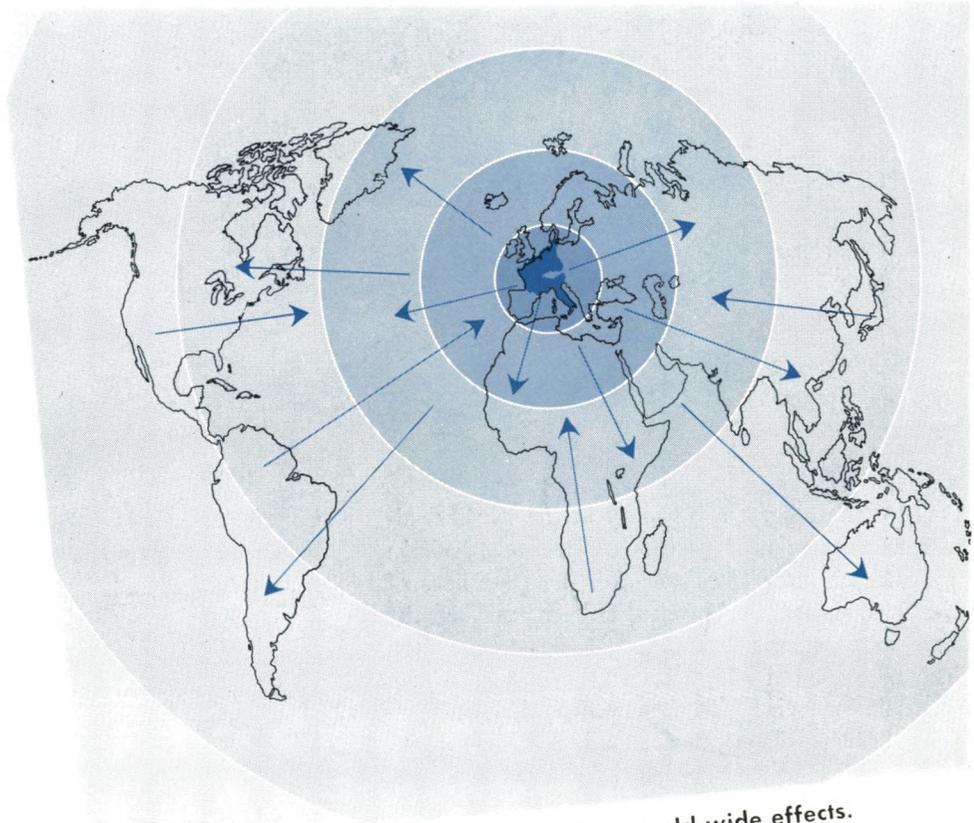


MONTHLY REVIEW



The European Common Market has world-wide effects.

FEDERAL RESERVE BANK OF RICHMOND

DECEMBER 1961

The Common Market



Perhaps the biggest news story in the world trading community in 1961 was Great Britain's decision to join the Common Market. When the Treaty of Rome was signed in March 1957 establishing the European Economic Community or the Common Market, the United Kingdom was unwilling to give up national sovereignty to the extent which membership in the new European economic club seemed to require. Over four years later, in August of this year, England decided to cast her lot with the "inner six" (the countries of Belgium, the Federal Republic of Germany, France, Italy, Luxembourg, and the Netherlands, which compose the Common Market). There are several delicate points yet to be negotiated, but the general expectation is that her membership will be approved, perhaps within a year. Some of the other countries of the European Free Trade Association (Europe's other trading bloc, frequently called the "outer seven") will likely seek membership in the near future.

The Common Market is an important force in world economic affairs, and the expansion of the Community will serve to enhance its influence and effectiveness. Therefore, it is well to know what the

Common Market is, what it hopes to accomplish and how, and the progress it has made toward its goals.

WHAT IS THE COMMON MARKET? In its economic aspects, a dominant feature of the Common Market is the fact that it is a customs union, an organization of states which maintains a common tariff against the trade of outside countries but within which goods move duty free. Europe has had customs unions before—for example, the German Zollverein in the 19th century, the Benelux union founded in 1944, and the European Coal and Steel Community established in 1952—but the Common Market is different in at least two important respects. First, it is larger than any of its predecessors. Secondly, it is not limited to particular commodities but embraces all of the goods which enter into international trade. When the customs union becomes fully effective after a transitional period of 12 to 15 years, the trade of the Common Market will resemble the foreign and domestic trade of the United States. Acting as a single country, the European Economic Community (EEC) will levy a common duty on goods originating outside the Common Market; but goods destined from one member nation to another will pass duty free just

as goods pass from Pennsylvania to New York.

The Common Market is more than a customs union, however. It has political overtones. Certain of its founders viewed the economic arrangements of the Common Market as simply the means by which a more important objective would ultimately be achieved—namely, the political integration of Western Europe into a federal union similar to that of the United States. Whether taking this extreme view or not, all of the founders recognized the political implications of the Common Market. They realized that implementing the economic policy of the Rome Treaty would require both a high degree of cooperation among the member states and the creation of supranational agencies.

SIZE AND IMPORTANCE How large is the Common Market, and what is its economic importance? The above map of the Common Market superimposed on the map of the continental United States gives a rough idea of its size. The population of this area is only slightly smaller than that of the United States, and when Britain joins the population of the Common Market will exceed that of the United States by some 40 million. To show the probable geographic growth of the Community, those countries which may join or become associate members in the near future have been superimposed in gray. In addition to the actual members of the EEC, there are several associate members, principally in Africa. The geographic extent of the Common Market, therefore, is really larger than the map above indicates. The associate members are given special consideration in that they may maintain certain tariffs even after the transitional period in order to protect infant industries and promote development objectives.

