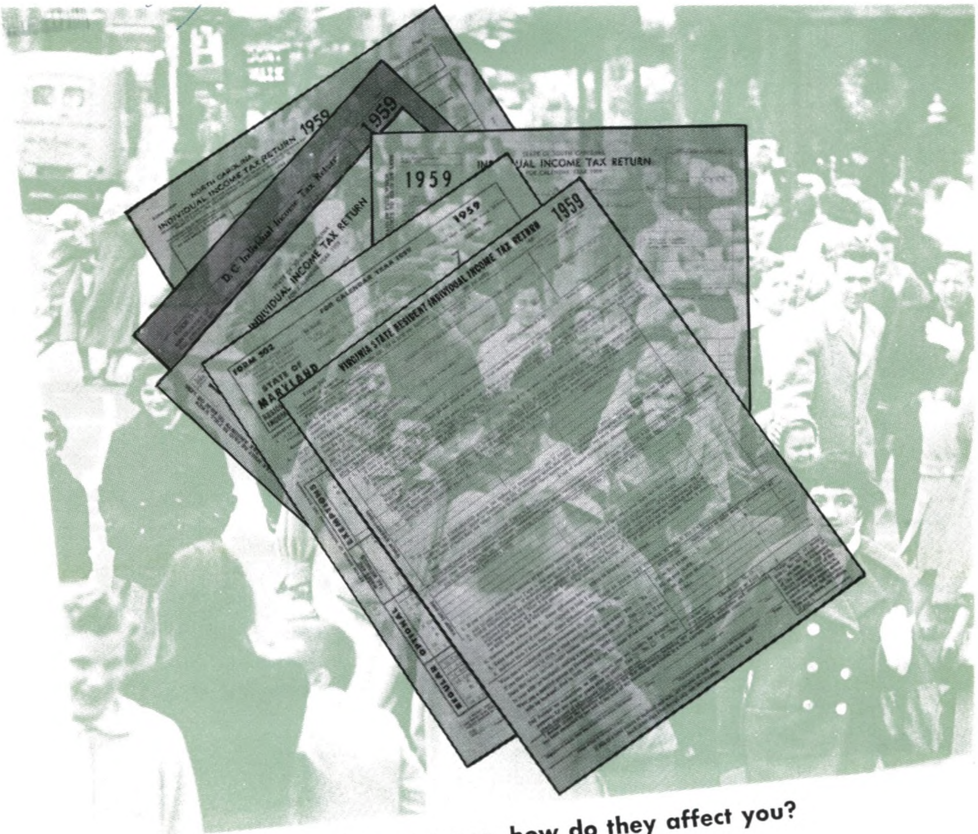
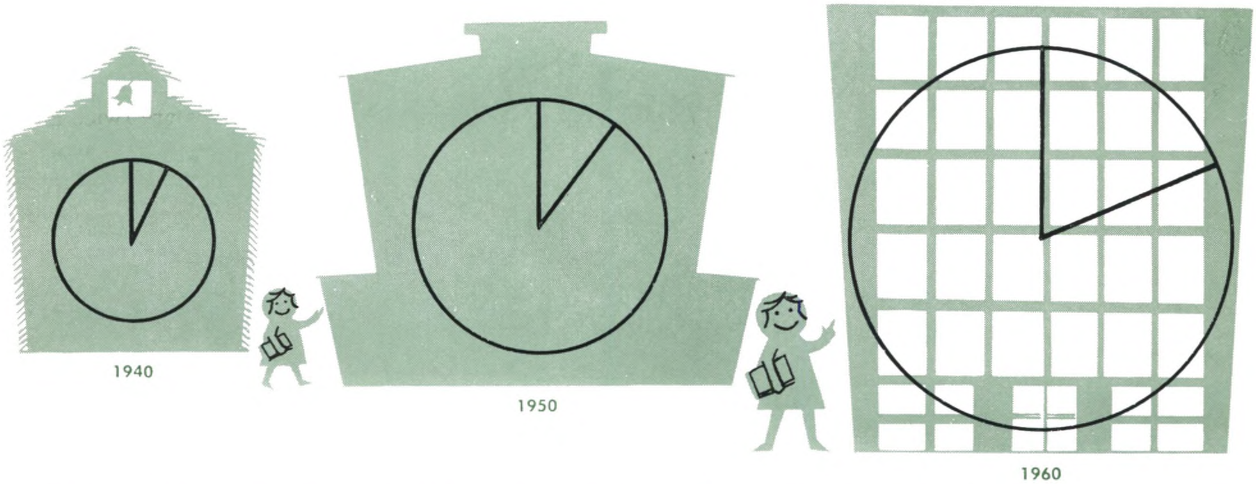
# MONTHLY REVIEW




State income taxes—how do they affect you?

FEDERAL RESERVE BANK OF RICHMOND DECEMBER 1960

# STATE INCOME TAXES . . .
## Their Impact on District Taxpayers




State individual income taxes are providing a greater share of rapidly growing state tax revenues in the Fifth District.

State individual income taxes are the nation's fastest growing major source of tax revenue. Collections of these taxes totaled $2.2 billion in 1960, more than three times the yield just ten years earlier. They are thus helping to supply the revenue state governments need to finance their rising expenditures. These governments are now spending about $27 billion annually for education, highways, and other goods and services, 220% more than in 1950.

