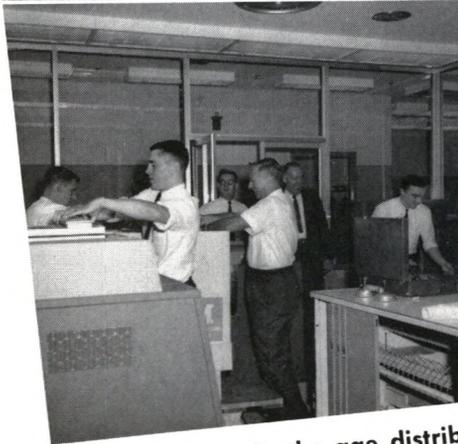


MONTHLY REVIEW



Changes in the age distribution of the country's population have important economic implications.



THE POPULATION'S CHANGING AGE STRUCTURE

Population changes play a vital role in the performance of the economy and have been a major factor in the extended prosperity experienced in this country since World War II. This applies not only to growing overall numbers, which have an obvious and immediate effect on the aggregate demand for goods and services, but also to changes in the age characteristics of the population. Changing age composition exerts an impact not only on the volume of goods and services demanded, but also on the kinds of goods and services which must be produced to meet this demand. It also affects importantly the skills and the mobility of the labor force, as well as its overall supply.

On the average, the population of the United States is growing younger. While life expectancy has been extended significantly, population has increased most rapidly in the more youthful age groups and as a result, the average age has been lowered. This trend has been evident since the early 1950's, and one of its clearest manifestations to date has been the increasing pressure for additional educational facilities to accommodate the growing school- and college-age population. Probably more significantly, the economy has been called upon to provide each year more and more new jobs suited to the capabilities of young persons entering the labor force.

This article examines recent and prospective changes in the age structure of the population and discusses briefly their economic implications. Because of the breadth of the subject, only the broader related effects are considered. The reader who is especially interested in population changes can find more detailed information in the "Current Population Reports," published periodically by the Bureau of the Census, and the "Population Bulletin," published eight times a year by the Population Reference Bureau, Inc. of Washington, D. C.

The Figures The shift toward a youth-dominated age structure reverses a long standing trend in American history. From the beginning of the nation until the 1950's, the average age of the population moved

steadily upward. Between 1820 and 1900, the median age, which divides the younger half from the older, rose from 16.7 years to 22.9 years. After 1900, the rise was more rapid. By 1950, the median had reached a peak of 30.2 years. The current reversal has reduced the median age rapidly. At the end of last year, it had fallen to 28.5 years. Bureau of the Census analysts now expect the trend to a more youthful age structure to continue at least until 1975 and possibly beyond 1985. By 1970, according to the most conservative Census forecast, half the population will be under 27.4 years of age.

The primary factor in the current trend has been the continuation of the post-World War II baby boom. In 1946, the first full year of the boom, there were 3.3 million live births in the United States, approximately 500,000 more than in 1945. In 1946, the birth rate per 1,000 persons in the total population rose to 24.1, up 3.7 from the previous year. The rate peaked the following year at 26.6 but remained above 24 until 1960. The number of births continued to rise, reaching a maximum of 4.3 million in 1961. Last year the rate fell to 21.7 per 1,000, but because of the increased size of the population, the number of births was only about 200,000 below the 1961 record.

Census experts now expect that the number of births will increase each year through 1985, assuming that peace and prosperity are maintained. Their most conservative projection, Series D, shows the average annual birth rate during the period increasing from an average of 19.9 between 1965 and 1970 to 20.9 between 1975 and 1980. According to this projection, the number of births per year will decline slightly until 1967 and then rise steadily to the 5-million-a-year mark in 1985. The Series A projection, the highest of the four current population forecasts, predicts an annual average rate of 24.1 between 1965 and 1970 followed by five-year averages above 25 until 1985. This would mean a continuous increase in the number of births, with nearly 7 million in 1985.

The effects of the continuing baby boom upon the

age structure are shown in the chart at the bottom of this page. Between 1940 and 1950, the number of children in the age group under five increased 54%, reflecting the large number of births during and immediately following the war. The number of preschool children increased by another 25% in the next decade, while the ranks of the kindergarten- and grammar-school-age group, 5 to 13, grew by 47%. At the same time, the number in the high-school-age bracket, 14 to 17, increased 33%. The lower birth rates since 1960 have slowed the rate of increase at the preschool levels, while both the high-school- and college-age groups have grown by approximately 20%.

