

MONTHLY REVIEW



Automation requires adjustments from some but will eventually provide more goods for all.

FEDERAL RESERVE BANK OF RICHMOND

JULY 1961



Older folks who seek jobs are frequently limited by strong local ties and little desire or ability to try new kinds of work.

THE EMPLOYMENT GAP

Young entrants into the labor force are usually free to move to new areas and willing to learn the skills that are in demand.



In recent months the problem of joblessness has been of sufficient importance to attract a great deal of attention. Newspapers have highlighted routine government statistics and the financial press has devoted large amounts of space to reviewing and analyzing both the facts, which are quite limited, and the interpretations of them, which are not. Capitol Hill has attacked the problem through legislative action. Back in March the President signed into law an act to extend the benefit period for those entitled to unemployment compensation. Insured workers who had exhausted their benefits since June 30, 1960 (in accordance with the laws of the various states) and are still unemployed are also receiving the extra weeks of compensation. Measures to provide funds for retraining workers whose skills are becoming obsolete and, perhaps, for encouraging the movement of workers from areas of surplus labor to areas where labor is in short supply are now under consideration in Congress.

THE NATIONAL PICTURE In spite of the fact that most economic indicators point to a healthy upturn from the recession which reached its low point in February of this year, unemployment is still high. Concern centers around the fact that rates of unemployment have been gradually rising in recent years. The national unemployment rate, seasonally adjusted, rose steadily from 4.8% of the civilian labor force in February 1960 to 6.8% in December 1960. However, this rate was below the level reached in the summer of 1958 when unemployment rose to 7.5%. In the last peak prosperity month (May 1960) the rate was 5.1%—considerably above the 4% which is considered by many observers to be reasonably consistent with the concept of full employment in a growing economy. In fact, the unemployment rate has not been below 4% since 1957. The most recent figures

(May) show no retreat from the March situation—for every hundred workers willing and able to work, nearly seven were without jobs.

THE NATION AND THE DISTRICT Figures measuring total unemployment in the Fifth District have not been available in the past and are just now being developed. However, statistics showing the number of unemployed workers covered by state insurance programs are available for the nation and the individual states. In recent months the “insured unemployed” have represented somewhat more than half of the total number of jobless workers for the nation as a whole, but less than half for the District. The ratio of insured to total unemployment varies among the states because of differences in the eligibility requirements and duration of payments under state laws, and because of differences in economic conditions. Differences from state to state in the rates of insured unemployment also reflect legal as well as economic variations. Comparisons based on these statistics, therefore, must be interpreted with an extra measure of caution.

DISTRICT RATES VARY At the end of April the national and Fifth District rates of insured unemployment (the number receiving unemployment benefits as a per cent of the total number of workers covered by unemployment insurance programs) were 6.4% and 5.5% respectively. Rates within the District ranged from 2.3% for the District of Columbia through 3.9% in Virginia, 4.9% in South Carolina, 6.0% in Maryland and 6.1% in North Carolina, to 9.7% for West Virginia.

Although there are no comprehensive figures for total unemployment by states, estimates are made from time to time for certain labor market areas within the states. In April and early May, when the national unemployment rate (all unemployed persons as a per cent of the labor force) was in the neighborhood of 7%, local unemployment rates ranged from a low of less than 3% in metropolitan Washington through a middle concentration of rates between 5% and 8% mostly in Virginia and the Carolinas, to rates in excess of 20% in a few of the coal areas of West Virginia.

THE DISTRICT UNEMPLOYED The various states have inaugurated a monthly sampling procedure in order to learn something about the characteristics of their jobless citizens. These studies are just beginning to bear fruit. The group being sampled includes persons receiving benefits under regular unemployment insurance programs plus those who had exhausted their regular benefits and are now receiving the temporary extended benefits authorized by Congress in March. The only major groups not touched, therefore, consist of new additions to the labor force who have not yet gained eligibility for benefits by working the required length of time in an insured job, persons whose last job was in a noncovered firm or industry, and those disqualified from receiving benefits.

The results of these sample surveys are not yet available from all states. Nevertheless, a pattern which can be described in general terms is beginning to appear. During the spring months about three-fourths of the insured unemployed in the District were men, and most were family breadwinners. More than a third of the men without jobs were over 45 years of age, but this was also true of men with jobs. A slightly smaller fraction, but still close to one-third, of the unemployed women were also 45. Because of approaching retirement and, frequently, less education and aptitude for training than the young folks have, individuals who are past 45 usually encounter more difficulty in obtaining new employment. A South Carolina study showed that the median number of school years completed by unemployed persons

in the 45 to 55 age group was 7.1 years. In contrast, those without jobs who were under 25 had completed 10.4 years of school. About one-tenth of the unemployed were under 25, with the fraction slightly larger for men than for women.

The occupations of the insured unemployed reflect the value of job training and education. From two-thirds to three-quarters of the insured unemployed were in semiskilled and unskilled job categories when the samples were taken. Their limited abilities greatly reduced the job opportunities for which they might qualify and tended to lengthen the time required to find new employment. Less than 20% of the unemployed had been skilled workers, less than 10% were clerical or sales personnel, and less than 5% held service occupations.

