was adopted by many farmers. For example, in Iowa less than 20 percent of the corn acreage was shelled in the field in 1964. By 1972 that figure had risen to over 70 percent. In Illinois and Indiana, over 80 percent of the corn acreage was harvested in shelled form in '72.

The trend toward field shelling and artificial drying means that many farmers have an increased degree of flexibility in the harvesting process. Now, instead of waiting for crop conditions to signal the harvest go-ahead, these farmers can begin harvesting at

²In order for corn to be classified as No. 2 grade, it must meet various moisture and quality requirements. A moisture content of 15.5 percent is the maximum corn can carry and still be classified as No. 2.

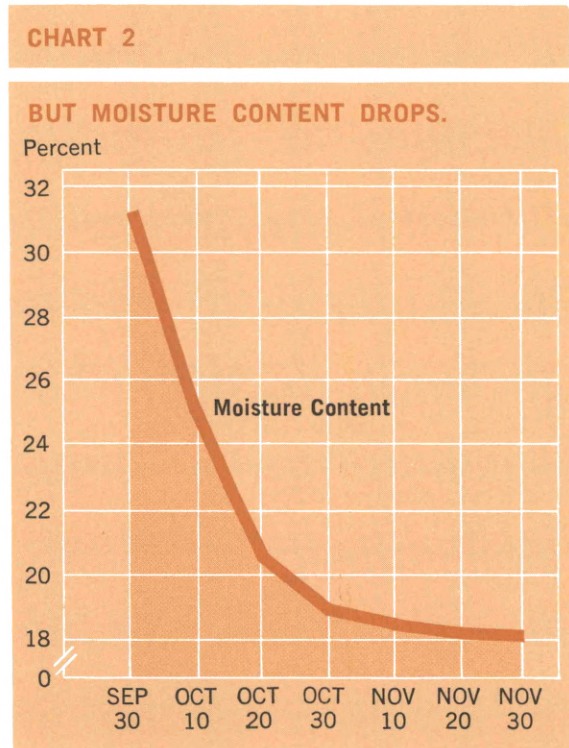
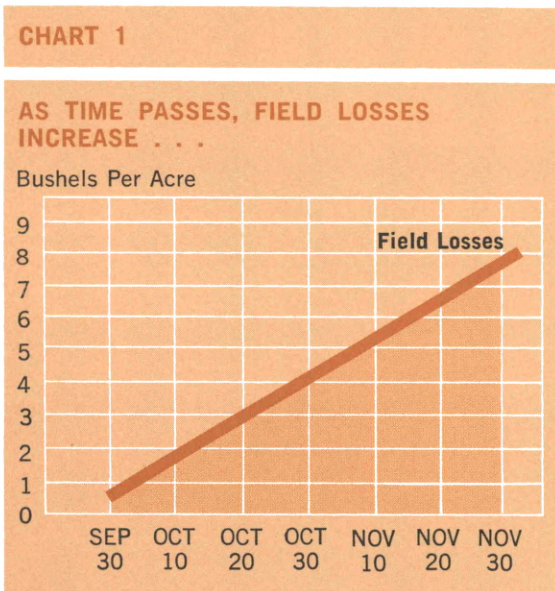
a time of their choice.³ The tasks, then, are to determine the best time for sending the combine to the field, and the most advantageous period for completing the harvest.

DETERMINING A HARVESTING STRATEGY

There's a *best* starting date and *best* harvest length—at least from a profit point of view. They “crop up” because many important factors of the harvesting process are related to time. For example, the longer corn is left standing in the field, the greater the field losses (see Chart 1). As the cornstalks

can minimize those losses by beginning the harvest early and equipping himself with enough machine capacity to complete the job during a short time.

But to avoid field losses, the farmer must harvest the corn at a higher moisture content. He loses the opportunity to let the corn dry naturally (see Chart 2). Thus, to



dry naturally, they become brittle and clutch the corn ears ever more tenuously. Strong winds, or even the harvesting machine itself, can cause some ears to drop to the ground and be lost. So more field losses mean fewer bushels of corn per acre that can be hauled to the farmstead for use or sale. A farmer

