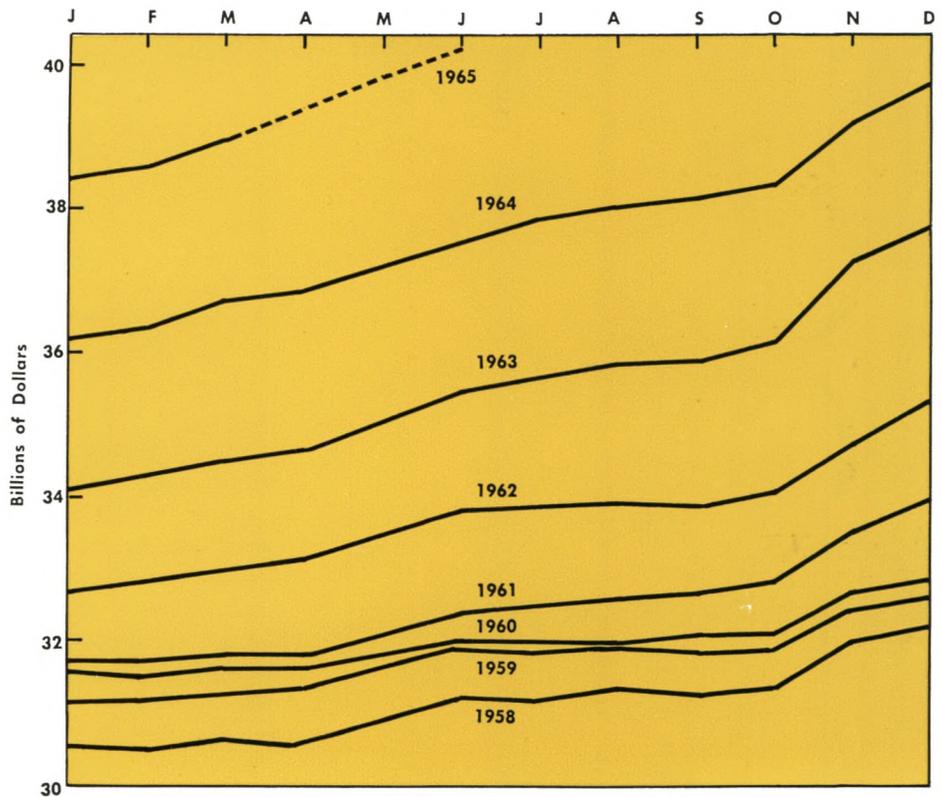
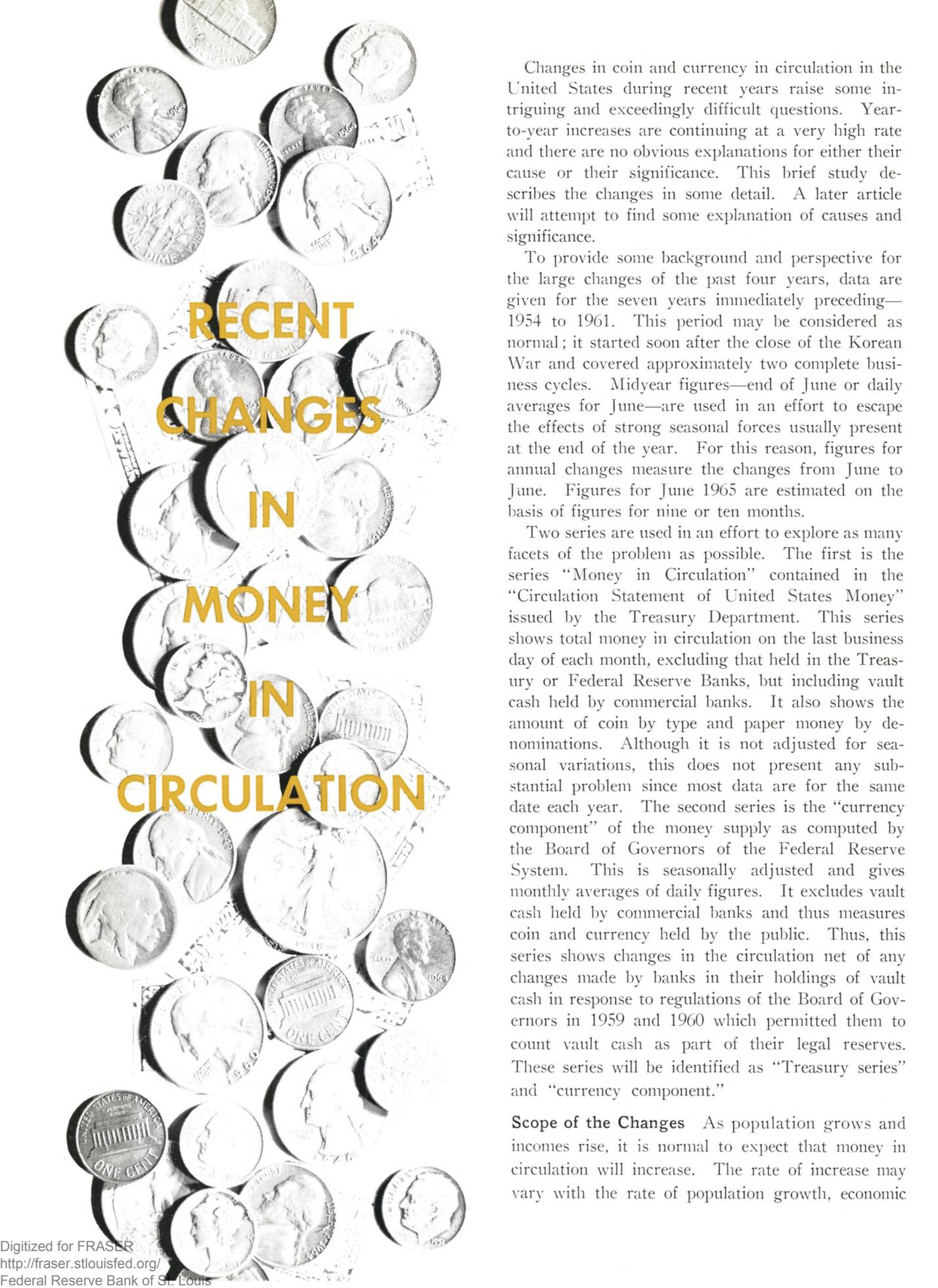


# MONTHLY REVIEW



**COIN AND CURRENCY IN CIRCULATION**  
In the past four years coin and currency in circulation have increased at rates much higher than in previous years.



