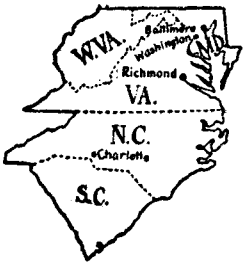
MONTHLY REVIEW



FEDERAL RESERVE BANK OF RICHMOND

RICHMOND 13, VIRGINIA JANUARY 31, 1948

Business Conditions

FIFTH District business indicators for December, in the main, showed moderate improvement over November after allowance for the usual seasonal tendencies; exceptions being the volume of bank debits, bituminous coal production, and wholesale sales of automotive supply and drug concerns. The drop in bituminous coal output was not substantial and represented mainly an extension of holidays around the year-end. Thus the expansionary trend of business in evidence since late summer has continued through December. Furthermore, it looks as though the trend would continue upward through the first quarter of the year for those factors measured in dollars, and remain steady or rise slightly for those measured in physical quantities.

There is little further room for much increase from this level in the physical volume of production, since most industries are operating as fully as they can with current manpower and material supplies. There is some possibility that the rapid increase in the cost of living might have the effect of increasing the labor force in some areas in order to augment family income, i.e., more women might be drawn into the labor force in some areas in some cotton textile or fabricating factories. Not too much should be expected, but here and there a plant might be able to fill out a second shift or add a third in this manner. But if this is undertaken it will probably be done in the first three months of the year. Beyond March the consumer demand outlook will have to show more improvement than is yet in evidence, if prices at the retail level by April reflect the sharp increases shown at the wholesale level since November, in order to make a market for the current rate of production.

New orders placed by department stores of the Fifth District fell during December by about the same amount as they did a year earlier, and if this is indicative of the purchasing trend of stores throughout the country, it would seem to indicate that there would be no further retail inventory accumulation, seasonal factors considered, in physical units. Since most of the products manufactured in the Fifth District have shown fairly sharp price rises in the past two months, the drop in new orders in December may even indicate some contraction in physical quantities of inventories.

A year ago retail stores the country over did not have adequate inventories of cotton goods and many of the products made from them. Now their stocks are well rounded. Retail merchants in general are wary of the price structure in cotton goods and their finished products. It is not likely that they will get far from shore in their inventory purchasing policies. Therefore, despite the substantial forward sales by manufacturers of some types of grey goods, the retail demand beyond March may be lower than current production levels because of rising prices. Exports of cotton goods have been falling according to the latest record, and this tendency has continued up to the present time according to trade information.

Cotton consumption in the Fifth District in December rose 6 per cent from November on a seasonally adjusted basis. This brought the level to within one per cent of that of a year ago. There has been a substantial shift in looms from heavy weight construction to lighter weight construction since December 1946 and, in terms of yardage, production in December 1947 is considerably higher than a year earlier.

Production levels of the durable types of goods, particularly of the metals and products, of greatest importance in Maryland and West Virginia, are not likely to show much change in the first half of the year, unless the current uncertainty in the bond market results in a sharp contraction of capital formation. Even in this contingency the iron and steel industry will receive considerable bolstering from exports under the Marshall plan even if it is reduced substantially in amount.

We no longer have regional figures of lumber production, but trade sources seem to indicate that the lumber output of Fifth District states is continuing at a high level after seasonal correction. In both November and December, however, weather conditions adversely affected logging operations in South Carolina. The drop in southern pine prices last spring, furthermore, caused some of the smaller mills to go out of business before prices again recovered. It is not believed that these mills had much effect on total production. Lumber prices are inordinately high and many in the trade anticipate some reductions by summer, owing to a balancing of demand and production.

Construction volumes have made a better record in areas outside the Fifth District than has been the case in the Fifth District. Construction contract awards in the District in the latter part of the year were somewhat above the summer low level. Commercial buildings, multiple structure dwellings, public works, and utilities have been the chief elements of strength since midyear. It is not known whether there will be a tightening of bank credit as it affects real estate loans in the months ahead,

but if there should be it would have adverse repercussions on residential construction that probably would not be offset by insurance company and savings and loan institution lending.

Furniture buyers at the Chicago market in January backed away from the low-end goods when they found prices marked up from 10 to 20 per cent. They had been expecting a rise of about 5 per cent, and with the mark-ups as they were buyers say there is too little difference in the prices of low-end goods and the better qualities. If prices hold on low-end goods and retail consumers accept them, larger orders may be placed later on. If the retail buyers do not accept them, some of the southern factories may reduce employment levels. Quality furniture is still in good demand and production levels are likely to hold or expand somewhat during the first half of the year.

Trade levels were good in December. The Fifth District seasonally adjusted index of department store sales rose 4 per cent over November and 10 per cent over last year. The December sales level, however, has not given evidence that the broad trend has changed; this trend still remains flat in dollar terms, which means a downward trend in unit sales in many departments. Household appliances and homefurnishings which have not shown substantial price rises are still the "bellwethers" of sales. There are indications that sales of some of the household appliances are beginning to level off, radios being the outstanding one.

Wholesalers' sales in the District were moderately higher in December than in November on a seasonally adjusted basis, exceptions to the contrary already noted. The small amount of the rise indicates that small retail stores are exercising the same conservative inventory policy as the larger ones. It is interesting to note that dry goods wholesalers' sales in December were unchanged from those of November. This must have represented a considerable drop in unit sales, for important segments of dry goods rose considerably between November and December.

AVERAGE DAILY TOTAL DEPOSITS* OF MEMBER BANKS

	Last half of Nov.		Last half of Dec.	
	$ thousands	% of U.S.	$ thousands	% of U.S.
Maryland	1,024,014	.95	1,029,230	.95
Reserve city banks	654,905	.61	661,053	.61
Country banks	369,109	.34	368,177	.34
District of Columbia	898,324	.83	911,006	.84
Reserve city banks	876,782	.81	889,954	.82
Country banks	21,542	.02	21,052	.02
Virginia	1,325,583	1.23	1,307,768	1.20
Reserve city banks	310,512	.29	300,326	.28
Country banks	1,015,071	.94	1,007,442	.92
West Virginia	586,935	.54	586,221	.54
North Carolina	851,088	.79	853,871	.78
Reserve city banks	377,284	.35	379,762	.35
Country banks	473,804	.44	474,109	.43
South Carolina	437,041	.40	438,308	.40
Fifth District	5,122,985	4.74	5,126,404	4.71
United States (millions)	108,060	100.0	108,899	100.0

*Excluding interbank demand deposits.

BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT

Average Daily 1935-39=100—Seasonally Adjusted

	Dec. 1947	Nov. 1947	Oct. 1947	Dec. 1946	% Change Dec. 1947 from Nov. 47	% Change Dec. 1947 from Dec. 46
Automobile Registration*	.....	121	125	140	.....	.....
Bank Debits	309	318	313	281	— 3	+ 10
Bituminous Coal Production*	170	180	144	135	— 6	+ 26
Building Contracts Awarded	.....	331	317	266	.....	.....
Building Permits Issued	352p	280	338	195	+ 26	+ 81
Business Failures—No.	33	52	11	4	— 37	+725
Cigarette Production	.....	234	252	220	.....	.....
Cotton Consumption	153	145	150	154	+ 6	— 1
Department Store Sales	322	310	297	294	+ 4	+ 10
Department Store Stocks	323	310	281	319	+ 4	+ 1
Electric Power Production	.....	234	246	213	.....	.....
Employment—Mfg. Industries*	.....	136	135	134	.....	.....
Furniture Orders	.....	234	324	406	.....	.....
Furniture Shipments	.....	267	227	303	.....	.....
Furniture Unfilled Orders	.....	1010	914	690	.....	.....
Furniture Sales—Retail	293	302	270	261	— 3	+ 12
Gasoline Consumption	.....	.....	178	164	.....	.....
Life Insurance Sales	271	246	257	209	+ 10	+ 30
Wholesale Trade:						
Automotive Supplies**	289	308	332	272	— 6	+ 6
Drugs	253	268	296	252	— 6	0
Dry Goods	237	236	243	193	0	+ 23
Electrical Goods**	94	92	98	70	+ 2	+ 34
Groceries	270	264	294	274	+ 2	— 1
Hardware	135	126	132	119	+ 7	+ 13
Industrial Supplies**	422	398	366	268	+ 6	+ 57
Paper and Its Products	213	196	179	178	+ 9	+ 20
Tobacco and Its Products**	116	105	114	125	+ 10	— 7

*Not seasonally adjusted
**1938-41=100

Parity Prices - What They Are and How They Evolved[1]

Parity was first defined in legislation nearly 15 years ago. Parity as an idea has a much longer history. Opinion varies widely on the subject of "parity for agriculture." Illustrative of one extreme is a statement by Stephen Pace, Congressman from Georgia. He recognized that one might attack some part of the formula, but added, "I think the parity principle is as fine, is as sound, as proper, as the Ten Commandments. What is parity? Parity is simply saying that the farmer shall receive for his commodity a price which will give him a purchasing power comparable with the other groups." Feeling at the other extreme runs about equally as strong, but no similarly forceful statement of that position comes to mind.