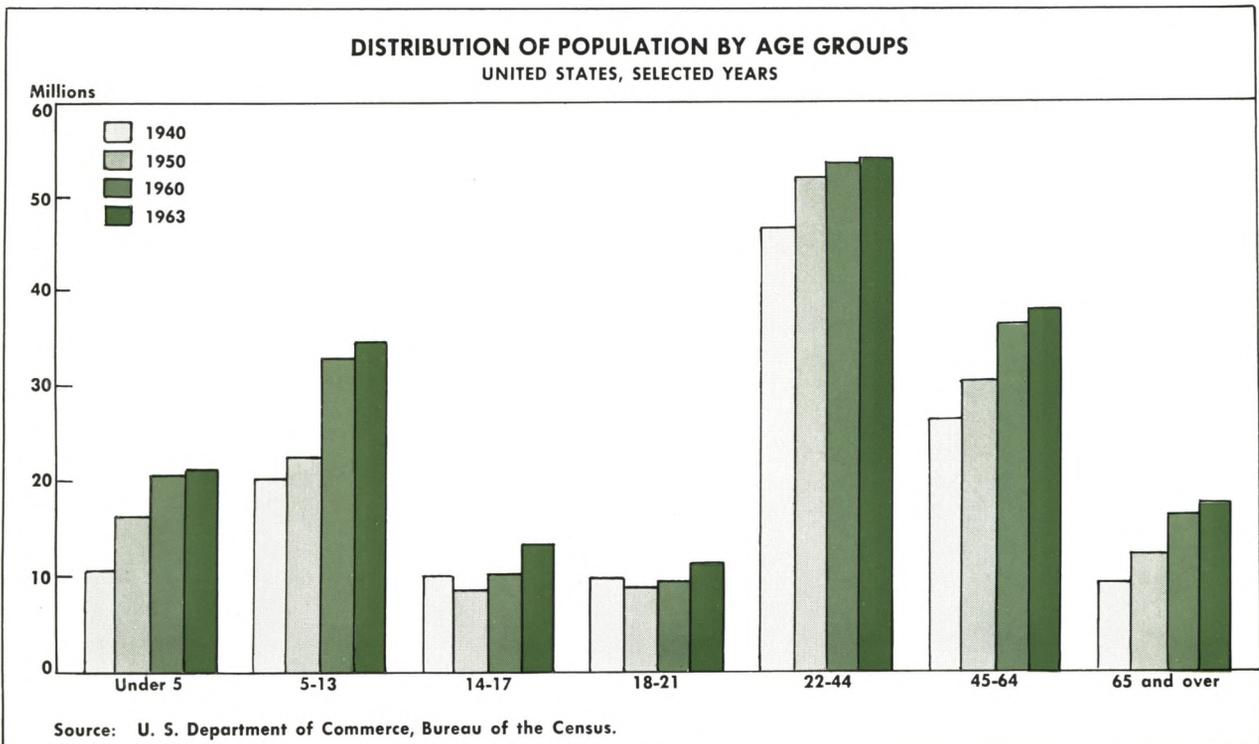
If the Census Bureau's conservative projections are correct, the number of preschool children will decline slightly during this decade, and the size of the 5-to-13-year group will increase only 12%. According to the high-level projections, however, both groups will again register increases, the younger group gaining around 18%, and the older about 15%. In either event, the high-school-age group is expected to increase 39% and the college group 56% as the initial wave of postwar births reaches these age brackets.

The number of older people also has increased appreciably since 1940, due largely to continuing medical progress and wider distribution of its bene-

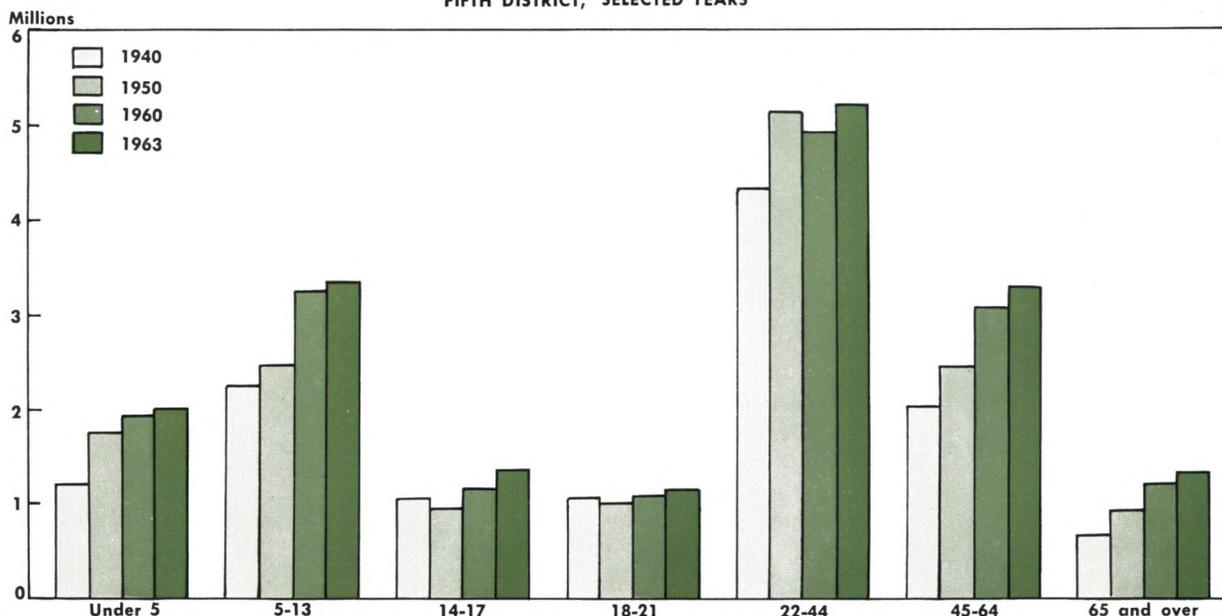
fits. As illustrated in the chart, the number of people over 65 rose 36% between 1940 and 1950, 32% between 1950 and 1960, and should rise another 21% in this decade. In addition, the number of people 45 to 64 years of age has been increasing rapidly for some time. During the last two decades, their numbers rose by 16% and 20%, respectively. Another 15% rise is expected to occur between 1960 and 1970. These increases in the older groups, however, have been overshadowed by the rising number of children and young people.