Although the gross national product of the European Economic Community, when converted into dollars on the basis of 1960 exchange rates, is only 36% of that of the United States, its external trade is roughly equal to ours. In 1960 the Community's exports to nonmember states amounted to \$19.5 billion and our export trade to \$20.3 billion. Its imports amounted to \$19.0 billion and ours to only \$14.7 billion. In dollar value of goods exported and imported, the United States is the most important trading nation in the world. However, the Common Market nations collectively are at least as important, and increasingly they will function as a unit as internal trade barriers are gradually reduced and as common external tariffs are gradually established. As producers of basic industrial goods the Common Market countries compare favorably with the United States. After Great Britain's membership is ap-

proved, the Common Market will outproduce the United States in such basic commodities as hard coal, iron ore, crude steel, and cement.

The point is simply this. The Common Market is important today, and it is going to become increasingly important as new nations join and as commercial integration is effected.

PURPOSES AND POLICIES The immediate and obvious objectives of the Common Market are economic in nature: to raise the European level of living, to revive those areas in Europe which have been bypassed by economic development, and to promote development in those overseas territories and countries which are associated with the Common Market. But behind the scenes and ever present is the political aspiration to restore Europe's importance in world affairs.

How are the economic goals to be achieved? In broad outline the method is to integrate the economies of the member nations by eliminating barriers to movement of goods, labor, and capital across national boundaries. This will encourage specialization of production. In response to the wider market area, a country's efficient industries will expand, perhaps realizing economies of scale; but because of the increased competition a nation's inefficient industries will wither away. The end result will be a large trade area within which each nation will produce those commodities and services for which its resources are best suited. In this way, the people of the Common Market will enjoy a higher level of living through a larger volume of goods and services provided at a lower per unit cost. The free flow of capital and labor will have essentially the same effect.

Unfortunately, not all of the increased trade between member states will be newly created trade. Some of the increase will be the result of trade diversion—trade captured by member states from lower cost outside producers. In this case, the nonmember states involved will be hurt by loss of export markets, and in the long run both member and nonmember nations will be injured by the resulting inefficient use of the world's resources.

Elimination of trade barriers and free movement of productive resources across national boundaries will also have adverse effects on the welfare of some groups and regions in the member states. For example, investors in industries forced out of business by competition from other Common Market countries will suffer capital losses. Laborers, trained in particular jobs and tied to their community by family and cultural ties, may be both unable and unwilling to find jobs in new industries in other areas. Reduc-

tion of trade barriers must thus be accompanied by measures to minimize these adverse effects. Further, the opening of trade makes the economy of each national state more susceptible to developments abroad. For example, the inflations, depressions, and balance of payments problems of any nation in the Community will be transmitted fairly directly to the economies of all the states. Consequently, the monetary and fiscal policy pursued by one state is of vital concern to all the others.

In essence, then, integration involves three things: (1) reduction of restrictions on trade and resource movements and establishment of a common external tariff, (2) cooperation to minimize the adverse effects of resource reallocation, and (3) coordination of monetary and fiscal policy. The Treaty of Rome has made provision for each of these. In addition, special provision has been made to encourage movement of capital into underdeveloped areas. For this purpose two investment funds have been established, the European Investment Bank for member states and the Development Fund for associate members.

PROGRESS IN THE COMMON MARKET Toward the reduction of national barriers to trade and resource movements, the EEC has made considerable progress. By January 1, 1961 internal tariffs on industrial goods had been reduced to 70% of the basic duty (the average of tariffs which prevailed on January 1, 1957) and tariffs on agricultural commodities to 75 or 80% of the basic duty. This is creditable progress since the treaty requires a reduction of only 30% by December 31, 1961.

Progress in quota dismantlement has been even more rapid. The treaty provides that global quotas will be enlarged on the average by 20% annually and that each quota shall be expanded by 10%. In a meeting in May 1960 a decision to speed up implementation of the Rome Treaty required that quotas in the industrial sector be completely abolished by the end of 1961. Elimination of quotas in other sectors has proceeded either on schedule or somewhat ahead. As provided by the treaty, export tariffs and quotas will be completely eliminated by the end of this year.

In the realm of freeing resource movements and the supply of services, progress has been less tangible. Much of the time since the treaty went into effect on January 1, 1958 has been spent studying these complex problems. Studies have been made of the free movement of workers within the Community, the freedom of establishment (the right of a person to move from one nation to another and set up a shop or business), and the free supply of services. With-

in the near future, actions to implement the recommendations of these studies can be expected.

What progress has the Community made in achieving a common economic policy? The Common Market is working toward increased cooperation in a number of areas—monetary and fiscal problems, economic development, agriculture, transportation, and social problems. Limitations of space permit only a brief discussion of two of these—monetary and fiscal problems and social problems.

With the growth of internal and external convertibility, the coordination of business cycle policy has become increasingly important. The Community has a Monetary Committee which was created by the treaty to study monetary and financial problems; and in addition, the Commission, which is the administrative arm of the EEC, has created a Committee on Policy Relating to Economic Trends to keep tab on business conditions. Many of the recommendations of these committees are implemented by the Commission, and the committees have other advantages as well. They are composed of high ranking officials of the various governments and central banks, and their association through committee meetings naturally leads to cooperation even outside the framework of the Common Market institutions.