In the Fifth District, only West Virginia does not levy an individual income tax. In the rest of the District, individual income tax revenues have been rising even faster than in most other states. From $16 million in 1940, they increased to $82 million in 1950 and reached $311 million in 1960. While total state tax collections in the District rose by 574% during this 20-year period, the still faster growth of individual income tax revenues has increased the relative importance of these taxes. They now supply 19% of state tax revenues in the Fifth District compared with 5% in 1940.

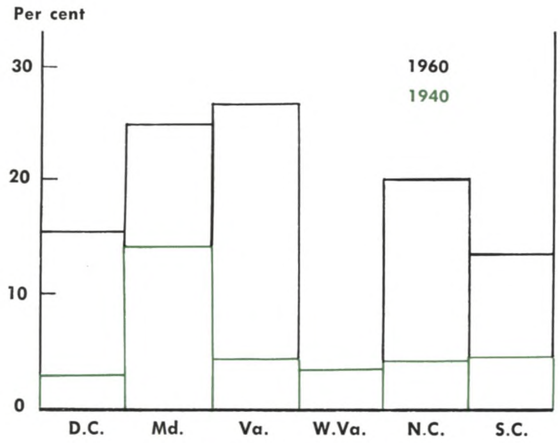
As shown in the chart on the next page, the relative importance of these taxes in 1960 varied from 13% of total state taxes in South Carolina to 27% in Virginia. In the District of Columbia, however, the relative importance of the income tax must be judged on a different basis since District of Columbia taxes are equivalent to both state and local taxes elsewhere. The tax is actually about as important there as it is in Maryland and Virginia, since it provides about 15% of total state and local tax revenue in each of these areas.

**OLD INCOME TAXES** Although District individual income taxes have only recently attained an important place in state tax structures, their antecedents date back to colonial days. In 1701 the colony of South Carolina enacted a "faculty tax," an annual levy which generally varied according to the supposed profitability of the taxpayer's profession. This primitive type of income tax was also levied in Maryland during the Revolution and in Virginia from 1786 to 1790.

The colonial faculty taxes were inequitable because they failed to allow for income variations within professions. In 1838 South Carolina switched to a more modern tax based on the actual income of the taxpayer. Maryland and Virginia adopted similar taxes during fiscal emergencies in the early 1840's, but the Maryland law was a poor revenue producer and was repealed in 1848. In the following year, North Carolina enacted an income tax. The Virginia and North Carolina taxes have been levied continuously since their adoption, but both laws have been amended many times. On the other hand, South Carolina's tax was abandoned in 1868 and not levied again until 1897.

State income taxes of the 1800's were char-

State individual income taxes as percentages of total state tax collections in the Fifth District, 1940 and 1960




acterized by low rates, high exemptions, and local assessment and collection. These provisions resulted in low revenue yields and generally poor enforcement of the laws. Effective legislation was not developed until 1912, when Wisconsin enacted a law providing for centralized administration of its new income tax. In 1913 the yield of Wisconsin's tax was over eight times greater than the highest amount any state had previously collected through an income tax in any one year.

**AND NEW INCOME TAXES** The success of Wisconsin's new techniques and of the Federal income tax adopted in 1913 led to renewed interest in state income taxes. North Carolina and Virginia improved the administration and increased the rates of their income taxes in 1919. After repealing its old-style tax in 1918, South Carolina adopted a higher yielding tax in 1922. A few years later, many new state income tax laws were passed during the fiscal emergencies of the Great Depression. West Virginia enacted an income tax in 1935, Maryland in 1937, and the District of Columbia in 1939. West Virginia's tax was repealed in 1943, but the others have remained in force.

Thirty-one states now tax individual net incomes, and each state has a somewhat different law. For instance, definitions of taxable income and allowable deductions vary considerably. Although many states have tended to make these parts of their laws similar to provisions of the Federal legislation, numerous minor differences still exist and are important to some taxpayers. The tax paid by the average person, however, is most affected by other key provisions of the state laws: personal exemptions, tax rates, and whether deduction of Federal income tax is permitted.

**EXEMPTIONS** Personal exemptions granted in the Fifth District are fairly similar, and about average when compared with those given by states outside the District. Maryland legislation provides an exemption of $800 for a single person, while Virginia, North Carolina, South Carolina, and the District of Columbia grant exemptions of $1,000. Beginning in 1961, South Carolina's exemption will be reduced to $800.

Exemptions for married couples are twice those of single persons, except in North Carolina. In that state a married man gets a $2,000 exemption and his wife can receive an additional $1,000 exemption if she has a separate income and files a separate tax return. Exemptions in states outside the Fifth District range from $400 to $4,000 for a single person and from $800 to $6,000 for a married couple.

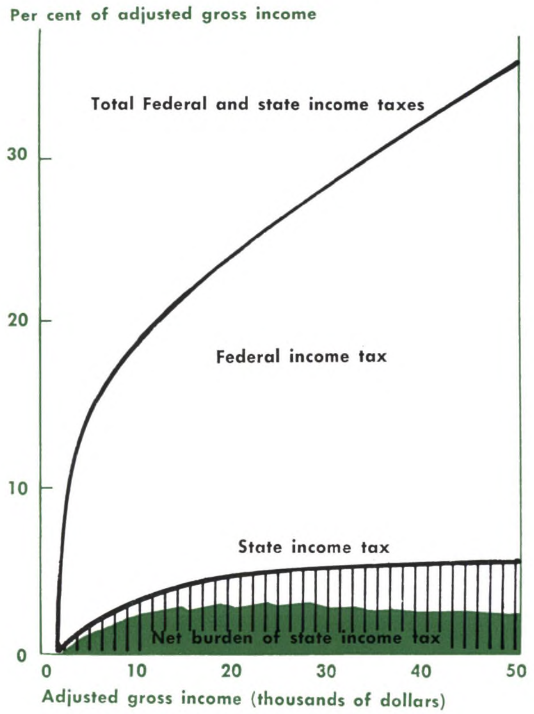
District exemptions for dependents vary more widely. Virginia's $200 exemption is the smallest in the nation except for Mississippi, which gives none at all, while the $800 exemptions now allowed in Maryland and about to be granted in South Carolina are the largest in the country. Other District allowances for dependents are $300 in North Carolina, $400 under present South Carolina law, and $500 in the District of Columbia.