Both the Senate and the House Agricultural Committees have announced that they are working on a long-range farm program, and extensive hearings have been held by both committees. Much has been apparent in the press about the use of parity and possible modifications in the parity formula. Interest also is aroused in "parity prices and what they are" by current discussions concerning the extent, if any, to which agricultural price supports, based on parity prices, are contributing to the generally upward movement of prices. Looking ahead a little further, bankers, farmers, and others are many times not clear on what prices are supported, and what legislative basis there is for such supports both now and following the expiration of the Steagall support period on December 31, 1948.

This article makes no pretense of discussing all of these problems. Its purpose as the title suggests is to consider parity prices from two standpoints—what they are and how they evolved.

Early History

The history of this country is full of accounts of the depressed conditions in agriculture and mass dissatisfaction and unrest. Though by no means alone in the support of various pieces of proposed legislation, farmers had an important voice in the passage of such legislation as the land acts, the railroad acts, the anti-trust acts, the agricultural credit acts, and finally the agricultural adjustment acts. Underlying each of these classes of legislation was the desire on the part of farmers and their leaders to more nearly achieve "equality for agriculture."

In times of depression farmers have seen the prices of their products drop faster and farther than the prices of things they bought. This, plus the fact that at the beginning of any given market season the farmer considers his production fixed and his income consequently a direct result of an average price per unit, made farmers very conscious of the prices of the commodities they produced.

The crash in agriculture in 1920 and 1921 was just another instance in which the farmer felt that he had been put through the wringer. In the early years of the 1920's there were a number of publications dealing with this situation either in its entirety or piecemeal. Among these were *Prices of Farm Products in the United States* by George F. Warren in 1921, *Equality for Agriculture* by George N. Peek and General Hugh S. Johnson in 1922, *The Agricultural Situation, Economic Effects of Fluctuating Prices* by George F. Warren and Frank A. Pearson in 1924, *The Economics of Farm Relief* by E. R. A. Seligman in 1929, and *Agricultural Reform in the United States* by John D. Black in 1929. This was also the period of discussion of the McNary-Haugen Bill and the passage of the Agricultural Marketing Act of 1929.

Warren in his bulletin on prices of farm products had developed an index number of prices paid to farmers based on 31 commodities. The base period for this index was August 1909-July 1914, a sixty-month period. Warren stressed the need for looking at the purchasing power per unit or per acre rather than at just the price itself. Although he realized the shortcomings of using the Bureau of Labor Statistics' Index of Wholesale Prices in arriving at the purchasing power of farm products, he had no practical alternative. As a result he and others during most of the decade of the 1920's used the Index of Wholesale Prices in getting a measure of the purchasing power of farm products. Peek and Johnson followed the same general mechanics in their thinking but advocated as a base period the use of the ten years 1906-1915.

In recognition of the need for a more suitable index of prices paid than the Index of Wholesale Prices, Dr. O. C. Stine and colleagues in the Bureau of Agricultural Economics developed an Index of Prices Paid by Farmers in Local Markets for Goods Used in Family Living and Production, using as a base the five calendar years 1910-1914. This index was first published in 1928. From that time to date the comparison between prices received for the main agricultural commodities, both individually and when combined into an index of prices received by farmers, and this index of prices paid by farmers (with some slight modifications) has been the generally accepted measure of the purchasing power of farm products.

Legislation

Reference already has been made to the McNary Haugen Bill. Although this bill was passed on two occasions, it was vetoed each time. However, the agricultural situation was so critical by the spring of 1933 that the stage was set for the passage of the Agricultural Adjustment Act of 1933. It was approved on May 12 of that year. Section 2 of this act states "It is hereby declared to be the policy of Congress—(1) to establish and maintain such balance between the production and consumption of agricultural commodities, and such marketing conditions therefor, as will reestablish prices to farmers at a

[1]This is the first of a series of articles on certain aspects of Government agricultural programs. It is believed that there is a desire on the part of bankers and others, including people in agriculture, for more information on these important topics, and these articles are intended to help satisfy this need.

level that will give agricultural commodities a purchasing power with respect to articles that farmers buy, equivalent to the purchasing power of agricultural commodities in the base period. The base period in the case of all agricultural commodities except tobacco shall be the prewar period, August 1909-July 1914. In the case of tobacco, the base period shall be the post-war period, August 1919-July 1929." This variation from the base period established for other commodities was attributed to the fact that tobacco consuming habits of the entire world had changed since World War I and the prewar conditions of production and demand no longer accurately represented the condition of the tobacco industry.

On August 24, 1935 the 1933 Act as amended was further amended by the addition of a Section 8 (e) "In connection with the making of any marketing agreement or the issuance of any order, if the Secretary finds and proclaims that, as to any commodity specified in such marketing agreement or order, the purchasing power during the base period specified for such commodity in section 2 of this title cannot be satisfactorily determined from available statistics of the Department of Agriculture, the base period, for the purposes of such marketing agreement or order, shall be the post-war period, August 1919-July 1929, or all that portion thereof for which the Secretary finds and proclaims that the purchasing power of such commodity can be satisfactorily determined from available statistics of the Department of Agriculture."

After the Hoosac-Mills Decision of January 6, 1936 which rendered the 1933 Act unconstitutional, Congress quickly enacted the Soil Conservation and Domestic Allotment Act (February 29, 1936). According to an annual report of the Agricultural Adjustment Administration, "In the production-adjustment programs of 1933-35, parity between prices of farm commodities and the commodities farmers buy was a principal objective. Under the Soil Conservation and Domestic Allotment Act this objective has been replaced by one which is somewhat broader and more flexible—parity of income.

"As defined by the soil act, parity of income for agriculture means an income that will restore the pre-war ratio between purchasing power of net income for persons on farms and that of the income of those not on farms."

The specific legal provision in Section 7 (a) of the Act calls for "reestablishment, at as rapid a rate as the Secretary of Agriculture determines to be practicable and in the general public interest, of the ratio between the purchasing power of the net income per person on farms and that of the income per person not on farms that prevailed during the 5-year period, August 1909-July 1914, inclusive, as determined from statistics available in the United States Department of Agriculture, and the maintenance of such ratio."

In the Agricultural Marketing Agreement Act of 1937 a number of provisions of the Agricultural Adjustment Act of 1933, as amended, which were not involved in the adverse court decision were reenacted. These included the statement of the parity price objectives. The 1937 Act also directed the Secretary, prior to describing any term in any marketing agreement or order or amendment thereto relating to milk or its products to take parity objectives into account and also "the price of feeds, the available supply of feeds and other economic conditions which affect market supply and demand . . ."