HALF IN MANUFACTURING The sample studies indicate that just about one-half of the District's insured unemployed were formerly affiliated with manufacturing industries, although these industries account for less than one-third of all nonagricultural employment. Due in part to normal seasonal variations, the relative showing of the construction industry was less favorable than manufacturing earlier in the year but has been showing improvement. The portion of joblessness attached to the construction industry, as high as 20% in March, has apparently fallen in recent weeks to about half of that figure. Construction accounts for less than 6% of the District's nonfarm jobs. By way of contrast, trade has recently provided about 19% of District jobs, but only around 12% of the jobless were last employed in this field. Other areas representing the remaining 45% of nonfarm jobs have accounted for only 18% of insured unemployment.

THE LONG-TERM GROUP A tentative picture of the characteristics of those who have remained unemployed for more than 15 weeks is provided by data relating to persons who exhausted their regular benefits but are now receiving temporary additional payments. On average, these persons are older than those receiving regular benefits. Forty per cent or more are 45 years of age or over. A larger percentage of them are women—50% or more in some parts of the District. Somewhat more of the long-term unemployed fall in the semiskilled and unskilled job classifications. The long-term group generally shows a broader attachment to the manufacturing industries—between 60% and 70% except where coal mining predominates. Construction workers are relatively less numerous among those whose unemployment has tended to drag on. The seasonal improvement in weather conditions and strong demand for their

services have shortened the periods of idleness for a good proportion of these workers.

DISTRICT UNEMPLOYMENT UP The chart on the opposite page shows the course of seasonally adjusted insured unemployment in the District from 1951 to the present. The data show a marked cyclical pattern and a rising trend between 1951 and 1960. However, in 1961 the recession high was lower than in 1958. Average levels of insured unemployment have increased over the decade at a rate slightly in excess of 4% per year—a little more than 50% in all. The rise in average levels of unemployment appears to have progressed at a fairly steady rate but the underlying cyclical patterns have changed. Maximum unemployment figures registered in recessions, for instance, suddenly moved to significantly higher levels with the downturn of 1954.

When attention is shifted to unemployment low points in periods of prosperity, a consistently rising trend is clearly apparent beginning with the month of March 1951. Each successive unemployment low—February 1953, November 1955, June 1959, and June 1960—established a higher level of unemployment following each period of recovery. The rise over the period charted was 129%. Thus, while maximum levels of unemployment in recessions may have established a sort of ceiling—the February 1961 high, as already noted, was below that of 1958—the minimum levels have increased steadily. The fact that these minimum levels of unemployment have been rising at so fast a rate is the chief cause for concern and constitutes a challenging problem. As each successive recession begins to put the squeeze on profits, economy in the use of productive factors—especially those with high and inflexible cost patterns—becomes the subject of intensive study. When business recovers, the rise in demand may well be met with a different combination of productive factors. In theory the expansion of new and existing enterprises during prosperity should absorb most of the workers not needed elsewhere. In fact, however, this has not been happening.

GROWTH OF LABOR FORCE The civilian labor force in the District, which now numbers over six million people, has grown 11% since 1950, adding more than half a million job-seekers. Natural increase in the population, migration, and changing social and economic patterns, such as the increasing number of working women, are the major factors affecting the growth of the labor force. With present unemployment rates well above the 1950 level, it is clear that although job opportunities on balance did increase,

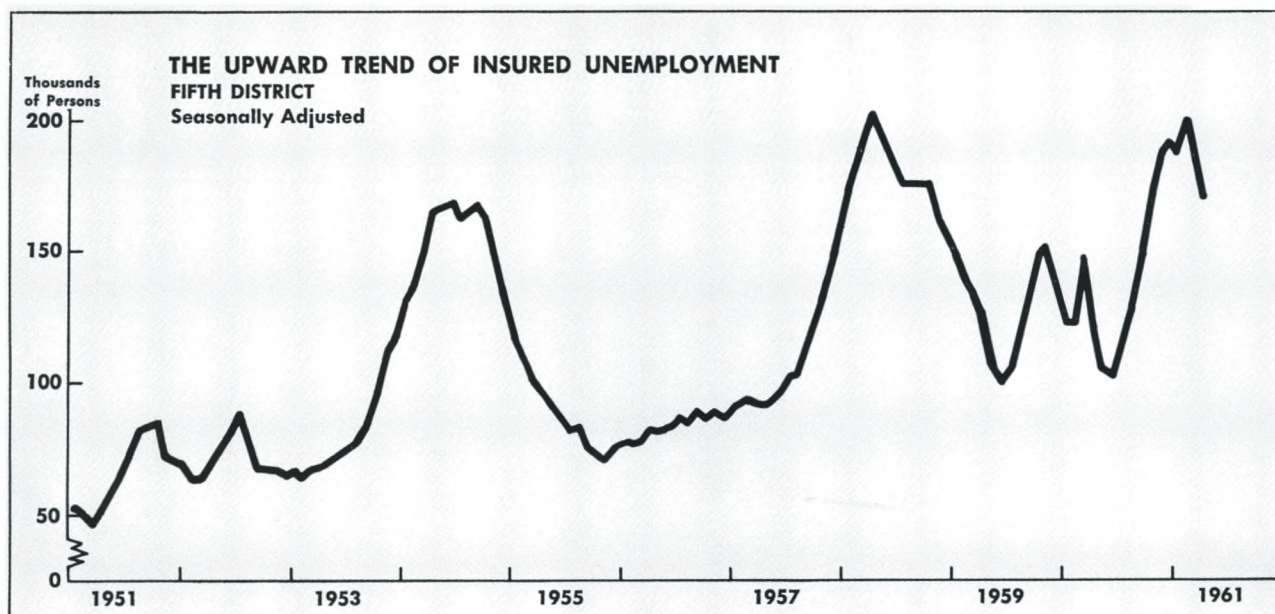
they did not keep pace with the number of people wanting work.

