

Research Department Federal Reserve Bank of San Francisco

Friday, April 4, 1975

Stand Up and Cheer

Typical of the movie fare of a generation ago was "Stand Up and Cheer"—a film which starred Shirley Temple and Warner Baxter and was advertised as "an enjoyable Depression film about a Presidential Commission set up to lighten the nation's spirits." Few Commissions have lightened the nation's spirits recently—at least not on purpose—but moviemakers and other entrepreneurs in the recreational field have been cheered by the sound of ringing cash registers even in the 1974 recession year. While total consumer spending (in real terms) declined 2 percent last year—the first decline since 1942—recreational spending remained stable in real terms while rising 10 percent in current dollars to some \$57 billion.

Strength in recession

Consumers might be expected to reduce their spending severely on recreation and other "non-essentials" during recession periods, in order to conserve funds for such basics as food, clothing and shelter. This may be true for certain items; after all, the recreational category is a vast grab bag of items, ranging from such quiet pursuits as reading, gardening and televiewing to such active pastimes as golfing, skiing and rock concerts, along with all types of spectator amusements. In aggregate terms, however, recreational spending has remained stronger than total consumer spending in every recession since World War II, indicating just how essential this type of spending must be to the average consumer.

The testing time may come this year. Recreational spending remained strong in those earlier recessions because the downturns in each case were relatively mild, with little if any decline in real per capita income. In contrast, recreational spending declined far more than total consumer expenditures during the Great Depression, when income and employment dropped severely. Thus, if the recent decline in real income should continue throughout 1975, consumers may be forced at last to curtail their overall spending on leisure-time pursuits. But there has been little sign of this during the recent Easter holiday season, which has been marked by heavy spending at resort areas throughout the nation.

Over the long haul, recreation's share of the consumer dollar has increased slightly, from 5½ percent in 1929 to 6½ percent in 1974. (Last year's total spending of \$57 billion amounted to \$270 per capita.) Over the same period, the food share of the consumer dollar dropped from 28 to 24 percent and the clothing share from 15 to 10 percent, while the housing share remained stable at 29 percent of the total. Rising per capita income, which doubled over this generation-long period, provided the increased margin for recreational and other discretionary spending. In addition, a shorter workday and workweek made possible a substantial increase in leisure time, permitting families a greater opportunity to spend their increased funds.

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Boom in durable equipment

The most striking shift has been the long-term trend toward increased spending on durable recreational equipment—radio, TV, stereos, records, toys and sporting equipment. Spending in these categories, at \$32 billion last year, rose from 37 percent to 57 percent of total recreational expenditures between 1929 and 1974. In fact, such purchases increased by more than one-half within the past four years alone.

Rising incomes have provided a major support for these big-ticket recreational items. Postwar advances in technology have also supported the boom, by making sophisticated yet relatively inexpensive products available to an ever-wider market. The proportion of TV-owning homes jumped from 9 percent in 1950 to 96 percent in 1973. Moreover, the TV market has widened and changed just between 1960 and 1973; in 1960, black-and-white TV accounted for 82 percent of the 690,000 sets sold, while in 1973, color TV accounted for 80 percent of the 18 million sets sold. Over the same period, tape-recorder sales rose from less than 300,000 to about 12 million annually.

Expenditures for other types of recreation have also risen sharply over the past generation, but few categories have matched the rate of growth of recreational hard goods. To be sure, spending for hobbies—photography, pets, stamps, coins, model building—increased its share of the total from 5 to 9 percent between 1929 and 1974. But another home-centered activity—purchases of books and magazines—dropped in relative importance from 20 to 16 percent, reflecting the insidious influence of television. TV also may have had something to do with the declining importance of private-club membership, whose share of the recreational dollar dropped from 7 percent to 3 percent over this period. Consumers spent as much at the racetrack as at private clubs last year (\$1.5 billion), perhaps because of a belief that the racetrack in 1974 provided a better investment than the stock market.