Changes in the District Changes in population age structure in the Fifth District have differed but little from those in the nation as a whole, as the chart at the top of page 4 illustrates. The minor differences which have been evident have been chiefly in the rates of change among various age groups. Since 1940, the number of children and younger people has grown less rapidly in the District than in the nation, even though birth rates in the five states and the District of Columbia generally have been above the national average. This has been due in large part to the outmigration of younger families with their children. The slight decrease in the District's 22-to-44-age group between 1950 and 1960, the only difference in direction of change, also reflects the effect of outmigration.

Throughout the period 1940 to the present, the



DISTRIBUTION OF POPULATION BY AGE GROUPS
FIFTH DISTRICT, SELECTED YEARS



Source: U. S. Department of Commerce, Bureau of the Census.

number of retirees and older working people has increased more rapidly in the District. One reason for this has been net in-migration of older people into the District. Another has been the marked reduction in the death rate, particularly in Maryland, Virginia, and South Carolina. Death rate reductions in those states have been more than twice as great as the average reduction for the nation.

Because of the difficulty of predicting migration, the Bureau of the Census does not project changes in the age structure of state populations. If the changes since 1960 can be taken as indicative of prospective trends, it would appear that the past relationship between District and national changes will hold throughout this decade.

Some Broad Effects Perhaps the most significant effect of recent population change has been psychological. Despite various problems which have arisen as the population has increased, the growth has generally been viewed as beneficial, in and of itself. This attitude has been an important factor helping to create the aura of optimism pervasive in the economy throughout most of the postwar period. The feeling that the future had to be bright because population was expanding has been fairly widespread.

More concretely, businessmen have seen in the growing number of younger people an opportunity to introduce more and more new products appealing to youth. In the last several years, automobile manu-

facturers have designed models specifically for the younger set. Garment makers have made available an increasing number of styles for teenagers. The toy market, oriented entirely to the youngest consumer group, has expanded at a rapid pace, and toy departments of stores in every part of the nation have been filled with a variety which would have overwhelmed customers 20 years ago. The extent to which businesses generally are now directing their efforts toward selling to a younger group of consumers is evident in magazine and television advertising. Potential buyers are exhorted to "be lively" and "think young."

The increased number of older people has had less effect upon the demand for goods than upon that for services. This is especially true in the case of medical services and is reflected in the figures on spending for medical care, which show a better than 100% increase between 1950 and 1963. It is reflected also in the current debate about a Federally-sponsored program of medical insurance for the retirement-age group.

The Demand for Housing Population changes have had a marked effect upon the housing market. In recent years, the rapid rate of population growth has provided the stimulus for a high level of residential construction activity. As families with children moved to the suburbs during the late 1940's and the 1950's, the demand for single-family homes

steadily gained strength. By 1959, new housing starts of private one-family dwellings had risen to slightly more than 1.2 million. The current outlook for residential construction appears generally favorable, since even the most conservative Census forecast sees a population increase of more than 10 million between now and 1970.

It seems likely, however, that there will be a continuing shift in the type of living-space demanded, with more people looking for apartments rather than houses. Until last year, the demand for new one-family homes showed a distinct tendency to taper off, while a growing share of total construction outlays was being channeled to the building of apartments. In large part, this trend could be explained by the increasing number of single working people and young families, as those born in the immediate postwar years reached the working and marriage age. Also, many of the growing number of older couples were apparently returning to apartment living. Census projections suggest that, despite the recent downturn in apartment construction, the shift away from one-family homes might be expected to accelerate during the remainder of this decade.

The Demand for Education As the number of young people has grown, there has been tremendous pressure on the nation's school system. Between 1950 and 1963, elementary school enrollment rose 7.4 million and secondary enrollment 9.2 million. The effects of this pressure have been evident all over the nation. Construction of new physical facilities has created by itself a small boom, as annual capital outlays have risen from \$664 million in 1950 to \$3.2 billion last year. In the seven years from 1955 to 1962, the number of elementary and secondary school classrooms was increased by more than 300,000. A more important and less easily filled need has been that for more public school teachers. While the task is by no means completed, institutions of higher learning have done a remarkable job in helping to fill the teacher gap. From 1950 to 1963, the number of elementary school teachers increased 321,000 and the number of secondary teachers 326,000.

Colleges and universities also have experienced growing pressure. Enrollment in institutions of higher learning rose 1.8 million between 1950 and 1963, necessitating an increase in faculty of almost 200,000. Complete figures on outlays for plant expansion are not available, but state-supported institutions alone increased their annual spending from \$417 million to \$1.2 billion.

During the 1960's, the rate of increase in enrollment should slow somewhat at the elementary level, but is expected to increase at the secondary and college levels. Clearly, the growth problems of American education are far from over.

