MONTHLY REVIEW

FEDERAL RESERVE BANK OF RICHMOND

RICHMOND 13, VIRGINIA — MAY 31, 1949

Business Conditions

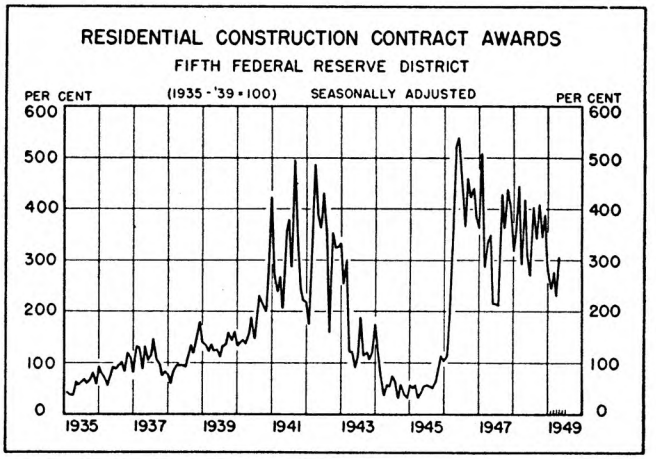
ON the plus side of the Fifth District economy in March or April, wherever figures were available, were continued gains in the registrations of new automobiles, a seasonal recovery of moderate proportions in sales of department stores together with a fairly marked gain in construction contract awards in the District of Columbia. On the minus side have been the continued reductions in employment and curtailment of manufacturing output on a broad front. Then too, the distribution through wholesalers, which is still mainly on the decline, gives a less favorable impression than the sales at the retail level. Production curtailment which has been in evidence for some months was accentuated in April particularly in the textile industry and fabricating satellites.

There are relatively few areas in the District where employment levels have been sustained and unemployment totals are beginning to approach the stage where concern must be felt about them. Business interests in quite a number of areas in the District were anticipating an improvement in the labor situation from probable seasonal gains in construction employment. Those in quite a number of other areas, however, recognize the fact that seasonal employment expansion in this industry had not occurred as of the turn of May.

Textiles

Although the level of production has fallen somewhat in almost all of the manufacturing industries in this District that in textiles has been particularly marked. The consumption of cotton and the number of hours run by cotton spindles in April this year showed a decline of 15 per cent on a seasonally adjusted basis from March in both cases and both likewise were 29 per cent under April a year ago. Trade reports would seem to indicate that there has been some further reduction during the first half of May. Further weakening has occurred in the cotton goods price structure but this has not been of any sizeable proportion. The drop in the operations in the cotton goods industry has thus far in May been about as sharp as in any previous depression for which figures are available.

Textile curtailment has not been confined to the cotton goods industry in this District; both rayon and woolens have likewise been affected. In April



the shipments of rayon filament yarn were 27 per cent below those of that month a year ago while staple fiber shipments were down 68 per cent in the same period. Employment in woolen and worsted mills in North Carolina showed a drop of 30 per cent from a year ago, and it is highly probable that the drop in output of goods has been somewhat greater than this.

After adjustments for seasonal variation the sales of cotton goods items in department stores do not give strong indication that a serious drop in consumer takings has thus far occurred, and yet at the manufacturing level the output of cotton goods is down nearly a third. From the amount of this drop in production it would seem that the bottom of curtailment had been reached and that almost regardless of what happens to the business situation nationally there is likelihood that some improvement may be seen in the output of the cotton textile industry by fall. Rayon yarn producers have curtailed even further, and a similar prospect would hold for this industry.

Furniture

After taking account of seasonal variation there has been a barely noticeable improvement in manufacturing operations of this industry. It is still, however, shipping products valued at 26 per cent less than a year ago, but sales at the retail level are holding up fairly well. Employment in this industry had shown a tendency to stabilize in April.

Hosiery

The hosietry industry has recently experienced another series of price cuts, and these will undoubtedly keep the wholesalers' and retailers' purchases close to a spot basis through summer. The industry's shipments in March improved notably, but this was essentially seasonal and the level continued more than 10 per cent under a year ago. The full-fashioned end of the business, despite the weakness in prices, shipped 7 per cent more goods in March than a year ago, the drop being accounted for by the seamless branch.

There are still some new plants and extensions being projected, and several others have gone into production in the past month. These are mainly in the higher gauges of women's hosiery.

Bituminous Coal

Coal output in this District showed a very marked rise after seasonal adjustment from March to April. The latter figure was 70 per cent higher than in April 1948. This is due mainly to the fact that the strike period in 1948 was of considerably longer duration than it was this year. Current figures reported weekly would seem to indicate that the going level of production at the present time is 12 to 15 per cent less than a year ago for the District as a whole.

Contract negotiations with the Southern operators got under way on May 25, and preliminary indications did not lend much hope to an early settlement of the wage problem. It is very possible that the anticipation of labor difficulties may cause production in the next month to remain higher than it would otherwise be. There is little doubt, however, whether through labor stoppage or loss of demand, that the output in 1949 will be considerably lower than in 1948.

Construction

The index of total construction contract awards in April was 38 per cent higher than in March after seasonal correction and 12 per cent above a year ago. Aside from a gain of about $5 million in contract awards in Virginia in April this year as compared with last year, the entire increase in the District index was caused by the award of a Government office building in the District of Columbia amounting to $22 million. Thus, the sharp rise shown in the seasonally adjusted index in April can hardly be considered a reversal of the downward trend which has been in evidence in this district since last October.

Residential awards, however, rose 32 per cent after seasonal correction from March to April, but April

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BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT
AVERAGE DAILY, 1935-39=100—SEASONALLY ADJUSTED

	Apr. 1949	Mar. 1949	Feb. 1949	Apr. 1948	% Change—Latest Mo. Previous Month	% Change—Latest Mo. Year Ago
Automobile Registration[1]	.....	174	114	144	+ 53	+ 9
Bank Debits	312	332	329	313	— 6	0
Bituminous Coal Production	179	93r	150	105	+ 92	+ 70
Building Contracts Awarded:	363	263	260	324	+ 38	+ 12
Commercial Construction Contracts	1305	346	348	382	+277	+242
Manufacturing Construction Contracts	414	286	188	268	+ 45	+ 54
Public Works and Utilities	245	219	259	266	+ 12	— 8
Residential Construction Contracts:	304	230	277	421	+ 32	— 28
Apartments and Hotels	428	278	308	872	+ 54	— 51
One and Two Family Houses	292	263	248	321	+ 11	— 9
Building Permits Issued	291	222	237	336	+ 31	— 13
Business Failures — No.	128	101	45	40	+ 27	+220
Cigarette Production	226	256r	227	271	— 12	— 17
Cotton Consumption	111	128	128	156	— 13	— 29
Cotton Spindle Hours	112	128	130	158	— 13	— 29
Department Store Sales[3]	304	290	299	327	+ 5	— 7
Department Store Stocks	324	315	304	340	+ 3	— 5
Electric Power Production	.....	277	270	256	+ 3	+ 5
Employment — Mfg. Industries[1]	.....	126	128	135	— 2	— 7
Furniture Orders[3]	.....	248	209	262	+ 19	— 30
Furniture Shipments[3]	.....	219	217	288	+ 1	— 26
Furniture Unfilled Orders[3]	.....	438	444	697	— 1	— 44
Furniture Sales — Retail	235	250	264	270	— 6	— 13
Life Insurance Sales	249	256	243	261	— 3	— 5
Wholesale Trade:						
Automotive Supplies[3]	260	283	265	339	— 8	— 23
Drugs	268	256	259	269	+ 5	0
Dry Goods[3]	156	151	157	188	+ 3	— 17
Electrical Goods[3]	77	71	84	83	+ 8	— 7
Groceries	238	247	236	262	— 4	— 9
Hardware	124	133	127	142	— 7	— 13
Industrial Supplies[3]	255	279	394	358	— 9	— 29
Paper and Its Products[3]	125	134	132	167	— 7	— 25
Tobacco and Its Products[3]	89	84	96	99	+ 6	— 10

[1] Not seasonally adjusted.
[2] 1938-41=100.
[3] Revised Series—back figures available on request.

Retail Credit Survey, 1948

Personal consumption expenditures of the American public again had an annual increase for 1948; however, expenditures were no longer rising more rapidly than income, resulting in a marked increase in the amount of income saved. Disposable personal income increased $19.0 billion or 11 per cent in 1948 over 1947; personal consumption expenditures rose $12.9 billion or 8 per cent; and new personal savings rose $6.1 billion or 69 per cent.

Several factors responsible for the expenditure of $177.7 billion for personal consumption goods and services can be pointed out. Even though the purchase of savings bonds was accelerated, $5.1 billion of savings bonds were redeemed and consumer credit outstanding was $2.5 billion greater in 1948 than in 1947. Instalment sales credit figured more prominently than any other type of consumer credit, accounting for 50.3 per cent of the total increase from 1947 to 1948 as compared with 38.5 per cent of the increase from 1946 to 1947.

Because there was considerable savings, it seems possible that sales could have continued to increase without this expansion of credit; however, there is nothing to indicate that the people using credit were the same ones who were saving or that they could have continued to increase their purchases without additional credit.