**RATES** Except for the Maryland rate, which is a flat 3% on most net income, tax rates levied in the District are also rather similar. On the first bracket of net taxable income they vary from 2% to 3%. This is above the national average since many states start with a 1% rate. Rates on the highest income brackets are 5% in Virginia and the District of Columbia and 7% in North and South Carolina. In contrast to the relatively high initial rates, these top rates are in the lower middle range when compared with those of other states, which have top rates ranging up to 12.74% of net taxable income.

**DEDUCTIONS** Another cause of wide variation in state income tax burdens is that some states permit a taxpayer to deduct his Federal income tax in computing taxable income, while others do not. Seventeen states allow this deduction and three more, including South Carolina, allow a partial deduction. The other 11 states, including Maryland, Virginia, and North Carolina, as well as the District of Columbia, do not permit deduction of Federal income tax.

These differences exert a significant influence on tax burdens because the Federal tax is often the largest of a taxpayer's possible deductions. The effect of this deduction may be illustrated by comparing the state income tax paid by married couples in North Carolina with that paid by married couples in Colorado, where deduction of Federal income tax is allowed. (In calculating the tax in this and subsequent illustrations, it was assumed that all incomes consisted of wages or salaries earned by the husband and that deductions exclusive of Federal income tax totaled 10% of these incomes.) Colorado grants a smaller personal exemption and levies higher rates than North Carolina. However, the Federal income tax deduction of Colorado married couples with incomes of $5,000 or more is large enough to reduce their state income tax below that of North Carolina couples with the same incomes. For instance, married couples with incomes of $2,500 pay a tax of $7 in North Carolina compared with $16 in Colorado. On incomes of $7,500, however, North Carolina couples pay $177 while Colorado couples pay $157. At higher incomes this difference increases because the Federal income tax absorbs a greater share of these incomes and so the deduction for it is proportionately larger. Married couples with incomes of $100,000 are taxed $5,940 in North Carolina compared with $3,727 in Colorado.

Federal and state income taxes as percentages of income of married couples in North Carolina




NET BURDEN OF VIRGINIA INCOME TAX AT SELECTED INCOMES

| Adjusted gross income | Net burden of Virginia income tax on: Single person | Married couple |
|---|---|---|
| $ 2,500 | $ 20 | $ 4 |
| 5,000 | 58 | 40 |
| 7,500 | 111 | 88 |
| 10,000 | 178 | 172 |
| 15,000 | 282 | 317 |
| 20,000 | 360 | 442 |
| 25,000 | 416 | 555 |
| 50,000 | 630 | 889 |
| 100,000 | 691 | 1,300 |
| 500,000 | 2,009 | 2,004 |

The deduction of Federal income tax in states such as Colorado has an interesting effect on the difference between the state income tax paid by married couples and that paid by single persons with the same income. Since a single person usually pays more Federal income tax than a married couple with the same income, he also has a greater deduction for state tax purposes. At high income levels the difference is great enough to make his state tax less than that of the married couple even though the couple gets a higher personal exemption.

Since laws in the District, except for South Carolina's partial deduction, do not allow deduction of Federal income tax, they levy substantially greater income taxes on persons with high incomes than do states which allow the deduction, even though some of the latter states levy much higher rates. On the other hand, tax burdens on very high incomes in District states are lower than in Alaska, Delaware, Hawaii, New York, Vermont, and Wisconsin, which do not allow the deduction and also levy higher top rates.

**TAX BURDEN IS LOWER THAN THE TAX** The Federal income tax has another important effect on burdens of state and local taxes of all kinds. These taxes are allowable itemized deductions on the Federal tax return and thus reduce a taxpayer's Federal tax liability. In effect, a taxpayer "gets back" part of his state or local tax payments by having to pay less Federal income tax. The net burden of a state income tax is therefore less than the actual amount of tax paid.

The chart on the left illustrates these relationships. It shows income tax levies as percentages of the income of married couples in North Carolina. The difference between the net state tax burden and the actual state tax paid increases as the income of a couple increases and they become subject to higher Federal rates. In the case illustrated, the net burden of the state income tax becomes a decreasing share of the taxpayer's income at incomes over $25,000.

As shown in the chart, the lower the Federal tax rate to which a taxpayer is subject, the smaller is the part of his state taxes that he "gets back" when he deducts them on his Federal return. Thus the Federal tax provision that gives most married couples a lower tax rate than is imposed on single persons with the same income has an interesting effect on net burdens of state taxes. The married couples subject to a lower Federal tax rate "get back" a smaller part of their state tax payments than do single persons with the same income. At high income levels this difference is large enough to make the net burden of a state income tax on married couples greater than that on single persons.