The Agricultural Adjustment Act of 1938 also contains a number of provisions relating to parity for agriculture. According to the declaration of policy which comprises Section 2 "It is hereby declared to be the policy of Congress to continue the Soil Conservation and Domestic Allotment Act, as amended, for the purpose of conserving national resources, preventing the wasteful use of soil fertility, and of preserving, maintaining, and rebuilding the farm and ranch land resources in the national public interest; to accomplish these purposes through the encouragement of soil-building and soil-conserving crops and practices; to assist in the marketing of agricultural commodities for domestic consumption and for export; and to regulate interstate and foreign commerce in cotton, wheat, corn, tobacco, and rice to the extent necessary to provide an orderly, adequate, and balanced flow of such commodities in interstate and foreign commerce through storage of reserve supplies, loans, marketing quotas, assisting farmers to obtain, insofar as practicable, parity prices for such commodities and parity of income, and assisting consumers to obtain an adequate and steady supply of such commodities at fair prices."

Under Title III of the Agricultural Adjustment Act of 1938 are a number of pertinent definitions—"Sec. 301 (a) (1) 'Parity', as applied to prices for any agricultural commodity, shall be that price for the commodity which will give to the commodity a purchasing power with respect to articles that farmers buy equivalent to the purchasing power of such commodity in the base period; and, in the case of all commodities for which the base period is the period August 1909 to July 1914, which will also reflect current interest payments per acre on farm indebtedness secured by real estate, tax payments per acre on farm real estate, and freight rates, as contrasted with such interest payments, tax payments, and freight rates during the base period. The base period in the case of all agricultural commodities except tobacco shall be the period August 1909 to July 1914, and, in the case of tobacco, shall be the period August 1919 to July 1929.

"(2) 'Parity', as applied to income, shall be that per capita net income of individuals on farms from farming operations that bears to the per capita net income of individuals not on farms the same relation as prevailed during the period from August 1909 to July 1914."

On November 22, 1940 the definition of parity price as defined in the 1938 Act was amended to change the base period for flue-cured and burley tobacco to the five years, August 1934-July 1939.

Such a discussion as this would be incomplete without some mention of "comparable prices." In certain cases the Congress has provided that comparable prices can be calculated which shall in effect be substituted for the parity prices as calculated according to the regular me-

thod. Comparable prices can also be calculated for commodities having no data for either of the two generally prescribed base periods.

This authority is contained in the so called "Steagall Amendment" or Section 4 (a) of Public Law Number 147 approved July 1, 1941 and in Section 3 of the Emergency Price Control Act as approved January 1, 1942. According to the Steagall Amendment, "the comparable price for any . . . commodity shall be determined . . . if the production or consumption of such commodity has so changed in extent or character since the base period as to result in a price out of line with parity prices for basic commodities."

The purpose back of the Steagall Amendment requiring the calculation of comparable prices was to provide the basis for administering the minimum support prices established by that act. Similarly in the Emergency Price Control Act, comparable price data were considered necessary as a means of administering wartime price control. The latter act required that the Secretary of Agriculture establish comparable prices "after investigation and public hearing."

Mechanics of Parity Computations

Let us now turn our attention to the actual mechanics of parity computations. In brief there are three steps to be covered: (1) a base price is determined, (2) an index of prices paid by farmers is determined, and (3) the base price of the individual commodity is adjusted by the index of prices paid by farmers.

(1) *Base Prices:* Where satisfactory data are available the base price is determined by averaging the prices received by farmers for the sixty months, August 1909-July 1914. In the case of cotton, for example, the average price during this period was 12.4 cents per pound. As noted above, the base period for some commodities is all or a part of the ten year period, August 1919-July 1929. Flue-cured and burley tobacco are the only products with a base period, August 1934-July 1939. Of the 157 commodities for which parity or comparable prices are now calculated and published by the United States Department of Agriculture, only 47 remain on the 1909-14 base. However, these 47 commodities make up approximately 80 per cent of the total farm income.

(2) *Index of Prices Paid:* At the present time the basis for the index of prices paid used in determining parities for commodities on a 1909-14 base are the prices of 86 items used in family living, 94 items used in farm production, interest per acre on farm mortgage indebtedness, and taxes per acre on farm real estate. These are combined into a weighted index with weights based on the estimated average annual expenditures per farm in the six-year period 1924-29. In the case of those commodities on other than a 1909-14 base, the index used in the computation of parities is the index of prices paid for commodities used in family living and production. In other words, it differs from those on a 1909-14 base by the exclusion of interest and taxes. In December 1947 the index of prices paid, interest and taxes was 245 (calendar years 1910-14=100).

(3) *Calculation of Parity Prices:* The final calculation of a parity price is done by adjusting the base period price of the individual commodities by the index of prices paid. In other words after the base period is selected changes in parity prices from one month to the next result from changes in the prices paid by farmers. In the case of cotton which is on a 1909-14 base the December parity price is determined by multiplying the base period price of 12.4 cents by the index of prices paid, interest and taxes, which was 245 in December and dividing by 100 ($12.4 \times 245 \div 100 = 30.38$ cents).

This means that since the base period, prices of things the farmer buys have risen so much that in December it took $2.45 to buy as much as $1.00 would have purchased in the base period. Consequently, for a pound of cotton to have the same purchasing power in terms of the things farmers buy as it had in 1909-14 the price of cotton also would need to be 2.45 times as high as in the base period.

Proposals for Modification

In more recent years repeated efforts have been made to enact legislation which would revise the parity formula. One proposal would modify the formula by including farm wage rates. Two different ways of doing this have been advanced: one, to give labor the weight of hired labor, or a weight of about 7.8 per cent of the final index if based on 1937-41 relationships. The other would give labor the weight of all labor including unpaid family labor. The latter would give labor a weight of about 25.8 in the revised index assuming 1937-41 weights. Under price relationships prevailing in December, parity prices of commodities on a prewar base under these two methods would be raised about 4 per cent and 17 per cent respectively. From this it is evident that the net effect of including wages in the parity formula would currently be to raise the parity prices of all commodities on a given base by some uniform proportionate amount, since the unchanged base period prices would merely be adjusted by using a higher index of prices paid.

Considerable can be said in favor of including wage rates in the index of prices paid. Hired labor comprises an important cost to large numbers of farmers. In 1935 the average farm wage rate was 103 per cent of what it was in 1910-14. To have included wages, along with interest and taxes, at that time would have been to lower the index for commodities with a prewar base from 130 to 126. The fact that inclusion of wage rates would, at the time the formula was written, have had the effect of lowering the parity price of the commodities on a prewar base probably accounts for wages being omitted. Sentiment did not develop for the inclusion of labor until wage rates relative to the items in the index had risen enough to be an index raising factor instead of an index depressing factor.

The Department of Agriculture recently made recommendations as to how the parity formula might be modified in an attempt to overcome certain generally admitted shortcomings, such as variations in base periods and the freezing of price relationships between commodities. The

Department proposal consists of three changes in the existing formula.

In the first place, they propose that the index of prices paid by farmers be modified by changing the weight given the items in the index. At present, the weights used were those that prevailed in American agriculture during the six years 1924-29. Many important changes, such as those arising out of farm mechanization and the greater use of electricity, have occurred in the past 20 years. Their proposal is that 1937-41, a recent period not too much affected by war, should be used in determining the weights given to different items in calculating the index.

Their second proposal for modification would be to include wage rates in the index of prices paid, giving it the weight of hired farm labor. This proposal is the same as the one that already has been discussed.

The third Department proposal is intended to revise the relationship between parity prices of various agricultural commodities. This relationship is now considered to be seriously out of line. Present parity prices freeze relationships that existed in the base period. The extent to which individual prices have changed, relative to prices for all farm products between the periods 1910-14 and 1937-46, is evidenced by the fact that wool has increased 22 per cent; lambs, 20 per cent, beef cattle, 18 per cent; milk, 12 per cent; chickens, 11 per cent; and butterfat has increased 9 per cent. On the other hand, eggs and corn both declined 12 per cent; cotton, 15 per cent; wheat, 19 per cent; and peanuts declined 24 per cent.