# RECENT CHANGES IN MONEY IN CIRCULATION

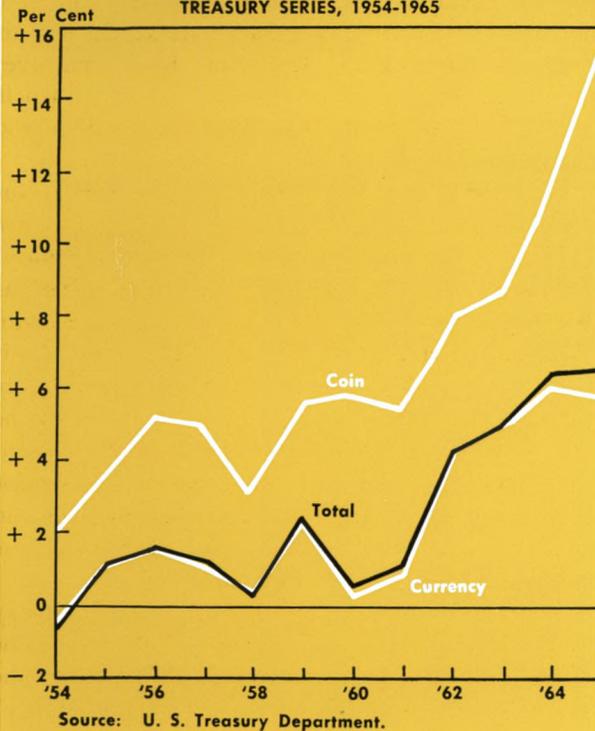
Changes in coin and currency in circulation in the United States during recent years raise some intriguing and exceedingly difficult questions. Year-to-year increases are continuing at a very high rate and there are no obvious explanations for either their cause or their significance. This brief study describes the changes in some detail. A later article will attempt to find some explanation of causes and significance.

To provide some background and perspective for the large changes of the past four years, data are given for the seven years immediately preceding—1954 to 1961. This period may be considered as normal; it started soon after the close of the Korean War and covered approximately two complete business cycles. Midyear figures—end of June or daily averages for June—are used in an effort to escape the effects of strong seasonal forces usually present at the end of the year. For this reason, figures for annual changes measure the changes from June to June. Figures for June 1965 are estimated on the basis of figures for nine or ten months.

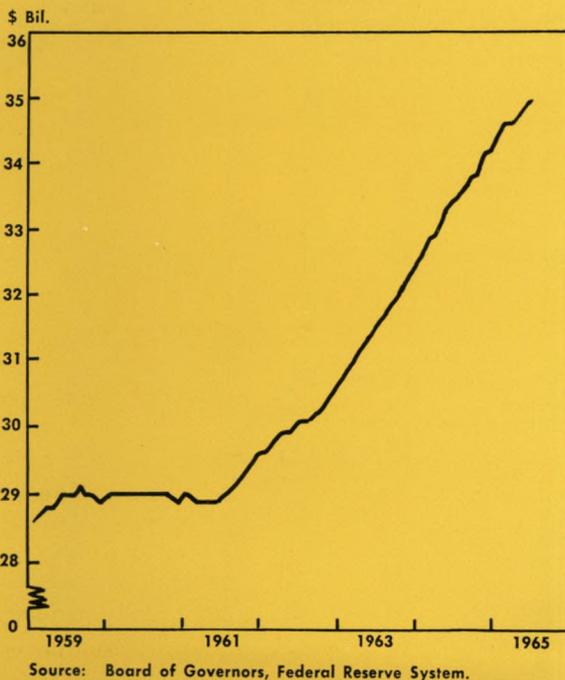
Two series are used in an effort to explore as many facets of the problem as possible. The first is the series “Money in Circulation” contained in the “Circulation Statement of United States Money” issued by the Treasury Department. This series shows total money in circulation on the last business day of each month, excluding that held in the Treasury or Federal Reserve Banks, but including vault cash held by commercial banks. It also shows the amount of coin by type and paper money by denominations. Although it is not adjusted for seasonal variations, this does not present any substantial problem since most data are for the same date each year. The second series is the “currency component” of the money supply as computed by the Board of Governors of the Federal Reserve System. This is seasonally adjusted and gives monthly averages of daily figures. It excludes vault cash held by commercial banks and thus measures coin and currency held by the public. Thus, this series shows changes in the circulation net of any changes made by banks in their holdings of vault cash in response to regulations of the Board of Governors in 1959 and 1960 which permitted them to count vault cash as part of their legal reserves. These series will be identified as “Treasury series” and “currency component.”

**Scope of the Changes** As population grows and incomes rise, it is normal to expect that money in circulation will increase. The rate of increase may vary with the rate of population growth, economic

### RATES OF CHANGE IN COIN AND CURRENCY IN CIRCULATION TREASURY SERIES, 1954-1965



### CURRENCY COMPONENT OF THE MONEY SUPPLY Monthly, 1959-1965



conditions, and, especially in the longer run, changes in monetary habits and practices, particularly the use of checking accounts by individuals. In recent years, at least, the upswing and recession phases of the business cycle are clearly reflected in the growth of circulating currency. Wars and other periods of great tension almost always cause great increases in the currency.

In the period from June 1954 to June 1961, total money in circulation, according to the Treasury series, moved up from \$29,922 million to \$32,405 million. Annual increases varied from a low of \$90 million in 1958 to a high of \$742 million in 1959. The average increase was \$355 million and the average annual rate of growth was 1.2%. In other words, on the average, the supply of coin and currency increased by a little more than a billion dollars every three years. Since June 1961, however, as Table I shows, the growth rate has risen very sharply and in the past two years the *annual* increase has been more than \$2 billion. The chart on the cover shows the monthly figures for three years before and four years after the sharp upsurge began in 1961. The wide intervals between the lines for the most recent years show quite vividly the extent of the increases.