Several fairly specific factors influencing the growth of job opportunities can be isolated, but their net effects after interaction with other causes of economic change are difficult to evaluate. For instance, although District farm output increased 36% between 1949 and 1959, agricultural employment fell more than 30%, freeing some 400,000 workers for jobs elsewhere. During a similar period mechanization of coal mining and gradual decreases in the demand for coal eliminated about 60,000 jobs.

On the other hand, growth since 1950 outside of agriculture and mining has created jobs for about 900,000 new workers, enough to raise the figure for total nonfarm employment by 20%. Approximately 200,000 net new jobs, a 14% increase, developed in manufacturing industries. The expansion of government employment and the growth of service industries and trade generated most of the other new jobs. Yet despite impressive increases in job opportunities in these areas, unemployment edged upward over the decade.

CLASSIFICATIONS OF UNEMPLOYMENT Cataloguing unemployment is far from an exact science. Perhaps the safest beginning is to regard all unemployment, like Caesar's Gaul, as being divided into three parts: seasonal, cyclical, and frictional. The first is the easiest to visualize. Many areas of production and consumption are influenced by the seasons of the year and follow regularly year after year approximately the same annual pattern of high activity in some months, followed by a slower pace or actual discontinuation during others. The seasonal pattern must be measured and taken into account so that the strength of other sources of unemployment can be determined for periods shorter than a year. The concept of cyclical unemployment is likewise fairly clear, but its measurement is difficult. Business cycles, the periodic swings from recession to prosperity and back to recession, involve virtually all facets of economic activity and, as the graph of insured unemployment so clearly shows, have a marked effect on the ranks of the jobless.

The third concept, "frictional unemployment," is the most difficult to deal with. "Friction" in the economic system is resistance to adjustment as fundamental changes take place. Growth is a process which involves many such fundamental changes. The population increases. The tools and techniques of production become more efficient. New products, some of which replace old ones and all of which com-



pete with old ones, are invented and are soon mass-produced and mass-marketed. Living standards rise. Some people whose skills are becoming obsolete face declining opportunities and pay, while others possessing new skills that are in short supply can select from a growing list of locations, pay terms, fringe benefits, and other advantages. Under normal conditions the frictionally unemployed are visualized as requiring some relatively short space of time to adjust. It may be necessary to move to another geographic region or to learn a new skill, or both. But opportunities of some kind are always present.

"STRUCTURAL UNEMPLOYMENT" Sometimes the frictions that retard economic adjustment become so sticky that years instead of months are required for job-seekers to find suitable work or, in the case of work-seeking wives, to become settled in a satisfactory mode of life without the additional income that an outside job would provide. In fact, at times such adjustments may seem virtually impossible. Such is the case with older people who have never progressed to a skilled level or have become rigidly accustomed to specialized work no longer very much in demand. When a significant number of workers face a long-run problem of economic integration, the term "structural unemployment" describes their plight.

There are many sides to the problem of structural unemployment. In an individualistic economy the emphasis centers on the ability of the jobless to learn on their own initiative the nature of existing employ-

ment opportunities and to make the necessary preparations for taking advantage of them. A responsible government will do what the present administration is currently doing: see that basic needs are met while examining all possible means of encouraging and aiding the process of adjustment.

The complex interrelationships embraced by the concept of economic adjustment comprise a challenging subject for study. Final demand must, of course, be strong to absorb the huge national product which this nation is capable of producing. But the goods and services added as the national product grows cannot simply be whatever new workers wish, or are able to offer for sale. Particular goods and services sell at particular times and places only if they provide the consumer with a greater measure of satisfaction than he can derive from alternative uses of his money. Obviously, products and services must adjust to consumer preferences in competition with the vast array of products and services already being produced. And men and women who wish to find employment must adjust themselves to the technological and economic requirements of the new markets.

PROGRESS IS CHANGE Marked changes have occurred in the District's economy. Job opportunities on the farms and in the mines have dropped sharply in a decade. Output of factories has increased much faster than employment. Prices moving in response to the strength of demand are the natural allocators. But they can't allocate a labor supply unable or unwilling to accept change.

Monthly Review looks at . . .

HAMPTON ROADS



Hampton Roads, historic site of the Civil War battle of the *Monitor* and the *Merrimac*, is now a leading port and the center of a rapidly expanding metropolitan area.

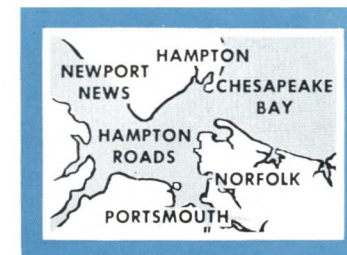
In southeastern Virginia three rivers—the James, the Elizabeth, and the Nansemond—flow together to form Hampton Roads, the port which is the United States Navy's Atlantic Fleet headquarters and which exports more tonnage than any other in the country. In recent years, expansion in shipbuilding, foreign trade, and military activities have provided the base for rapid economic growth in the area surrounding the port. On this foundation, jobs in construction and services mushroomed during the 1950's. Heavy in-migration helped to boost the population of the metropolitan area by 34% between 1950 and 1960, raising it to a total of 803,000.