Accompanying the expanding credit was a decline in the ratio of collections to receivables in a number of retail lines. Nevertheless, the ratio was still higher than the prewar level or early 1940's.

Retail Sales in the Fifth Federal Reserve District

In line with increased personal consumption expenditures nationally in 1948 over 1947, there was a general rise in retail sales in the Fifth Federal Reserve District as shown in Table I. The 1948 Retail Credit Survey of this area covered 206 credit-granting stores engaged in nine types of retail trade. Jewelry stores, which have for some time been pointed out as a soft spot in the economy, were the only type of stores to registed a decrease in total sales from 1947 to 1948. The increase from 1947 to 1948 ranged from 2 per cent in the sales of both hardware and men's clothing stores to 18 per cent in the sales of automobile stores.

While total sales were climbing, cash sales were for the most part falling. Cash sales for automobile establishments departed from the general trend with a gain of 12 per cent over the previous year. Jewelry store cash sales led the list with a cut of 29 per cent from 1947, followed by a 26 per cent reduction in cash sales of household appliance stores. Even the increase in automobile firms' cash sales did not keep pace with the increase in the total sales of automobile concerns and the percentage of sales which were for cash fell from 73 per cent in 1947 to 70 per in 1948.

The rise in credit sales was more pronounced in instalment sales than in charge account sales. Charge account sales were larger in 1948 than in 1947 among eight of the nine lines, auto tire and accessory store charge account sales being the exception.

Credit on the instalment plan was responsible for 74 per cent of furniture sales, 52 per cent of household appliance store sales, 38 per cent of auto tire and accessory store sales, 20 per cent of jewelry store sales and 15 per cent of automobile firms' sales in 1948. In each case the percentage was higher than it had been in 1947. The increase in the percentage of sales made on the instalment plan was caused by a 9 per cent increase in furniture store instalment sales, 41 per cent in household appliance store instalment sales, 56 per cent in auto tire and accessory store instalment sales, 85 per cent increase in automobile firms' instalment sales, and a decline in jewelry store instalment sales that was at a slower rate than the decline in total jewelry store sales. Women's clothing stores also reported a decline in instalment sales; however, the relative unimportance of this decline is apparent when it is noted that only 1 per cent of total women's clothing store sales were made in this manner in 1947 and less than 0.5 per cent in 1948. The price range of goods sold

TABLE I

RETAIL SALES BY TYPE OF STORE, FIFTH FEDERAL RESERVE DISTRICT

Type of credit-granting store	Number of Stores	Percentage Change 1947 to 1948				Per Cent of Total Sales					
		Total Sales	Cash Sales	Account Sales	Instalm't Sales	Cash Sales		Chg. Acct. Sales		Instalm't Sales	
						1947	1948	1947	1948	1947	1948
Automobile	73	70	17	15	10	15	14	+18	+12	+ 8	+85
Household appliences	13	+11	—26	+15	+41	35	23	24	25	41	52
Auto tire & accessory	52	+ 8	—19	— 3	+56	30	23	43	39	27	38
Women's clothing	13	+ 5	— 2	+12	—42	44	41	55	59	1	*
Department	34	+ 4	— 4	+ 9	+20	47	44	46	48	7	8
Furniture	50	+ 3	—16	+ 4	+ 9	22	18	8	8	70	74
Hardware	7	+ 2	— 9	+11	**	47	43	53	57	**	**
Men's clothing	19	+ 2	— 9	+11	**	44	40	56	60	**	**
Jewelry	4	—12	—29	+21	— 9	55	44	26	36	19	20

* Less than .5 per cent.

**No instalment sales reported.

Source: Compiled by Federal Reserve Bank of Richmond from reports of stores cooperating in the Retail Credit Survey.

in hardware and jewelry stores no doubt accounts in a large measure for the lack of instalment selling in these establishments.

Accounts Receivable

The expansion of credit was reflected in increased accounts receivable. The accounts receivable of auto tire and accessory stores were first with an increase of 54 per cent followed by an increase of 53 per cent in household appliance store receivables and 52 per cent increase in automobile store receivables. A major part of the rise in accounts receivable was due to instalment receivables which rose 114 per cent in automobile concerns, 93 per cent in auto tire and accessory establishments, and 66 per cent in household appliance firms. The only declines in receivables were a 17 per cent decline in charge account receivables of household appliance stores and a 41 per cent decline in instalment receivables of women's clothing stores.

TABLE II

ACCOUNTS RECEIVABLE BY TYPE OF RETAIL STORE, FIFTH FEDERAL RESERVE DISTRICT

(Accounts receivable figures are based on end-of-year data; sales, on annual totals)

Type of credit-granting stores*	Accounts receivable percentage change 1947 to 1948			Charge Account receivables as % of charge account sales		Instalment receivables as % of instalment sales	
	Total	Charge Account	Instalment	1947	1948	1947	1948
Automobile	+52	+10	+114	10	11	12	14
Household appliances	+53	—17	+ 66	10	7	33	38
Auto tire & accessory	+54	‡	+ 93	14	14	31	38
Women's clothing	+13	+14	— 41	26	26	39	40
Department	+13	+ 7	+ 34	28	27	47	52
Furniture	+26	+ 3	+ 27	23	23	44	51
Hardware	+21	+21	**	14	15	**	**
Men's clothing	+17	+17	**	26	27	**	**
Jewelry	+ 6	+ 5	+ 7	35	30	34	41

* Type of store arranged in order of percentage change in total sales by type of transaction, 1947 to 1948, as reported in Table I.
**No instalment receivables reported.
‡ Less than .5 per cent.
Source: Compiled by Research Department, Federal Reserve Bank of Richmond.

In 1948 charge account receivables amounted to as little as 7 per cent of charge account sales in household appliance stores and to as much as 30 per cent in jewelry stores. The ratio of charge account receivables to charge account sales showed small changes from 1947 to 1948, the largest changes being in the two retail trade lines just mentioned. Household appliance store charge account receivables had amounted to 10 per cent of charge account sales in 1947 and jewelry store charge accounts receivable to 35 per cent of charge account sales.

Instalment receivables accounted for a larger percentage of instalment sales in 1948 than in 1947 in each of the 7 types of stores extending this form of credit indicating that collections were not being made as quickly as in 1947. This conclusion is borne out by the collection ratio (collections during month as per cent of accounts receivable at beginning of month) of the furniture and department stores in the Fifth District. Instalment receivables amounted to only 14 per cent of instalment sales among automobile stores where instalment selling is the least important form of selling. In department and furniture stores instalment receivables amounted to 52 and 51 per cent respectively of instalment sales.

Instalment Paper

Only 18 stores, representing three types of retail trade, reported selling instalment paper in 1948. The 1948 sale of instalment paper by furniture stores was 232 per cent higher than it had been in 1947 and amounted to 10 per cent of instalment sales of those stores which sold instalment paper. Among automobile firms the increase was 50 per cent and the per cent of instalment sales 48. Household appliance stores had an increase of 122 per cent in the sale of instalment paper, and the paper amounted to 90 per cent of the instalment sales. Because of the limited sample, it would be unwise to draw conclusions as to the practice of furniture and household appliance dealers concerning the selling of instalment paper. The report of automobile firms is more complete and therefore more reliable.

TABLE III

INSTALLMENT PAPER SOLD IN THE FIFTH FEDERAL RESERVE DISTRICT

Type of credit-granting store	Percentage chg. 1947 to 1948: Instalment paper sold	Instalm't sales of firms selling instalm't paper	Instalm't paper sold (Per ct. of sales of firms report'g paper sold) 1947	1948
Automobile	+ 50	+ 86	60	48
Household appliance	+122	+109	85	90
Furniture	+232	+ 32	4	10

Source: Compiled by Research Department, Federal Reserve Bank of Richmond.

Retail Sales and Accounts Receivable in Cities of the Fifth District

The following table on sales and receivables by type of retail store and city show that automobile sales in Baltimore did not increase as rapidly as those in the

District as a whole during 1948, but that collections were probably better since accounts receivable — both charge account and instalment — declined.

TABLE IV

PERCENTAGE CHANGE, 1947 TO 1948, IN SALES AND ACCOUNTS RECEIVABLE BY TYPE OF RETAIL STORE IN SELECTED CITIES—FIFTH FEDERAL RESERVE DISTRICT

(Sales of Credit-Granting Stores are Based on Annual Totals; Accounts Receivable, on end-of-year Data)

Type of store and Locality	Sales				Accounts Receivable		
	Total	Cash	Charge Acct.	Instalment	Total	Charge Acct.	Instalment
Automobile (Dist.)	+18	+12	+ 8	+85	+52	+10	+114
Baltimore, Md.	+11	+ 6	— 5	+99	—25	—25	— 8
Department (Dist.)	+ 4	— 4	+ 9	+20	+13	+ 7	+ 34
Baltimore, Md.	+ 3	— 5	+ 9	+16	+ 9	+ 6	+ 24
Washington, D. C.	+ 4	— 3	+ 9	+20	+18	+11	+ 37
Richmond, Va.	+ 2	— 4	+ 6	+17	*	*	*
Furniture (Dist.)	+ 3	—16	+ 4	+ 9	+26	+ 3	+ 27
Baltimore, Md.	+10	—14	+ 6	+19	+40	+ 3	+ 43
Charlotte, N. C.	— 7	—30	+ 4	— 2	+17	+17	+ 17
Richmond, Va.	— 6	—33	+ 2	+ 1	+18	— 0	+ 25
Men's Clothing (Dist.)	+ 2	— 9	+11	*	+17	+17	*
Richmond, Va.	— 2	—13	+ 5	*	+26	+26	*

*No installment sales or receivables reported.