TABLE I  
Coin and Currency in Circulation  
in the United States, 1954-1965  
(Treasury series)

Year	Coin		Currency		Total	
	Annual Change (\$ mil.)	Annual Growth Rate (%)	Annual Change (\$ mil.)	Annual Growth Rate (%)	Annual Change (\$ mil.)	Annual Growth Rate (%)
Average, 1954-61	95	4.6	259	0.9	355	1.2
1962	190	7.7	1,174	3.9	1,365	4.2
1963	226	8.5	1,475	4.7	1,700	5.0
1964	327	11.4	1,937	5.9	2,264	6.4
1965 (est.)	495	15.4	1,971	5.7	2,466	6.5

During World War II, of course, the circulation rose by amounts much greater, both absolutely and relatively, than the increases of the past four years. But in no year during the Korean War was the rise as great as in any one of the four most recent years in absolute amount nor, except for 1962, in relative amount. In other words, the rise we are now experiencing is greater than that of a minor war but much less than that of a major war.

On a per capita basis, the changes in money in circulation reveal quite a different pattern. As shown in Table II, the per capita figure was \$183.50 in 1954. With only one exception it then fell each year until 1961, when it stood at \$176.30, for a total decline of \$7.20. In the four years 1961-65 it rose sharply to \$206.00, for an increase of \$29.70, or about

four times the amount by which it had declined in the previous seven years.

The behavior of coin and paper currency was significantly different. The per capita amount of coin rose regularly but at varying rates in every year. The total rose from \$11.00 in 1954 to \$19.00 in 1965, or 73%. Per capita paper currency fell quite steadily from \$172.50 in 1954 to \$162.90 in 1961 before beginning the sharp rise to \$187.10 in 1965. Over the whole period there was a small increase of 8.5% contrasted with the 73% increase in coin.

**TABLE II**  
Per Capita Money in Circulation  
in the United States, 1954-1965  
(In dollars; Treasury series)

Year	Money in Circulation		
	Total	Coin	Currency
1954	183.50	11.00	172.50
1955	182.20	11.20	171.00
1956	181.90	11.50	170.30
1957	180.70	11.90	168.90
1958	178.20	12.00	166.20
1959	179.50	12.50	167.00
1960	177.50	12.90	164.50
1961	176.30	13.40	162.90
1962	180.90	14.20	166.70
1963	187.30	15.20	172.10
1964	196.50	16.70	179.80
1965 (est.)	206.00	19.00	187.10

Movements in the currency component showed essentially the same pattern as in the Treasury series but they were somewhat smaller in amount. Table III gives the changes in the currency and demand deposit components which, together, constitute the money supply. From \$27.5 billion in 1954, the currency component moved up to \$28.9 billion in 1961, for a total increase of \$1.4 billion. This was equal to an average increase of \$200 million and an average annual growth rate of 0.9%. In the last two years of this period—from mid-1959 to mid-1961—there were only minimal changes, the figures varying from \$28.9 to \$29.1 billion. But beginning in July 1961, the figures (which are seasonally adjusted) started moving up steadily and rapidly. In the next 47 months they moved up in 41 months, were unchanged in six, and did not register a single decline. By June 1965 the total reached \$35.0 billion for a total increase of \$6.0 billion. The average annual increase was about eight times that of the preceding seven years. As Table III shows, in the 1954-61 period the demand deposit component grew at a rate more than 50% greater than the currency component. In the ensuing four years this was sharply reversed and the currency component grew about twice as fast as the demand deposit component.

These changing rates of growth have appreciably changed the composition of the money supply. For

a few years just after World War II the currency component comprised more than 23% of the money supply. By 1954 it was only a little more than 21% and from there it drifted down irregularly to a low of 20.2% in 1961. Thereafter it rose each year to reach 21.8% in 1965, which was about the level of 1950.

**TABLE III**  
Changes in the Currency and Demand Deposit  
Components of the Money Supply, 1954-1965  
(Daily averages for June; \$ billions)

Year	Currency Component		Demand Deposit Component	
	Amount	Per cent	Amount	Per cent
Average, 1954-61	0.2	0.9	1.7	1.4
1962	1.2	4.2	2.1	1.8
1963	1.4	4.7	2.5	2.2
1964	1.9	6.0	3.5	3.0
1965 (est.)	1.6	4.8	3.3	2.7

While the currency component has recently grown faster than the demand deposit component of the money supply, it has not increased as fast as time deposits. From 1954 to 1961, time deposits at commercial banks grew at an average annual rate of 7.6%. For the past four years the rate has been 16.0% in 1962, 15.5% in 1963, 13.3% in 1964, and 14.4% in 1965. These are much higher rates than those applying to the currency component and, as a result, the currency component has continued to decline in relation to time deposits. It stood at 58.8% in 1954, was down to 37.0% in 1961, and reached 25.8% in 1965.

**Changes by Segments** As might be expected when far-reaching changes are going on, different segments of the money circulation have changed at different rates. Those varying rates may afford some clues to the causes and the significance of the changes.

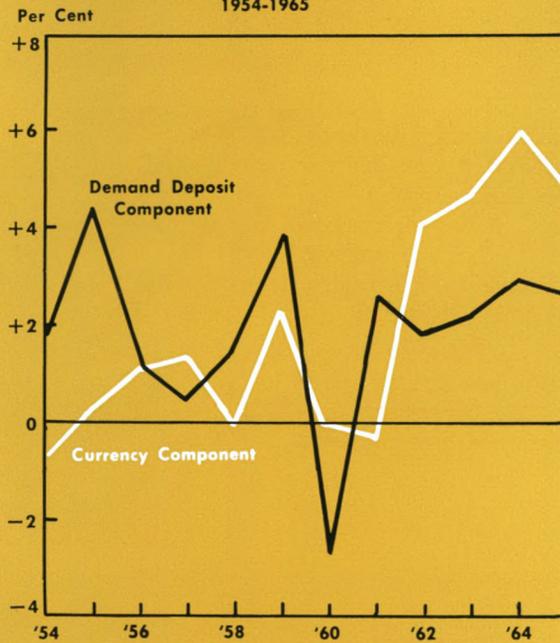
**TABLE IV**  
Annual Rates of Change in Segments of the Currency  
Supply in the United States, 1954-1965  
(Treasury series)

	Average	1962	1963	1964
	1954-61			
Total Coin and Currency	1.2	4.2	5.0	6.4
Coin	4.6	7.7	8.5	11.4
Total Paper Currency	0.9	3.9	4.7	5.9
<b>Paper Currency by Denomination</b>				
\$1 and \$2	3.3	3.8	3.4	7.2
\$5	0.8	3.2	2.2	4.4
\$10	0.4	3.0	2.4	3.9
\$20	1.3	5.0	4.6	6.2
\$50	0.6	3.4	6.3	6.2
\$100	1.1	4.3	8.5	8.2
Over \$100	-5.5	-2.7	0.4	0.0