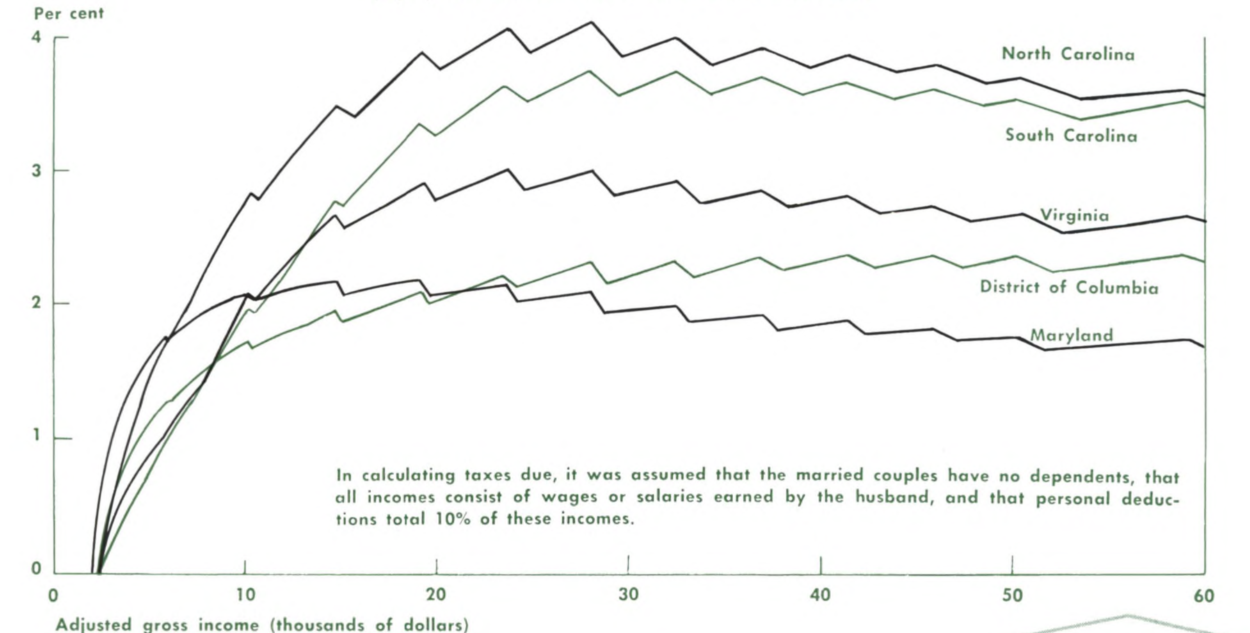
The table showing net burdens of the Virginia income tax illustrates this fact. As shown, however, at extremely high incomes the net burden on single persons is again higher than that on married couples. This happens because the top Federal tax rate is the same for both single persons and married couples.

**TAX BURDENS COMPARED** In comparing state income tax burdens at different incomes or in different states, all of the factors discussed above must be considered. To make a fair comparison among taxes on persons with differences in income or marital status, the net burdens should be used to measure the tax load. Then, to measure the *relative* tax loads, it appears fairest to compare the net burdens with the incomes that the taxpayers would ordinarily retain after paying Federal income taxes if no state income tax were levied.

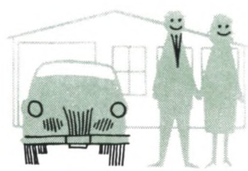
The chart below makes these comparisons for taxes on married couples in the Fifth District. The variations shown are particularly striking because this entire group of relatively similar taxes falls within the middle range of tax burdens when compared with other state income taxes. It is also worth noting that none of the taxes can be described as highest or lowest without reference to a particular level of taxpayer incomes.

**NET BURDEN OF STATE INDIVIDUAL INCOME TAXES ON MARRIED COUPLES**

**as percentage of the income that they would ordinarily retain after paying Federal income tax if no state tax were levied**







Form CN-117
(2-3-60)

U.S. DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE

**COTTON CLASSIFICATION MEMORANDUM Form 1**

Gin Bale No. 2262 Gin Name & Address ➧ Anytown Gin Company
Anytown, U.S.A.

Whse. Bale No.