Source: Compiled by Research Department, Federal Reserve Bank of Richmond.

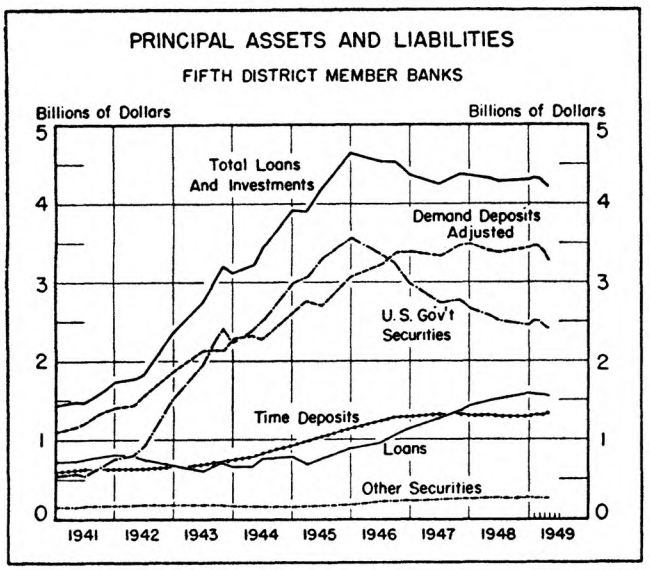
Total department store sales were 3 per cent higher in Baltimore during 1948 than during 1947, 4 per cent higher in Washington, 2 per cent higher in Richmond, and 4 per cent higher in the District. Cash sales in all areas declined. Accounts receivable increased faster in Washington, D. C., and slower in Baltimore than in the District generally.

Furniture store sales had an annual increase of 3 per cent in the District for 1948 and 10 per cent in Baltimore and a decrease of 7 per cent in Charlotte and 6 per cent in Richmond, while accounts receivable climbed in the District and in each of the three cities.

The sales of men's clothing stores in Richmond decreased 2 per cent during 1948 while accounts receivable increased 26 per cent during the same time.

Summary

While some types of retail trade showed only slight gains and jewelry stores a decline, retail sales in the Fifth Federal Reserve District were higher during 1948 than during 1947. Cash sales in all lines except automotive declined during 1948, indicating that the increaase in sales was supported to a large extent by an expansion of credit. Instalment credit was extended at a faster rate than open account credit and assumed more important portions than it had previously. Accounts receivable also increased and collections slowed down, but not at an alarming rate. The selling of instalment paper was not widely practiced in this area by any group of retail stores except automobile firms.



AVERAGE DAILY TOTAL DEPOSITS* OF MEMBER BANKS

	$ thousands Last Half of Mar.	% of U.S. Mar.	$ thousands Last Half of Apr.	% of U.S. Apr.
Maryland	1,010,087	.95	1,012,032	.96
Reserve city banks	632,758	.60	637,620	.60
Country banks	377,329	.35	374,412	.36
District of Columbia	920,032	.87	879,429	.83
Reserve city banks	897,440	.85	856,898	.81
Country banks	22,592	.02	22,531	.02
Virginia	1,298,291	1.22	1,282,990	1.21
Reserve city banks	311,292	.29	305,676	.29
Country banks	986,999	.93	977,314	.92
West Virginia	613,835	.58	606,745	.57
North Carolina	795,136	.75	764,482	.72
Reserve city banks	366,264	.35	349,579	.33
Country banks	428,872	.40	414,903	.39
South Carolina	430,878	.41	422,603	.40
FYifth District	5,068,259	4.77	4,968,281	4.69
U. S. (millions)	106,205	100.0	105,805	100.0

*Excluding interbank demand deposits.

Ownership of Demand Deposits of Individuals, Partnerships, and Corporations, January 31, 1949

The yearly survey of demand deposits of individuals, partnerships and corporations, held by banks in the Fifth Federal Reserve District as of January 31, 1949, has been completed. The outcome of the survey is presented in the tables and the chart below. According to the estimates, there were only minor changes in the distribution of demand deposits as compared with the preceding date, January 30, 1948, but the total amount of deposits declined $142 million. When compared with the survey of February 26, 1947, however, they show an increase of $15 million.

CHANGES IN OWNERSHIP OF DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS
Fifth Federal Reserve District
(Estimates in millions of dollars)

Type of holder	Amt. outstanding Jan. 31,'49	Per cent of total Jan. 31,'49	Increase from January 30, 1948	
			Dollar amt.	Per cent
Total business	2,302	52.3	— 87	— 3.6
Nonfinancial business	**1,976**	**44.9**	**— 28**	**— 1.4**
Manufacturing and mining	631	14.3	24	4.0
Public utilities	205	4.7	— 37	—15.3
Trade	876	19.9	— 14	— 1.5
Other nonfinancial	263	6.0	— 1	— 0.6
Financial business	**326**	**7.4**	**— 60**	**—15.4**
Insurance companies	92	2.1	— 64	—40.9
Other financial	234	5.3	4	1.9
Trust funds	86	1.9	15	21.4
Nonprofit associations	254	5.8	5	1.9
Personal	1,753	39.9	— 75	— 4.1
Farmers	371	8.5	— 22	— 5.6
Others	1,382	31.4	— 53	— 3.7
Foreign	3	0.1	0	0
Total	**4,398**	**100.0**	**—142**	**— 3.1**

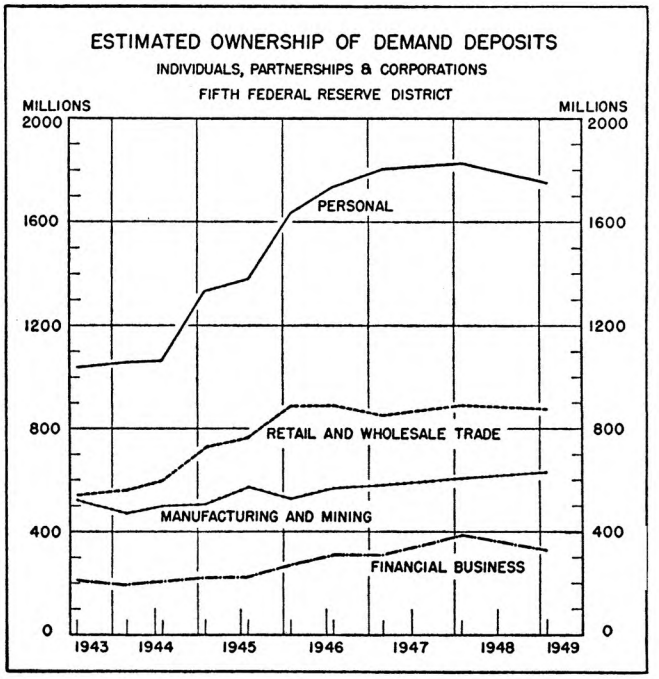
Note: Owing to rounding, details may not add to totals.

Demand deposits of business enterprises decreased by $87 million, or 3.6 per cent, from one year ago. This represents a drop of $28 million in nonfinancial business and $60 million in financial business. The nonfinancial drop is largely attributable to the decline in demand deposits of public utilities, transportation, and communications, which decreased $37 million from January 30, 1948. This decrease occurred in the accounts of depositors having balances of $25,000 or more. The decline in demand deposits of insurance companies of $64 million weights heavily the decline in financial business and also the decline in total business from the January 30, 1948, survey date. This decline would seem to be the outgrowth to a considerable extent of the tremendous jump in demand deposits owned by insurance companies on January 30, 1948, over the previous survey date, February 26, 1947. The increase of 88 per cent at that time was attributed largely to the accumulation of deposits caused by the widespread sale of Government securities by insurance companies in the latter part of 1947 and early 1948. It was expected at that time that the large increase would be of a temporary nature.

Of the other categories under business concerns, manufacturing and mining showed an increase of $24 million, or 4.0 per cent, in demand deposits during the twelve-month period from January 30, 1948; trade declined by $14 million, or 1.5 per cent; and other nonfinancial business (including service establishments, contractors, amusement companies, and business accounts of professional people) declined 0.6 per cent. All other financial business (investment trusts, security brokers and dealers, real estate businesses, finance and credit concerns, building and loan associations, insurance agencies and the like) increased their demand deposits by $4 million, or 1.9 per cent.

The deposits belonging to trust accounts handled by the banks and those of nonprofit associations increased over the former survey date, January 30, 1948, by 21.4 per cent and 1.9 per cent, respectively. This increase in trust funds brings these accounts in line with their position in the distribution of total demand deposits of individuals, partnerships, and corporations prior to the January 30, 1948, survey. Nonprofit associations show the largest demand deposits for any survey period, with the exception of the February 26, 1947, survey.