Movies and other amusements

The most striking long-term decline has been in spectator amusements—movies, theater, opera, concerts and spectator sports. Altogether, spending in these categories more than tripled in dollar terms between 1929 and 1974, to about \$3.2 billion, but their share of the recreational dollar dropped steeply from 21 percent to only 6 percent. After adjustment for price increases, spending was actually lower last year than in 1929. Yet in

some cases, attendance figures have increased substantially in the last several decades; since 1950, attendance has doubled at concerts (including the "rock" variety) and also at sports events.

Movie-going, which accounts for almost one-half of the spending in this category, has been making a comeback recently, reflecting in part the 50-percent jump between 1960 and 1970 in the movies' natural audience—16-24 year olds. But although average weekly attendance has risen to roughly 20 million in the last several years, it still lags far behind the 80-million figure of 1929 or the 90-million peak of the late 1940's. Dollar receipts even today lag behind the postwar peak of \$1.7 billion, even though admission prices have risen several-fold in the interim, to as much as \$3.00 to \$3.50 at first-run houses.

Future trends

Despite 1974's strong spending record, recreational spending could still become vulnerable if unemployment continues rising and real income continues falling. The potential weakness would be accentuated by the high pricetags carried by many types of recreational equipment, and by the heavy debt burden which is still dogging consumers in the wake of the buying binge of the 1972-73 period. The rising cost of energy (especially gasoline) may continue to work in favor of close-to-home recreational

activities, such as gardening, which could have the extra attraction of providing relatively cheap food for the family table. Energy considerations may also hamper the sales of products which depend on ample and cheap electricity (such as color TV sets) and of products which involve long travel distances (such as boats and outboard motors). But attendance at spectator amusements may remain relatively high where young people abound, especially in those communities which are served by mass transit systems.

Technological developments in some cases could offset energy considerations and help intensify the consumer's preference for home-entertainment systems. The latest example is the consumer videodisk player, which is scheduled to reach the market sometime next year. The player, which may retail for \$400 to \$500, would display movies on 12-inch disks for showing through a standard color-TV set. If the history of the past quarter-century is any guide, this latest electronic marvel should whet the consumer's appetite and provide a new stimulus to recreational spending over the next decade.

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BANKING DATA—TWELFTH FEDERAL RESERVE DISTRICT

(Dollar amounts in millions)

Selected Assets and Liabilities Large Commercial Banks	Amount Outstanding 3/19/75	Change from 3/12/75	Change from year ago Dollar	Percent
Loans (gross, adjusted) and investments*	84,865	- 959	+ 5,080	+ 6.37
Loans (gross, adjusted)—total	65,474	- 800	+ 4,886	+ 8.06
Security loans	1,680	- 592	+ 547	+ 48.28
Commercial and industrial	23,662	+ 72	+ 2,064	+ 9.56
Real estate	19,744	- 36	+ 1,048	+ 5.61
Consumer instalment	9,815	- 16	+ 660	+ 7.21
U.S. Treasury securities	6,879	+ 19	+ 898	+ 15.01
Other securities	12,512	- 178	- 704	- 5.33
Deposits (less cash items)—total*	84,740	+ 346	+ 10,026	+ 13.42
Demand deposits (adjusted)	22,977	- 38	+ 1,468	+ 6.83
U.S. Government deposits	815	+ 377	+ 54	+ 7.10
Time deposits—total*	59,726	+ 108	+ 8,491	+ 16.57
States and political subdivisions	6,643	- 80	+ 279	+ 4.38
Savings deposits	19,139	+ 153	+ 1,129	+ 6.27
Other time deposits‡	30,473	- 118	+ 6,035	+ 24.70
Large negotiable CD's	16,999	- 11	+ 5,681	+ 50.19
Weekly Averages of Daily Figures	Week ended 3/19/75	Week ended 3/12/75	Comparable year-ago period	
Member Bank Reserve Position				
Excess Reserves	18	42r		19
Borrowings	20	0		175
Net free (+) / Net borrowed (-)	- 2	+ 42r		- 156
Federal Funds—Seven Large Banks				
Interbank Federal fund transactions				
Net purchases (+) / Net sales (-)	+ 2,111	+ 2,004		+ 2,026
Transactions of U.S. security dealers				
Net loans (+) / Net borrowings (-)	+ 1,514	+ 1,574		+ 3

*Includes items not shown separately. ‡Individuals, partnerships and corporations.

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