Date October 15, 1960

**P- 999766**

| Mid | 1-1/16 |
|---|---|
| *Grade* | *Staple* |

*Reduced from* *a/c or Remarks*

John Doe
*Chairman, Board of Cotton Examiners.*

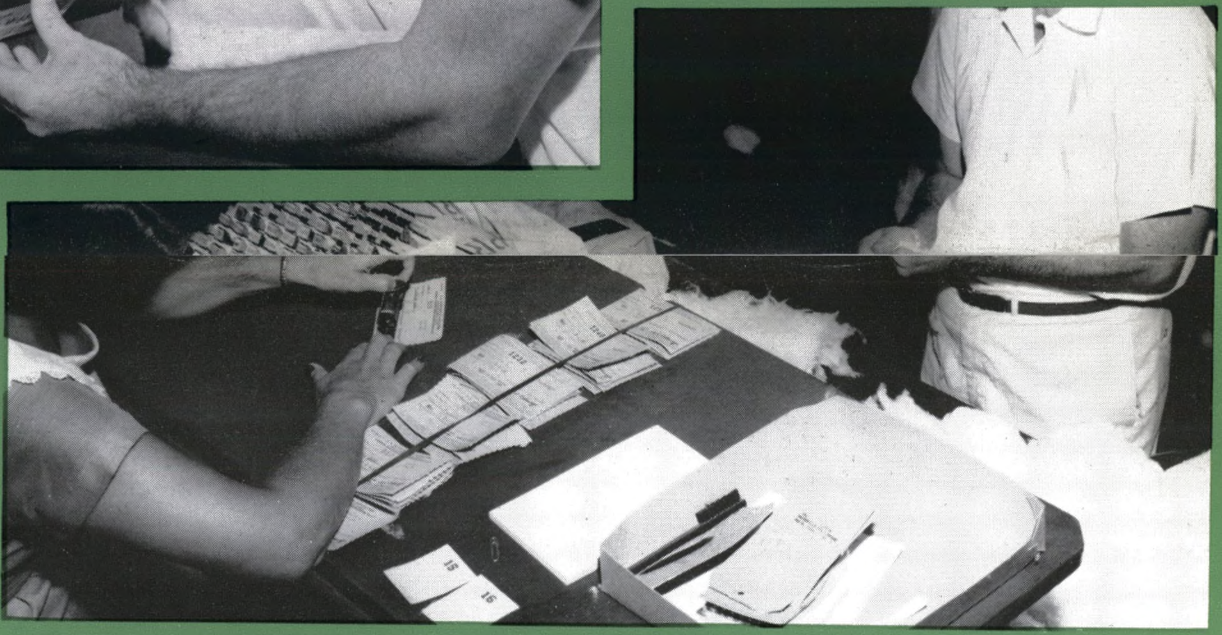
We certify that according to the Official Cotton Standards of the United States the grade and staple length of the sample of cotton herein identified are as shown above. This classification applies only to the sample as and when submitted.

16—16856a-12 GPO

Above: The sampler must take two samples from the bale—one from each side. This gives the cotton classer a better indication of the exact quality of cotton in the bale.

Above: Here an experienced cotton classer determines the proper grade of the cotton by comparing the sample with one

Right: The classer pulls a portion of the fibers to determine the staple length. Grade and staple length are then stamped on the class card which is returned to the farmer.



# COTTON CLASSIFICATION

There are many differences in cotton which affect its usefulness and hence its market value. For this reason, it is important that each bale of cotton be classified as to quality before it enters marketing channels.

All farmers who have organized to improve the quality of their cotton are offered free cotton classing service by the U. S. Department of Agriculture. Each group must apply for this service and select a bonded sampler—usually a local ginner or warehouseman—to take samples from each bale. The sampler must cut samples from both sides of a bale. He then mails both parts of the sample, together with the green class card which identifies it, to the local cotton classing office. There experienced cotton classers, working under artificial daylight and carefully controlled temperature and humidity, class the farmer's cotton.

**GRADES** The quality of cotton is expressed in terms of grade and staple length. The term "grade" refers to the cotton's color, the amount of leaf and other trash it contains, and the quality of the ginning. For upland cotton, the principal kind grown in this country, there are at present 39 grades and seven color groups.

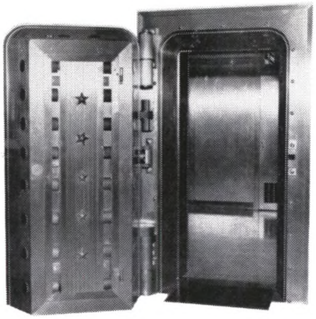
The major color groupings—White, Light Spotted, Spotted, Tinged, Yellow Stained, Light Gray, and Gray—indicate the degree of whiteness. Grade names in order of their highest value are referred to as Strict Good Middling, Good Middling, Strict Middling, Middling Plus, Middling, Strict Low Middling Plus, Strict Low Middling, Low Middling Plus, Low Middling, Strict Good Ordinary Plus, Strict Good Ordinary, Good Ordinary Plus, and Good Ordinary. These terms indicate variation in minor color differences within a major color group, in foreign matter, and in the quality of the ginning. The entire range from Strict Good Middling through Good Ordinary is found only in the White cottons, however.

**STAPLE LENGTHS** When the classers use the term "staple length," they refer to the normal length of the cotton fiber. Unlike the grade standards, the number of official staple length standards is indefinite. For upland cotton, however, there are 14 official staple lengths represented in physical form. These range from 13/16 inch upward in gradations of thirty-seconds of an inch to 1¼ inches.

Both grade and staple length affect the market price of cotton. Thus, cotton of the same grade varies in value with staple length. Similarly, prices for cotton of the same staple length vary according to grade. To illustrate: The price of Middling White 1-inch cotton was quoted on the Greenville, South Carolina, spot market at 31.00 cents per pound on October 18. Middling White 1-1/16 inch cotton was priced at 32.45 cents per pound—a difference of $7.25 per bale. Low Middling White 1-inch cotton was quoted at 26.50 cents per pound—$22.50 per bale below the higher grade Middling cotton with the same length staple.

**VALUES** The little green card can mean more money in the cotton farmer's pocket. The card tells him what quality cotton he has to sell, and the market news reports quote the current prices of the various grades and staple lengths. Armed with this information, the farmer is likely to be in a better bargaining position when he goes to sell his cotton. With the aid of the green class card, he can also compare the current spot market prices and local bids with the government support rates for his quality of cotton. This comparison enables him to determine whether it is more profitable to sell his cotton on the open market or to market it through the government support program.

The classification of cotton also aids the buyer and cuts marketing costs. The buyer can be sure of the quality of cotton he is getting—that the quality in the bale is the same as that stated on the green card. With this assurance, he can buy and sell cotton more intelligently and more efficiently. The expense of additional sampling and classing every time a bale of cotton changes hands is also eliminated. This in turn helps keep the bales in better condition as they journey to the cotton mills.