Personal demand deposits, for the first time since the beginning of these surveys, show a decrease in amount from the former period. They decreased by $75 million, or by 4.1 per cent. The national average change for the period is a decrease of 3.3 per cent. Farmers, who were the owners of 21 per cent of all personal demand deposits in the District at the close of the twelve-month period from January 30, 1948, show a decrease of 5.6 per cent, in comparison with the national decrease of 5.3 per cent, while other personal accounts show a decrease of 3.7 per cent in comparison with the national decrease of 2.7 per cent.



The following tabulation gives the ownership record of demand deposits of individuals, partnerships, and corporations for the different survey periods. Studies have been conducted which make it possible for us to segregate and show separately the deposits of farmers and of others for the last eight survey periods.

ESTIMATED OWNERSHIP OF DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS

Fifth District

	July 1943	Feb. 1944	July 1944	Jan. 1945	July 1945	Jan. 1946	July 1946	Feb. 1947	Jan. 1948	Jan. 1949
					(Millions of dollars)					
Total business	1,670	1,610	1,675	1,889	2,022	2,133	2.236	2,223	2,389	2,302
Nonfinancial business	1,460	1,420	1,474	1,665	1,794	1,863	1,930	1,916	2,003	1,976
Manufacturing and mining	520	470	495	504	574	529	568	581	607	631
Public utilities, transportation, and communications	220	200	194	228	241	228	226	231	242	205
Retail and wholesale trade	540	560	596	725	764	888	889	853	890	876
All other nonfinancial business	180	190	190	207	215	218	247	251	265	263
Financial business	210	190	201	224	228	270	306	307	386	326
Insurance companies	70	60	64	75	64	72	76	83	156	92
All other financial business	140	130	137	149	164	197	230	224	230	234
Trusts funds of banks	40	40	47	57	52	69	68	85	70	86
Nonprofit associations	110	120	128	166	159	192	204	271	249	254
Personal	1,040	1,060	1,064	1,332	1,377	1,633	1,735	1,805	1,828	1,753
Farmers			166	250	244	352	330	376	393	371
Others			898	1,082	1,133	1,281	1,405	1,429	1,435	1,382
Foreign	10	10	.....	.....	1	2	5	.....	3	3
Total	2,870	2,840	2,915	3,443	3,611	4,028	4,247	4,383	4,540	4,398
					(Percentage of total)					
Total business	58.2	56.7	57.5	54.9	56.0	53.0	52.6	50.7	52.6	52.3
Nonfinancial business	50.9	50.0	50.6	48.4	49.7	46.3	45.4	43.7	44.1	44.9
Manufacturing and mining	18.1	16.6	17.0	14.6	15.9	13.1	13.4	13.3	13.4	14.3
Public utilities, transportation, and communications	7.7	7.0	6.7	6.6	6.7	5.7	5.3	5.3	5.3	4.7
Retail and wholesale trade	18.8	19.7	20.4	21.1	21.2	22.0	20.9	19.4	19.6	19.9
All other nonfinancial business	6.3	6.7	6.5	6.0	6.0	5.4	5.8	5.7	5.8	6.0
Financial business	7.3	6.7	6.9	6.5	6.3	6.7	7.2	7.0	8.5	7.4
Insurance companies	2.4	2.1	2.2	2.2	1.8	1.8	1.8	1.9	3.4	2.1
All other financial business	4.9	4.6	4.7	4.3	4.5	4.9	5.4	5.1	5.1	5.3
Trusts funds of banks	1.4	1.4	1.6	1.7	1.4	1.7	1.6	1.9	1.5	1.9
Nonprofit associations	3.8	4.2	4.4	4.8	4.4	4.8	4.8	6.2	5.5	5.8
Personal	36.2	37.3	36.5	38.7	38.1	40.5	40.9	41.2	40.3	39.9
Farmers			5.7	7.3	6.7	8.7	7.8	8.6	8.7	8.4
Others			30.8	31.4	31.4	31.8	33.1	32.6	31.6	31.4
Foreign	.4	.4	.....	.....	.....	.1	.1	.....	.1	.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: Owing to rounding, details may not add to totals.

The Brannan Farm Program and the Fifth District

A new farm program for the purpose of stabilizing farm income, expanding livestock farming, and reducing food prices was proposed to the Congress in April by Secretary of Agriculture Brannan.

If adopted, the new program would involve major changes in present farm legislation.

The parity concept would be discarded. Since 1933 it has been the basis and the goal of farm price support and production adjustment programs.

Legally, parity is simply a price which will give a unit of any farm product as much purchasing power as it had in some past favorable period, called the base period. Present legislation says it is the policy of Congress to assist farmers to obtain parity prices for farm products.

Parity has acquired moral and ethical aspects. Many farmers regard parity as a fair or just price to which they are morally entitled.

In place of parity an "income support standard" is proposed. Farm price supports would be continued, but the objective of price support would not be parity. Instead, the Secretary would try to support farm prices at such levels that gross cash farm income in any year would be equal in purchasing power to the average for the first ten of the twelve immediately preceding years.

Price support for grains, cotton, tobacco, and other easily storable commodities would be continued along present lines. Nonrecourse loans, purchase agreements, and direct purchases could be used. Marketing quotas to restrict production are also in the picture if approved by farmers.

A new system of "production payments", or subsidies, is proposed for livestock and other commodities not easily storable. Prices of these products would be allowed, in general, to fluctuate freely and to reflect supply and demand conditions. But if the average market price for one of these commodities fell below its support price, the farmer would be paid the difference in cash. In this way the consumer receives the benefit of the lower market price, the farmer gets the support price, and the Treasury makes up the difference. In addition, the government would be out of the potato business, which it has found to be rather unprofitable. This year, for example, it is expected that surplus potatoes in the Virginia-Carolina area will be purchased for $1.70 a hundredweight and resold as livestock feed for one cent a hundredweight.

The new program is intended to encourage increased production of livestock, poultry, milk, and eggs. Price supports for these products would rise relative to those for grain, cotton, and peanuts. By expanding livestock production, it is expected that possible surpluses of grain would be reduced or prevented, soil conservation encouraged, and consumer diets improved.

To be eligible for price supports, farmers would have to comply with acreage allotments and marketing quotas, if they were in effect or proclaimed by the Secretary, and carry out sound conservation practices.

The Secretary restated the proposition which has been the basis of this country's agricultural policies since 1929—that an individual farmer has no control over the prices he receives for his products and no adequate way of adjusting the total market volume of the commodities he produces to changing demand. Therefore, government production adjustment and price support programs are necessary. They enable farmers to do together what they cannot do individually.

The following criteria were said to be essential for a realistic farm program. First, the program must effectively serve the farmer and his family. Second, in serving the farmer the program must not discriminate against any other group. Third, the program must be efficiently operated. And, fourth, it should serve general policy objectives, including national security and high-level employment.

Farmers, like most other people, are inclined to believe that maintenance of their incomes is of help to the whole country. The Secretary agrees with them. An effective farm production and price stabilization program would, it was declared, serve the interests of all the people by: (1) helping prevent depressions, (2) maintaining markets for industrial goods and urban labor, (3) promoting high farm production and reasonable prices for consumers, (4) promoting soil conservation, and (5) increasing national security.

It was pointed out in the Secretary's testimony that farm price supports are not a substitute for good markets for farm products. Good markets depend upon full employment, good wages for urban workers, and foreign demand. Also, price supports do not meet the problems of small farmers with inadequate resources and low production.

Calculation of the New Support Prices

In the new program support prices for farm products are not based upon parity, but upon the *purchasing power* of farm income. This is a major and fundamental change. It sounds complicated, and it is complicated, but it isn't so bad when taken step by step.

The "price support standard" for any particular commodity is calculated by, first, determining the average purchasing power of gross cash receipts from farm marketings for the first ten of the twelve immediately preceding years. The purchasing power of cash receipts from farm marketings in each of these ten years is obtained by dividing each year's receipts by the index of prices paid by farmers, including interest and taxes, in that year.

In calculating price supports for 1950, the average purchasing power for 1939-1948 would be needed. This was $18,218 million.

Second, this average purchasing power of cash receipts is multiplied by the current index of prices paid by farmers. The result is an "income support standard" which, if attained, would provide in the current year gross cash receipts from farm marketings equal in purchasing power to the average for the first ten of the twelve immediately preceding years.

If the index of prices paid by farmers in 1950 should be 144 (1939-1948 = 100), the same as on March 15 of this year, it would mean that prices paid by farmers in 1950 were 1.44 as high as the average for 1939-1948. Multiplying 1.44 by $18,218 million, the average purchasing power of cash farm receipts for 1939-1948, gives an estimated "income suport standard" for 1950 of $26,234 million. This would be 15 per cent below the $31,019 million received from farm marketings in 1948 and also below the 1947 figure. However, it is well above actual cash receipts from farm marketings for each of the years from 1939 through 1946. But, an income support standard for 1950 of $26,234 million would provide less purchasing power than farmers had in each of the years 1943 through 1948 when agriculture was in a very favorable position.

Third, for any commodity the "price support standard" is determined by multiplying the average price in the ten immediately preceding years by the ratio of the "income support standard" to average cash receipts from marketings during the ten immediately preceding years.

If the estimated income support standard for 1950 of $26,234 million is divided by $20,980 million, average cash receipts for 1940-1949 with 1949 estimated, the result is 1.25. The average price of cotton, for example, is estimated at 22.39 cents per pound for 1940-1949. Multiplying 22.39 by 1.25 gives 27.99 cents per pound, the estimated price support standard for cotton in 1950 if the new program is adopted.