Throughout the period, coin increased at a faster rate than the total and at a much faster rate than

### RATES OF CHANGE IN COMPONENTS OF THE MONEY SUPPLY

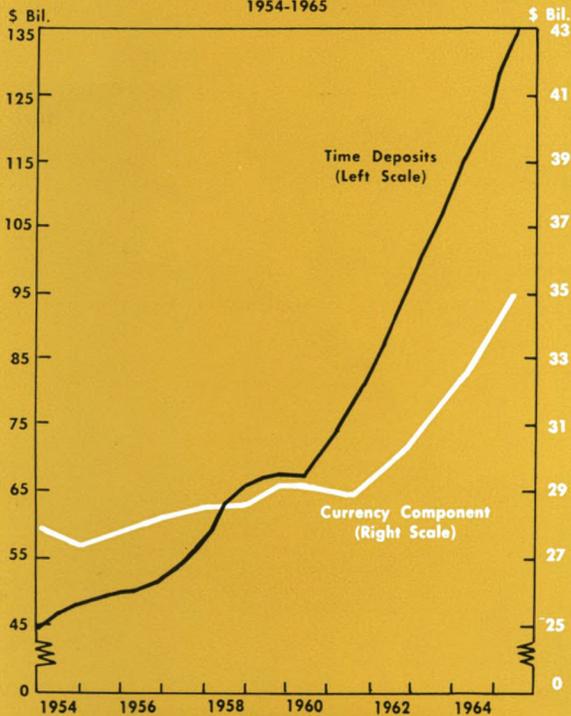
1954-1965



Source: Board of Governors, Federal Reserve System.

### CURRENCY COMPONENT OF MONEY SUPPLY AND TIME DEPOSITS IN COMMERCIAL BANKS

1954-1965



Source: Board of Governors, Federal Reserve System.

paper currency. As Table IV shows, coin increased at a rate of 4.6% per year between 1954 and 1961. Then the rate rose from 7.7% in 1962 to 15.4% in 1965, or more than three times the average for 1954-61. It is possible that the supply of coin might have grown even faster if the Mint had been able to supply all demands; on the other hand, that might not have been true. If it were known that the Mint was prepared to meet all requests, the demand might have been smaller.

While coin had a higher rate of growth than paper currency in the 1954-61 period, that rate did not increase as rapidly after 1961 as did the rate for paper currency. From an average of less than 1.0% in the base period, the growth rate of all paper currency rose rapidly to 5.7% in 1965. This was more than a sixfold increase. One and two dollar notes had a higher rate of growth than any other denomination in the base period, and by 1964 that rate had doubled. (It is not feasible to estimate the breakdown of currency by denomination for 1965 so this analysis ends with 1964.) Even so, however, that was the smallest increase in the growth rate experienced by any denomination. Most other denominations showed increases ranging roughly from fivefold to tenfold. The \$50 note had an increase of a little more than tenfold, but the \$100 note ended up with the highest growth rate, with 8.2% in 1964. Notes above \$100 declined between 1954 and 1962; in 1963 and 1964 they showed slight increases.

The above figures show a fairly distinct trend toward higher rates of growth among notes of larger denominations. But when the dollar amount of the increase in coin and currency is shown according to the contribution of each type or denomination, as in Table V, the picture is changed somewhat. Almost a third of the total increase was accounted for by \$20 notes, while \$100 notes contributed about a fourth. Coin was responsible for less than a seventh. These three groups contributed about 71% of the total increase.

(Continued on page 8)

TABLE V  
Changes in Amount of Coin and Currency in Circulation  
by Type and Denomination, 1961-1964  
(Treasury series)

Type and Denomination	Amount (\$ millions)	Per Cent of Total
Total Change	5,329	100.0
Coin	743	13.9
Paper Currency	4,586	86.1
Denominations:		
\$1 and \$2	233	4.4
\$5	217	4.1
\$10	642	12.0
\$20	1,733	32.5
\$50	460	8.6
\$100	1,314	24.7
over \$100	13	0.2

During 1963, approximately 681 million pounds of shellfish and other types of fish were landed at Fifth District ports. The catch had a total value of over \$39 million which represented more than 10% of the income from all U. S. fisheries, including the prolific waters of Alaska and Hawaii. Even so, the District catch was well below the 955-million-pound catch in 1959 when Virginia and North Carolina fishermen had record catches totaling about 870 million pounds.

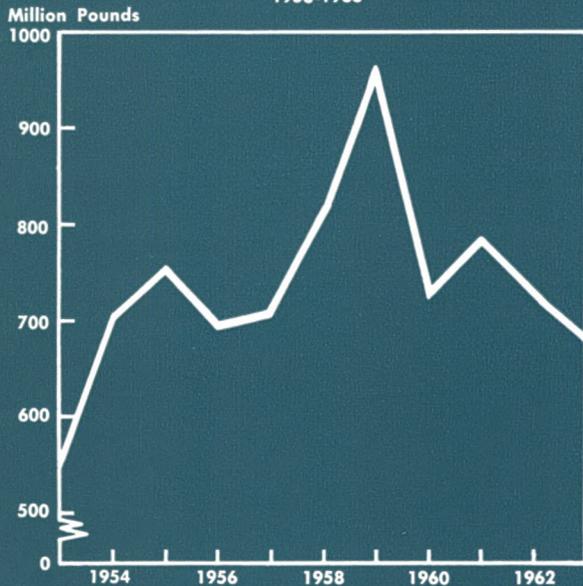
In 1962, the latest year for which detailed information is available, more than three fourths of the income from seafood in the Fifth District was derived from oysters, crabs, menhaden, and shrimp. On a value basis, oysters and crabs accounted for more than 70% of the catch in Maryland, while oysters and menhaden comprised about 60% of the Virginia catch. In North Carolina, shrimp and menhaden accounted for over half the gross proceeds of fisheries, and in South Carolina, shrimp and oysters produced 80% of total income.

The District had approximately 25,000 fishermen and 16,000 vessels engaged in commercial fishing in 1962. There were some 800 seafood and fish product processing plants and wholesale firms in the District, employing approximately 17,000 people. In 1962, the value of manufactured fish products totaled \$69 million.