The Department proposed use of a ten-year moving average as a method of bringing parity prices into a more realistic relationship. This device lines up the commodities into the relationship they had to each other during the period of the moving average. It is called a moving average because each year the oldest year is dropped and a new year added. It has no effect on the over-all parity relationship. It moves some prices up and some down, but the general average of parity prices is unchanged.

Under the Department's proposal the recent ten-year average price of a commodity would be adjusted to a 1910-14 basis dividing by the national index of prices received by farmers. This adjusted price would then be multiplied by the current month's index of prices paid by farmers, including interest, taxes, and wages. For example, the average price of flue-cured tobacco (types 11-14) for the ten years, 1937-46, was 31.8 cents per pound. Since the index of prices received by farmers in this ten-year period was at a level of 152, compared with the pre-World War I period, the 1937-46 price, adjusted to a 1910-14 level, was 20.9 cents a pound ($31.8 \div 152 \times 100 = 20.9$). This figure, when adjusted by the index of prices paid by farmers, including interest, taxes and wages of 256 (using existing weight relationships between items already in the index) would result in a parity price of flue-cured tobacco in December, 1947, of 53.5 cents per pound ($20.9 \times 256 \div 100 = 53.5$). This would compare with a current parity price of 47.9 cents. While parities for tobacco and a number of other products would be raised by the new formula proposed by the Department of Agriculture, parities of cotton, peanuts and certain other products would be lowered.

Of course, these are merely proposals for modification of the parity formula. The national farm organizations and other groups also are working on proposals. Whether or not Congress will revise the present formula remains to be seen. In the meantime, it remains unchanged inasmuch as it is a matter of law.

Conclusion

In conclusion it is well to go behind the legal terminology that was introduced above as a means of giving the exact wording of certain important passages of law to the interested reader. We have seen that Congress has written into law definitions of both parity price and parity income. Both are parts of our national agricultural policy as written into law by Congress. Both can appropriately be thought of as yard sticks or thermometers, with the use of which certain aspects of the relative position of agriculture and the rest of the economy can be related to one another.

In discussing what parity prices do and do not stand for, H. R. Tolley, while Chief of the Bureau of Agricultural Economics, stated: "The parity principle is simply an *exchange ratio* between prices paid by farmers and prices received. It applies only to those items for which the farmer pays cash and for which prices and rates can be rather easily determined, and to those items that the farmer sells for which prices can be easily determined.

"The current parity formula does not attempt to measure cost of production in any of the usually accepted senses in which that term is used. Nor does the current parity formula endeavor to give farm and non-farm families an equal standard of living. Instead, so far as it applies to standards of living, it is devised to give farm families an income that has the same relative purchasing power when compared with the incomes of non-farm families as existed in the base period 1910-1914."

The Rising Tide of Business Failures

Two outstanding characteristics of failure experience in the United States during 1947 appear to have been the continuation of a very low rate of failures relative to the pre-war years and the sharp rise in current liabilities that carried the total for the year above the 1939 figure. An explanation of the latter development will be made in a subsequent section of this article, but it is desirable to consider some fundamental factors influencing the first characteristic before discussing in detail the trends and developments in business failures during the past year.

The Department of Commerce has estimated that during 1945 and 1946 about 1 million new concerns entered the economy. Such a tremendous influx of new enterprises would ordinarily have led to a rash of failures during 1946 and 1947 inasmuch as mortality rates among infant concerns are usually very high. To the contrary, however, actual failures were at very low levels, amounting in 1946 to less than 8 per cent of the number in 1939 and, despite a sharp rise, to less than 25 in 1947. The principal reason for the divergence from normal expectations is found in the unusually favorable conditions under which business in general has operated during the post-war period. Among other contributing factors might be mentioned the extent to which the lives of many new small business concerns have been prolonged through the use of the war-time accumulated savings of their owners.

There is another important factor in this connection that should not be overlooked; to a large extent entries of new firms during 1945 and early 1946 were serving to replenish the number of concerns in fields that had experienced discontinuances far in excess of new entries during the war. The Department of Commerce has estimated that between September 1941 and December 1943 there was a loss of 560,000 firms, 300,000 of which occurred in retailing, 100,000 in services, and about 100,000 in construction.[1] Other industries had much smaller losses, and the number of firms in manufacturing remained virtually unchanged during this period.

It might be expected, then, that the rate of failures would be lower than would ordinarily be associated with the large volume of new businesses that came into existence during 1945 and the first half of 1946. That such was the case is clearly shown by the failure experience during 1946 in the retail and manufacturing divisions. During 1944, 1945, and the first six months of 1946 the number of firms in manufacturing rose by 60,000, but unlike other industries, with the exception of mining and quarrying, manufacturing had not experienced a net loss in firms in operation during the war period up to December 1943. The result was, of course, a large net addition of new firms to the manufacturing field. Historically, there has been a close relationship between a high rate of entries in a given industry and the rate of discontinuances therein as a consequence mainly of the heavy mortality characteristic of new firms. It is felt that such a relationship was reflected in the sharp rise of manufacturing failures during 1946.

The rise in the rate of failures in retail trade, however, was negligible during 1946, a consequence to a considerable extent of the fact that entries of new firms during 1944, 1945 and the first six months of 1946 were not sufficient to completely offset the number that had gone out of business during 1942 and 1943. Thus, in June 1946 the number of retail concerns was still somewhat lower than it had been in September 1941. Such conditions, as the Department of Commerce has pointed out, explain to a considerable extent the low discontinuance rate for retail trade that has prevailed during the post-war period.

Failures In The United States

Beginning in 1939 an ebb tide in commercial failures set in that continued uninterruptedly to 1946. The decline was swift and extensive; whereas 14,768 failures[1] occurred in 1939, in 1945 only 810 failures in the United States were recorded by Dun & Bradstreet, a total that was less than the monthly average for each of the years 1939, 1940, and 1941. The opening months of 1946, however, witnessed the reversal of the long downward trend, and by the end of the year 1,130 failures had occurred as against the record low of 810 established during the preceding year.

The new trend was sharply accelerated early in 1947 when failures during January and February greatly exceeded the usual seasonal gains and, contrary to the historical seasonal decline in March, continued upward to reach a total for the first quarter of 694. Failures during May 1947 were the heaviest in number of enterprises involved since March 1943 (the amount of current liabilities involved reached the highest level for any month since 1938) and swelled the second quarter total to 938.

Although the number of firms that failed during the third quarter fell off from the post-war peak of the preceding quarter, current liabilities of failures rose to a new level. In fact, one has to go back to the depression year of 1932 before finding a month of July in which liabilities of failed firms exceeded the volume of losses in the comparable month of 1947.

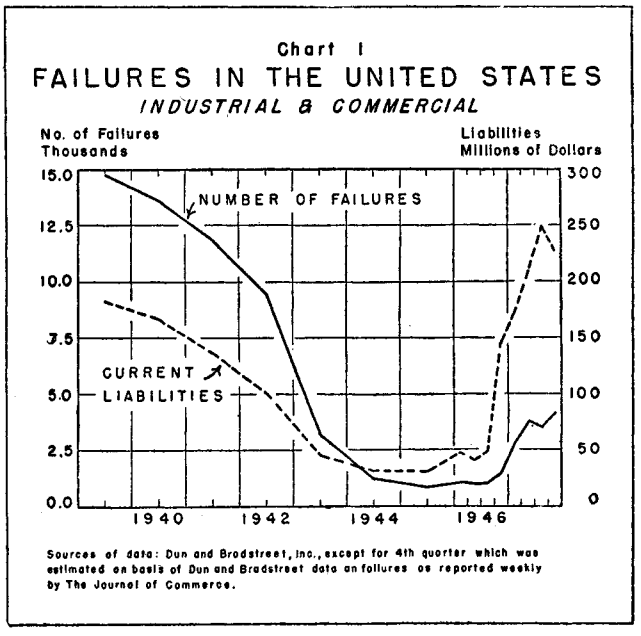
Estimated failures for the final quarter of 1947 indicate that the upward trend was resumed in October with a new post-war peak of about 1,030 failures for the quarter being added to those of the preceding nine months to bring the total for the year to about 3,540. The preliminary estimate of current liabilities of failed concerns during the fourth quarter indicates only a small decline from the third quarter peak, setting the dollar figure at about $56,500,000 and raising the total for the year to about $214,382,000.