The social policy of the Community aims not only to minimize the injuries to workers which result from economic change but also to equalize and to raise the working and living conditions of labor in the member states. In this connection the Commission has made a sample survey of the working population of the Community, has made forecasts of the population and working population by age groups for the period 1960 to 1970, and is conducting a study of the underemployment problems of the member states. By way of immediate action, it instituted a program to train about 10,000 Italian workers for jobs in the Federal Republic of Germany and the Netherlands. These are just a few examples of the ways in which the Community is cooperating to make the Common Market a smooth functioning economic unit. Progress has been made in other areas as well.

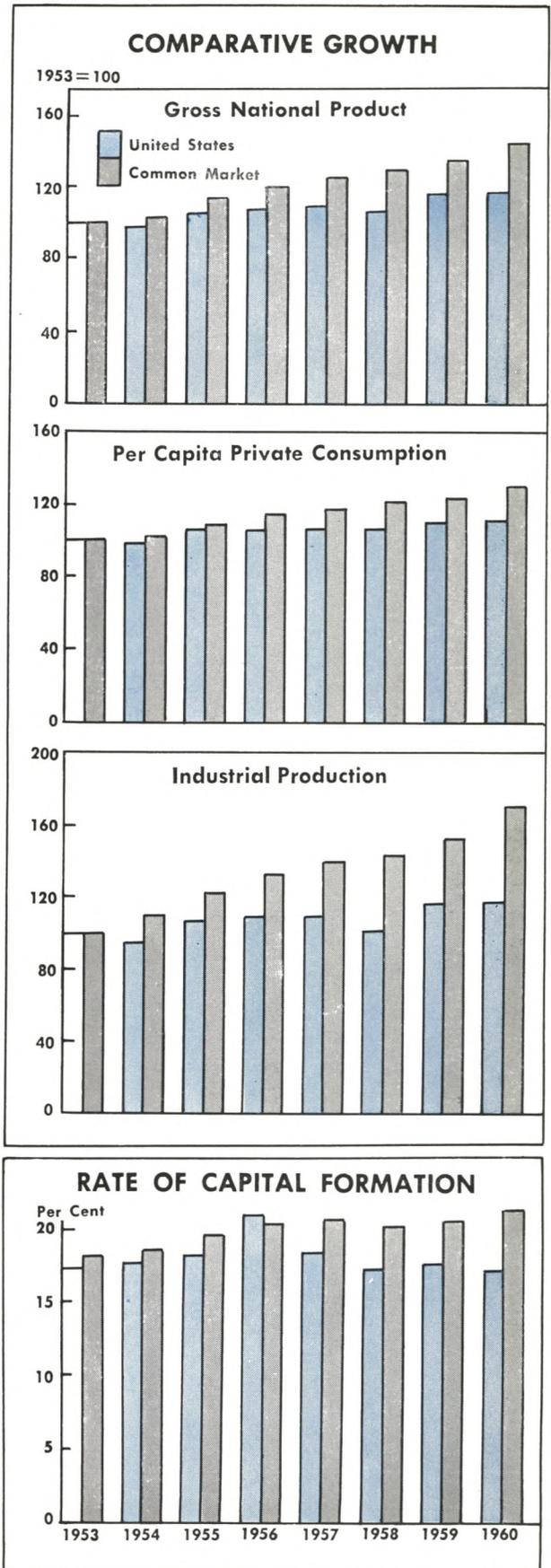
EXTERNAL POLICIES How well is the Community cooperating with the outside world to reduce trade barriers and promote a system of multilateral payments? There was some concern at the time of the Common Market's founding that discrimination against the goods of outside countries would engender retaliation, and that mutual retaliation would result in a wave of protectionism around the world. Others expected the opposite result—given a liberal attitude on the part of the Common Market and a willingness

to negotiate or extend unilateral tariff reductions. Fortunately, evidence is bearing out the latter expectation. The EEC took the first step toward tariff reduction on January 1, 1959 by reducing tariffs 10% across the board, and in December 1959 this reduction was granted to all signatories of the General Agreement on Tariffs and Trade to the extent that it did not reduce tariffs below the ultimate common level. Another indication of a liberal attitude was the decision to reduce by 20% the ultimate level of the common external tariff. Still another was the liberalization in 1960 of quotas against the dollar area and against other Western European countries. The countries of the Common Market expanded their quotas *vis a vis* the dollar area as follows: Germany, 2.7%; Benelux, 8.0%; France, 17.0%; and Italy, 12.0%.

In the field of agriculture, the EEC has been less liberal. Like many other nations, the Common Market countries are trying to maintain domestic agricultural prices above their world market levels. To do this, it has been necessary to restrict imports of farm products.

GROWTH The economy of the Community is enjoying a rapid rate of growth, as can be seen from the adjoining charts which compare the United States and the Common Market as to growth of gross national product, per capita private consumption, and industrial production. In all cases the Common Market has made gains relative to the United States. The improvement in industrial production is particularly striking. The basis for this growth can be seen in the last chart which shows gross domestic investment as a per cent of gross national product. (The chart employs the United Nations' definition of gross domestic investment, which includes capital expenditures by business, public enterprises, and government.) Over the period the proportion of GNP which the United States has invested has tended to decline, while the proportion invested by the Common Market has tended to increase. In each of the past four years the Community has invested over 20% of its gross output, but the United States has invested on the average only 17.5%.