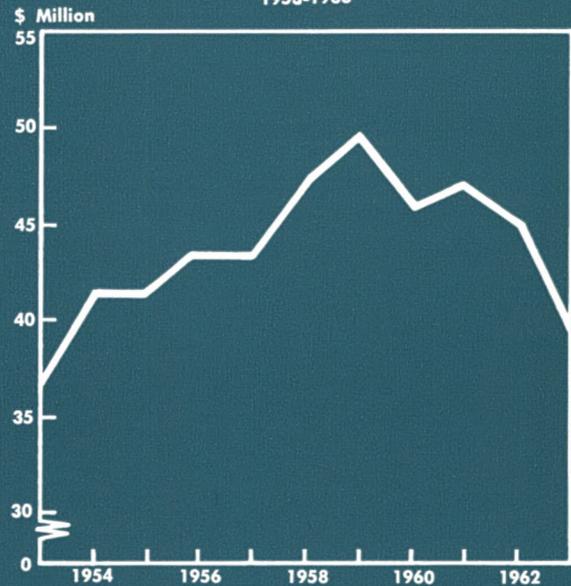
# District Seafood Industry

**FIFTH DISTRICT CATCH**  
1953-1963



Source: U. S. Department of the Interior,  
Fish and Wildlife Service.

**VALUE OF FIFTH DISTRICT CATCH**  
1953-1963



Source: U. S. Department of the Interior,  
Fish and Wildlife Service.

## VALUE OF CATCH BY MAJOR SPECIES FIFTH DISTRICT STATES, 1962

Species	Value (In thousands of dollars)					Per Cent of Total Value				
	Fifth District	Md.	Va.	N.C.	S.C.	Fifth District	Md.	Va.	N.C.	S.C.
<b>Total</b>	45,102	11,926	21,701	6,755	4,720	100.0	100.0	100.0	100.0	100.0
<b>Shellfish</b>	31,606	10,441	13,651	3,420	4,094	70.0	87.6	62.9	50.6	86.7
Oysters	17,609	6,182	9,774	485	1,168	39.0	51.8	45.0	7.2	24.7
Crabs	6,321	2,548	2,952	528	293	14.0	21.4	13.6	7.8	6.2
Clams	2,629	1,697	813	99	20	5.8	14.2	3.7	1.5	0.4
Shrimp	4,852	.....	.....	2,239	2,613	10.8	.....	.....	33.1	55.4
All other	195	14	112	69	.....	0.4	0.1	0.5	1.0	.....
<b>Other Fish</b>	13,496	1,485	8,050	3,335	626	30.0	12.4	37.1	49.4	13.3
Croaker	444	3	294	146	1	1.0	0.1	1.4	2.2	.....*
Menhaden	5,325	77	3,884	1,364	.....	11.8	0.6	17.9	20.2	.....
Shad	738	203	312	191	32	1.6	1.7	1.4	2.8	0.7
Striped bass	1,041	642	279	120	.....	2.3	5.4	1.3	1.8	.....
Alewives	664	29	492	143	.....	1.5	0.2	2.3	2.1	.....
Flounder	797	158	385	227	27	1.8	1.3	1.8	3.4	0.6
All other	4,487	373	2,404	1,144	566	10.0	3.1	11.1	16.9	12.0

\* Less than 0.1 per cent.

Note: Items may not add to totals due to rounding.

Source: U. S. Department of the Interior, Fish and Wildlife Service.

## RECENT CHANGES IN MONEY IN CIRCULATION

(Continued from page 5)

The estimates for 1965 show that the total increase in coin and currency between 1961 and 1965 was \$7,795 million, of which \$1,238 million, or 15.9%, was in coin.

Coin and \$100 notes made up 25.7% of the total circulation in 1961 but they were responsible for nearly 39% of the increase between 1961 and 1964. The \$10 note was the principal denomination which did not increase in proportion to its relative importance in 1961.

One result of the rapid increase in paper currency since 1961 has been an increased requirement for gold reserves at a time when the total gold stock of the country was being depleted by outflows. We may assume that all requirements for additional amounts of paper currency must be met by Federal Reserve notes since the other and minor forms of paper currency have no elasticity. The additional paper currency in circulation on June 30, 1965, compared to what would have been in circulation if the 1954-61 growth rate had continued unchanged, was \$5,465 million, which tied up additional gold reserves amounting to \$1,366 million. In addition, however, as a means of conserving silver, Federal Reserve notes have been issued in a program to substitute them for silver certificates with the aim that eventually they will replace all such certificates. Up to March 31, 1965, that substitution had proceeded to the extent of about \$1,352 million, requiring an additional \$338 million in gold reserves. The sum of these two *additional* requirements is thus \$1,704 million.

**Canadian Experience** The Canadian economy is similar in many respects to, and is closely intermeshed with, the United States economy. Many of the statistical series which measure the same phases of the two economies show approximately similar patterns. A brief comparison of the behavior of coin, currency, and the money supply in the two countries should, therefore, be of interest and perhaps some analytical assistance.

The available statistics covering the relevant items are not exactly comparable in the two countries but they are sufficiently similar to afford a valid basis for general comparison. The Canadian series "Notes and Coins in Circulation Outside Banks" includes holdings of the Bank of Canada and the Department of Finance, but as these are very small they would not affect the degree of comparability to any significant extent.

It is evident from Table VI that the amounts of currency in the two countries have followed substantially different patterns in recent years. In the earlier years Canada had a higher growth rate in coin than the U. S. but in recent years the U. S. rate has risen so rapidly that in 1965 it surpassed the Canadian rate. In the 1954-61 period, Canadian coin grew at an average annual rate of 6.6% compared to a rate of 4.6% in the U. S. The Canadian rate moved up to 11.6% in 1962 and thereafter rose slowly to 14.1% in 1965. In the latter year the U. S. rate climbed to 15.4%.