As headquarters of the United States Atlantic Fleet and NATO's Supreme Allied Commander Atlantic, Hampton Roads has a tremendous concentration of Naval installations. In addition, there are more than 20 other major military commands, including the National Aeronautics and Space Administration's laboratory at Langley Air Force Base, headquarters for the training of the astronauts. Government is the largest

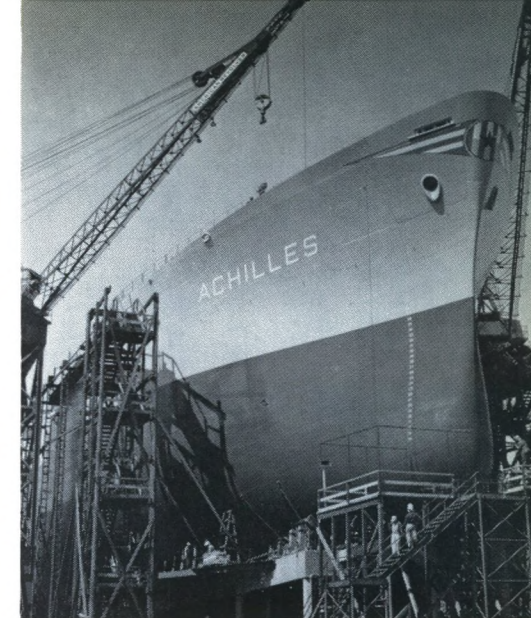
employer in the Hampton Roads area, accounting for one-third of nonagricultural employment in 1960.

The millions of tons of coal shipped through Hampton Roads each year have made it the country's linking port in tonnage of exports. In addition to coal, grain and soybeans are also important exports. Japan, Italy, Germany, and the Netherlands received the largest volume of exports from Hampton Roads in 1960. Principal imports are petroleum and petroleum products which are used in and distributed throughout the area. Total trade through the port of Hampton Roads was valued at more than \$1 billion in 1960, a 9% increase over 1959.

Shipbuilding and repair at a Navy yard and in two private yards is the chief manufacturing activity in the Hampton Roads area. Among the ships there have been built there are the SS *United States*, the record-breaking transatlantic liner, and three nuclear submarines. The SS *Enterprise*, the world's first nuclear-powered aircraft carrier, and two nuclear submarines are among the ships now under construction.



In 1960 the port of Hampton Roads shipped more than 23 million tons of coal to foreign countries.



Shipbuilding and repair is by far the most important manufacturing industry in the Hampton Roads area.

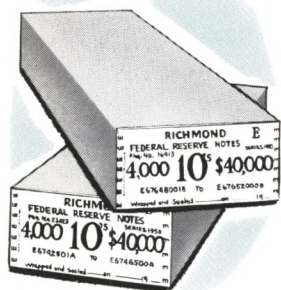
Navy, Air Force, Army, and Coast Guard all add to the military concentration at Hampton Roads.



The headquarters of the Atlantic Fleet is one of the military installations at Hampton Roads.



Federal Reserve Notes—Fluid Funds



*Federal Reserve notes
in circulation . . .*

*increased \$16 billion
during the four years of
World War II . . .*

*declined \$228 million
in the single recession
year 1953-1954 . . .*

*rose \$665 million for
the 1960 Christmas shop-
ping season.*

And therein lies a tale—a tale of national need and of public preference for more or less cash on hand. For the record of Federal Reserve notes is that of elastic currency which has kept pace with the needs of a growing economy; expanded and contracted in response to changing business conditions; and varied with fluctuations in public demand for cash in pre- and post-holiday periods, during vacation months, and at other special seasons of the year.

Sometimes there are more in circulation, sometimes less. Where do they come from? And where do they go?

FIRST STOP FOR FUNDS When cash on hand runs low, the thought “I’ll write a check” immediately pops into mind, and commercial banks are thus the first to feel the impact of the public’s need for more hand-to-hand money. Aware of monthly, weekly—even daily—variations in demand, banks attempt to keep a sufficient amount of coin and paper money in their vaults to meet the needs of their customers, and a sizable amount it is. Currently, the Fed’s member banks have nearly \$2.5 billion on hand. However, there is an upper limit to the amount of working cash individual banks can or prefer to hold. Vault space may be relatively small, insurance is costly, and risk of loss or theft is ever present. Distance from source of supply also influences a bank’s cash holdings. In general, country banks hold more money in their vaults relative to the amount of their deposits than do their reserve and central reserve city cousins.

When a member bank’s vault cash is drained below the desired level and must be replenished, the bank sends an S.O.S. by wire or letter to the head office of the Federal Reserve Bank which holds its reserves or to one of that Bank’s branches. When the request for additional currency is received and has been approved, the member bank’s reserve account—in essence its equivalent to an individual’s checking account—is charged with the amount specified, and the

dimes and dollars are taken from their niches in the Fed’s vault to begin their journey to the bank by armored car, registered mail, or parcel post.