Thus, although there was a sharp rise in the number of failures during 1947 producing a total for the year

[1] "The Postwar Business Population," Survey of Current Business, January 1947. The discussion presented above on the relation between business entries and failures was drawn largely from this excellent article.

[1] A failure is defined as a concern which is involved in a court proceeding or a voluntary action which is likely to end in loss to creditors.

that exceeded that of each of the preceding four years, the total of 3,500 failures was far below the figures of 14,768 in 1939, 13,619 in 1940, 11,848 in 1941, and 9,405 in 1942. The amount of current liabilities involved, however, experienced a much greater advance. As shown in chart I, the $214 million of current liabilities of failed concerns in 1947 was well above the highest figure of any year covered in the chart, being over 6 times the amount in the record-low year of 1945 and about 17 per cent higher than the 1939 peak of $182 million.



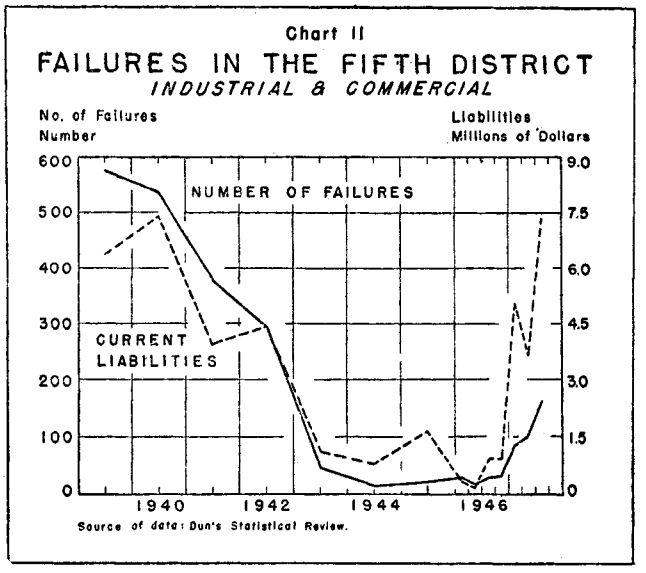
Number and Current Liabilities of Failures in the Fifth District

In 1939 575 enterprises failed in the Fifth Federal Reserve District. During 1946 only 26 businesses had to close their doors with resulting losses to creditors. In the intervening years failure experience in the District was similar to that of the country as a whole with the exception that whereas the trend of failures in the United States continued downward to a low in 1945, the bottom level was reached in the District in 1944 and an upward trend established during 1945. In the latter year, however, District failures were, as shown in chart II, still at negligible levels, amounting to only 21. Similarly, current liabilities of failed concerns were low relative to pre-war levels but were double the amount involved in 1944 due mainly to the failure during 1945 of a construction company with $750,000 of current liabilities—46 per cent of the total of all failed concerns in the District.

During 1946 the number of failed concerns increased to 26, but the current liabilities of these firms were less than half the amount of the preceding year. However, 1947 witnessed a very sharp rise in the rate of failures and liabilities in the District. From an annual rate of 32 failures in the final quarter of 1946 there was an increase to 84 in the first quarter of 1947, to 100 during the second quarter, and to 160 for the third quarter, the latest period for which District data are available. Thus, although the current rate is still well below that of the pre-war period, the number of mortalities is increasing rapidly and is an indication that the unusually favorable business milieu of the post-war period is rapidly becoming history.

It should be noted that the rate of failures through the third quarter of 1947 grew at a faster pace in the District than in the United States. This was due largely to a relatively higher rate of retail failures in the Fifth District. Similarly, the percentage increase during the first nine months of 1947 in liabilities of failed firms was much greater in the District than it was throughout the United States. In the Fifth District the number of failures in the third quarter of 1947, on an annual basis, were 28 per cent of the 1939 total, while for the country as a whole they were but 24 per cent of the 1939 figure. With respect to the liabilities of failed enterprises the reverse relationship held; that is, liabilities throughout the country in the third quarter, expressed on an annual basis, had climbed to 136 per cent of the 1939 total while liabilities of failed firms in this District for the same period were 115 per cent of the 1939 amount.

In view of the relatively small number of failures, the amount of current liabilities involved appears to be very large. It should be recognized, however, that an important factor here is the large rise in prices since 1939. In an article in the December 1947 issue of the Survey of Current Business (U. S. Department of Commerce) it was estimated that when rough correction is made for this factor, the annual rate of current liabilities of failed firms in the last half of 1947 is at least 30 per cent less than it was in 1939.



Failures by Industrial Groups

During 1946 the largest rise in failures in the United States occurred in manufacturing, and for the first time in our history failures in this field outnumbered those in retail activities. Thus, whereas prior to the war less than 20 per cent of all failures were accounted for by manufacturing concerns, in 1946 manufacturing was responsible for 41 per cent of the total defaults. Within this division of industry, and reflecting largely the difficulties of reconversion, failures were heaviest in machinery and

transportation equipment businesses, accounting together for over half the total losses involved in manufacturing failures.

Another unusual trend was the continuation in the country generally of the relatively small number of failures in retail trade. The 304 failures in this group constituted about one-fourth of all failures in 1946 as compared with over 60 per cent prior to the war. Although failures in wholesale trade showed the second sharpest rise during 1946, they accounted for a smaller proportion of total failures than was characteristic of the pre-war period.

During the first six months of 1947, failure experience continued to be dominated by the relatively greater frequency of failures among manufacturing concerns than was the case prior to 1945. Although the percentage of total failures accounted for by manufacturing fell off slightly during the first two quarters of 1947, the proportion of total current liabilities ascribed to manufacturing concerns rose to over 70 per cent during the second quarter. In the third quarter, the latest for which such information is available, both the number of manufacturing failures and the current liabilities involved declined, the latter falling off sharply to account for only 47 per cent of current liabilities of all failed firms. This is still, of course, a relatively high concentration and accounts in large part for the prevailing high level of current liabilities. As is shown in table I average current liabilities of manufacturing failures greatly exceed, by reason of the larger scale of operations, the comparable figure computed for all industry. When we take into consideration also the growth in the average scale of operations of most other businesses and the sharp rise in prices since the end of the war, we have a substantial explanation of the tremendous rise in current liabilities of failed enterprises during the past year to the point where the losses of the average failure have reached the highest point in our history.

Table I

NUMBER AND AVERAGE CURRENT LIABILITIES OF FAILURES IN MANUFACTURING COMPARED WITH ALL INDUSTRIES
1939 to September 1947

	No. of failures in mfg. as % of all failures		Average current liabilities of failures per firm: All industries ($000)		Average current liabilities of failures per firm: Manufacturing ($000)	
	U. S.	Fifth Dist.	U. S.	Fifth Dist.	U. S.	Fifth Dist.
1939	19.8*	13.9	12	11	24	26
1940	18.0	12.7	12	14	23	48
1945	32.5	23.8	38	78	56	107
1946	40.0	19.2	62	22	83	48
1947: Jan.-Mar.	38.0	23.8	63	59	113	111
Apr.-June	38.9	12.0	56	37	100	49
July-Sept.	34.5	12.5	71	46	95	103
Jan.-Sept.	37.5	15.1	63	46	102	93

*Including mining.
Sources: Survey of Current Business, Dec. 1947 and Dun & Bradstreet.

One of the outstanding developments during 1947 was the heavy mortality among manufacturers of machinery. An increasing rate of failure in this industry had appeared in 1945 and was continued during 1946 when a total of 128 firms failed with current liabilities of $11 million, but this rate was stepped up sharply during the past year, reaching an all-time peak in May with 38 failures. For the first three quarters of 1947 such failures totaled 215 and involved current liabilities amounting to $29 million—67 per cent greater than the full-year total in 1946. Here again is another reason for the sharp rise in total current liabilities of all failed firms inasmuch as the average amount of current liabilities of failed machinery manufacturers during the first three quarters of 1947 was $136,000 as compared with $63,000 for all industry.