Many Support Prices Higher

"Price support standards" for 1950 are estimated at 125 per cent of average 1940-1949 prices and for most commodities would be equal to or higher than 90 per cent of March 15 parity. They would also be higher than support prices likely to prevail next year under the Hope-Aiken law now in effect.

Under the new program, price support standards in 1950 would be slightly less than 90 per cent of current parity for wheat, oats, and barley, and at about that figure for cotton, corn, peanuts, eggs, and potatoes. Support levels for flue-cured and burley tobacco, butterfat, milk, hogs, beef cattle, lambs, and wool would be substantially increased.

The Secretary recommended that the following commodities have first priority on price support funds: corn, cotton, wheat, tobacco, whole milk, eggs, farm chickens, hogs, beef cattle, and lambs.

Potatoes, peanuts, and wool — products for which price support programs are now active—are not in the high priority group.

Proposed Changes in the Present Program

It will be seen that Secretary Brannan's proposed farm program involves several important changes in the farm program now in effect.

One of the most important of these is the abandonment of parity. At present parity for any commodity is simply a price giving a unit of that commodity as much purchasing power as it had in the base period.

For example, the base period for cotton is 1909-1914, and in those years the average price of cotton was 12.4 cents per pound. In April prices paid by farmers were 2.46 as high as in 1909-1914. Multiplying 12.4 cents by 2.46 gives 30.50 cents, the parity price for cotton in April.

Some commodities have different base periods. Flue-cured and burley tobacco parities are based on 1934-1939. The base period for potatoes is 1919-1928. But the parity price is calculated in the same way.

This method of calculating parity has many faults. From an economic standpoint the chief defect is that the base period is fixed. Over a period of time the price relationship between commodities naturally changes because supply and demand conditions change. As a result, even if the average of farm prices is above parity, some commodities are likely to be below parity most of the time and some will be above. For example, farm prices in April averaged 106 per cent of parity. But corn was only 77 per cent of parity and wheat was 92 per cent. On the other hand, all livestock were well above with beef cattle averaging 156 per cent of parity.

Potatoes are another example. Improved practices and insect control have increased production per acre and made it possible to produce plenty of potatoes very cheaply. But consumers apparently are not interested in eating more potatoes. Consequently, extensive price support operations have been needed in recent years to maintain potato prices at 90 per cent of parity. Even with the support price cut to 60 per cent of parity this year, potato growing is so profitable that farmers will probably raise more than people will want to eat.

If a fixed base period is so difficult, it might be expected that use of a movable base would help. A movable base presumably would keep up to date, more or less, and might prevent any serious deviation from normal long-run price relationships between commodities.

Such a movable base period is provided in the Agricultural Act of 1948, popularly called the Hope-Aiken Act. This law provides that, beginning in 1950, the parity price for any commodity will be based on its average price for the previous ten years. This would keep parity prices reasonably up to date. For example, in 1949 parity is based on average 1939-1948 prices, but in 1950 the year 1939 would be dropped and 1949 added so that the base period for 1950 would be 1940-1949.

The Secretary's "income support standard" is also a movable one. It differs from the formula in the Aiken

law in that it is based on the first ten of the twelve immediately preceding years, and in that price supports are directly calculated to provide a certain amount of farm purchasing power.

A second major change is the proposed abandonment of the "flexible" price support provisions which were to begin in 1950 under the Hope-Aiken Act. Under that law the Secretary of Agriculture was required to support the price of the "basic" commodities—cotton, wheat, corn, tobacco, rice, and peanuts—at not less than 60 per cent nor more than 90 per cent of parity if growers had not disapproved marketing quotas.

The actual level of price support would depend upon the supply of the commodity. The larger the supply, the less the support price as a percentage of parity. Tobacco was to be supported at 90 per cent of parity in any year when marketing quotas were in effect.

Support for potatoes and wool at not less than 60 per cent of parity was also required. Beginning in 1950, price support would not be required for other commodities, but such support would be permitted to the extent that funds were available.

The idea behind flexible price supports is that if the supply of a commodity increases relative to the demand, the support price will fall. This would discourage producers of that commodity and induce them to try something else. On the other hand, if the supply tended to decrease relative to demand, the support price would rise and farmers would have an incentive to expand production of that commodity.

Many farmers are rather doubtful of flexible price supports. They realize that flexible supports would mean support prices lower than at present most of the time. In the new program there is no mention of flexible supports. Instead, products given priority by Congress would be maintained at the full price support standard. Others would be supported to the extent that funds were available.

Third, it is proposed that the priority in which commodities shall receive price support be changed. Only four of the "basic" commodities are in the high priority list proposed to Congress. These four—corn, cotton, wheat, and tobacco—accounted for about 22 per cent of farmers' total cash receipts from marketings last year. Rice, peanuts, potatoes, and wool—products for which support is mandatory under the Hope-Aiken law—are not in the ten commodities given first priority for price support. Instead, six livestock products—whole milk, eggs, farm chickens, hogs, beef cattle, and lambs—are proposed for priority in price support. These six commodities provided about half of the receipts from marketings in 1948. The intention is to emphasize and encourage livestock production.

A fourth major change is the proposal to use production payments, or subsidies, to support the price of livestock and other commodities not easily storable. In one sense this is not a major change because authority to use direct payments as price supports beginning in 1950 is in the Hope-Aiken Act. Subsidies were paid to dairy farmers during the war. Before the war "parity payments" were made directly to farmers to make up part of the difference between actual market prices and parity prices on some commodities. However, the emphasis given subsidies, or production payments, is new and has provoked plenty of discussion.

Use of Subsidies

Let us look at this matter of production payments or subsidies a little more closely.

There are two chief methods of supporting farmers' returns per unit of any product. One way is simply to pay the farmer a subsidy, or the difference between the actual market price and the support price. The other way is to take some of the commodity off the market through loans or purchases. In the latter case the market supply is reduced and buyers have to pay more for what is left.

Subsidies or direct payments to farmers have some advantages. They do not interfere with normal market prices, and the lower market prices directly benefit consumers and encourage exports. No undue increase in stocks results, and farmers may be less likely to have production controls imposed on them. Since subsidies do not interfere with normal market prices, price supports based on a recent moving average of market prices will be more realistic and easy to maintain. In the case of perishable commodities, there is also less waste and less diversion to lower order uses.

Subsidies have disadvantages, too. Most farm products have a relatively inelastic demand; that is, their demand curves have less than unit elasticity. All this means is that if the supply is reduced by, say, 10 per cent, the price will rise more than 10 per cent, and total receipts from sales will rise. On the other hand, increasing the supply by 10 per cent, for example, will cause the price to fall by more than 10 per cent and total receipts will decline.

Consequently, it would cost the government more to support farm prices by paying farmers the difference between the market price and the support price than to maintain the market price at the support level through loans and purchases.

If storable commodities are supported by loans or purchases, it is also possible that the market will rise at some future time and the loan or purchase outlay be recovered. Similarly, when perishable commodities are bought, some sales may be made, usually for lower order uses, and part of the cost returned. On the other hand, public outcry against waste may cause additional expenditures to move perishables into some kind of use and increase the cost.

An example of the latter is seen in the case of potatoes. In order to avoid waste, potatoes after purchase by the government for price support are moved at considerable expense into such lower order uses as flour and livestock feed. It would be cheaper to dump them or pay farmers not to harvest them.

Government purchases and loans have the advantage of a lower cash cost to the government and are pos-

sibly somewhat easier to administer for nonperishable items. The accumulated stocks of nonperishable products offer some safeguard against drouth and other weather hazards and tend to stabilize market prices.

Purchases and loans have the disadvantage of interfering with normal market prices, and the higher price resulting tends to reduce consumption and exports and causes unnecessarily large accumulation of stocks. The market prices resulting may not reflect the true economic value of the commodity, and price supports based on recent market prices are less realistic. It is possible that this method makes it more likely that production controls will be needed.

Finally, subsidies seem to many farmers to be a "cheap" food policy. They are inclined to view it as a method of getting the government to pay the consumer's grocery bill. On the other hand, subsidies may be regarded by others as a direct handout to maintain the incomes of a special group—the farmers.

Farmers, themselves, generally prefer an indirect form of price support through loans or purchases. They prefer "fair" prices in the market instead of low prices plus government checks which, to many, seem to carry the suggestion of charity. It is probable that farmers' objections to receiving government checks would not be an insurmountable obstacle if the subsidy program were adopted for other reasons.

Effect on Farm Income in the Fifth District

Price support and production adjustment programs are particularly important to farmers in the Fifth District.

Let us take the case of cotton. Over a third of all farmers in the three cotton-growing states of the District grow it. In South Carolina the proportion is nearly 70 per cent.

In 1948 these farmers harvested about 1,871,000 acres of cotton. Cotton is an important source of farm income here, and in 1947 accounted for about 12 per cent of all cash receipts from farm marketings in the District and for 42 per cent in South Carolina.

Price support operations have been important in maintaining cotton prices and the incomes of cotton farmers. About 14,868,000 bales of cotton were harvested in this country in 1948. Through April 28 the Commodity Credit Corporation had extended price support, at the basic loan rate of 30.74 cents per pound for Middling 15/16", to 5,171,597 bales of cotton. This is about one-third of the crop and the effect on the price is obvious.