But the best evidence of the vitality of the Common Market is the willingness of the United Kingdom to join. The performance of the European Free Trade Association, which Great Britain formed as a counterpart to the Common Market, has definitely been second best; and most of the members of the EFTA will probably join the Community eventually. The Common Market seems destined to play a larger role in world economic affairs.



Monthly Review looks at . . .



DULLES INTERNATIONAL AIRPORT

Dulles International Airport, built to link the nation's capital with other major cities around the world, is scheduled to open in October 1962—just four years after the first trees were felled on its 9,800-acre site near the northern Virginia village of Chantilly. It will be the world's largest airport and the first planned especially for jet travel. Over 1 million persons are expected to use the passenger facilities at Dulles during its first year in operation, between 3 and 4 million within five years of its opening.

Dulles International is designed to provide the latest in service, comfort, and convenience for air travelers. Twenty-seven miles of limited access highway will link the airport with the nation's capital. A parking area that will hold 8,500 cars is being built. Four helicopter pads will accommodate air commuter traffic, and a general aviation area to be located east of the terminal building will provide a site for privately sponsored hangar and servicing facilities. The terminal building is a single, compact structure built on two levels to enable passengers to arrive and depart with a minimum of confusion or delay. Ticket counters, baggage check counters, an attractive concession area, and "docks" to serve the mobile lounges which will transport passengers to and from the jet aircraft parking apron half a mile away will be located in the main concourse. Luggage pick-up stations, additional telephones, hotel accommodation desks, and other facilities needed mainly by incoming passengers are to be grouped together on the lower level. Travelers and visitors who wish to stay overnight can be accommodated at a \$4 a night, 200-room hotel to be built near the access highway.

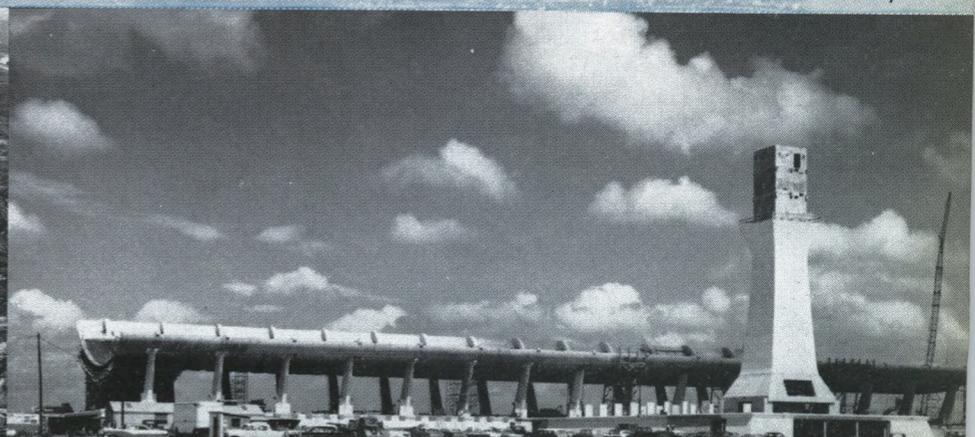
Although the first jet will not depart from Dulles International until late in 1962, the rise in employment and the increase in business already generated by the airport foreshadow its eventual impact on the area. The airport will employ approximately 500 workers during its first year in operation and from 5,000 to 7,500 if traffic increases as expected. Land values have risen and quadrupled since the Government purchased land for the airport. Plans are growing apace for new residential, commercial, and industrial developments to serve those who will come to work, those who will come to travel, and those who will come just to visit this ultramodern air travel center which is also expected to become one of the Washington area's major tourist attractions.



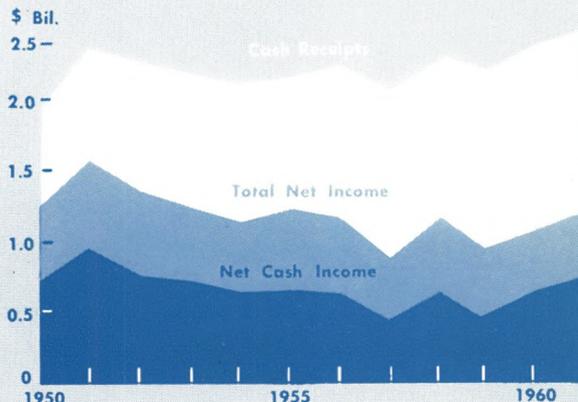
One end of the mobile lounge is designed to mate with aircraft at door level. Passengers will thus be protected from heat, cold, rain, or snow as they enter or leave their plane.

Three runways—two 2.2 miles and one 1.9-mile-long—will serve Dulles. A 1,000-foot-wide tree belt around the perimeter of the field will help to muffle the noise of arriving and departing jets.

With its curved roof, soaring piers, and clear glass walls, the terminal building lends a look of tomorrow to Washington's jet airport built to serve world travelers of today.