Failures of retail firms during 1947 continued at a low level, relative to pre-war standards, notwithstanding substantial increases in such failures from the 1946 level. The unique situation that had held during 1946 and the first half of 1947 of a larger number of failures in manufacturing than in retail trade was reversed during the third quarter of 1947 when the number of failures in the latter field exceeded slightly the number in manufacturing. The amount of current liabilities involved in failures of retail firms during the first nine months of 1947, expressed as a per cent of current liabilities of all failed businesses, rose slightly from 9 per cent in 1946 to 10 per cent, still far below the 1939 distribution of 37 per cent.

Another development in the 1947 history of business failures that might be noted was the tremendous rise in current liabilities of failed firms in the field of commercial service during the third quarter of the year. From an average of a little over $2 million during the first two quarters of the year current liabilities of failed firms in this field swelled to over $21 million in the third quarter. This was due to the failure during July of three transportation companies in New York with current assets totaling over $19 million.

When we turn to the business experience of the Fifth District during 1947 we note that the outstanding development in the increasing trend of failures was the tendency for the distribution of current liabilities to more closely approximate the pre-war pattern, as reflected by 1939 data, than was the case for the country as a whole. For example, current liabilities of manufacturing firms that failed in the District during 1946 amounted to 41 per cent of current liabilities of all failures; for the first three quarters of 1947 this proportion declined to 30 per cent thus moving closer to the 1939 distribution of 33 per cent. A similar movement occurred in the retail trade area. Here current liabilities, again expressed as a per cent of current liabilities of all failures, rose from 32 per cent in 1946 to 46 per cent in the first nine months of 1947 to more closely approximate the 1939 figure of 42 per cent.

Table II

NUMBER AND CURRENT LIABILITIES OF FAILURES BY INDUSTRIAL GROUPS IN FIFTH DISTRICT
January-September, 1947

	Number	Current liabilities
Mining and manufacturing	13	$1,214,000
Wholesale trade	8	266,000
Retail trade	49	1,841,000
Construction	7	260,000
Commercial service	9	410,000
Total	86	$3,991,000

Source: Dun & Bradstreet

It will be noted that these developments in the Fifth District during 1947 were the reverse of the trends in the entire country. There current liabilities of failed manufacturing firms rose from 55 per cent of current

liabilities of all failures in 1946 to 61 per cent in the first three quarters of 1947. Thus, manufacturing failures continued to dominate the trend of losses arising from all failures despite the equivalence achieved during the third quarter in the number of manufacturing and retail failures.

Breakdown by Fifth District States

As might be expected, there is apparently no logical pattern of distribution of failures among the states of this District for the first nine months of 1947. As shown in table III, Virginia suffered the greatest number of failures with 25. Although North Carolina had only one less failure, current liabilities of the 24 concerns involved were almost three times as large as those of the Virginia enterprises and comprised the largest total of all the states. Maryland had an enviable record of only two failures with current liabilities of only $37,000. This is a surprising performance in view of the sharp rise in the rate of failures during the past year for the entire country.

Table III

NUMBER AND CURRENT LIABILITIES OF FAILURES IN STATES OF FIFTH FEDERAL RESERVE DISTRICT
January-September, 1947

	Number	Current liabilities: Total	Current liabilities: Average per firm
Maryland	2	$ 37,000	$ 18,500
District of Columbia	13	769,000	59,154
Virginia	25	509,000	20,360
West Virginia*	15	311,000	20,733
North Carolina	24	1,460,000	60,833
South Carolina	7	920,000	131,430

*Includes 6 counties (with at least one failure of $15,000) not in District.
Note: A breakdown by industries on a state basis is not available.
Source: Dun & Bradstreet

It will be noted that average current liabilities per failure were highest in South Carolina. This was due to the occurrence of two failures during July with current liabilities of $745,000. Similarly, a few large failures accounted for the high rate of average current liabilities in North Carolina and in the District of Columbia. In the former, three failures during March accounted for $570,000 or 39 per cent of the total current liabilities of all failures in this state during the 9-month period. During July four failures were recorded that involved current liabilities totaling $454,000. The average in the District of Columbia was influenced principally by two relatively large failures in January with current liabilities of $321,000 and by two retail failures in April with current liabilities of $276,000.

Conclusion

The foregoing notes contain some implications with respect to future trends of business failures that might be considered briefly. By June of 1946 the bulk of the deficit of firms in operation stemming from the net excess of discontinuances of the war period had been erased. By the end of the year it may be assumed that the basic peace-time patterns of the business enterprise structure had been generally reestablished. It may be expected, then, that the heavy rate of entries of new business firms during the last half of 1946 and through 1947 will be reflected in a sharply rising trend of failures from now on.

Furthermore, it is likely that the need for new concerns has been over-met in certain fields. For example, there has been a flood of newly established firms in the appliances and radio business since the end of the war. In fact, this line ranked first in the retail division in rate of new concerns in 1944 and in 1945 and second during the first half of 1946. As long as this business was characterized by a tremendous backlog of deferred demands, new concerns could be absorbed with relatively low risks, but as the sellers' market began to decline and the more urgent demands were satisfied, new firms began to find out that there was more to the business than merely opening their doors and ringing up sales. This is borne out by the shift of appliances and radio dealers in the rank of business discontinuances in retail trade from fifth place in 1945 to first place during the first six months of 1946.

The same thing may be said of certain lines in manufacturing. Of all manufacturing industries, machinery, other than electrical, ranked first in 1944 in rate of entry of new firms. In 1946 and again in 1947 this industry ranked first among manufacturing industries in rate of failures. The relatively high rate of manufacturing failures during 1947 stemmed largely from the high rate of entries; it may be expected that this factor, augmented by less favorable business conditions in general than have prevailed to date, will continue to produce a high level of manufacturing failures.

In summary, it has been pointed out that the sharp increase in the number of failures during the past year was a consequence for the most part of the rapid expansion in the number of firms in operation during the post-war period rather than a result of adverse business conditions. In fact, failures have remained relatively low because of favorable business conditions of a high level of demand supported by progressively rising prices. There are numerous indications that less favorable conditions are now prevailing and will become progressively marked over the course of the current year. Reports from the field indicate that marginal businesses in many lines are becoming over-extended financially and finding it increasingly difficult to raise funds and to maintain earlier rates of sales and collections. With break-even points in general at very high levels, even a gradual deterioration in business conditions will result in a marked acceleration of the presently increasing rate of business failures.

It should be pointed out also that in view of the very large number of new concerns and inexperienced extrepreneurs in business, the effects of reductions in general demand are likely to produce a higher proportion of failures than would be indicated by the pre-war relationship between reductions in gross output of goods and services and business failures.

Finally, in view of the relatively large expansion of business and industry in this District during the war years and the probability (tested affirmatively in a recent survey by the Department of Commerce) that the average life span of business firms in the South is somewhat shorter than it is in the country as a whole, there is a possibility that a downturn in business activity and a reduction in personal incomes would be accompanied by a higher rate of failures in southern states than the average for the country.