Youth and Jobs The most serious single challenge to the economy presented by the rising number of young people has been the need for more new jobs. In the late 1950's, approximately 200,000 persons under 25 were entering the labor force each year. The number is now estimated to be above the 600,000-a-year level and may be expected to increase further. Thus far, the economy has assimilated most of these younger workers, but many observers fear that the task may become increasingly difficult. In the final analysis, the matter would seem to hinge on education. If most of the young workers come to the labor force qualified to handle jobs requiring higher skill levels, they should have only limited difficulty finding employment. Otherwise, however, the picture may be bleak, both for the individual and the economy. Current trends indicate that machines rather than men will be doing many of the low-skill jobs of tomorrow.

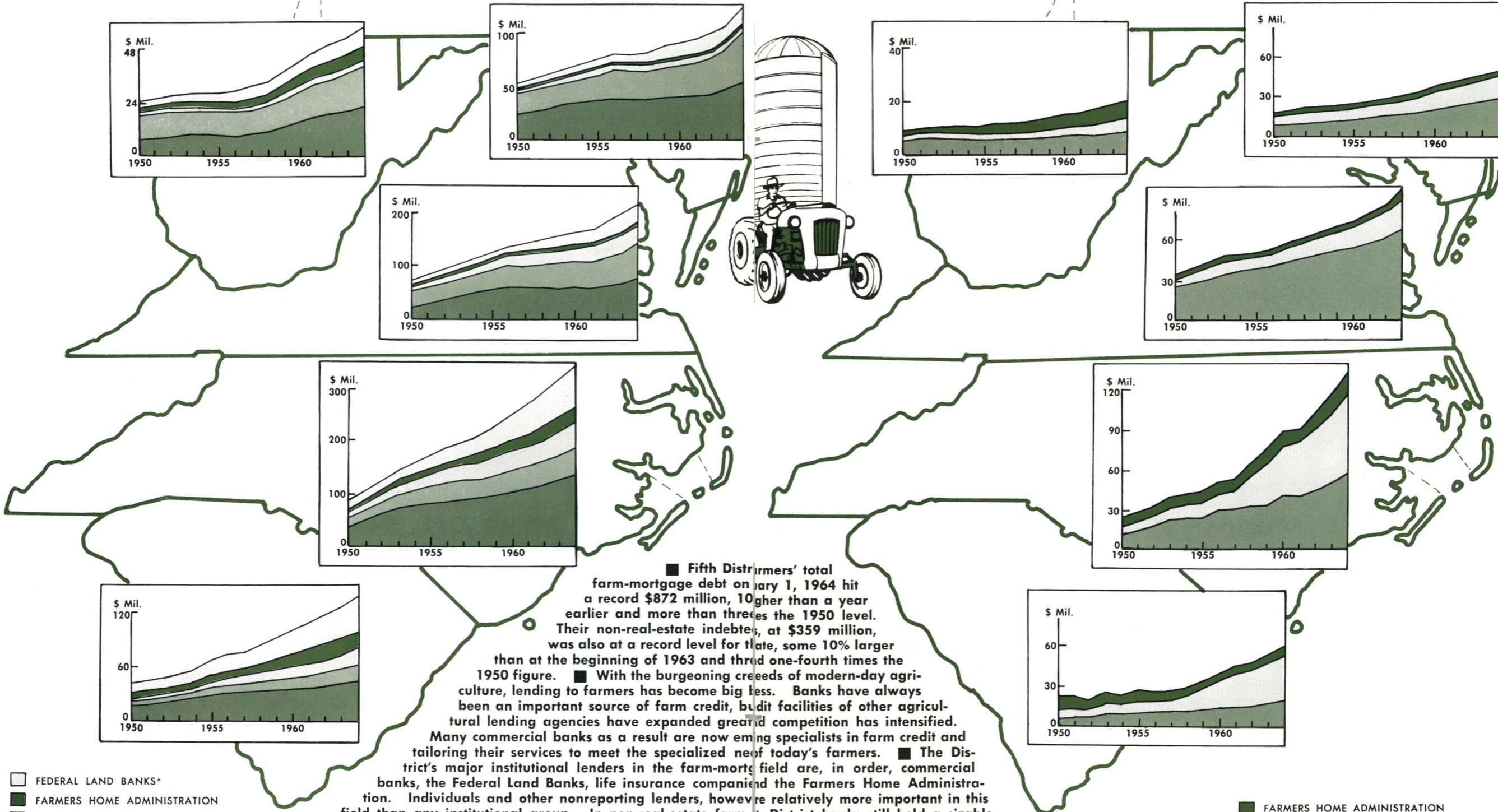
A Final Note For the long run, the implications of the shift to a youth-dominated age structure go far beyond the comparatively minor effects discussed above. There is a distinct possibility that the present trend may continue well past 1985, bringing with it important social changes. As the number of younger people increases, it seems reasonable to assume that our economic and political leadership will be more youthful. Such a trend already is evident on the political scene and, to a lesser extent, in the business world. Also, there should be changes in consumption patterns, probably with more emphasis on goods and services associated with leisure and recreation activities of younger people.