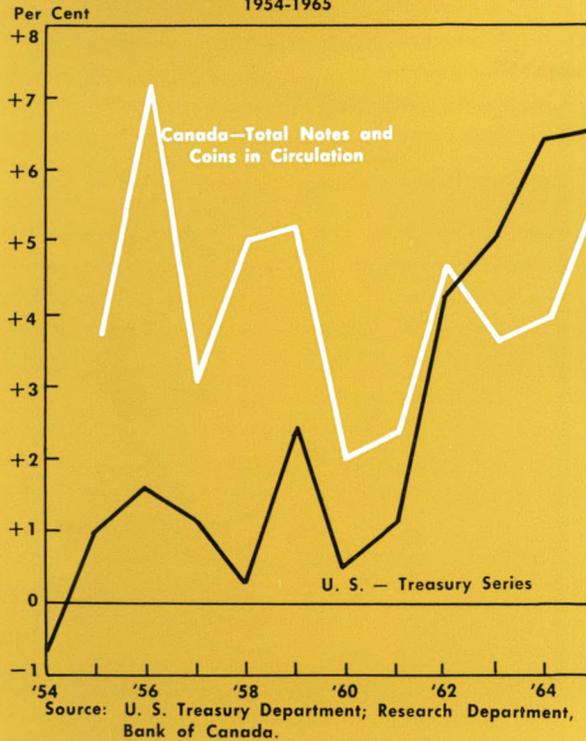
**TABLE VI**  
Changes in Money in Circulation  
Canada and the United States, 1954-1965

	Average, 1954-61	1962	1963	1964	(est.) 1965
<b>Canada</b>					
<b>Coin</b>					
Amount (\$ mil.)	7	17	20	23	29
Per Cent	6.6	11.6	12.3	12.6	14.1
<b>Notes</b>					
Amount (\$ mil.)	67	82	61	70	108
Per Cent	4.0	4.0	2.9	3.2	4.8
<b>Total</b>					
Amount (\$ mil.)	74	99	81	93	137
Per Cent	4.2	4.6	3.6	3.9	5.6
<b>United States</b> (Treasury series)					
<b>Per Cent</b>					
Coin	4.6	7.7	8.5	11.4	15.4
Notes	0.9	3.9	4.7	5.9	5.7
Total	1.2	4.2	5.0	6.4	6.5

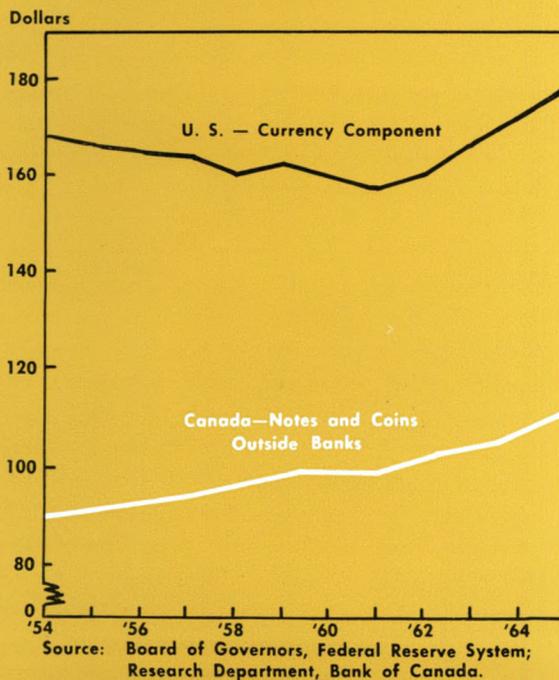
The contrast is much more marked with notes. In the base period the rates were 0.9% in the U. S. and 4.0% in Canada. In the past four years the rate of growth has multiplied sixfold in the U. S. while in Canada it was lower in 1963 and 1964, and only slightly higher in 1965. Since 1961 total Canadian notes and coin have shown only moderate variations from the 1954-61 growth pattern, contrasted with the fivefold increase in the U. S. By denominations, Canadian \$50 and \$100 notes (end of year data) showed moderately lower growth rates in 1961 and sharply lower rates in 1962 and 1963 before rising to approach the pre-1960 rate in 1964. In the U. S. those denominations showed greatly increased rates of growth. Generally, Canadian \$20, \$2, and \$1 notes increased somewhat more rapidly than total paper currency from 1960 to 1964.

In summary, Table VI shows a striking difference in the behavior of money in circulation in the two countries. In Canada, there has been comparatively little change in the growth rate since 1961. (The

**RATES OF CHANGE IN MONEY IN CIRCULATION**  
CANADA AND THE UNITED STATES  
1954-1965



**PER CAPITA MONEY IN CIRCULATION**  
CANADA AND THE UNITED STATES  
1954-1965



fairly large rise in 1962 and the somewhat larger drop in 1963 were probably associated with Canada's monetary crisis in 1962.) But in the U. S., where in 1954-61 the growth rate was only a little more than one fourth of the Canadian rate, the growth rate has moved up steadily and rapidly and in the latest year was more than 10% greater than the Canadian rate.

The behavior of coin and currency in relation to bank deposits has also differed in the two countries. There is not in Canada an equivalent to the demand deposit component of the money supply in the U. S. Demand deposits in Canada are relatively much smaller than their counterpart in the U. S. while personal savings accounts are much larger, perhaps in part because these savings accounts are used to a limited extent as checking accounts. In the U. S., the currency component of the money supply increased more slowly than the demand deposit component from 1954 to 1961 and more rapidly since then. In Canada, the opposite happened. From 1954 to 1961 coin and currency increased in about the same proportion (31.6%) as demand deposits (31.7%), but from 1961 to 1964 demand deposits grew by 19.2% while money in circulation rose by only 13.2%. Demand deposits and personal savings deposits combined increased by 41.8% in the earlier period and 17.3% in the later period—both rates being well above the growth in the circulation. Thus, both deposit totals grew more rapidly than money in circulation while in the U. S. the currency component was growing faster than the demand deposit component.

**TABLE VII**  
Per Capita Money in Circulation  
Canada and the United States, 1954-1965  
(Dollars)

Year	Canada	United States
	Notes and Coin Outside Banks	Currency Component of the Money Supply
1954	89.55	168.70
1955	90.53	166.30
1956	92.91	165.20
1957	93.42	164.60
1958	96.32	161.80
1959	98.85	163.10
1960	99.06	160.50
1961	98.80	157.30
1962	101.88	161.30
1963	103.62	166.30
1964	106.07	173.90
1965 (est.)	110.96	179.40

On a per capita basis also there was a sharp difference in money behavior in the two countries (see Table VII). In Canada, with the exception of only one year, per capita money in circulation outside banks increased steadily from \$89.55 in 1954 to \$110.96 in 1965, for a total increase of 23.9%.

In the U. S., again with the exception of one year, the per capita amount of the currency component of the money supply *declined* steadily from 1954 to 1961 for a total decline of 6.8%. After 1961, however, there was a sharp reversal and in four years the figures rose more than twice as much as it had declined in the previous seven. The increase was 14.0% and brought the total to \$179.40, which was 6.3% above the 1954 figure compared to the Canadian increase of 23.9% over the same period.