Similarly, production control and price support are important for tobacco farmers. Tobacco provided Fifth District farmers with 30 per cent of receipts from marketings in 1947. Some tobacco is grown in every state in the District, but it is most important in North Carolina where it provides over half of the farm income.

Over 30 per cent of Fifth District farmers grow tobacco. The proportion is about half in North Carolina and about one-fourth in Virginia.

The tobacco program operates through both production control and loans for price support. Production control keeps supply in line with demand at around the support level, and price support operations make sure that farmers receive 90 per cent of parity.

The total production of flue-cured tobacco in 1948 was around 1,081 million pounds. Price support was extended to about 106 million pounds, or roughly 10 per cent of the total production.

Price support and production adjustment programs are also important at present in insuring favorable prices to growers of potatoes, peanuts, corn, and wheat. Altogether the prices of products which make up over half of the farm income in this District are now substantially dependent upon government price support programs. It should be remembered that the average of all farm prices is still above parity. If farm prices generally move lower, price supports will become even more important.

How would the Brannan program affect farmers in this District? The support price for tobacco would be substantially increased. In his testimony the Secretary estimated that the price support standard for flue-cured tobacco in 1950 would be 49.2 cents per pound. The support price under the Hope-Aiken law probably would be 42.9 cents on the basis of the parity index for March 15.

The new support price for cotton in 1950 is estimated at 27.99 cents per pound under the new program, which compares with a support range for 1950, under the Hope-Aiken Act, of 17.39 to 26.08 cents, depending upon the supply of cotton.

Similarly, in the case of grain the new method of calculating price supports would probably result in support prices higher than those likely to prevail in 1950 under present legislation.

An important point is the omission of potatoes and peanuts from the list of ten commodities which would be given priority for price support funds. Presumably some price support would be given them, but their position appears more uncertain in this respect than under present legislation.

Livestock and dairy farmers will be affected by the priority for price support given six livestock products. In 1950 no price support for these products is required by the Hope-Aiken Act. The proposed support levels, if maintained, would insure relatively favorable feeding ratios for livestock and poultry. Production of livestock, milk, poultry, and eggs in this District would probably increase, especially if production of cotton, tobacco, and peanuts were controlled.

So far, the probable effects of the new program seem to be rather favorable for farmers in the District. The position of potato and peanut growers is a little uncertain, but otherwise price supports are higher and a new effective system of price support has been proposed for livestock products.

However, there are other sides to the matter. One of these is the question of production controls. The

Secretary's control over production arises from his authority to establish conditions of eligibility with which farmers must comply in order to obtain price support. Present legislation provides that a farmer may be asked to comply with acreage allotments, marketing quotas, production goals, marketing agreements and orders, and sound conservation practices if he is to receive price support for his products. No new controls are proposed in the Brannan program.

But if a farmer has to reduce production in order to obtain price support, he has less to sell, and this offsets part of the benefit of the higher price. For this reason it seems unlikely that farmers' returns from grains, cotton, and peanuts can be maintained at present levels. Price supports at the levels specified in either the proposed Brannan program or the Hope-Aiken Act will probably require farmers to produce less of these crops than they are now doing, and farm income from these crops will probably fall. Of course, the returns under a support and control program would probably still be higher than if production were uncontrolled and prices were not supported.

Price Supports Not Complete Answer to Farm Problems

Price supports for farm products may be of help, but they are not the complete answer to many of the farm problems of this District. They are not a substitute for high and efficient levels of production, and they do not guarantee farmers a profit.

Many farmers in the Fifth District produce a volume of products too small to return an adequate income under any reasonable level of prices. For example, in 1944 nearly half of the farmers in the District produced less than $1,000 worth of products. Their incomes are increased if prices rise, but for adequate incomes most of them need more land and capital than they now have. For many of them, part-time work in other industries is the most promising solution. In some cases it might be better to quit farming altogether and take up some other occupation.

Similarly, price supports are not the complete answer for farmers who need to produce more efficiently. Their profits are increased by higher prices. But profits might be increased still more by a reduction in costs and more efficient operations. An increase in the research and extension work of the agricultural colleges is the most promising line of approach here.

Price supports do not meet the problems of part-time farmers. Their incomes are dependent in large part on the availability of off-farm employment and the wages paid in such work.

Price supports do not provide a solution to problems arising from the high farm birth rate. Farm people normally have larger families than city people do, and this largely accounts for the lower per capita incomes of the farm population.

Because of the higher birth rate, agriculture has an annual surplus of population, above what is needed to replace farmers who die or retire, of about half a million a year. The problem is more serious in this District where farms are smaller and the birth rate higher than in the country as a whole.

This annual surplus of population is not needed on farms, and it is hard to find profitable employment for these people in farming. The obvious solution is for them to move to other occupations if they can. This off-farm movement depends chiefly upon employment opportunities in nonfarm industries. Maintenance of urban employment and wages and better education of farm boys and girls are needed to maintain or increase off-farm migration. More industrialization in rural areas would also help.

Economic Bases of Price Support

The new farm program has been presented by Secretary Brannan as simply an alternative method of supporting farm prices and stabilizing or maintaining farm income. He has said, in effect, that the costs of the new program, when and if known, should be compared only with the costs of the present program instead of with no program at all.

It seems likely that some kind of price support and production adjustment program for agriculture is a reasonably permanent part of our national policy. But presentation of the new program has provoked some general discussion as to just why we have price support programs anyway.

Government programs in agriculture are based on many considerations. Economic, social, moral, and political factors must be considered. Let us disregard the others and consider here only the economic bases for government activity in agriculture.

From an economic standpoint it would seem that, in general, the government should do only those things which need to be done but which would not be done by private persons or would not be done as well by them. Also government programs, considered only from an economic standpoint, should not make farmers better off if in doing so other people are made worse off.

Using these standards, certain government activities in agriculture will be found generally acceptable.

For example, the use of public funds for research and education in agricultural production and marketing can be defended on economic grounds. The work of the agricultural colleges, extension service, and vocational agriculture instructors helps farmers to produce more efficiently and make larger profits. In a competitive industry like agriculture, however, the benefits of research and education are passed on to consumers in the form of increased production and lower prices.

Similarly, public funds can be justifiably used to promote soil conservation. Here research and education are also important, but because of the public interest in soil conservation it is even possible in many cases to justify payments from public funds to farmers for performing certain soil conservation practices.

Another government activity in agriculture which seems to be justified on economic grounds is the provision of economic information to farmers. Full and complete information concerning prices and supply and demand conditions helps farmers to plan their operations more efficiently and to produce the kinds and amounts of farm products needed by consumers. Much economic information of this kind is provided by private concerns, but the government's contribution seems to be a valuable addition.

When we come to price support and production adjustment programs, it is harder to provide an economic justification. In general, these programs are intended to keep farm prices and income above what they would otherwise be, and this results in a transfer of income from other sectors to agriculture. It may be possible to justify such transfers, but, in general, transfer payments of this kind must be defended on social or welfare and not on economic grounds.

However, even on economic grounds, some price support and production adjustment programs can be defended, although the results may not be conclusive. Measures intended to reduce erratic short-run fluctuations in the prices of farm products seem to be of benefit to farmers. They may also benefit consumers because of the steadier prices and the more even supply of farm products. Agricultural prices and incomes normally aggravate any inflationary or deflationary forces in other sectors, and some reduction in short-run fluctuations of farm prices and incomes tends to stabilize the economy and may be of general benefit.

Measures intended to raise farm prices and incomes over the long run through price support and production control result, if successful, in a long-run transfer of income from other people to farmers. Such measures must be defended on social, welfare, or other grounds, and not on economic bases.

It has been pointed out by some writers that government programs intended only to stabilize farm prices and incomes should not only provide for their support when they would normally fall, but should also provide means of reducing them when they would normally rise.

Professor Shepherd of Iowa State College has discussed three ways of reducing farm income during booms.* The first was the levying of a processing tax on sales of farm products when farm prices and incomes were rising. Most of the processing tax, he says, would be borne by farmers and would result in lower returns to them. A second method would be to levy a retail sales tax on food. Again, he believes, the bulk of the tax would be borne by farmers.

However, Professor Shepherd concludes that "the best method of cutting farmers' income in booms probably would be to take the money directly from them by federal income taxes." He recommended the use of a special income tax blank which would require farmers to pay extra or additional income taxes when national farm income rose above a certain level. The money raised could be kept in a special treasury fund and would be used to support farm income when it dropped. In this way government programs to stabilize farm income would be self-financing, or largely so.

Finally, from an economic standpoint government price support programs should not require large outlays of public funds during periods of general prosperity.

At such times the average of farm prices is generally fairly high. If a farmer is not making a satisfactory income then, it may be because he is not operating efficiently, or because he is not producing enough, or because he is not producing what the market wants. In such cases adjustments in production and not price supports are what is needed. If price supports are used, however, they can be defended more easily at these times if they are in the form of grants-in-aid to farmers for making approved production adjustments.

Conclusions

The new farm program proposed by Secretary Brannan may or may not be accepted by the Congress. Even if accepted it may be changed considerably.