RESERVOIR OF BILLIONS In the money department vaults of each Federal Reserve Bank and branch are large stocks of currency and coin available to be paid out as requests for cash are received. The paper money includes both silver certificates and United States notes but consists mainly of Federal Reserve notes.

In addition, there are at the Federal Reserve Banks and their branches reservoirs of unissued Federal Reserve notes running into the billions of dollars. From these reserves stems the perpetual flow of new notes needed to replenish stocks in the Fed’s money department vaults as they are drawn down by shipments to member banks.

These notes are not, however, “free for the asking.” Stored in special vault compartments, they are in the custody of the District’s Federal Reserve agent, his assistants at the head office, and his representatives at the branches. Not a note can be taken from the vault and turned over to the Fed’s money department until legal requirements for its issue have been fully met.

A CHANGE IN STATUS A \$5 Richmond Reserve note in the Bank’s money department vault is apparently no different from a \$5 Richmond Reserve note in the vault under control of the Federal Reserve agent. It has the same distinctive markings as the other, it is bound with 99 more of like denomination into a pack and fastened together by an identical red-and-white printed strap, it is wrapped with 3,999 others just like it in the same type of brown paper package bearing a label which reads in part “4,000 \$5’s \$20,000.”

Yet the two \$5’s are unlike, for one has been issued, the other has not; one is a liability of the Richmond Federal Reserve Bank and is ready to be sent into circulation, the other will not gain legal status as money until it has been secured by a like amount of collateral and released to the Bank.

To tap its reserve supply of unissued notes, a Fed must transfer to the Federal Reserve agent collateral equal to 100% of the value of notes it requests. Gold certificates customarily comprise at least 25% of this backing. The remaining amount may be in Government securities or in “eligible paper” such as bills of exchange or promissory notes. Currently, gold certificates equal more than 25% of the collateral pledged to secure outstanding notes, while Government securities comprise nearly all of the balance.

After required collateral has been transferred to the Federal Reserve agent, notes in the specified amount are released to the Federal Reserve Bank by the agent and transferred to its money department vault, there to be held in readiness for their trek into the market place.

POINT OF ORIGIN Reports, speeches, pamphlets, magazines—these the Reserve Banks' printing presses turn out in quantity, but never—no never—currency! Plates and dies designed for the engraving and printing of Federal Reserve notes are found only in the Bureau of Engraving and Printing in Washington, D. C. It is there that notes are printed and numbered in denominations of \$5, \$10, \$20, \$50, and \$100 in quantities needed to supply the Reserve Banks. While there are also \$500, \$1,000, \$5,000, and \$10,000 Federal Reserve notes both unissued and in circulation, no new ones in denominations of \$500 and over have been produced for some fifteen years.

Printing orders are placed by the Board of Governors with the Comptroller of the Currency on the basis of recommendations received each spring from the Federal Reserve agents. As new notes are needed, the Federal Reserve agent requisitions the amount, by denomination, from the Board of Governors which in turn transmits his request to the Comptroller of the Currency. Notes are then shipped directly from the Treasury Department to the Reserve Bank or branch. In fiscal year 1960, the Bureau of Engraving and Printing delivered 591,648,000 Federal Reserve notes with a face value of \$6.8 billion.

RETURN FLOW When the public's desire or need for cash diminishes—and this is particularly noticeable around the first of each year in the wake of free spending during the Christmas holiday season—mil-

lions of dollars flow back into city and country banks. As vault cash is swelled by this floodtide of funds to levels in excess of current need, member banks return their surplus currency to the Feds and receive credits to their reserve accounts.

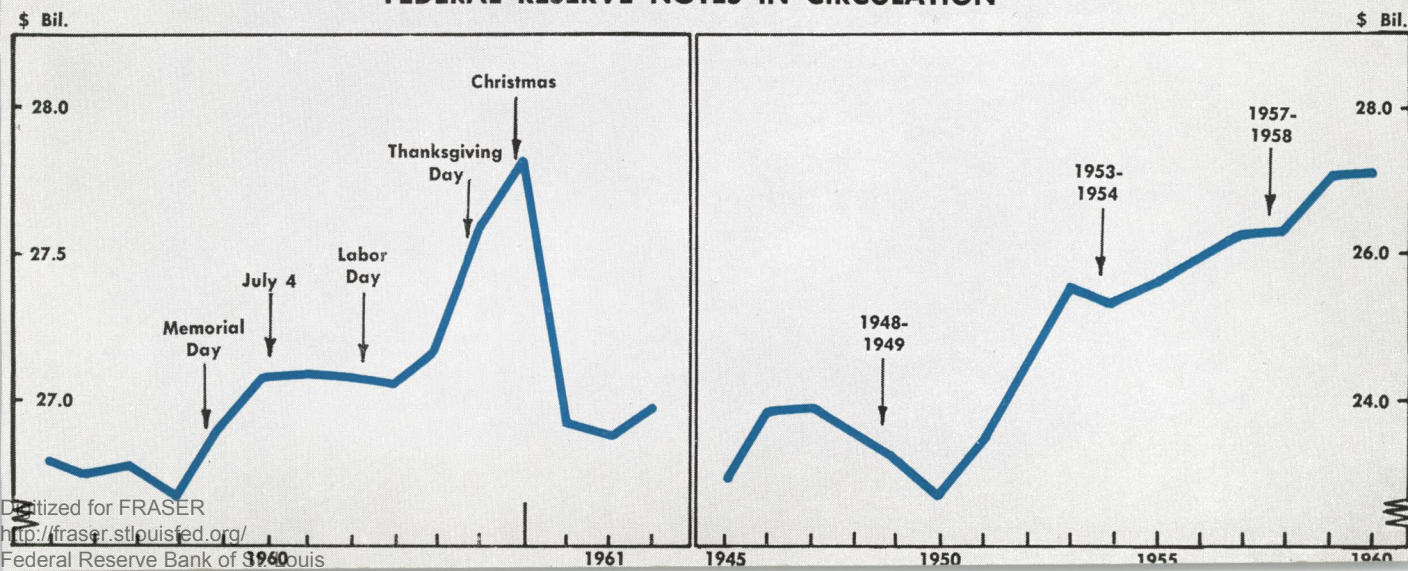
On receipt, all cash is counted, scrutinized to determine whether there is any counterfeit or foreign money in the lot, and sorted according to its fitness for further circulation. All coins and bills in good condition are repackaged and stored in money department vaults. Mutilated coins are returned to the mints; torn and dirty Treasury currency is canceled and burned at the Reserve Banks. Worn-out Federal Reserve notes, on the other hand, are canceled at the Banks but must be sent to the Treasury Department for destruction. As a safeguard, the notes are cut in half lengthwise and the two halves are sent to Washington in separate lots—the lower halves the day the money is cut, the upper halves only after notice has been received that the lower halves have arrived.