**British Experience** Available British figures—which are not fully comparable with those for Canada and the U. S.—suggest that the British experience has been different from both the Canadian and American. The best figures readily available—those published regularly by the International Monetary Fund—show the behavior of coin and currency outside banks and deposits in “Deposit Money Banks.” The figures used here are for the end of the respective years.

Table VIII shows that in the period 1954-61 currency outside banks grew more than twice as fast as deposits. Since 1961, however, the growth rate of deposits has risen sharply to a level, in 1964, almost four times the 1954-61 average. Currency experienced a small decline in 1962 and then in 1963 and 1964 grew at rates moderately above the average for the earlier period. By 1964 currency and deposits were increasing at about the same rate. These changes might be regarded as fairly normal but in sharp contrast with developments in the United States where currency was growing about twice as fast as demand deposits. To the extent that these comparisons are relevant, they only emphasize the unusual nature of the U. S. experience.

TABLE VIII

Changes in Money in Circulation and Bank Deposits in the United Kingdom, 1954-1964  
(Millions of Pounds Sterling)

End of Year	Currency Outside Banks		Deposits in Deposit Money Banks	
	Amount	Per Cent	Amount	Per Cent
Average, 1954-61	78	3.9	81	1.7
1962	-18	-0.8	320	4.1
1963	91	4.1	449	5.6
1964	156	6.8	527	6.2

**Summary** 1) Money in circulation in the United States increased at a very moderate rate between 1954 and 1961—a rate of a little more than 1% per year for the gross series and a little less than 1% for the currency component of the money supply.

2) The currency component showed practically no change from the middle of 1959 to the middle of 1961, and changes in the Treasury series were small.

3) Beginning at the middle of 1961, money in circulation has increased steadily and at a very high rate. For the year ended June 30, 1965, the rate (for the currency component) was 4.8%—more than five times the average rate for 1954-61.

4) Throughout the past ten years coin has increased at a faster rate than paper currency but paper money has had by far the greater increase in its rate of growth since 1961. Notes of \$100, \$50, and \$20 denominations have shown the greatest increases, while \$10 and \$5 notes have increased less than all paper currency.

5) Because they constitute only a minor part of the circulation, coin, despite its higher rate of growth, has contributed less than one sixth of the total increase in money in circulation since 1961.

6) From 1954 to 1961 money in circulation increased at a substantially slower rate than the demand deposit component of the money supply. In the past four years it has increased about twice as fast.

7) Rough comparisons indicate that in Canada and the United Kingdom there were no changes corresponding to the sharp change which took place in the United States in 1961.

In summary, the money circulation of the United States behaved in a way which may be considered normal for peacetime between 1954 and 1961. The behavior was normal with respect to total amount, per capita amount, and relationship to demand deposits. But almost precisely at the middle of 1961 a sharp reversal occurred in all of these and since that time the behavior has been the opposite of that prevailing in the previous seven years.

Reduced to a single sentence, the central problem might be stated in this way: What happened about the middle of 1961 to cause a sharp and accelerating rate of increase in paper currency, especially in notes of larger denominations?

A broad look at developments suggests two generalizations which may afford some guidance in the search for causes. First, this is not a random fluctuation. The size of the movement, the length of time covered, and the fairly definite pattern it has assumed all argue against a random erratic aberration. Second, the sharp reversal which occurred in 1961 probably was not caused by institutional changes. Rarely, if ever, do institutional habits and practices change quickly enough to produce such a pronounced effect.

On the basis of the above brief comparisons it would seem that in looking for causes of the recent changes in the United States we should look for developments which happened here and did *not* happen—or, at least, did not have the same magnitudes—in Canada and the United Kingdom.