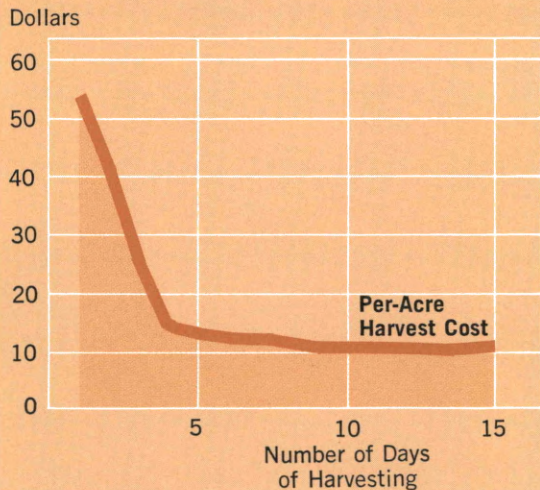
reduce moisture content to appropriate levels, he incurs higher drying costs. To minimize artificial drying costs, he should let the corn field dry and harvest later.

In addition, with a longer harvest period, fewer (or smaller) harvesting machines are needed for a given number of acres, and the annual fixed costs for each machine are either smaller or can be spread over more acres. Thus, the per-acre harvest cost drops as the length of the harvest period is increased (see Chart 3). So the farmer faces

³In general, the statement is true, although last year many farmers found little flexibility in day after day of rainy weather.

CHART 3

PER-ACRE HARVEST COSTS TUMBLE WITH LONGER HARVESTING PERIODS



the complicated task of finding the optimal harvest strategy—namely, that starting date and length for the harvest period that maximizes profit in view of field loss and drying and harvesting costs.

And the situation gets even more complicated as the farmer's world changes about him. Changes in corn and propane prices likely will change the optimal harvest strategy. On the one hand, as corn prices increase, field losses become more expensive, suggesting an earlier and shorter harvest period. On the other hand, a fuel shortage could drive propane prices to record levels and thus cause drying costs to soar. To reduce drying and harvesting costs, the harvest must begin later and last longer. So the relative sizes of corn and propane price changes will influence the adjustments a farmer must make in his harvesting strategy.

SOME HARVESTING GUIDELINES

Since U. S. farmers face an uncertain price world this fall, we conjured up a hypo-

thetical harvest environment, fed in a variety of prices, and let our computer determine some optimal harvesting strategies. Our harvest environment was based on the field loss and moisture relationships as suggested in Charts 1 and 2. We included per-acre harvesting costs as depicted in Chart 3.⁴ Given all of the intricate relationships between these costs and time, we asked the computer to print out the best⁵ strategy (starting date and harvest length) for a variety of corn and fuel prices. The results of our computerized harvesting environment are shown in Table 1.

If farmers face a market in which corn goes for \$1.19 per bushel and propane for 15c per gallon (national averages for 1968-72), the optimal starting date is 29 days after the corn first reaches 30 percent moisture (Column 1, Row 1). The optimal length of the harvest period is 13 days (Column 2, Row 1). Another way of interpreting the strategy is that harvest should begin when the corn first reaches 20.4 percent moisture (Column 3, Row 1) and should be completed at the end of 13 days.

Conversely, if farmers expect record prices this fall and are confronted with a fuel shortage which drives propane prices sky high, a different strategy is required. For example, in a situation where corn sells for \$3.57 per bushel and propane must be pur-

⁴The field loss, moisture, and harvesting cost relationships were based on "average" conditions for north central Iowa. They should be indicative, however, of conditions for other areas of the U. S. as well. A more technically complete discussion of the model used for this analysis can be found in Ronald Raikes and Duane G. Harris, "Corn Prices, the Fuel Shortage, and Optimal Corn Harvesting Strategies," Journal Paper No. J-7683 of the Iowa Agriculture and Home Economics Experiment Station, Ames, Iowa.

⁵We defined the best strategy as the one which maximized the farmer's profit per acre. Although we included only part of the costs incurred in corn production, excluding those related to harvesting and drying, we considered maximizing revenue minus all harvest-related costs as equivalent to maximizing profit per acre.

TABLE 1
SELECTING THE BEST HARVESTING STRATEGY

Prices	Starting Date	Harvesting Period	Moisture Content
	Days	Days	Percent
Corn: \$1.19/bu.			
Propane: \$0.15/gal.	29	13	20.4
0.30/gal.	31	13	20.1
0.45/gal.	34	13	19.8
Corn: \$2.38/bu.			
Propane: \$0.15/gal.	18	12	22.7
0.30/gal.	20	12	22.0
0.45/gal.	23	12	21.5
Corn: \$3.57/bu.			
Propane: \$0.15/gal.	11	11	25.0
0.30/gal.	14	11	23.9
0.45/gal.	16	11	21.9

chased for 45c per gallon (Row 9), the best starting date is 16 days (21.9 percent moisture) and the harvest should be completed in 11 days.