FARM OPERATORS' INCOME

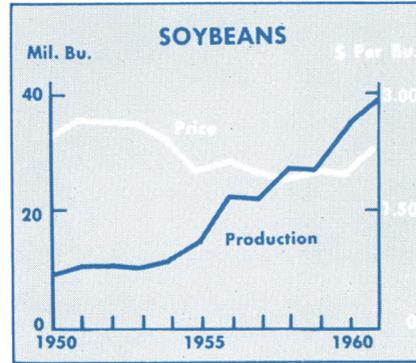
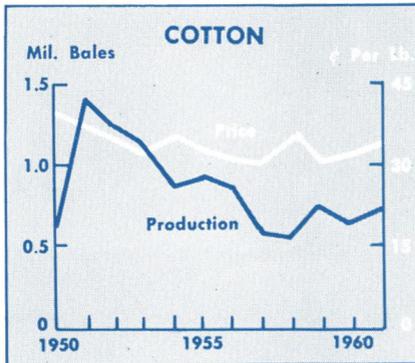
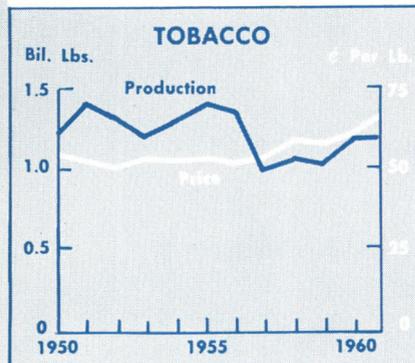
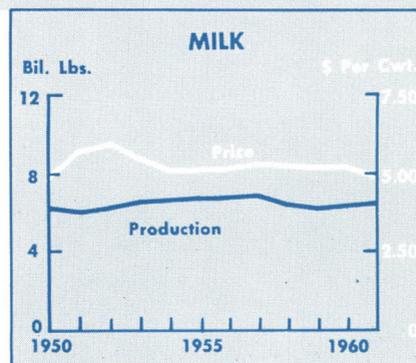
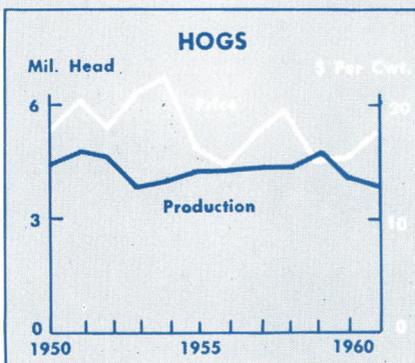
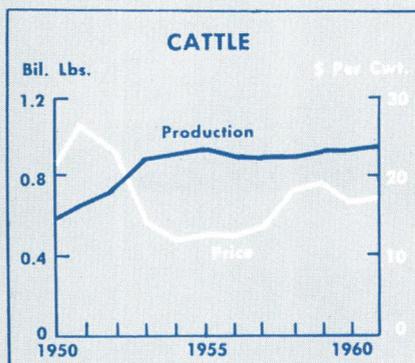


The Record—1961

The Outlook—1962

FIFTH DISTRICT AGRICULTURE

The Record, 1961—"record high season average price for flue-cured tobacco . . . smallest cotton carryover since 1953 . . . rise in cotton price support level . . . large swing in soybean prices . . . soybean crop up 27% . . . increased steer and heifer slaughter . . . reduction in cow and calf slaughter . . . expansion in milk production . . . spring pig crop up . . . good hog year pricewise through September"



The Outlook, 1962—"further gain in domestic use of flue-cured . . . smaller cotton exports, but an increase in mill consumption . . . soybean prices linked more closely to CCC price support operations . . . increase in pig crop . . . lower hog prices . . . lower slaughter cow prices . . . larger CCC purchases of dairy products . . . fed cattle prices next spring not expected to break as sharply as this year"

As 1961 closes, it appears that receipts of Fifth District farmers during the year rose on the strength of price increases for major crops, a higher volume of livestock marketings, and more Government payments under the new feed grain program. Thus, in both years of the new decade, receipts have surpassed the highest gross cash income attained during any year of the Fifties. Net income in 1961 probably also rose in reflection of the advance in the gross. Although higher production expenses have reduced net cash income below levels prevailing a decade ago, fewer farm families now share in the total. As the chart on the left shows, farmers also receive much of their income in the form of use of their farm dwellings and consumption of their own products.

Agriculture in the District is complex. Each commodity has a unique supply and demand relationship; thus producers of one commodity can be prospering while next door the growers of another are in trouble. To assess the record and outlook for agriculture, one must look at the price and production record and outlook for each of the major products.

Economists of the U. S. Department of Agriculture did just that last month. In four days of sessions comprising the annual Outlook Conference, they presented a review of this year and a forecast of the next. Outlook statements made in this article are based on the published proceedings of the Conference. Some quotes from the Conference accompany the charts which show Fifth District production and prices of major farm products. The quotes necessarily pertain to the whole nation rather than just the Fifth District.

CASH CROPS Tobacco is the king of Fifth District cash crops. Almost one-third of all farm receipts come from the golden leaf. A big price rise—averaging about 7%—made the headlines in all market towns this fall. Demand was strong as exports were up 10% and domestic tobacco manufacturers used more tobacco for the second year in a row, following several years during which the advent of filters and new production processes had enabled manufacturers to make more cigarettes without using more tobacco. Another rise in domestic consumption is forecast for next year, but some of its effect on demand may be offset by a small reduction in flue-cured exports.