When a Reserve Bank finds that the inflow of fit currency has created a surplus of cash on hand, the Bank can reduce the supply by sending some of its own notes into temporary retirement. Such notes are remanded to the custody of the Federal Reserve agent and revert to their former unissued status. With outstanding note liability thus reduced, the Bank is entitled to a return of collateral in an amount equal to the value of notes transferred to the agent.

Once retired, the notes are kept in "cold storage" until they are again needed to satisfy the public's demand for cash. Their return to circulation is set in motion by the Bank's full compliance with requirements for their reissue.

Federal Reserve notes flow into and out of circulation in response to changes in the public's demand. Currency needs vary considerably during each year, rising most around holidays. More currency is demanded as business activity accelerates, less when it slows during recessions.

FEDERAL RESERVE NOTES IN CIRCULATION



THE FIFTH DISTRICT



Business activity in the Fifth Federal Reserve District generally has continued to strengthen. Among manufacturing industries, the best gains have been made in certain lines of durable goods, a normal development during the early stages of recovery. The furniture and lumber industries, however, have failed to conform. Their markets, while perhaps not actually weak, have not yet improved with any consistency. At the other extreme, manufacture of transportation equipment had already reached a new high in May—an exceptional situation, however, as all other durable goods industries are still operating considerably below their peak levels of 1960. In order to regain these highs by the end of December, they would have to advance faster in the last half of the year than they did during the first half.

Nondurable goods have not shown as consistent a pattern of recovery recently but are, nevertheless, relatively closer to attaining their former peaks. By May seasonally adjusted man-hours in these industries were 6% above their December 1960 low and were less than 3% below their May 1960 peak. In contrast, May man-hours in durable goods manufacturing were up 5% from December but were still nearly 6% below their January 1960 high.

Activity in the nonmanufacturing phases of the District economy has also continued to improve. Employment has registered recent increases in all major areas except mining and financial enterprises. The number of persons drawing regular unemployment compensation, while still at the highest summer level since 1958, declined more than seasonally between mid-April and early June. Construction employment, seasonally adjusted, recently reached its highest level since last November, and increases in both contract awards and building permits lend support to an optimistic view of the near future in this area. With employment generally rising, District personal income has gained ground slowly after turning the corner in February and has registered nominal gains over last year.

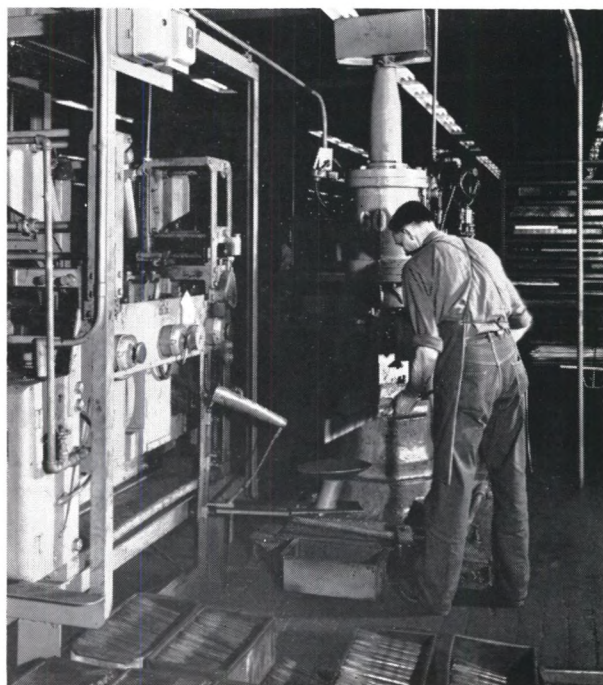
The first statistical evidence on consumer activity during June, a preliminary estimate of the seasonally adjusted index of department store sales, is favorable—up 5% with respect to both May of this year and June a year ago. District department store sales

during the first half of 1961 exceeded those of the comparable period last year by 1.5%.