FEDERAL RESERVE BANK OF RICHMOND

(All Figures in Thousands)

ITEMS	Jan. 14, 1948	Chg. in Amt. From 12-17-47	Chg. in Amt. From 1-15-47
Total Gold Reserves	$1,072,931	— 42,196	+ 9,720
Other Reserves	25,415	+ 10,203	— 2,198
Total Reserves	1,098,346	— 31,993	+ 7,522
Bills Discounted	7,099	+ 554	— 2,740
Industrial Advances	22	— 12	+ 22
Gov. Securities, Total	1,422,013	+ 47,414	+ 8,560
Bonds	219,512	+117,612	+173,020
Notes	97,283	— 10,273	+ 75,357
Certificates	405,053	— 95,046	— 50,404
Bills	700,165	+ 35,121	—189,413
Total Bills & Securities	1,429,134	+ 47,956	+ 5,842
Uncollected Items	257,146	— 94,991	+ 35,377
Other Assets	38,480	+ 16,244	— 8,805
Total Assets	2,823,106	— 62,784	+ 39,936
Fed. Res. Notes in Cir.	$1,710,329	— 47,662	— 42,505
Deposits, Total	866,341	+ 47,492	+ 52,863
Members' Reserves	774,966	+ 16,561	+ 36,394
U. S. Treas. Gen. Acc.	67,267	+ 28,987	+ 30,436
Foreign	18,453	— 1,583	— 15,680
Other Deposits	5,655	+ 3,527	+ 1,713
Def. Availability Items	210,087	— 61,448	+ 28,041
Other Liabilities	988	— 322	+ 268
Capital Accounts	35,361	— 844	+ 1,269
Total Liabilities	2,823,106	— 62,784	+ 39,936

CONDITION OF REPORTING MEMBER BANKS—5th DISTRICT

(All Figures in Thousands)

	Jan. 14, 1948	Chg. in Amt. From 12-17-47	Chg. in Amt. From 1-15-47
Total Loans	$ 801,693	+ 5,158	+323,561
Bus. & Agri.	386,659	— 2,809	+138,325
Real Estate Loans	173,909	+ 5,868	+ 93,906
All Other Loans	241,125	+ 2,099	+ 91,330
Total Security Holdings	1,780,032	— 14,341	+355,825
U. S. Treasury Bills	29,685	+ 8,720	+ 8,629
U. S. Treasury Certificates	155,979	— 6,773	— 37,746
U. S. Treasury Notes	109,202	+ 728	+ 17,968
U. S. Gov. Bonds	1,365,111	— 17,828	+331,342
Other Bonds, Stocks & Sec.	120,055	+ 812	+ 35,632
Cash Items in Process of Col.	224,818	— 20,382	+ 67,027
Due from Banks	217,184*	+ 30,913	+ 68,995
Currency & Coin	66,337	— 3,091	+ 25,133
Reserve with F. R. Bank	515,669	+ 9,426	+164,173
Other Assets	52,603	+ 676	— 20,099
Total Assets	3,658,336	+ 8,359	+984,615
Total Demand Deposits	$2,813,787	— 374	+774,275
Deposits of Individuals	2,119,237	+ 15,161	+684,921
Deposits of U. S. Gov.	33,993	+ 5,133	— 27,546
Deposits of State & Local Gov.	170,418	— 8,783	+ 56,541
Deposits of Banks	442,481*	— 6,681	+ 45,843
Certified & Officers' Checks	47,658	— 5,204	+ 14,516
Total Time Deposits	607,299	+ 3,402	+214,170
Deposits of Individuals	587,535	+ 3,446	+211,608
Other Time Deposits	19,764	— 44	+ 2,562
Liabilities for Borrowed Money	1,500	— 700	+ 1,000
All Other Liabilities	24,921	+ 6,285	— 67,713
Capital Accounts	210,829	— 254	+ 62,883
Total Liabilities	3,658,336	+ 8,359	+984,615

*Net figures, reciprocal balances being eliminated.

CONSTRUCTION CONTRACTS AWARDED

STATES	Nov. 1947	% Chg. from Nov. 1946	11 mos. '47	% Chg. from 11 mos. '46
Maryland	$21,234,000	— 6	$252,273,000	—10
Dist. of Columbia	5,838,000	+51	70,300,000	+23
Virginia	13,485,000	+56	176,910,000	+ 1
West Virginia	2,582,000	— 4	61,695,000	— 7
No. Carolina	19,872,000	+96	151,480,000	—11
So. Carolina	7,035,000	—57	59,339,000	—47
Fifth District	$70,046,000	+12	$771,997,000	—11

Source: F. W. Dodge Corp.

COMMERCIAL FAILURES

MONTHS	Number Failures Dist.	Number Failures U.S.	Total Liabilities District	Total Liabilities U.S.
December 1947	15	317	$ 165,000	$ 25,499,000
November 1947	17	313	392,000	16,345,000
December 1946	2	141	175,000	17,105,000
12 Months 1947	123	3,476	$4,639,000	$221,048,000
12 Months 1946	26	1,130	579,000	70,348,000

Source: Dun and Bradstreet

DEBITS TO INDIVIDUAL ACCOUNTS

(000 omitted)

	Dec. 1947	% Chg. from Dec. 1946	12 mos. 1947	% Chg. from 12 mos. '46
District of Columbia				
Washington	$ 774,374	+ 3	$ 7,915,705	+ 6
Maryland				
Baltimore	1,078,157	+15	10,784,552	+ 9
Cumberland	24,460	+ 9	253,050	+ 9
Frederick	19,726	+10	217,636	+20
Hagerstown	27,821	+ 9	296,911	+10
North Carolina				
Asheville	55,769	+17	548,006	+15
Charlotte	241,716	+12	2,466,286	+14
Durham	107,071	+13	1,344,661	+ 6
Greensboro	84,270	+37	776,135	+19
Kinston	14,477	—16	201,113	0
Raleigh	112,173	+19	1,204,977	+30
Wilmington	33,994	+ 5	402,734	+ 3
Wilson	21,307	+ 3	277,105	+ 6
Winston-Salem	132,478	+15	1,412,985	+18
South Carolina				
Charleston	58,957	— 5	607,191	0
Columbia	94,920	+ 9	1,002,721	+14
Greenville	84,030	+25	848,335	+20
Spartanburg	55,104	+37	514,338	+23
Virginia				
Charlottesville	26,072	+ 7	254,657	— 4
Danville	38,126	+21	363,933	+ 9
Lynchburg	44,151	+18	426,193	+16
Newport News	32,875	+10	358,908	+22
Norfolk	199,052	+16	1,968,549	+18
Portsmouth	22,534	+15	224,876	+ 8
Richmond	503,101	+12	5,010,289	+ 6
Roanoke	94,009	+17	912,811	+16
West Virginia				
Bluefield	51,681	+41	446,224	+24
Charleston	167,916	+19	1,484,254	+15
Clarksburg	38,882	+27	344,931	+22
Huntington	67,403	+22	600,165	+15
Parkersburg	28,676	+11	302,693	+17
District Totals	$ 4,335,282	+13	$43,772,924	+11

COTTON CONSUMPTION AND ON HAND—BALES

	Dec. 1947	Dec. 1946	Aug. 1 to Dec. 31 1947	Aug. 1 to Dec. 31 1946
Fifth District States:				
Cotton consumed	371,610	360,888	1,902,800	2,029,300
Cotton Growing States:				
Cotton consumed	660,391	672,693	3,324,430	3,730,574
Cotton on hand Dec. 31 in consuming establishments	1,855,897	1,899,210		
Cotton on hand Dec. 31 in storage and compresses	5,420,555	5,917,463		
United States:				
Cotton consumed	753,406	776,350	3,777,169	4,263,419
Cotton on hand Dec. 31 in consuming establishments	2,153,547	2,230,258		
Cotton on hand Dec. 31 in storage and compresses	5,478,623	5,984,417		
Spindles active, U. S.	21,412	21,691		

COTTON CONSUMPTION—FIFTH DISTRICT

In Bales

MONTHS	N. Carolina	S. Carolina	Va.	Dist.
December 1947	196,467	158,766	16,377	371,610
November 1947	205,608	157,827	17,862	381,297
December 1946	186,987	156,384	17,517	360,888
12 Months 1947	2,495,208	1,987,307	216,248	4,698,763
12 Months 1946	2,539,177	1,924,562	211,807	4,675,546

Source: Dept. of Commerce

PRICES OF UNFINISHED COTTON TEXTILES

	Dec. 1947	Nov. 1947	Dec. 1946
Average, 17 constructions	95.88	92.76	79.66
Printcloths, Average (6)	134.78	131.59	96.72
Sheetings, average (3)	80.23	75.73	70.64
Twill (1)	79.86	79.86	75.61
Drills, average (4)	69.36	64.74	65.90
Sateen (1)	97.61	97.61	97.61
Ducks, average (2)	62.88	61.91	62.54

Note: The above prices are those for the approximate quantities of cloth obtainable from a pound of cotton with adjustments for salable waste.