# THE FIFTH DISTRICT

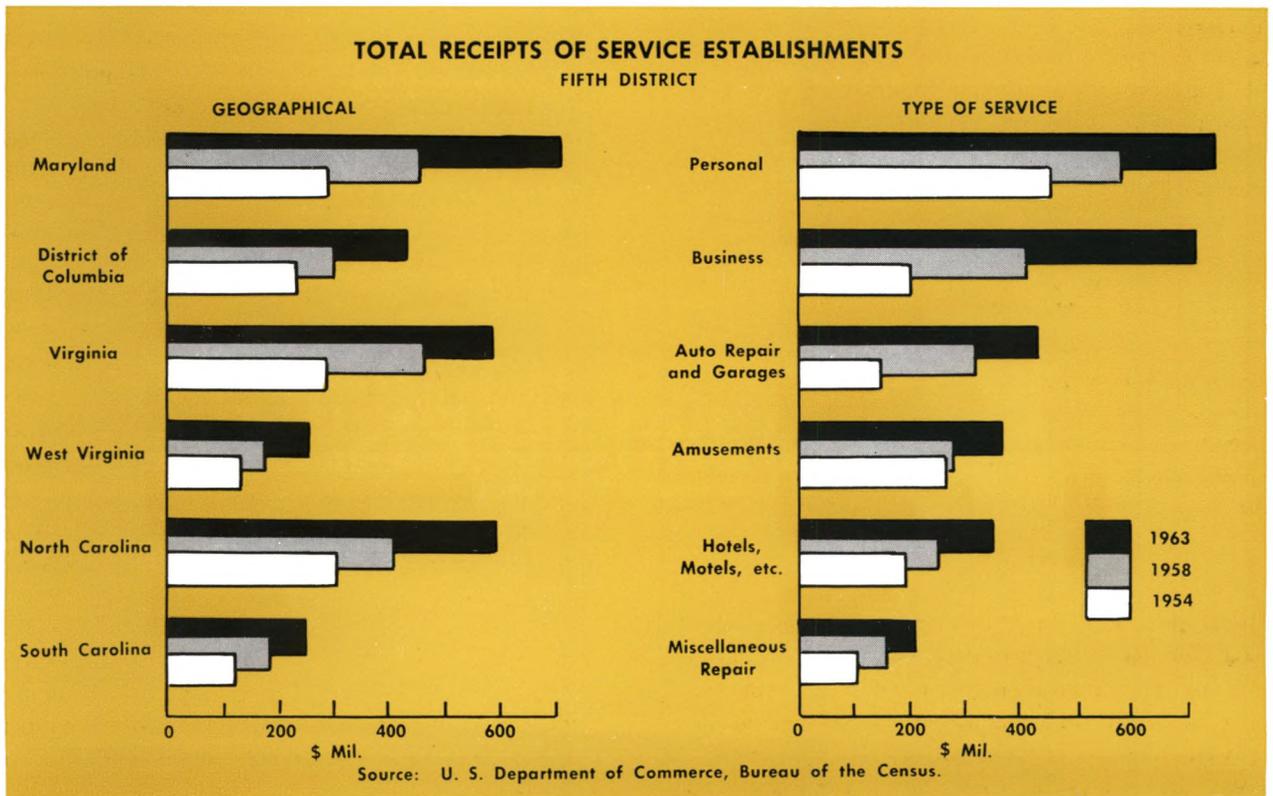


Fifth District business has continued to improve, although the rise has slowed somewhat since earlier in the year. Recent increases in nonfarm employment and accompanying declines in insured unemployment have been slightly in excess of the usual seasonal changes. Seasonally adjusted factory man-hours rose very slightly in May as gains in non-durables offset some slight declines in durables.

Continuing strength has been somewhat more evident outside the manufacturing area. Seasonally adjusted bank debits have remained at a high level, some 12% above a year ago. The District index of new passenger car registrations has continued to rise, averaging 14% above last year's figures. Contracts awarded for new construction, after lagging behind last year's level during the first quarter, increased nearly one third between March and April to reach a new record level, topping by 3% the previous high reached last July. Department store

sales slowed a little in June following a new high in May and averaged 6% above 1964 levels for the first half of the year. Seasonally adjusted employment in trade declined slightly in May after increasing in each except two of the previous twelve months.

**Steady Growth in Services** Employment in services and miscellaneous enterprises rose quite briskly in May, maintaining a pattern of strong and steady improvement. The seasonally adjusted count of jobs in this sector has not declined since last September. Regional results of the *Census of Business* summarizing service industries in 1963 have appeared only recently, and the data show interesting trends in the Fifth District. Some of these are summarized in the chart below using figures for 1954, 1958, and 1963. The left panel of the chart shows receipts of service establishments in Fifth District states and the District of Columbia. The right panel distributes the same District totals according to type of service.



**Maryland Leads** Between 1954 and 1963 total receipts of service establishments grew faster and reached a higher level in Maryland than anywhere else in the District. At \$706 million in 1963, receipts in Maryland were nearly two and a half times the 1954 figure. For a rough comparison with growth in manufacturing, value added by manufacture rose 58% in Maryland between 1954 and 1963.

Maryland service enterprises employed about 94,000 in 1954, 12% of all nonfarm wage and salary workers, but by 1963 the number of jobs in services had risen to 150,000, more than 15% of paid nonfarm workers. Since many self-employed persons probably provide some type of service, data on total employment, if available, would probably give service industries an even larger fraction of total jobs.

One third of Maryland's 1963 service enterprise revenues was in the miscellaneous business category, which includes management consulting, advertising, equipment rentals, building maintenance, credit and collection agencies, and many others of less importance. Other major categories in order of importance in Maryland were personal services, which accounted for about one fifth of all 1963 receipts; automobile services, the source of about one sixth of receipts; and amusements, which produced something less than one sixth of total service revenues.

**State Patterns Differ** In North Carolina, receipts of service establishments totaled \$598 million in 1963. Personal services, the largest category, accounted for fully one third of the state total and consisted mainly of laundries and cleaning plants, beauty and barber shops, funeral parlors, and photographic studios. Other groups of importance were automobile repairs, business services, lodging establishments, amusements and recreation, and miscellaneous repairs.

Virginia closely followed North Carolina with \$589 million in 1963 service enterprise revenues. As in the Tar Heel State, personal services were first, but business services came second followed by lodging facilities, automobile repairs, and amusements. West Virginia's service industries in 1963 produced \$256 million of revenues of which more than half were classified either business or personal. In South Carolina, 1963 receipts for services totaled \$254 million with personal services heading the list in a pattern quite similar to North Carolina's.

**Services Strong in Washington** In the District of Columbia in 1963, service establishments had receipts of \$432 million, with three quarters of the total derived from three principal categories: business services, hotels, and personal services. Personal income statistics perhaps best reflect the greater rela-

tive importance of services in the District of Columbia and their relative growth in the Fifth District as a whole. The following table shows wages and salaries paid by service enterprises as percentages of total personal income for the years 1954, 1958, and 1963 in the United States, the Fifth District, and the District's geographical subdivisions:

	1954	1958	1963
United States .....	6.1	6.7	7.4
Fifth District .....	6.0	6.4	7.4
District of Columbia .....	9.4	10.0	10.1
Maryland .....	6.8	7.3	8.8
Virginia .....	5.5	6.5	7.6
South Carolina .....	5.1	5.5	6.5
North Carolina .....	5.5	5.6	6.3
West Virginia .....	4.5	4.5	5.1

The figures in the table understate the fraction of income originating in services by such amounts as were included in the category of proprietors' income. This figure for proprietary businesses of all types was \$207 million (8% of personal income) in the District of Columbia in 1963.

**Points of Interest** While receipts grew rapidly in Maryland, establishments increased quite slowly. Service establishments in Maryland were only 31% more numerous in 1963 than in 1954 compared to 66% in North Carolina, 49% in Virginia, and 63% in South Carolina. In the District of Columbia and West Virginia the number of new establishments rose even more slowly than in Maryland.

In amusements and recreation, except for motion pictures, receipts have increased sharply. In 1963, amusements other than motion pictures grossed more than twice as much in Maryland as in any other part of the District, and Maryland receipts in this category represented 37% of the District total. Commercial sports accounted for much of the difference with \$31 million of total revenues in Maryland compared to \$5.5 million in North Carolina, \$4.0 million in Virginia, \$3.8 million in the District of Columbia, and \$2.2 million in South Carolina. Sports were relatively more important in West Virginia, however, where receipts totaled \$14.2 million, 41% of all amusement revenues other than for motion pictures. Maryland service revenues received a substantial boost from coin-operated amusement devices, which produced \$15.4 million in 1963, 42% of the District total for this category.

In the Fifth District, receipts of service enterprises more than doubled between 1954 and 1963 compared to a rise of less than nine tenths in the nation as a whole, and employment in services rose 43% in the District compared to 37% nationally.