MINIMUM WAGE INCREASE The increase in minimum pay from \$1.00 to \$1.15 per hour scheduled for September is causing concern in some areas of District business. This is true even in manufacturing, where most rates are well above the new minimum. Although the results are difficult to anticipate, these industries expect to be affected in two ways. First, virtually all manufacturing operations employ some unskilled workers or workers in training whose pay is below \$1.15. Since wage differentials roughly reflect gradations of ability and seniority, lower level increases tend sooner or later to be felt higher up the scale. It seems likely, therefore, that most industry pay scales will to some extent be influenced by the higher minimum wage. Second, manufacturers may be affected by higher material costs. The price of lumber, for instance, may rise at least \$5 per thousand feet and perhaps as much as \$10, according to some persons in the industry.

On the strength of these developments, some lead-

Recovery from the recent recession has progressed rapidly in the District's primary metals, metal products, and machinery industries.



ing District furniture manufacturers predicted during market week in Chicago that prices on many of their lines would rise from 3% to 5% within 30 to 60 days. For textiles the possibility of further cost increases may mean new complications. Prices of some important fabrics are still weak, and cotton costs are already expected to increase later this year because of higher government farm price supports. Apparel manufacturing and segments of food and tobacco processing also seem likely to feel the effects of the minimum wage increase to some extent.

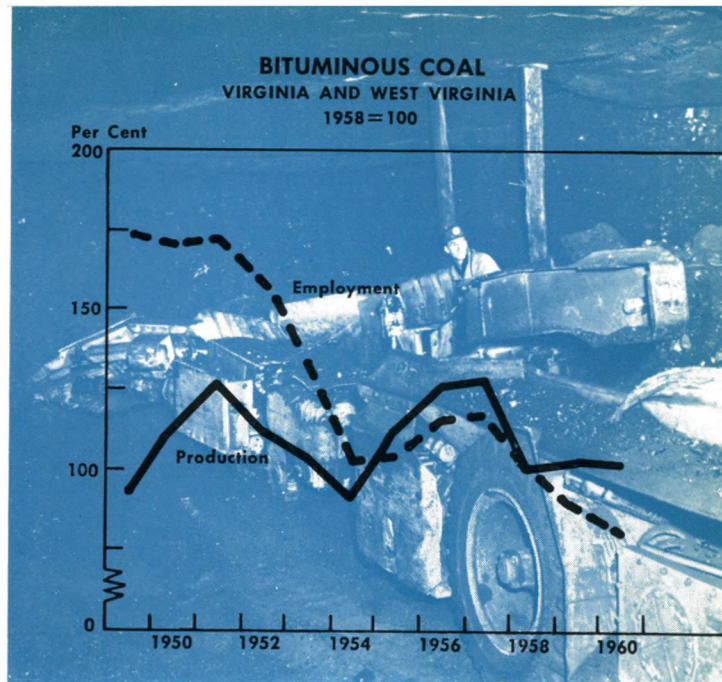
Only employers already subject to the minimum wage law will be required to observe the \$1.15 minimum beginning September 3. However, some employers in nonmanufacturing fields who were formerly exempt from the minimum wage will become subject to a \$1.00 hourly minimum at that time.

COAL OUTPUT LEVELS OFF As the chart shows, District coal production declined sharply between 1957 and 1958 but has since remained relatively stable. Employment, on the other hand, has continued to move down. The chart clearly shows the dramatic reduction that occurred in mining employment over the last decade while production showed considerable cyclical fluctuation but only a moderate over-all decline. A recent cyclical drop in coal output was terminated by increases in both May and June. At District ports, domestic coal loadings rose in June after declining for several months, but foreign loadings continued to fall.

SUMMER FURNITURE MARKETS Dealers touring the summer circuit of furniture shows in North Carolina, Chicago, New York, and other centers have reportedly placed a fair volume of orders. Buyers are apparently being influenced by some divergent considerations: (1) their expectation that prices will increase within the next 30 to 60 days, (2) their wish to fill out showroom exhibits, especially in new lines, (3) weakness in consumer buying, with little help expected from new residential building, and (4) their continuing desire to hold only minimum inventory.

Trade reports indicate that price increases may chiefly affect wood furniture such as chests, cabinets, shelves, tables, and desks. These items have been moving quite well, but business has been rather dull in upholstered and higher priced lines. Activity in the furniture factories reflects these conditions. Seasonally adjusted man-hours in the industry picked up in April but have since been sliding off much as they did in late 1960 and early 1961.

TEXTILES MORE ACTIVE Conditions in the textile industry still reveal a number of divergent tendencies



Coal production leveled out in the past few years, reflecting more stable demand conditions, but employment continued to decline.

but, on balance, have become more favorable. Manufacturing operations have picked up steadily for several months. Seasonally adjusted man-hours were up in May, reaching their highest levels since August 1960 in broad woven goods, since May 1960 in yarn and thread mills, and since June 1960 in knitting mills.