DEPOSITS IN MUTUAL SAVINGS BANK

8 Baltimore Banks

	Dec. 31, 1947	Nov. 30, 1947	Dec. 31, 1946
Total Deposits	$389,933,193	$388,799,340	$379,018,153

BUILDING PERMIT FIGURES

	Dec. Valuation Figures 1947	1946	Annual Valuation Figures 1947	1946
Maryland				
Baltimore	$ 3,318,360	$ 1,905,585	$ 45,186,665	$ 50,121,905
Cumberland	42,450	58,575	998,005	610,893
Frederick	48,075	32,525	967,235	509,694
Hagerstown	63,545	40,880	2,045,977	1,700,264
Salisbury	236,365	66,193	1,853,288	1,486,157
Virginia				
Danville	302,602	210,175	4,112,696	2,055,448
Lynchburg	162,642	52,080	3,483,134	2,339,442
Norfolk	579,010	190,400	15,639,415	4,904,365
Petersburg	103,409	16,600	2,064,529	740,257
Portsmouth	32,759	10,462	1,332,171	1,520,521
Richmond	2,481,782	1,648,658	16,343,053	16,555,355
Roanoke	496,548	504,893	7,468,255	5,532,382
West Virginia				
Charleston	415,205	158,483	6,565,972	3,324,018
Clarksburg	39,638	47,245	1,457,750	1,315,873
Huntington	167,587	113,025	4,663,416	3,289,114
North Carolina				
Asheville	86,060	277,171	2,858,017	1,630,379
Charlotte	882,435	470,610	10,495,106	9,302,240
Durham	431,900	200,450	5,611,382	4,355,090
Greensboro	886,297	745,315	8,614,211	3,635,625
High Point	335,780	164,945	2,802,826	2,382,648
Raleigh	233,784	153,300	5,442,416	3,201,931
Rocky Mount	133,300	119,850	2,152,250	1,669,775
Salisbury	58,800	23,700	1,009,639	1,256,369
Winston-Salem	1,357,623	193,466	6,046,547	2,959,850
South Carolina				
Charleston	118,523	66,307	1,878,336	1,546,541
Columbia	295,705	415,490	5,193,736	2,509,993
Greenville	83,200	37,850	1,880,365	1,309,495
Spartanburg	342,099	28,535	1,887,631	1,448,554
District of Columbia				
Washington	4,348,109	2,385,339	51,028,309	40,016,093
District Totals	$18,083,592	$10,338,107	$221,082,332	$173,230,271

SOFT COAL PRODUCTION IN THOUSANDS OF TONS

REGIONS	Dec. 1947	Dec. 1946	% Chg.	12 mos. 1947	12 mos. 1946	% Chg.
West Virginia	14,631	10,844	+35	169,031	139,894	+21
Virginia	1,912	1,221	+57	20,260	16,556	+22
Maryland	155	190	—19	1,951	2,048	— 5
Fifth District	16,698	12,255	+36	191,242	158,498	+21
United States	55,368	42,320	+31	618,760	528,790	+17
% in District	30.2	29.0		30.9	30.0	

TOBACCO MANUFACTURING

	Dec. 1947	% Chg. from Dec. 1946	12 mos. 1947	% Chg. from 12 mos. '46
Smoking & Chewing tobacco (Thousands of lbs.)	13,169	— 8	199,231	— 6
Cigarettes (Thousands)	24,798,714	+ 9	335,963,594	+ 5
Cigars (Thousands)	446,719	— 4	5,624,763	— 4
Snuff (Thousands of lbs.)	2,514	—23	39,279	— 1

AUCTION TOBACCO MARKETING

STATES	Producers' Tobacco Sales, Lbs. Dec. 1947	Dec. 1946	Price per Hundred 1947	1946
No. Carolina (Flue-cured)	32,004,621	.....	$35.99	.....
(Burley)	8,014,387	5,534,674	42.50	$40.71
Virginia (Flue-cured)	18,239,878	.....	35.07	.....
(Fire-cured)	3,359,498	2,471,020	27.53	31.53
(Burley)	8,515,671	6,374,076	46.30	39.74
(Sun-cured)	546,558	435,306	26.81	28.42
District Total, December	70,680,613	14,815,076	37.26	38.40
S. C. entire season	133,593,928	150,954,510	41.78	48.74
N. C. season to 12-31	877,042,030	835,821,417	42.48	50.68
Va. season to 12-31	148,256,273	133,387,595	39.46	47.05
District, season to 12-31	1,158,892,231	1,120,163,522	42.01	49.99

WHOLESALE TRADE—199 FIRMS

LINES	Net Sales Dec. 1947 compared with Dec. 1946	Nov. 1947	Stock Dec. 31, 1947 compared with Dec. 31 1946	Nov. 30 1947	Ratio Dec. collections to acc'ts outstand'g Dec. 1
Auto Supplies (7)*	+19	0	+38	+ 6	98
Drugs & Sundries (13)*	+11	+ 2	+11	— 3	125
Dry Goods (7)*	+12	—25	+38	+ 3	88
Electrical Goods (5)*	+64	+ 6	+45	+ 5	109
Groceries (62)*	+ 7	— 1	+12	— 7	169
Hardware (10)*	+27	— 4	+86	+13	97
Industrial Supplies (5)*	+64	— 2	+36	— 1	100
Paper & Products (4)*	+24	— 3	....	....	97
Tobacco & Products (10)*	+ 3	+10	— 5	— 4	167
Miscellaneous (76)*	+ 7	+ 1	+28	0	105
District Avg. (199)*	+14	— 2	+31	+ 1	114

Source: Dept. of Commerce
*Number of reporting firms.

RETAIL FURNITURE SALES

STATES	Percentage changes in Dec. and 12 mos. 1947 Compared with Dec. 1946	Compared with 12 mos. '46
Maryland (5)*	+22	+12
Dist. of Columbia (6)*	+12	— 1
Virginia (18)*	+20	+13
West Virginia (10)*	+36	+11
North Carolina (15)*	+13	+15
South Carolina (10)*	+25	+16
Fifth District (64)*	+20	+10
Individual Cities		
Baltimore, Md., (5)*	+22	+12
Washington, D. C. (6)*	+12	— 1
Richmond, Va., (6)*	+19	+14
Charleston, W. Va. (3)*	+43	+ 2
Charlotte, N. C., (4)*	+13	+14
Columbia, S. C., (3)*	—15	+ 2

*Number of reporting stores

DEPARTMENT STORE TRADE

	Richmond	Baltimore	Washintogn	Other Cities	District
Percentage chg. in Dec. 1847 sales, compared with sales in Dec. 1946:	+20	+10	+14	+12	+14
Percentage change in 12 mos. sales 1947, compared with 12 mos. in 1946:	+10	+ 3	+ 4	+ 2	+ 5
Percentage chg. in stocks on Dec. 31, '47, compared with Dec. 31, '46:	*	+ 6	— 5	+ 9	— 1
Percentage chg. in outstand'g orders Dec. 31, '47, from Dec. 31, '46:	*	— 1	+26	+ 5	+ 2
Percentage chg. in receivables Dec. 31, 1947, from those on Dec. 31, 1946:	*	+19	+29	+21	+24
Percentage of current receivables as of Dec. 1 collected in December:	*	47	41	51	45
Percentage of instalment receivables as of Dec. 1 collected in December:	*	30	30	35	30

	Maryland	Dist.of Col.	Virginia	W. Virginia	N. Carolina	S. Carolina
Percentage chg. in Dec. 1947 sales from Dec. 1946 sales by States:	+10	+14	+18	+20	+12	+14
Percentage change in 12 mos. sales 1947 from 12 mos. sales 1946:	+ 3	+ 4	+ 8	+ 8	+ 5	+ 3

*Data not yet available.