To many demographers, the most significant aspect of the population trend is simply the magnitude of the projected increase in numbers. One hundred years hence, according to the most conservative forecast, there will be three quarters of a billion Americans, compared with less than 200 million now. With the vast resources base at our disposal, and assuming continued technological progress, this projection is no cause for dire concern. But obviously, a four-fold increase in population will necessitate broad changes not only in consumption patterns, but also in the American way of life in general.

WHO LENDS TO FARMERS?

Farm-Mortgage Loans

Non-Real-Estate Loans



■ Fifth District farmers' total farm-mortgage debt on July 1, 1964 hit a record \$872 million, higher than a year earlier and more than three times the 1950 level. Their non-real-estate indebtedness, at \$359 million, was also at a record level for that date, some 10% larger than at the beginning of 1963 and three one-fourth times the 1950 figure. ■ With the burgeoning creeds of modern-day agriculture, lending to farmers has become big business. Banks have always been an important source of farm credit, but credit facilities of other agricultural lending agencies have expanded greatly and competition has intensified. Many commercial banks as a result are now emerging specialists in farm credit and tailoring their services to meet the specialized needs of today's farmers. ■ The District's major institutional lenders in the farm-mortgage field are, in order, commercial banks, the Federal Land Banks, life insurance companies and the Farmers Home Administration. Individuals and other nonreporting lenders, however, are relatively more important in this field than any institutional group. In non-real-estate farm credit, District banks still hold a sizable lead over other lending institutions. Production credit associations are second in importance, with the Farmers Home Administration a distant third. As the accompanying charts show, both the volume and proportion of farm loans held by banks and other major lenders in the District vary considerably from state to state.

- FEDERAL LAND BANKS*
- FARMERS HOME ADMINISTRATION
- LIFE INSURANCE COMPANIES
- ALL OPERATING BANKS
- INDIVIDUALS AND OTHERS

- FARMERS HOME ADMINISTRATION
- PRODUCTION CREDIT ASSOCIATIONS†
- ALL OPERATING BANKS‡

*Includes loans of the Federal Farm Mortgage Corporation. The Corporation's authority to make new loans, except incidental to liquidation, expired July 1, 1947, and its loans were bought by the Federal Land Banks on June 30, 1955.
 †Includes Federal Intermediate Credit Bank loans to and discounts for livestock loan companies and agricultural credit corporations.
 ‡Excludes loans guaranteed by the Commodity Credit Corporation.

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FINANCING FEDERAL DEFICITS

Deficits in the Federal Government's budget undoubtedly exert an impact upon the economy, although there is some disagreement among observers as to the nature and magnitude of the influence. Any increase in the Government's spending relative to its receipts is likely to have at least some direct effect on total expenditures and hence on aggregate demand for goods and services. Moreover, increases in the Government's demand for loan funds will likely affect interest yields and may influence spending by the general public by encouraging the substitution of liquid earning assets for money balances.

In addition to these broader effects, deficits exert important effects on the economic system's monetary and financial mechanism. The ultimate impact depends to a significant degree on the kinds of disturbances introduced in this mechanism, and these, in turn, hinge on the manner in which the deficits are financed. This article examines the alternative channels for financing Federal deficits with a view to assessing their effects on bank reserves, on the public's holdings of money and Government securities, and on interest rates.

It should be pointed out at the beginning that the impact of an increase in Government expenditures or a reduction in taxes is expansionary, causing real national income to increase if there is some underutilization of resources, or prices to increase if resources are fully employed. When the Federal Government adds to the spending stream by paying out more than it takes away in taxes, the injection of spending stimulates the economy unless wholly offset by a decline in private spending. Whether or not this "fiscal" impact of the deficit will be amplified or partially or wholly offset will depend on the method of financing.

Financing Alternatives In general, the Federal Government can finance an excess of expenditures over receipts in any of four ways. It can (1) draw down its cash balances, (2) sell securities to the nonbank public, (3) sell securities to the Federal Reserve, or (4) sell securities to commercial banks. These alternatives are not mutually exclusive, of course, and in actual practice some combination of them is generally utilized. For clarity, however, it is probably desirable to describe the effects of each separately.

Drawing Down Cash Balances To take a concrete example, suppose that Federal expenditures in

a given quarter exceed revenues by \$1 billion, leaving a deficit of that amount to be financed. If the Treasury were able and willing to draw down its cash balances, it obviously could finance the deficit without borrowing.

The economic and financial effects depend to a considerable extent on whether the Treasury reduces the deposit balances it holds at the Federal Reserve or those held at commercial banks. If the Treasury finances the entire deficit by drawing down balances at the Federal Reserve, the result will be more expansionary than if balances are reduced in tax and loan accounts at commercial banks. Checks drawn on the Federal Reserve to cover the deficit wind up as an increase of \$1 billion in private deposits in commercial banks. When the checks are presented for collection at the Federal Reserve, member bank reserve accounts increase by the same amount. Since only part of the additional reserves are needed to back the increased private deposits, the excess reserves provide the base for a multiple expansion of bank credit and the money supply.