Forward buying of gray goods has held fairly steady in recent weeks. The market in industrial fabrics has been particularly active and some mills were encouraged to raise their quoted prices on these lines. Their experience following the price increases, however, indicates fairly clearly that the market as a whole is still on the soft side, certainly too soft to support the profitable price levels of a year ago.

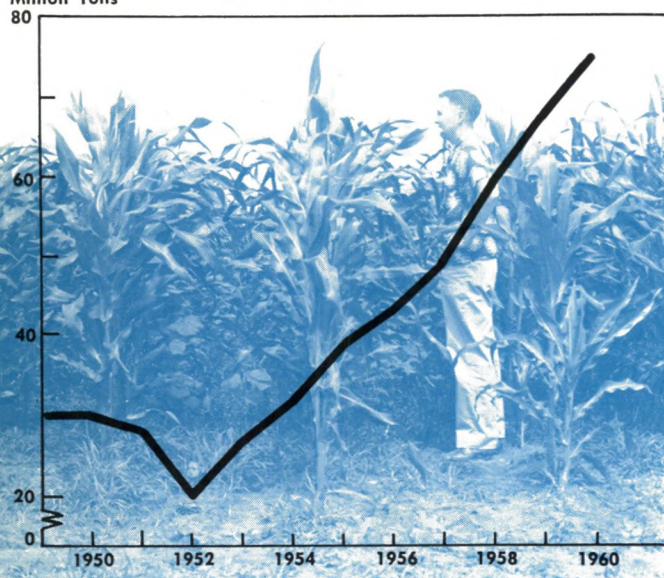
Recent print cloth buying has been largely for the purpose of filling the gaps in current needs and has, therefore, been somewhat slow and intermittent. Some mills seeking to move these goods in larger volume for forward delivery are reported to have made further price concessions. Thus the price of the bellwether 80x80 print cloth, which ranged from 20¼ to 21 cents per yard a year ago, has recently been quoted at 17¼ cents. Some special types of fabric, such as corduroys and synthetics, have remained in relatively strong demand. But most of the large volume items are still subject to relatively weak or fluctuating market conditions.

The week of July 4 has traditionally been vacation week in the textile industry. Last year, lagging demand and mounting inventories prompted many mills to extend their vacation time to two weeks. Some mills, especially print cloth producers, are again shutting down for an extended period, but the movement

CARRYOVER STOCKS OF FEED GRAINS

UNITED STATES

Million Tons



Feed grain production has exceeded utilization since 1952. As a result there has been a steady increase in carryover stocks.

is by no means as widespread as it was a year ago. Most firms in discussing vacation plans have expressed their intention to close for the week of July 4 only or to vary their schedules so that different mills will be closed different weeks.

Better conditions are present in most other textile markets. Knit goods have continued to show more strength than the rest of the industry. Knitters have confirmed their optimism by placing large orders for third quarter and some orders for fourth quarter yarn deliveries. Weaving yarns have also been quite active, and much of the industry's third quarter production has reportedly already been sold.

NATIONS TO CONFER Representatives from all important textile-trading countries will meet in Geneva later this summer to attempt to negotiate mutually satisfactory trading arrangements. The Department of State initiated the conference at the request of the President. Spokesmen for seven European countries, Canada, and the United States are now meeting to make plans for the Geneva talks.

FEED GRAIN PROGRAM Farmers' signup in the 1961 emergency feed grain program—a government program designed to stop the buildup of the nation's feed grain surplus—went “over the top” in the District as well as in the nation. The nation's carryover stocks of feed grains are at an all-time high and have been growing rapidly, being now about four times larger than they were nine years ago. The goal set by

the Administration was to divert at least 20% of the average 1959-1960 corn and grain sorghum acreage to conservation uses. When the signup ended on June 1, about 35 out of every 100 eligible farmers in the District had contracted to cut their 1961 corn and grain sorghum acreage. The nearly 93,000 farmers who signed up agreed to take almost a million acres out of production this year. This represents 22% of the corn and grain sorghum acreage that District farmers had intended to plant before the emergency legislation was enacted.

Farmers participating in the program are eligible for higher support prices not only on 1961 crops of corn and grain sorghum but also on this year's barley, oats, and rye. They are in addition receiving payments in cash or in grain for each acre diverted to sound conservation practices.

The law permitted about one-half of these payments to be made during the spring. Thus through June 1, District farmers had already received \$12.1 million in cash. The estimated total payment of around \$26 million is equal to about one-third of last year's cash receipts from corn and grain sorghum marketings. It will, however, amount to only about 10% of the total value of these two crops, since much of the harvest is fed directly to livestock.

Farmers responsible for two-fifths of the District's corn acreage and nearly three-fifths of the grain sorghum land during the past two years volunteered for the program. Almost all of them seem to have diverted the maximum acreage permitted, as the diversion averaged 54% of the corn land and nearly two-thirds of the grain sorghum land.

The proportion of eligible farms taking part in the program varies considerably among District states, ranging from nearly one-fourth in Maryland to almost three-fifths in West Virginia. Total acreage to be diverted ranges from 9,500 acres in West Virginia to 544,000 acres in North Carolina. Land diverted per farm averages about 11 acres for the District as a whole but runs as high as 19 acres in Maryland. Advance payments also varied. Totals ranged from \$162,300 in West Virginia to nearly \$7.7 million in North Carolina and average payments per farm from \$114 in South Carolina to \$284 in Maryland.

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