# Member Banks Adjust To New Vault Cash Regulations

On November 24, 1960, member banks were permitted to begin counting all of their vault cash as legal reserves. This was the third step taken by the Board of Governors of the Federal Reserve System to implement the part of Public Law 86-114, passed by Congress on July 28, 1959, which authorized the Board to permit member banks to count all or part of their vault cash in meeting reserve requirements.

The first step, taken about a year ago, allowed reserve city banks to count as required reserves all vault cash in excess of 2% of net demand deposits, and country banks to count all vault cash in excess of 4% of net demand deposits. Late this summer in its second step the Board authorized reserve city banks and country banks to count vault cash in excess of 1% and 2½% of net demand deposits, respectively.

**HOW MANY BANKS WERE AFFECTED?** In the first reserve period after the December 1959 change in vault cash regulations, 68% of member banks in the Fifth District were able to count some of their vault cash as legal reserves. In the first reserve period after the second change, 95% of Fifth District member banks had some reserves in the form of allowable vault cash.

The chart on the opposite page shows the progressively greater amounts of vault cash allowable at Fifth District banks during the reserve periods immediately following the first two changes in regulations. It also shows an estimate of the amount of vault cash that banks can now count as legal reserves.

**HOW DID BANKS USE THESE FUNDS?** The banking system may use an increase in reserves to purchase securities, to grant more loans, to reduce borrowings from Federal Reserve Banks, or to meet the public's occasional need for more currency. Or banks may simply choose to maintain excess reserves at a higher level.

Available data suggest that reserve city banks in this District used the reserves supplied by the first two changes in vault cash regulations to reduce their borrowings and to increase their loans. Country banks apparently followed the same course, and in addition made substantial purchases of United States Government securities after the second change.

**HOW QUICKLY DID BANKS ADJUST?** Fifth District reserve city banks responded very quickly to easier positions resulting from changed vault cash regulations. For several months before the first change, they held excess reserves averaging 0.5% of required reserves. The first change released cash estimated at about 3% of their required reserves. If they had not used these funds in the ways discussed above, their excess reserves would thus have risen to about 3.5% of required reserves. However, reserve city banks apparently employed most of the released funds quickly, since excess reserves averaged just 1.3% of required reserves during the first two weeks after the change. By the third week, excess reserves had been reduced to the level prevailing before the change.

Following the September 1960 change in regulations, vault cash of Fifth District reserve city banks rose from 3% to 9% of required reserves. The banks employed these reserves even more rapidly than after the first change. If they had made no adjustment, their excess reserves would probably have risen to about 6% of required reserves. Instead, excess reserves showed only a slight increase in the first reserve period after the change, and even this increase was eliminated within two weeks.

Following each change in regulations, reserve city banks in the United States as a whole adjusted about as quickly as those in the District.

Fifth District country banks were much slower in using their additional reserves. Just before the first change in regulations, they held excess reserves averaging 7% of required reserves. The first change released vault cash estimated at 5% of required reserves. If they had made no adjustment, their excess reserves would thus have increased to about 12% of required reserves. Apparently, the country banks utilized a small part of the released funds quickly, since their excess reserves in the first reserve period following the change in regulations equaled 11% of required reserves. However, they maintained excess reserves at this level for another month. The final adjustment reducing excess reserves to 8% of required reserves was not made until two months after the regulations had been changed.

By August 1960, monetary conditions had eased further and excess reserves at District country banks had risen to an average of 10% of required reserves. The second change in regulations released enough vault cash at this time to have raised excess reserves of these banks to about 19% of required reserves if the funds had not been used. In the first reserve period after the change, excess reserves at these banks actually rose to 16% of required reserves. Thus, some of the released funds were used quickly, but the rest were held as excess reserves. In succeeding periods these excess reserves were gradually reduced, but three months later they still totaled 12% of required reserves. The adjustment thus proceeded even more slowly than after the first change in regulations, probably because banks were already in a somewhat easier position.

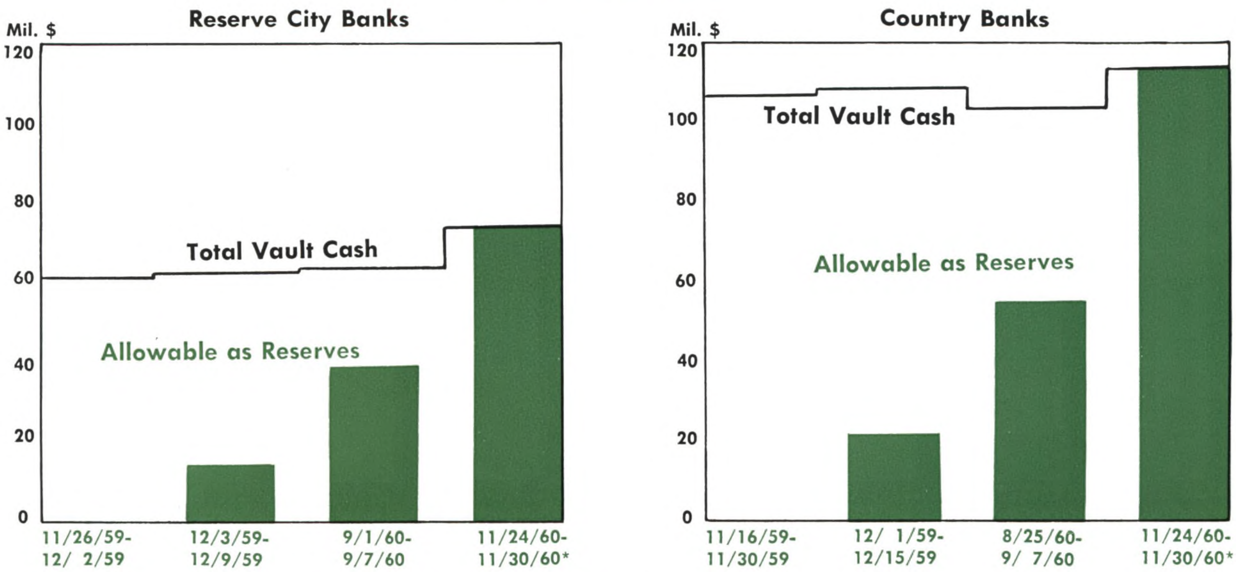
Country banks in the United States as a whole apparently utilized a greater part of their released funds immediately than did Fifth District country banks. After each change in regulations, however, the rest of their adjustments proceeded at about the same rate as in the District.