However, in its present form the new program, if adopted and if sufficient funds were appropriated to implement it, would tend to stabilize and put a floor under farm income. The effect would probably be to raise farm income in the long run over what it would otherwise be.

The gross cash income of agriculture would be largely immune to cyclical fluctuations, at least on the downswing. From this standpoint farm income and farm prices would probably contribute to general economic stability.

The use of subsidies, or production payments, for perishables would give producers of these commodities an effective system of price supports. Consumers would also benefit from the lower prices.

To the extent that subsidies are financed from personal income taxes, the lower prices might be offset for middle and high income groups through the effect on taxes.

If subsidies are financed through government deficits—as in a period of general depression—it is possible that other expenditures might have a more beneficial effect on the general economy.

If the new program is adopted it is likely that substantial increases will occur in livestock, poultry, and dairy production. This conforms to the long-run trend in consumer demand and would probably result in lower prices for these products.

The extension of definite price supports, through subsidies, to perishable commodities not previously covered effectively may make the new program exceedingly costly in the event of a general decline in agricultural prices. Also, the increase in the number of commodities covered by price supports increases the number of commodities which are likely to be subjected to government production and marketing controls.

The possible increase in government controls over farmers has caused considerable concern in most of the

*Geoffrey S. Shepherd, "A Self-financing Farm Income Stabilizer," Farm Policy Forum, II ,No. 2 (Ames, Iowa, April 1949).

major farm organizations and in the farm press. For example, the *Farm Journal* in its issue of June, 1949 said:

> A new regime of rigid controls would arise. Government, and not farmers, would be running agriculture. The scheme would skid the nation down another slide on the decline to Statism.

The Brannan farm program is a far-reaching proposal to secure, through government action, certain objectives of importance to all people in this District. It and the program now in effect should be carefully studied so that government programs in agriculture will make a maximum contribution toward high levels of efficient production and full employment.

Business Conditions

Continued from page 2

this year was 28 per cent under a year ago. It seems quite likely that a figure somewhere in the neighborhood of a 25 per cent drop would be the best expectation for 1949 residential construction in comparison with 1948.

Trade

Average daily department store sales seasonally adjusted and corrected for the shift in the date of Easter rose 5 per cent from March to April but were 7 per cent under April a year ago. Department store stocks seasonally corrected rose 3 per cent from March to April and were 5 per cent less than a year ago. Stocks for the last four months have been higher in relation to their prewar base than sales which is another way of saying that the stock-sales ratio has been rising in this period. The chief cause of the decline in store sales from a year ago has been a reduction in the unit volume of high ticket items such as household appliances and floor coverings, etc.

While a number of the soft goods lines are showing some reductions in sales under a year ago, there is little evidence in the seasonally adjusted figures that a downward trend in these items is thus far in evidence. In fact, it is probable that many items, owing to price reductions, are selling currently in larger quantity than a year ago.

Sales of retail furniture stores declined 6 per cent on a seasonally adjusted basis from March to April to a level 13 per cent below April 1948. There is some evidence that the household appliances are responsible for the greater part of this decline, and this is documented by one or two reports from retail furniture firms together with the figures shown departmentally in our department store sales index, both sources of which indicate that furniture is holding up much better than other lines sold in these stores.

On a seasonally adjusted basis wholesale sales of drug, dry goods, electrical goods, and tobacco firms improved from March to April. Only the drug trade equalled its level of a year ago. All other lines show reductions ranging from 7 to 29 per cent. This is a fairly good indication that the period of readjustment at the retail level has not yet been completed and probably indicates that a further adjustment in both prices and sales volume is likely to be experienced at the retail level.

FEDERAL RESERVE BANK OF RICHMOND

(All Figures in Thousands)

ITEMS	May 18, 1949	Chg. in Amt. From 4-13-49	Chg. in Amt. From 5-12-48
Total Gold Reserves	$1,083,798	+ 15,806	+ 19,762
Other Reserves	18,857	+ 1,969	+ 697
Total Reserves	1,102,655	+ 17,775	+ 20,459
Bills Discounted	23,097	+ 11,515	+ 10,474
Industrial Advances	38	— 22	— 11
Govt. Securities, Total	1,265,087	—116,243	— 56,424
Bonds	541,848	— 41,678	+133,920
Notes	23,053	— 1,637	—104,030
Certificates	431,263	— 10,860	+160,724
Bills	268,923	— 62,068	—247,038
Total Bills & Securities	1,288,222	—104,750	— 45,961
Uncollected Items	227,215	+ 33,923	— 10,538
Other Assets	31,330	— 3,825	+ 6,260
Total Assets	2,649,422	— 56,877	— 29,780
Federal Reserve Notes in Cir.	1,544,545	— 20,286	— 69,774
Deposits, Total	844,727	— 69,158	+ 20,856
Members' Reserves	748,148	— 74,200	+ 24,123
U. S. Treas. Gen. Acct.	70,687	+ 14,645	— 9,600
Foreign	23,932	— 5,733	+ 7,042
Other Deposits	1,960	— 3,870	— 709
Def. Availability Items	216,264	+ 34,718	+ 12,956
Other Liabilities	592	— 214	— 305
Capital Accounts	43,294	— 1,937	+ 6,487
Total Liabilities	2,649,422	— 56,877	— 29,780

51 REPORTING MEMBER BANKS—5th DISTRICT

(All Figures in Thousands)

ITEMS	May 18, 1949	Chg. in Amt. From 4-13-49	Chg. in Amt. From 5-12-48
Total Loans	$ 828,134**	— 17,790	+ 7,983
Bus. & Agri.	379,779	— 23,787	+ 9,202
Real Estate Loans	192,659	— 770	+ 1,170
All Other Loans	263,861	— 6,811	+ 17,180
Total Security Holdings.	1,644,453	+ 14,151	— 67,300
U. S. Treasury Bills	61,800	+ 2,816	+ 7,407
U. S. Treasury Certificates	180,776	+ 4,301	— 1,058
U. S. Treasury Notes	39,670	— 3,005	— 35,885
U. S. Govt. Bonds	1,228,072	+ 9,439	— 48,023
Other Bonds, Stocks & Sec.	134,135	+ 600	+ 10,259
Cash Items in Process of Col.	206,184	— 25,460	— 32,997
Due from Banks	150,840*	— 21,762	— 14,614
Currency & Coin	62,727	— 2,812	— 5,202
Reserve with F. R. Banks	492,780	— 36,306	+ 12,770
Other Assets	49,797	+ 2,060	— 7,657
Total Assets	3,434,915	— 87,919	—107,017
Total Demand Deposits	$2,573,231	— 97,038	—125,599
Deposits of Individuals	1,951,999	— 72,740	— 45,292
Deposits of U. S. Govt.	43,454	— 33,961	— 28,393
Deposits of State & Local Govt.	188,619	+ 29,402	— 26,189
Deposits of Banks	344,443*	— 23,821	— 21,848
Certified & Officer's Checks	44,716	+ 4,082	— 3,877
Total Time Deposits	607,359	— 207	+ 2,841
Deposits of Individuals	570,767	— 9,355	— 16,388
Other Time Deposits	36,592	+ 9,148	+ 19,229
Liabilities for Borrowed Money	12,925	+ 9,775	+ 10,925
All Other Liabilities	18,143	— 1,345	— 3,615
Capital Accounts	223,257	+ 896	+ 8,431
Total Liabilities	3,434,915	— 87,919	—107,017

*Net Figures, reciprocal balances being eliminated.

**Less losses for bad debts.

CONSTRUCTION CONTRACTS AWARDED

STATES	April 1949	% Change from April 1948	4 Mos. '49	% Change from 4 Mos. '48
Maryland	$ 29,243,000	— 17	$ 83,263,000	— 23
Dist. of Columbia	26,953,000	+593	42,747,000	+ 37
Virginia	19,970,000	+ 36	71,225,000	+ 17
West Virginia	6,402,000	— 45	13,198,000	— 67
No. Carolina	13,103,000	— 30	42,172,000	— 15
So. Carolina	8,874,000	— 3	27,611,000	— 9
Fifth District	$104,545,000	+ 12	$280,216,000	— 13

Source: F. W. Dodge Corp.