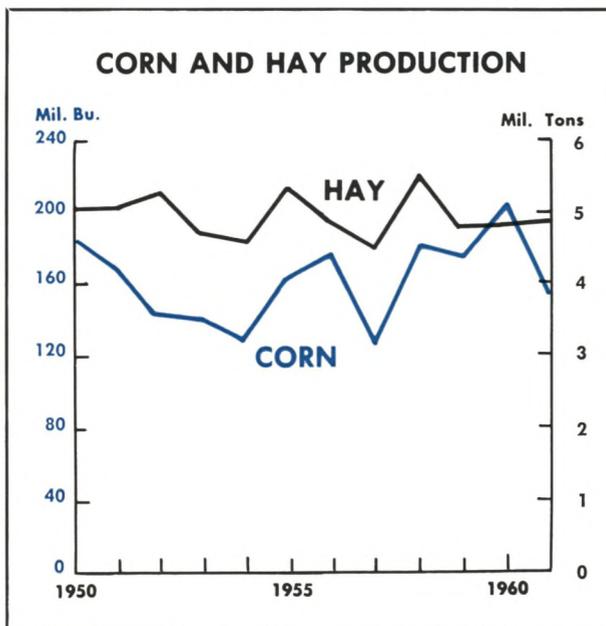
Both cotton and peanut growers received significant price boosts in the form of higher support prices. Current national stocks of both products are large enough to preclude a farm price much above the support rate. Use of cotton by domestic mills is expanding in response to higher business activity, but the effect on stocks is likely to be more than offset by a reduction in exports.

Soybeans have emerged as a major cash crop in the District. Output has quadrupled since 1954 and the value of production now exceeds that of peanuts. The nation's stocks of soybeans were about exhausted at the beginning of this year's harvest, and increased production was encouraged by higher market and support prices. The production response was so great, however, that a relatively large carryover into the 1962 harvest is now in prospect. Domestic use will absorb about 65% of the crop, so the strength of export demand is a vital factor. The chief competitor in soybean exports, Communist China, will probably continue to be unable to ship large quantities.

Aside from the demand prospects set forth at the Outlook Conference, a number of other factors influence the outlook for the cash crops. Government supports set a floor under their prices, surplus stocks of all except tobacco prevent any big price increases, and acreage restrictions are likely to prevent much expansion except in soybeans. Thus, with the exceptions noted and in the absence of significant changes in Government programs, a logical conclusion is that any change next year in the fortunes of growers of these crops is most likely to come via changes in yield and quality—factors closely associated with the unpredictable weather.

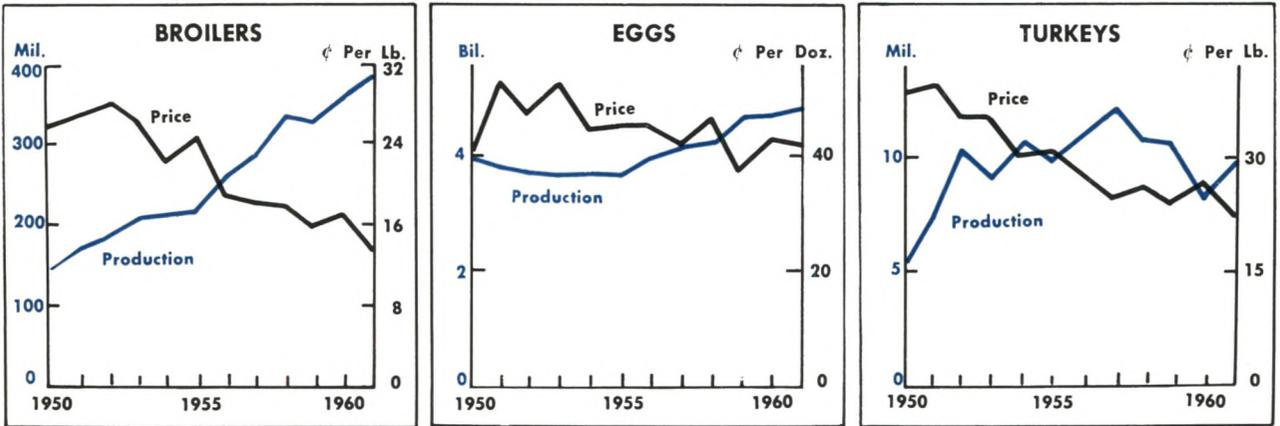
FEED CROPS In analysis of farm statistics, the natural emphasis on cash income often obscures the role of crops which support the District's animal in-

1961—"The feed grain program . . . will reduce carryover of feed grains by 5.4 million tons . . . an agreeable and historic prospect."



1962—"Feed grain prices . . . will probably average a little higher . . . prices will also be influenced by sales of corn by CCC"

1961—"contraseasonally high egg prices in first quarter . . . prices now significantly below year ago, but encouraging an interest in egg-type chicks . . . broiler output at least 12% greater than in 1960 . . . recent prices lowest since monthly records began . . . turkey production up 26% . . . lowest turkey prices since 1941 . . . broiler and turkey producers are entering 1962 from a position of abject misery."