**THE NOVEMBER CHANGE** As part of the last change in vault cash regulations, the Board of Governors also increased reserve requirements for country banks from 11% to 12%, both changes effective November 24. Consequently, the reserves released in the form of vault cash were partially absorbed by the higher reserve requirement.

Advance estimates were that about $57 million of reserves would be relased as additional allowable vault cash at Fifth District country banks. About $23 million of these would probably be needed to meet the increased reserve requirement, leaving a net gain of $34 million. Additional vault cash released at District reserve city banks was estimated at $27 million. Member banks in this District thus probably gained a net total of about $60 million of additional reserves on November 24.

For the country as a whole, the recent changes in reserve regulations were expected to supply about $1.3 billion of reserves. This figure includes not only the net release of reserves resulting from the change in vault cash regulations and the increase in country bank reserve requirements, but also reserves released by the reduction in reserve requirements for central reserve city banks from 17½% to 16½% on December 1.

## VAULT CASH, TOTAL AND ALLOWABLE AS RESERVES
### FIFTH DISTRICT BANKS




*Estimated on basis of vault cash figures for week ended October 26, 1960

# THE FIFTH DISTRICT

Recent weeks have brought evidence of further erosion in Fifth District business conditions. Employment fell a little more in October than in preceding months, but the total reduction during the current decline is still quite small. After seasonal adjustment, the number of workers holding nonfarm jobs in October was less than 1% below the record levels of April and May. The decrease in October, however, was as great as the total decrease during the previous four months. Insured unemployment rates in recent weeks have risen in all Fifth District states and the District of Columbia. These ratios are, however, well below the national average except in Maryland (slightly below) and West Virginia (definitely above).

Declines in manufacturing activity have been more marked. Seasonally adjusted man-hours in the District's manufacturing industries during October were 6% below the year's peak in May. The October decrease was smaller than the cutbacks in August and September, but somewhat greater than the declines in June and July.

**FEW EXCEPTIONS** October statistics show few areas of enterprise running counter to the general decline. One of these, finance, insurance and real estate, increased employment more than seasonally for the seventh month in a row. Services scored a better than seasonal gain, thereby resuming an upward movement which was interrupted only by the sharp drop last March, and smaller declines in July and September. Employment in the trade sector, seasonally adjusted, remained virtually unchanged at a level about 1% above that of the first quarter of the year, but slightly below the levels that prevailed during the spring and summer.

The number of jobholders in other industries moved downward from the September levels. The current cyclical contraction in employment thus continues. September gains of more than seasonal magnitude in many industries proved to be temporary. In District mines, seasonally adjusted employment decreased 2.5% in October, continuing a long-term trend.

Seasonally adjusted man-hour figures in manufacturing for October also revealed few departures from the general downward course of business. Three such exceptions were in the durable goods group. These were transportation equipment and lumber, each with marked gains over September, and fabricated metals which gained slightly. The increase in transportation equipment man-hours more than offset a drop which occurred in September, reestablishing a definite upward movement. This industry started the year in a fairly strong position, lost ground rather steadily in the first half, but has regained nearly all of it.

Trade sources indicate that the October rise in lumber industry man-hours resulted from a temporary improvement in demand in the middle of the month. During most of the year lumber markets have lagged behind expectations. Considerable numbers of unsold new houses in some parts of the District and elsewhere in the nation stand as mute evidence of slack demand. They also explain why market reports indicate no current improvement in the lumber business. Slightly offsetting this poor outlook, a good seasonal pickup in sales of lumber for purposes other than house building has recently been reported by retailers.

Among District nondurable goods manufacturers, only food products and cigarettes showed seasonally adjusted man-hour gains in October. The cutbacks in other industries of this group included declines of over 2% in the broadwoven goods component of textile manufacturing and more than 3% in knitting mills and apparel factories.

**ALL EYES ON TRADE** The year's big retail selling season is now well under way. The strength of final demand revealed by consumer outlays for goods and services during these final weeks of the year may provide a basis for judging the extent and duration of the present business adjustment. Evidence available to date remains inconclusive.

The seasonally adjusted index of District department store sales, a sequence of ups and downs so far this year, moved down again in November. A preliminary estimate indicates a 9% drop from the very good level reached in October. Current reports on retail trade, however, suggest that total consumer spending around the District may not

**With only a fair fall season behind them retailers are hoping that Christmas items and attractive displays will stir consumer enthusiasm.**

be this far off the previous pace. These reports, while lacking in precision when compared with the department store sales data, do have broader coverage and are based on experienced insight.