DEPOSITS IN MUTUAL SAVINGS BANKS

8 Baltimore Banks

	Apr. 30, 1949	Mar. 31, 1949	Apr. 30, 1948
Total Deposits	$393,725,241	$393,301,914	$393,221,652

DEBITS TO INDIVIDUAL ACCOUNTS

(000 omitted)

	April 1949	April 1948	4 Mos. 1949	4 Mos. 1948
Dist. of Columbia				
Washington	$ 718,597	$ 732,797	$ 2,905,618	$ 2,856,645
Maryland				
Baltimore	911,529	971,029	3,699,284	3,802,159
Cumberland	21,126	20,360	81,092	78,618
Frederick	18,714	19,760	68,876	72,057
Hagerstown	26,351	26,649	104,555	103,702
North Carolina				
Asheville	43,746	46,938	184,345	188,578
Charlotte	219,072	227,747	904,683	906,452
Durham	72,219	96,507	327,699	358,285
Greensboro	70,690	74,182	291,685	296,473
Kinston	11,575	11,253	52,530	46,324
Raleigh	131,082	117,185	501,196	401,501
Wilmington	30,302	33,948	122,992	133,387
Wilson	18,531	13,928	60,562	54,147
Winston-Salem	114,476	123,443	471,496	477,056
South Carolina				
Charleston	60,627	51,385	237,011	212,075
Columbia	96,624	91,715	380,347	363,456
Greenville	74,582	78,971	314,527	313,789
Spartanburg	42,021	48,701	181,216	191,959
Virginia				
Charlottesville	21,046	21,268	87,438	85,728
Danville	21,246	23,923	91,982	102,549
Lynchburg	35,685	37,610	144,141	150,985
Newport News	31,166	26,942	128,627	122,866
Norfolk	169,817	169,534	694,810	688,973
Portsmouth	19,802	19,924	76,548	78,204
Richmond	480,387	444,112	1,892,158	1,720,700
Roanoke	87,838	83,100	353,278	326,790
West Virginia				
Bluefield	39,869	33,692	182,853	160,142
Charleston	124,096	117,923	539,077	510,797
Clarksburg	27,164	28,732	115,922	122,671
Huntington	57,507	51,918	235,141	223,274
Parkersburg	25,010	26,532	102,430	101,771
District Totals	$ 3,822,497	$ 3,871,708	$15,534,119	$15,251,113

COTTON CONSUMPTION AND ON HAND—BALES

	April 1949	April 1948	Aug. 1 to April 30 1949	Aug. 1 to April 30 1948
Fifth District States:				
Cotton consumed	300,321	420,456	3,126,784	3,557,940
Cotton Growing States:				
Cotton consumed	535,474	731,545	5,507,673	6,295,950
Cotton on hand April 30 in consuming establishments	1,234,966	1,796,742		
storage & compresses	5,839,696	2,794,282		
United States:				
Cotton consumed	597,031	829,960	6,162,162	7,141,067
Cotton on hand April 30 in consuming establishments	1,448,450	2,182,969		
storage & compresses	5,871,447	2,861,102		
Spindles active, U. S.	19,801,000	21,695,000		

Source: Department of Commerce.

COTTON CONSUMPTION—FIFTH DISTRICT

	N. Carolina	S. Carolina	Virginia	District
April 1949	152,070	138,730	9,521	300,321
March 1949	194,238	160,421	14,303	368,962
April 1948	226,334	175,225	18,897	420,456
4 Months 1949	704,315	587,653	52,309	1,344,277
4 Months 1948	908,161	692,739	75,237	1,676,137

Source: Department of Commerce.

PRICES OF UNFINISHED COTTON TEXTILES

	April 1949	March, 1949	April, 1948
Average, 17 constructions	62.56	63.70	88.13
Printcloths, average (6)	66.91	68.93	103.30
Sheetings, average (3)	56.79	57.56	72.08
Twill (1)	63.14	63.35	116.15
Drills, average (4)	56.19	56.32	72.85
Sateen (1)	83.63	87.22	128.15
Ducks, average (2)	60.10	60.41	63.27

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

Source: Department of Agriculture.

BUILDING PERMIT FIGURES

	Total Valuation April 1949	April 1948
Maryland		
Baltimore	$ 5,166,520	$11,848,925
Cumberland	70,220	68,775
Frederick	79,730	299,850
Hagerstown	140,910	201,880
Salisbury	137,717	338,347
Virginia		
Danville	354,627	1,218,062
Lynchburg	803,651	399,382
Norfolk	951,761	1,202,330
Petersburg	113,409	110,600
Portsmouth	162,370	160,460
Richmond	1,829,979	1,313,932
Roanoke	1,743,922	1,271,040
West Virginia		
Charleston	354,045	518,631
Clarksburg	74,750	141,910
Huntington	665,050	446,141
North Carolina		
Asheville	244,287	256,594
Charlotte	1,124,974	791,219
Durham	202,295	1,330,102
Greensboro	2,460,126	537,090
High Point	163,071	200,030
Raleigh	1,622,929	347,907
Rocky Mount	128,853	101,650
Salisbury	134,292	156,765
Winston-Salem	921,959	580,427
South Carolina		
Charleston	80,839	281,378
Columbia	689,298	387,935
Greenville	414,990	635,350
Spartanburg	109,100	104,229
Dist. of Columbia		
Washington	4,710,709	5,012,119
District Totals	$25,656,383	$30,263,060
4 Months	$74,142,385	$91,043,849

REPORT ON RETAIL FURNITURE SALES

STATES	Percentage comparison of sales in periods named with sales in same periods in 1948: April 1949	4 Mos. 1949
Maryland (5)*	—12	— 7
Dist. of Col. (6)*	—17	+14
Virginia (19)*	—13	— 7
West Virginia (9)*	—17	—42
North Carolina (13)*	—20	—19
South Carolina (10)*	—13	—14
District (62)*	—15	— 7
Individual Cities		
Baltimore, Md., (5)*	—12	— 7
Washington, D. C., (6)*	—17	+14
Richmond, Va., (6)*	— 9	— 2
Lynchburg, Va. (3)*	+ 3	+ 1
Charleston, W. Va., (3)*	—14	— 3
Charlotte, N. C., (3)*	—33	—30
Columbia, S. C., (3)*	—26	+ 1

*Number of reporting firms.

WHOLESALE TRADE, 177 FIRMS

LINES	Net Sales April 1949 compared with Apr. 1948	Mar. 1949	Stock April 30, 1949 compared with Apr. 30 1948	Mar. 31 1949
Auto supplies (6)*	—23	+ 9	....	....
Electrical goods (5)*	—10	+10	+ 7	+ 3
Hardware (12)*	—14	—10	+18	— 5
Industrial supplies (3)*	—39	—17	....	....
Drugs & sundries (11)*	— 1	— 1	+ 1	— 1
Dry goods (11)*	—11	— 5	— 9	— 2
Groceries (51)*	— 8	— 8	+ 1	0
Paper & products (5)*	—24	—14	....	....
Tobacco & products (5)*	0	— 3	+16	+12
Miscellaneous (68)*	+ 3	—16	— 4	— 1
District Totals (177)*	—11	— 9	+ 3	— 2

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

SOFT COAL PRODUCTION IN THOUSANDS OF TONS

REGIONS	April 1949	April 1948	% Chg.	4 Mos. 1949	4 Mos. 1948	% Chg.
West Virginia	16,081	9,345	+72	50,527	47,085	+ 7
Virginia	1,722	1,306	+32	5,252	5,635	— 7
Maryland	69	146	—53	281	544	—48
Fifth District	17,872	10,797	+66	56,060	53,264	+ 5
United States	46,703	35,151	+33	172,647	176,576	— 2
% in District	38.3	30.7		32.5	30.2	

Source: Bureau of Mines

RAYON YARN SHIPMENTS AND STOCKS

	April 1949	March 1949	April 1948
Rayon yarn shipments	48,900,000	57,800,000	67,200,000
Staple fiber shipments	7,000,000	7,800,000	22,300,000
Rayon yarn stocks	43,900,000	32,900,000	9,100,000
Staple fiber stocks	19,100,000	16,200,000	3,600,000

Source: Rayon Organon.

TOBACCO MANUFACTURING

	April 1949	% Change from Apr. 1948	4 Mos. 1949	% Change from 4 Mos. '48
Smoking & chewing tobacco (Thousands of lbs.)	15,056	—16	60,469	— 7
Cigarettes (thousands)	27,324,800	—15	111,865,095	0
Cigars (thousands)	428,452	— 5	1,734,057	— 6
Snuff (thousands of lbs.)	3,337	—14	13,767	— 6

Source: Treasury Department.

COMMERCIAL FAILURES

MONTHS	Number of Failures District	U.S.	Total Liabilities District	U.S.
April 1949	54	878	$2,152,000	$ 31,945,000
March 1949	48	849	1,102,000	97,444,000
April 1948	17	404	294,000	15,296,000
4 Months 1949	149	2,978	$4,302,000	$176,115,000
4 Months 1948	66	1,654	1,112,000	71,361,000

Source: Dun & Bradstreet

DEPARTMENT STORE TRADE

Richmond	Baltimore	Washington	Other Cities	District
Percentage change in April 1949 sales compared with April 1948:				
+ 9	+ 5	+ 9	+ 8	+ 8
Percentage chg. in 4 months sales 1949 compared with 4 months in 1948:				
— 3	— 4	+ 4	— 3	— 1
Percentage chg. in stocks on April 30, '49 compared with April 30, '48:				
— 8	— 2	0	— 3	— 2
Percentage chg. in outstanding orders April 30, '49 from April 30, '48:				
—18	—36	—23	—48	—28
Percentage chg. in receivables Apr. 30, '49 from those on Apr. 30, '48:				
+ 3	+ 4	+15	— 1	+ 8
Percentage of current receivables as of Apr. 1, '49 collected in April:				
32	48	47	46	44
Percentage of instalment receivables as of April 1, '49 collected in April:				
16	21	21	24	21

Maryland	Dist. of Col.	Virginia	W. Virginia	N. Carolina	S. Carolina
Percentage chg. in April 1949 sales from April 1948 sales, by States:					
+ 5	+ 9	+ 7	+16	+ 1	+13
Percentage change in 4 months 1949 from 4 months 1948 sales:					
— 5	+ 4	— 3	+ 1	— 9	0