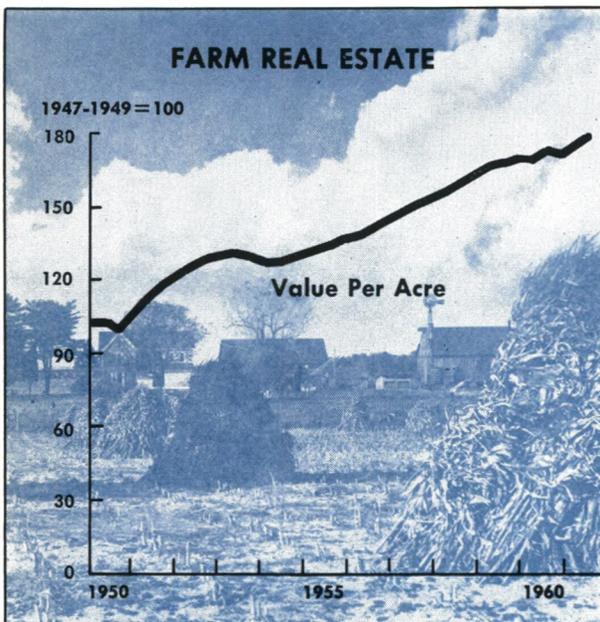


1962—"poultry meat prices are so low that a witty superficial observer might say the only way they have to go is up. This is probably true, but . . . I do not yet see any positive manifestations of the kind of supply shrinkage that it would take to push them up. . . . by summer the nation's laying flock will be larger than in 1961 . . . so 1962 doesn't look like as good a year for egg producers as 1961"

dustry. However, fully three-fifths of the District's cropland is used for feed grains, hay, and pasture. District production of the major feed grain, corn, was cut by nearly one-fourth under the Government's program to reduce feed grain acreage. Farmers who diverted acreage from corn and grain sorghum received \$26 million in cash payments, roughly one-half of the value of the crop that would normally have been produced on this land. A similar program will be in effect in 1962.

LIVESTOCK Cattle and hog producers are faced with

1961—"renewed strength . . . appears to be in response to . . . rapid recovery in the nonfarm sector . . . and higher farm income."



1962—"prices . . . to edge moderately upward through mid-1962, although at a slower rate than prevailed between 1955 and 1959."

the fact that the national volume of marketings is in the upturn phase of the production cycles of these commodities—the phase during which a downward drift in prices is normal. Prices of fattened steers and heifers are expected to hold up fairly well in 1962, but a decline in cow prices is forecast for next fall. Hog prices next fall will depend on the amount of expansion in the spring pig crop. The rise of 4% currently expected nationally would not have serious price consequences, but expansion greater than 5% could bring sharply lower prices.

POULTRY Prices of broilers and turkeys dropped sharply during 1961. In many cases, however, farmers growing birds under contract were protected from the full impact of the price change, and in the Carolinas they may have received some offsetting benefit from higher volume. Greater national production is responsible for the current price situation, and it is only by a reduction in supply that near-term price improvement can be attained. However, the size of current breeder flocks points to maintenance of high supply in 1962.

Egg producers fared a little better pricewise than other poultry growers in 1961, but here again indications are that by next summer the national laying flock will be larger than a year earlier, putting downward pressure on prices.

THE BALANCE SHEET On the average, it appears that the financial position of farmers improved somewhat in 1961, particularly in the Carolinas. The upturn in income may also have affected the balance sheet by supplying strength to the farm land market. In 1960 it looked as though the long rise in land values had halted, but prices rose again in 1961.

THE FIFTH DISTRICT



The improvement of business conditions in the Fifth District has proceeded at a very gradual pace in recent weeks, but the principal broad indicators do show good gains over comparable levels of last year. Seasonally adjusted bank debits, measuring the broad sweep of District business activity as reflected in total payments made by check, rose again in October after dropping in September. The high October figure—exceeded only in May and August of this year—was 8% above last year's monthly average. For the year to date, bank debits are running 4% ahead of 1960 and 8% above 1959.

EMPLOYMENT GAINS WIDESPREAD Most areas of nonfarm employment have continued to show small monthly gains after seasonal adjustment, indicating that the rising trend is fairly widespread even though not particularly strong. The number of jobs in manufacturing and trade remained virtually unchanged. Employment increases were strongest in construction and services. The number of workers in transportation, communication, and public utilities and in finance, insurance, and real estate increased moderately in October, and mining employment rose slightly for the third month in a row. Among the broad categories of employment, government was the only one to decline significantly between September and October. Total nonagricultural employment in October was 1% higher than in the same month last year.

MAN-HOURS UP ON BALANCE Although manufacturing employment in October was unchanged from the previous month, there were small increases in hours worked and, consequently, total factory man-hours rose slightly. The records of particular industries, however, showed considerable variation, as has frequently been the case in recent months. Three durable goods industries advanced enough to offset declines elsewhere, producing a small gain in man-hours for the group as a whole. The first of these, transportation equipment, jumped 16% in response to a faster pace in shipyards and motor vehicle assembly plants. The remaining two, lumber and furniture, registered moderate gains. A slightly stronger trend in residential construction helped the lumber business to move up again after declining in September, and although October's figure was only slightly

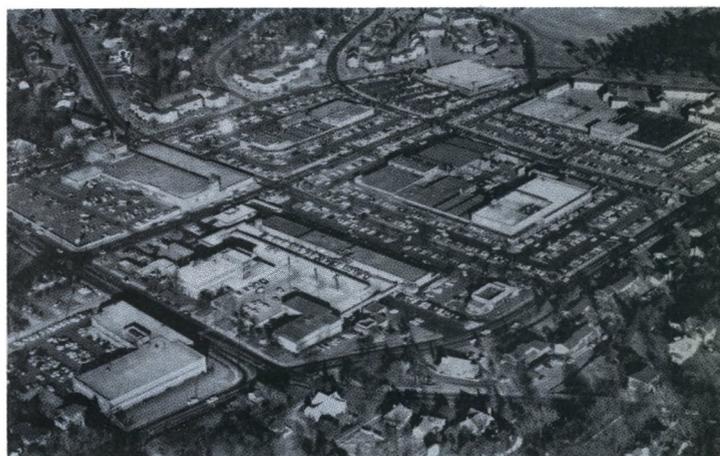
greater than those of April and August, it did represent the high for the year thus far. Furniture manufacturers anticipated a successful fall market by increasing man-hours (seasonally adjusted) to the highest level since June 1960. Compared with October of last year, total man-hours in durable goods manufacturing were up 4%. Only lumber and wood products and fabricated metals still lagged behind their respective year-ago levels.