In general, higher corn prices (with unchanged propane prices) should lead farmers to begin harvesting earlier in the year at higher moisture content. The revenue gained from avoiding field losses more than offsets the additional cost of drying wetter corn. Higher corn prices also should cause farmers to shorten their harvesting period, although at most by only a few days.

Increases in propane prices also establish a pattern of strategy revision. As propane prices climb (with corn prices unchanged), farmers should begin the harvest a few days later in the year. In this case, the drying dollars saved by harvesting drier corn more than offset the revenues lost because of increased field losses. Thus, farmers can squeeze the most dollars-per-acre out of their corn crop by altering their harvesting strategy in re-

sponse to changing corn and propane prices.

HIGH CORN PRICES AND THE FUEL SQUEEZE

Perhaps the most striking result of our computerized harvesting alternatives is that corn price changes have a much greater impact on the optimal harvesting strategy than do propane price changes. For example, if corn prices triple from their 1968-72 national average, the optimal starting date comes over two calendar weeks earlier. A tripling of propane prices from the 1968-72 average requires that the harvest be delayed only about five days. The net effect of tripling both corn and propane prices is to begin the harvest 13 days earlier.

Thus, this fall, if we continue to see high corn prices, propane use in corn drying may increase sharply, even if propane prices also increase (Table 2). With a propane price of 15c per gallon, propane use per acre increases over 90 percent (from 6.3 to 12.1

TABLE 2
CORN DRYING REQUIREMENTS

Prices	Propane Required Gal./Acre	Drying Cost \$/Acre
Corn: \$1.19/bu.		
Propane: \$0.15/gal.	6.3	8.77
0.30/gal.	5.8	9.28
0.45/gal.	5.6	9.79
Corn: \$2.38/bu.		
Propane: \$0.15/gal.	9.2	11.18
0.30/gal.	8.3	11.70
0.45/gal.	7.7	12.21
Corn: \$3.57/bu.		
Propane: \$0.15/gal.	12.1	13.60
0.30/gal.	10.8	14.11
0.45/gal.	9.8	14.63

gallons) as corn prices triple. Even if the propane price also triples, propane use would still increase by over 50 percent.⁶

Consumers and homeowners, therefore, may feel the pinch this fall from early corn harvesting. Increased use of propane in the farm sector may reduce supplies available for home heating unless crop drying is completed before the winter home-heating season begins. At the very least, early harvest

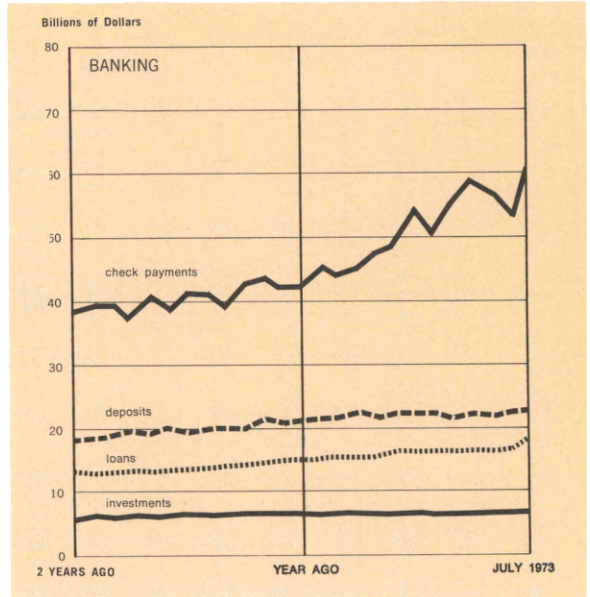
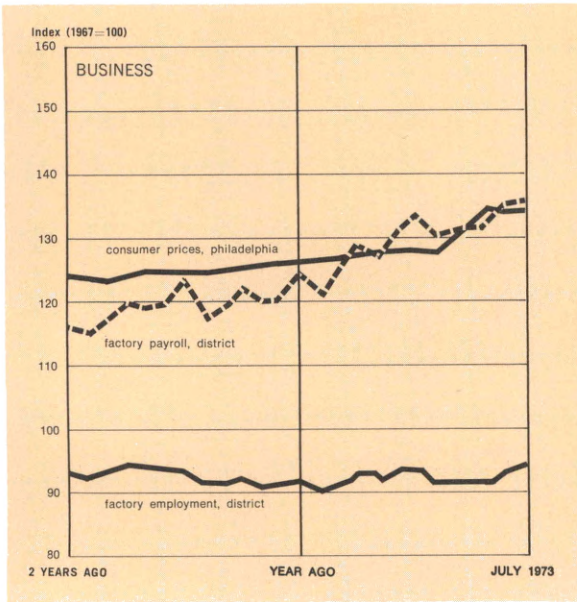
on the farm likely will mean higher propane prices for everyone.