In actual practice, however, financing a deficit by drawing down cash balances is less expansionary than implied above. As a matter of policy, the Treasury keeps its working balances at the Federal Reserve at a fairly constant level. Consequently, it would probably issue a call on its tax and loan accounts at commercial banks in order to replenish its balances at the Federal Reserve. This would have the effect of unwinding the changes described in the previous paragraph, and member bank reserves would be the same as at the beginning. The only substantive change would be the increase in the statistically measured money supply resulting from the transfer of Treasury deposits at commercial banks, which are not counted as part of the money supply, to private deposit accounts, which are included in the money supply statistics.

This method of financing would clearly not offset the stimulative "fiscal" impact of the deficit. Rather it would probably provide moderate additional stimulus, since the public's liquidity position would be improved as the result of its acquisition of new money balances formerly held by the Government.

Selling to the Nonbank Public Should the Treasury sell \$1 billion worth of certificates, notes, or bonds to the nonbank public and spend the proceeds, the public would wind up with the same amount of

money (demand deposits) as before but with \$1 billion more in securities. Moreover, commercial banks would find their reserve positions unchanged from the initial level.

This can be illustrated with the following T-accounts. (a) If the nonbank public buys \$1 billion of securities from the Treasury and pays for them with checks drawn on deposit accounts at commercial banks, clearing the checks would involve the following changes at commercial banks and Federal Reserve Banks:

COMMERCIAL BANKS
Billions of Dollars

Assets		Liabilities	
Reserves	-1	Private Demand Deposits	-1

FEDERAL RESERVE
Billions of Dollars

Assets		Liabilities	
		Member Bank Deposits	-1
		U. S. Treasury General Account	+1

(b) As the Treasury spends the \$1 billion, the public deposits it in commercial banks, and the changes above are reversed.

COMMERCIAL BANKS
Billions of Dollars

Assets		Liabilities	
Reserves	+1	Private Demand Deposits	+1

FEDERAL RESERVE
Billions of Dollars

Assets		Liabilities	
		Member Bank Deposits	+1
		U. S. Treasury General Account	-1

The net effects on the balance sheets of the Fed and the commercial banks are, of course, nil, and all relevant accounts return to their pre-deficit values. There is, however, an increase of \$1 billion in the Government securities holdings of the nonbank public resulting from the public's acquisition of the new bonds.

Does a Federal deficit financed in this way give

the economy an expansionary boost? No definitive answer to this question is available, but most analysts would probably answer in the affirmative. Although the public as a whole ends up with the same amount of money (demand deposits) as before, a redistribution of money within the public sector has occurred. Those who bought the Government securities voluntarily adjusted their liquid asset positions, giving up money for bonds, thereby indicating they did not need the money for immediate spending. On the other hand, those who received money as a result of the Government's fiscal operation acquired something of a windfall and presumably would soon adjust their rate of spending to their new higher incomes. Thus, it can be argued that a rise in the velocity of money occurs.

On the negative side, it should be noted that the increased supply of securities on the market tends to push interest rates upward, thereby tending to restrain private spending for goods and services by making expenditures for financial assets relatively more attractive. Spending may also be reduced as rising interest rates result in capital losses on the public's fixed-income assets.

Selling to the Federal Reserve At the other extreme, the Treasury could finance the deficit by selling securities to the Federal Reserve. The central bank would pay for the securities by crediting the Treasury's account. When the Treasury pays out the proceeds, the public's money holdings rise. Deposit of the new money in banks raises bank deposits and reserves in identical amounts and creates excess reserves which may be used for credit and monetary expansion. The result would be clearly expansionary.

In terms of T-accounts, the effects may be traced out as follows:

(a) The central bank buys \$1 billion of securities from the Treasury.

FEDERAL RESERVE
Billions of Dollars

Assets		Liabilities	
Government Securities	+1	U. S. Treasury General Account	+1

(b) The Treasury spends the proceeds with the public, which deposits them in commercial banks.

COMMERCIAL BANKS
Billions of Dollars

Assets		Liabilities	
Reserves	+1	Private Demand Deposits	+1

FEDERAL RESERVE
Billions of Dollars

Assets	Liabilities
	Member Bank Reserves +1
	U. S. Treasury General Account -1

Both the public's money holdings and commercial banks' reserves increase by the amount of the deficit. Additional monetary expansion would then take place as banks put their excess reserves to work.

In fact, however, substantial deficits cannot be permanently financed by selling securities directly to the Federal Reserve. The System is authorized to buy securities directly from the Treasury, subject to the restriction that the amount outstanding cannot exceed \$5 billion at any time. This is regarded by the Treasury only as a source of temporary accommodation, and in practice the authority is almost never used.

Selling to Commercial Banks The economic effect of financing a deficit through selling securities to commercial banks would vary, depending on the action taken by the Federal Reserve. If the central bank did not supply member banks with reserves with which to purchase the Treasury securities, the economic impact would be much the same as if the Treasury had sold securities to the nonbank public. If, on the other hand, the Federal Reserve supplied reserves equal to the amount of the bond issue, the effect would be the same as if the Federal Reserve had bought the securities directly. Many intermediate possibilities obviously exist between these extremes. The System, for example, might decide to supply just that amount of reserves which would enable banks to acquire the Treasury issues without liquidating other earning assets.