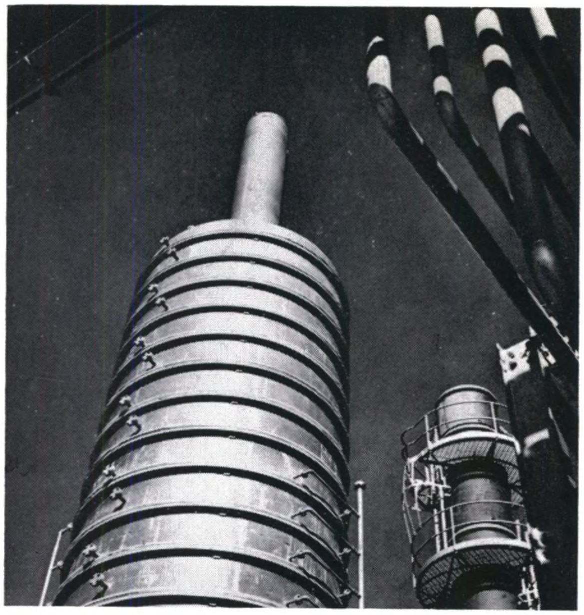
**SHARP COMPETITION IN CARS** In the District as in the nation, reports on automobile sales remain generally favorable. As in nearly all consumer markets, however, competition is steadily mounting in the automobile sales field. One reason for this development is the scramble for shares in the compact car market. Another reason is overproduction of 1960 models, significant numbers of which are reportedly still unsold. These market conditions strongly suggest a squeeze on profit margins too great to be readily offset by increases in the number of units sold.

Sales reports on other consumer durables are mixed, but the consensus is somewhat on the low side of normal seasonal expectations. Home entertainment equipment and electric dishwashers are providing the most favorable reports. Laundry equipment, stoves and refrigerators are apparently not moving as well. Actual pessimism, however, is scarce. Many dealers apparently consider the current volume and outlook to be close to satisfactory.

**SOFT GOODS HURT BY WARM WEATHER** Some of the current lag of District trade and industry is explained by the above-normal temperatures which prevailed this fall over most of the nation. Consumer purchases of fall and winter clothing have thus not come up to the volume that retailers, apparel manufacturers and textile mill operators had expected. In anticipation of good demand, knitting mills reduced operations only 2% in September, when other sectors of the textile industry were cutting back production by 4% or more, as measured by man-hours seasonally adjusted. Apparel manufacturers in the District, also faced with a less-than-seasonal volume of orders, cut production in September by nearly 4% on a seasonally adjusted basis. Both knitting mills and apparel factories were forced to curtail seasonally adjusted man-hours again in October.

The resurgence of consumer soft goods buying which has been needed to start the chain of new orders flowing from retailers to apparel manufacturers to textile mills and finishers has still failed to appear. Inventories, especially of seasonal goods, have been kept low at all levels. Emphasis now is on the planning of spring lines. Any pickup in consumer buying of fall and winter clothing which may occur will, in the opinion of industry analysts, be too late to have much direct effect on production. Industry sources have been predicting for several months that trade inventories in certain lines of soft goods would prove

The District offers its growing apparel industry proximity to textiles and easy access to eastern and midwestern markets.



Acrylic fiber production is increasing steadily in order to meet a rapidly growing demand for its use as a textile component.

to be inadequate, but demand has not yet gained enough strength to prove them right.

**INDUSTRY ROLL CALL** Textile markets have recently acquired a firmer tone. Gray goods for sale from dealers' inventories are definitely more scarce. Having met lagging demand by reducing output, the textile industry appears to be in a good position to obtain satisfactory prices on the still rather low but growing volume of new orders.

In textiles, the trend toward greater use of man-made fibers and filaments is becoming increasingly apparent. Within the synthetic fiber and filament industry, furthermore, the trend is away from products made from natural cellulose, especially rayon, and toward highly synthesized chemical products such as nylon, orlon, dacron and a growing host of others. In 1950 man-made fibers accounted for about 20% of total fiber consumption by weight, wool about 13% and cotton the remaining 67%. The most recent figures show man-made fibers 27%, wool about 8% and cotton 65%. Whereas consumption of man-made fibers by weight in 1950 was about 90% rayon and acetate and 10% other, the proportion now held by the "noncellulosic" group is nearly 40%.

Of the plants which produce these synthetic textile materials, those now located in the Fifth District comprise more than 40%. To meet the needs of this growing and changing demand, the District's productive capacity for synthetic fibers is in process of expansion and conversion.

Contract construction on balance continues to be a source of strength. New contract awards for nonresidential and public works projects in the District have risen again recently. Contracts awarded for construction of the Chesapeake Bay Bridge-Tunnel Project raised the October total for public works and utilities in this District to its highest point on record. Residential awards have strengthened but remain well below the levels of a year ago.

Cigarette sales and shipments continue to set new records in response to steady increases in demand at a rate of about 5% per year.

Spokesmen for the furniture industry rate as "very satisfactory" the flow of new orders booked this fall. This year may well be furniture's second best, failing by a small margin to equal 1959.

Coal, like lumber, remains a soft spot in the District economy. Conditions have changed little during the year. Foreign shipments have been picking up recently, but with steel production still lagging, the output of coal remains at disappointing levels—little higher than a year ago when demand was low because of the steel strike.


**PHOTO CREDITS**

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