SLIGHT GAIN FOR NONDURABLES September-to-October changes in seasonally adjusted man-hours of the District's principal nondurable goods industries were about evenly divided between increases and decreases. The net result, however, was about the same as in durables—a small gain. The industries that increased man-hours were foods, paper, and chemicals, while reductions occurred in tobacco manufactures, textiles, and apparel. Printing and publishing remained unchanged.

Industries reporting higher October man-hour figures this year than last displayed various degrees of improvement. Textile mill man-hours exceeded their year-ago level by 7%. Most of the other October-to-October increases were in the 2% to 4% range.

In only three important nondurable goods industry groups were October man-hours below their year-ago levels. Each of these—food, tobacco, and printing and publishing—is an industry which typically

Suburban centers—larger, more numerous, and more attractive each year—bespeak retailers' determination to meet shoppers' needs.



operates under growing demand conditions. With the business recovery already several months old, their failure to equal last year's records even in a single month prompts a search for the probable cause. One possibility is a difference in the timing of seasonal factors between this year and last. Long-run changes—such as result from technical progress, shifts in demand, and changes in patterns of competition—might also contribute. Or, in spite of general business improvement, these specific industries may have suffered setbacks of a cyclical nature.

The record shows that the food industry so far this year has failed to surpass last year's man-hour levels in only two months—September and October. Tobacco man-hours were below 1960 levels in six months—January, April, May, June, July, and October. Local labor market reports suggest that seasonal developments, such as recent employment decreases in seafood packing and tobacco processing, probably explain these relatively few failures to top 1960 figures. Man-hours in printing and publishing, on the other hand, were below corresponding 1960 levels in May, and again each month from July through October—enough to eliminate unusual timing of seasonal variations as an explanation of this year's reduced activity. Instead, according to industry sources, a variety of long-run adjustments have adversely affected the printing business this year. For some time, acquisitions of new equipment and, more recently, mergers have been increasing capacity while reducing the number of jobs. On the market side of the picture, several lines of commercial business are in a downward trend. For example, the textile and garment industries, seeking ways to cut costs, have reduced the size and number of tags and labels that they use. Developments of this kind have reduced the volume of business available to District printers.

INCOME GAINS AT FASTER PACE According to estimates published by *Business Week* magazine, personal income in the Fifth District rose each month from the recession low last February through September, the latest month for which an income estimate is available. In recent years, the net impact of seasonal factors has been such as to produce fairly stable levels of personal income from January through July, sharp increases in August and September, then gradual declines through the final three months of the year back to the January-July level.

The sharp rise in income between July and September is clearly visible each year and has averaged 7.5% over the last three. This year the July-September rise was 8.5%, and personal income for the month of September was estimated to be 4.2% above

the level one year earlier. For the first three quarters of 1961 personal income averaged, respectively, 2% and 7% higher than the average levels for comparable periods of 1960 and 1959. Evidence available from the more current employment and man-hour statistics, and from scattered reports obtained from various District areas and industries, suggests that personal income probably bettered normal seasonal expectations in October and November.

"DAY OF JUDGMENT" The tension and pressures, the opportunities and successes of businessmen reflect, among many other things, the "hazards" of the free market. Products and services are judged daily by an almost numberless jury of consumers. No manufacturer or distributor can survive for long if this impartial and impersonal court of last resort rejects the goods he offers for sale. For him every day is judgment day, but the Christmas season contains the most critical judgment days of all. In the opinion of many, perhaps most, of these suppliers of goods and services, the "consumers' court" has acted with undue deliberation so far this year.

Statistics lend support to such contentions. The contrast between the steady rise in personal income estimates and the uneven behavior of sales is immediately apparent. A closer comparison of these two indicators, however, reveals more serious evidence. Retail sales may have remained steady, or even declined, as income rose. As already noted, total personal income from January through September 1961 was estimated to be 2% higher than the similar total for 1960 and 7% greater than for 1959. Sales of retail firms having from one to ten stores and dealing in virtually all kinds of consumer goods are tabulated for the Fifth District. For the first nine months of 1961, these figures actually show decreases of 2% and 1% compared with 1960 and 1959, respectively. Department store sales are a little ahead of last year, but about even with 1959. From all indications car sales in the Fifth District, as in the nation, have recently been rising at an encouraging rate. But again the record for the year as revealed in available statistics is not rosy. For the first nine months of this year, new car registrations were down 12% from 1960 and 4% below 1959. A strong finish indeed will be needed to put 1961 in the running as a record year for retail sales.

PHOTO CREDITS

6. & 7. Federal Aviation Agency 10. Southern States Cooperative 11. Cameron Village, Incorporated.