To elaborate the first case, assume the commercial banks were fully loaned up, having no excess reserves. The commercial banks could purchase \$1 billion of Government securities only by liquidating an equivalent amount of loans and/or investments. Such liquidation would reduce the public's holdings of money by \$1 billion, exactly offsetting the increase resulting from the Government's excess of expenditures over tax receipts. So far as the commercial banks are concerned, the net effect would be nothing more than a substitution in bank portfolios of Government securities for other loans and/or investments. If banks bought the new securities by liquidating other investments, the economic impact would

be almost precisely the same as if the Treasury had sold the new securities to the nonbank public. The public would end up with the same amount of money as before but with \$1 billion more in securities (those liquidated by the banks). Interest rates would tend to rise, and the expansionary impact of the deficit would be partially offset. If banks made room for the new Governments by letting loans run off, the result would be slightly different. Instead of ending up with more securities than before, the nonbank public would wind up with less indebtedness.

On the other hand, if the central bank provided the commercial banks with reserves equal to the amount of the deficit, banks could buy the new Governments without liquidating other loans and investments and have reserves to spare. When the Treasury disbursed the proceeds of the bond sale to meet its obligations, the Government checks would be deposited in commercial banks and private deposits would rise by \$1 billion. Since bank reserves would increase by a like amount, the result would be identical to that achieved when the Federal Reserve bought the securities directly. Only a fraction of the reserves would be needed to support the new private deposits, and a multiple expansion of bank credit and the money supply would result as banks lent and invested their excess reserves.

Summary Assuming that member banks operate with a minimum of excess reserves, as they have in recent years, the economic effect of financing a deficit through the banking system depends primarily on the action taken by the Federal Reserve. If the System supplies no additional reserves, purchases by commercial banks are virtually equivalent to purchases by the nonbank public. If the System supplies reserves equal to the amount of the new Treasury issue, purchases by banks are equivalent to direct purchases by the Federal Reserve. The critical question, therefore, is not who buys the bonds but what course of action the central bank decides to follow. This in turn depends primarily on economic conditions. If a national emergency requires a large increase in Government expenditures at a time when labor is fully employed and prices are rising, restrictive monetary policy would be in order. At the other extreme, with national income falling and unemployment rising, appropriate policy might call for aggressive reserve expansion. Between the extremes, proper monetary policy might assume an almost infinite variety of postures. The point is that no method of financing a deficit is inherently "sound." Sound financing will depend entirely on the environmental setting.

THE FIFTH DISTRICT



No feature on the calendar of business events involves more fanfare than the year-end bulge in consumer spending. Earlier each fall, so it seems, store decorations and advertising begin featuring the celebrations that mark the end of one year and the beginning of another. And customers, more cooperative than at any other time of year, eagerly raise their spending power to a seasonal peak with savings from the past and borrowings from the future. To help those whose aspirations are more affluent than their pocketbooks, merchants have steadily liberalized and expanded their credit plans. Although almost everyone participates in this annual shopping spree to one degree or another, few are familiar with the details of its character and significance. A review of retail trade patterns for last year and for this year to date may be as good a guide as any to what may reasonably be expected in the approaching holiday season.

Last Year's Patterns In the absence of seasonal differences, retailers would expect to do about one twelfth of their annual business each month. More than one tenth of last year's business, however, both locally and nationally, was transacted in December. November volume last year was slightly over the monthly average so that November and December together accounted for nearly one fifth of the total for the year.

Nationally, nine main classes of retailing establishments are regularly responsible for nine tenths of all sales. In 1963, food stores accounted for 24% of total sales, automobile and accessories dealers for 19%, general merchandise (mostly department and variety) stores for 12%, gasoline stations for 8%, restaurants for 7%, lumber, hardware and farm equipment dealers for 6%, apparel stores for 6%, furniture and appliances dealers for 5%, and drug stores for 3%. According to 1963 data, the two most important groups, automotive and food, were least affected by seasonal variations. Sales transacted in December amounted to less than one twelfth of the total in the automotive group and slightly more than one twelfth in foods. November last year was a slightly better sales month than December for automotive dealers and just as good as December for foods.