PLANNING AHEAD

While the farmer's world may appear topsy-turvy this year, uncertainties are likely to continue in the years ahead. Export demands for farm crops are at best unpredictable. And the energy crisis will likely not be solved overnight. So, after the farmer has harvested, stored, and used or sold his crop this year, he will have to make plans for the next. Harvesting high-moisture corn gives him flexibility, and he can make that flexibility pay off. By planning his harvesting strategy, he can more effectively cope with changes in his increasingly complex world. ■

⁶This, of course, presumes that farmers are indeed profit maximizers, or that they, upon reading this article, en masse shift their behavior to that of profit maximization.

FOR THE RECORD...



SUMMARY	Third Federal Reserve District			United States		
	Percent change			Percent change		
	July 1973 from		6 mos. 1973 from	July 1973 from		6 mos. 1973 from
	mo. ago	year ago	year ago	mo. ago	year ago	year ago
MANUFACTURING						
Production				- 6	+12	+12
Electric power consumed...	- 2	+13	+ 8			
Man-hours, total*	+ 3	+ 6	+ 3			
Employment, total	2	+ 4	+ 2	- 2	+ 5	+ 5
Wage income*	+ 3	+13	+11			
CONSTRUCTION**	-23	+ 4	+ 4	- 7	+15	+14
COAL PRODUCTION	- 5	+33	0	-12	+ 1	- 3
BANKING						
(All member banks)						
Deposits	0	+ 7	+ 8	+ 1	+13	+12
Loans	+ 1	+13	+14	+ 1	+23	+22
Investments	0	0	0	0	+ 1	+ 3
U.S. Govt. securities	- 1	- 7	- 4	- 3	- 9	- 4
Other	+ 1	+ 2	+ 3	+ 1	+ 6	+ 6
Check payments***	+13†	+44†	+33†	+ 4	+32	+25
PRICES						
Wholesale				- 1	+13	+11
Consumer	0†	+ 6†	+ 5†	0	+ 6	+ 5

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

†15 SMSAs
 ‡Philadelphia

LOCAL CHANGES Standard Metropolitan Statistical Areas*	Manufacturing				Banking			
	Employment		Payrolls		Check Payments**		Total Deposits***	
	Percent change July 1973 from		Percent change July 1973 from		Percent change July 1973 from		Percent change July 1973 from	
	month ago	year ago	month ago	year ago	month ago	year ago	month ago	year ago
Wilmington	0	+ 4	- 1	+15	+ 7	+19	- 2	-88
Atlantic City	- 3	+ 5	- 5	+ 7	+ 2	+17	+ 7	+13
Bridgeton	- 2	+ 1	N/A	N/A	N/A	N/A	- 1	+12
Trenton	- 2	+ 2	- 6	+ 2	+57	+25	+ 5	+ 7
Altoona	- 1	- 1	+ 5	+ 8	+16	+26	- 1	+13
Harrisburg	+ 1	+ 8	0	+17	+10	+34	0	+13
Johnstown	- 2	+ 2	+ 1	+14	+ 4	+13	- 1	+14
Lancaster	0	+ 6	- 1	+12	+ 2	+91	- 2	+12
Lehigh Valley	- 6	+ 2	- 3	+10	+ 7	+22	- 3	+ 9
Philadelphia	- 1	+ 2	- 1	+ 9	+10	+38	- 7	+11
Reading	- 4	+ 1	- 5	+10	+ 7	+28	- 1	+13
Scranton	- 5	- 3	- 4	+ 6	+ 3	+ 4	0	+11
Wilkes-Barre	- 6	+ 3	- 4	+11	+16	+52	- 3	+17
Williamsport	- 3	+ 4	- 7	- 4	+18	+46	- 3	+21
York	- 2	+ 1	- 4	+ 9	+ 9	-40	0	+13

*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.



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business review

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