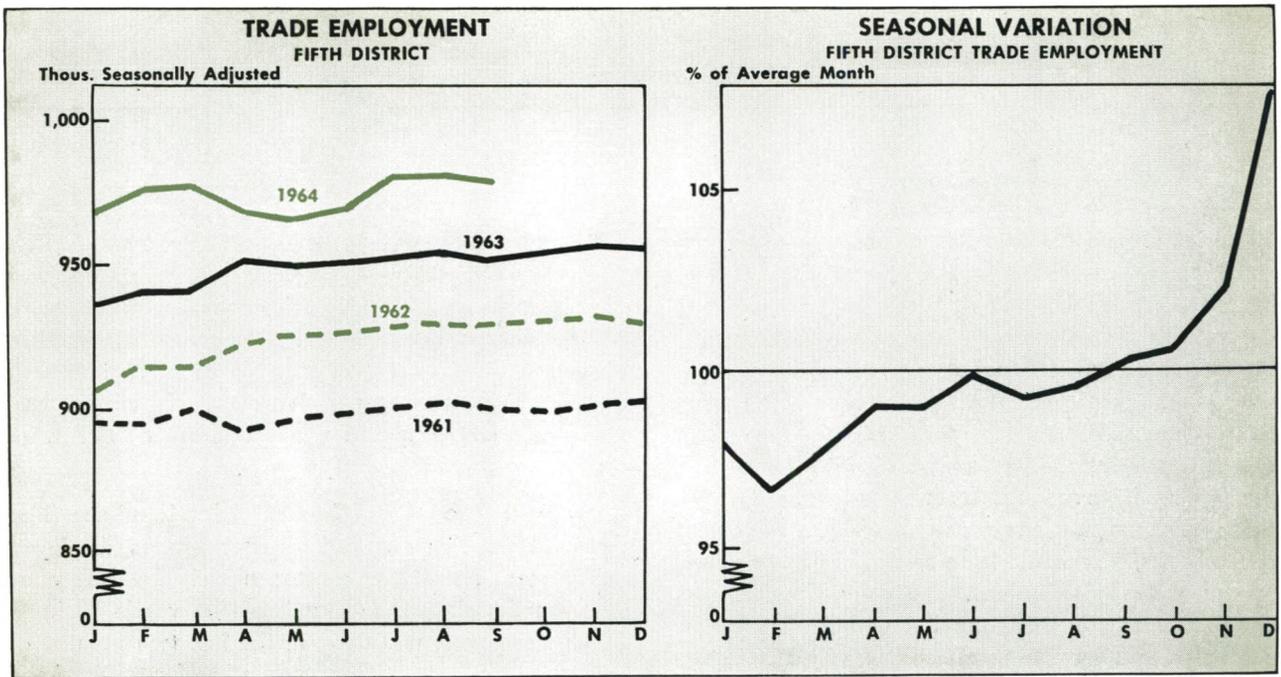
The least important categories showed a moderate response to seasonal influences. For furniture and appliance stores, both November and December were better than average, and the two months together accounted for over one fifth of this group's 1963 sales. For drug stores, however, November was just an average month while December sales were about one third above average.

Strong Seasonal in General Merchandise The general merchandise and apparel groups displayed the greatest response to seasonal change last year. Nationally, about one fourth of the year's business in these groups was done in the last two months of the year, with December accounting for 15% of the annual total. General merchandise stores in the District showed somewhat less year-end concentration than did those in the nation as a whole. In the apparel group, however, the opposite was true, with year-end business relatively more important locally than nationwide.

Department store statistics cover a comparatively small sector of the general merchandise class of retail trade, but one in which year-end volume is unusually important. During the past few years, December has typically accounted for one sixth of annual department store volume in the District, and November and December taken together have normally contributed more than one fourth of total annual sales.

Jobs in Trade at Seasonal Peak To handle the sharp increase in activity toward the end of each year, many extra workers are added to store payrolls. The right-hand graph on page 12 shows the pattern of seasonal growth in District trade employment during 1963. The values plotted are seasonal index numbers with 100% representing the average monthly level.

Trade jobs were consistently under the monthly average early in the year, close to but still below average during late spring and summer, slightly above the monthly norm in early fall, and distinctly above average only in the final two months of the year. More than 17,000 workers were added to trade payrolls in November last year and over 48,000 more in December. As the chart shows, the buildup in District trade employment actually continued slowly but



steadily from the seasonal low in February to the December peak, when the total exceeded one million for the first time. At the end of last year the figure was 84,000 above its midyear level and 117,000, or about 13%, higher than the February low. If the usual patterns prevail, the one million figure will be reached this year in November, and another 50,000 or more will be added in December.

Profits Show Sharp Seasonal Rise To many department and other general merchandise stores, Christmas business is even more important than the employment and sales figures suggest. Year-end business is generally transacted at maximum mark-up. On the other hand, the temporary help tends to be less efficient than the regular employees. But favorable factors, such as good mark-ups and capacity utilization of facilities, more than offset unfavorable ones and produce substantially wider profit margins. The November-December season, which accounts for about one fourth of annual volume, provides an even larger fraction of annual profits.

Growth in Retail Sales Both retailing and wholesaling activities have grown steadily in the District since the current business upswing began nearly four years ago. The left-hand chart above shows the growth of total trade employment during this period. Seasonally adjusted monthly figures for each of the past three years and the current year to date are plotted to emphasize year-to-year growth, which has proceeded at a 3% average annual rate. Seasonal adjustment raises figures that are seasonally low and

reduces those that are seasonally high, using correction factors that represent each month's typical deviation from the average monthly level. Because of seasonal adjustment, none of the figures plotted in the left-hand chart exceeds the one million level.

Since regular monthly estimates of total District retail sales are a relatively recent development, meaningful comparisons between trade employment and sales volume cannot yet be made. Moreover, the period for which sales data are available is too short to allow reliable seasonal adjustment. Under these circumstances, the device of rating this year's performance against last year's, despite many shortcomings, probably provides as useful a picture as any and allows some significant comparisons between the District and the nation.

Using average volume in the first quarter as a base, District retail sales rose 10% through September of this year while the increase for the nation as a whole was 9%. Comparable gains in 1963 were 3% in the District and 5% nationally. Total retail sales for the first nine months of 1964 exceeded those in the same period of 1963 by 8% in the District and 6% in the nation. This 8% rise in District retail sales was accomplished with less than a 3% rise in wholesale and retail employment combined.

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