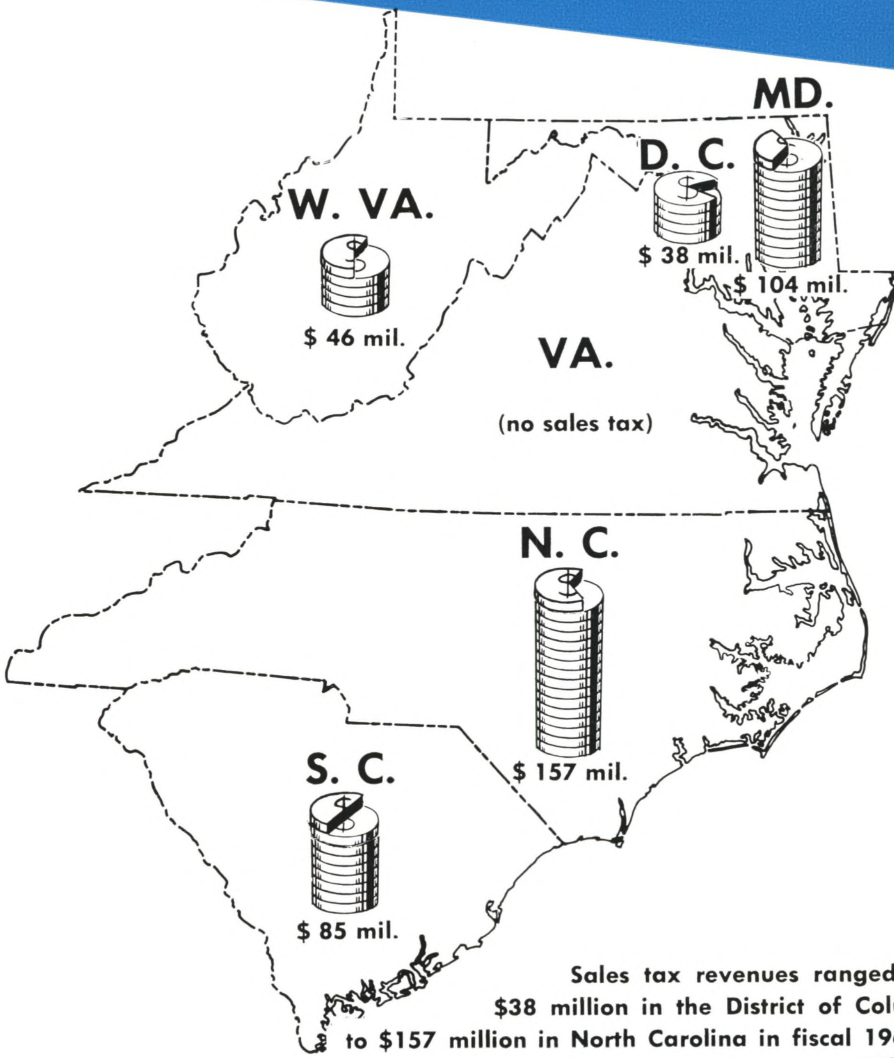
MONTHLY REVIEW



Sales tax revenues ranged from $38 million in the District of Columbia to $157 million in North Carolina in fiscal 1963-64.

FEDERAL RESERVE BANK OF RICHMOND AUGUST 1965

SALES TAXES IN THE FIFTH DISTRICT

State retail sales taxes, virtually unknown in the United States 35 years ago, have become major sources of revenue in 37 of the 50 states. In 1964, the yield from sales taxes amounted to slightly over $6 billion, roughly one third of total state tax revenues in states employing this type of tax.

The majority of American sales taxes were introduced during the early and middle 1930's, as states sought new sources of revenue to compensate for sharp drops in the yields of older taxes. Political pressure for property tax reduction also spurred adoption. In many instances, levies on sales came into being as temporary measures but soon became permanent.

The Fifth District states of West Virginia and North Carolina were among the first in the nation to adopt the sales tax, each levying the tax in 1933. Maryland instituted a retail sales tax in 1935, but repealed it the next year. The retail levy currently in effect in Maryland was passed in 1947. The District of Columbia's sales tax dates from 1949; South Carolina's, from 1951. Virginia has no state sales tax at this time, although a few localities have imposed sales levies in recent years, and pressure for a state-wide tax appears to be growing.

General Characteristics A retail sales tax may be defined generally as a levy on consumption expenditures, applying at a uniform rate to all or a wide range of consumer purchases. In its usual form, the general sales tax provides an alternative to direct levies on current income and to the imposition of a system of specific excise taxes falling on particular commodities. State sales tax rates in the United States range from 2% to 4%. None of the states single out any particular group of commodities or services for taxing. Most, however, exempt certain commodities and services, although the pattern of exemptions is by no means consistent.

It is frequently argued that the burden of a retail sales tax is borne by the consumer, and most state legislatures have enacted their taxes on this assumption. Since, in the typical instance, the consumer sees the tax added to the bill for his purchase, wide acceptance of this idea is understandable. A number of well-known tax theorists argue, however, that at least part of the burden of the tax is shifted back to the producer and, ultimately, to his employees. This argument, which cannot be examined in detail in this article, depends on a number of assumptions. It seems reasonable, though, that some shifting back should take place. The tax normally raises the retail prices of the goods and services to which it applies and might be expected to restrict consumption of some of them. Insofar as consumption is reduced, fewer workers will be needed and downward wage pressures could develop in some lines of activity.

Sales Taxation vs. Income Taxation Proponents of the sales tax claim that it has a number of advantages over a direct levy on income. Their principal arguments may be summarized as follows:

(1) Since a sales tax falls only on that portion of income spent for consumption, individuals are encouraged to save more than they would if an income tax designed to raise the same amount of revenue were imposed. Thus, additional funds are made available for growth-producing private investment.

(2) The taxing of consumption expenditures avoids the negative effect on work incentives which may be present in a personal income tax. An individual cannot reduce his tax liability by earning less and, therefore, will not be motivated to work less.

(3) The sales tax is a feasible method of collecting some revenue from the lower income brackets. Individuals in these brackets normally pay relatively little in the form of direct income taxes, yet often benefit from numerous government services.

(4) The tax is relatively easy to administer. It is collected from a small number of businesses rather than a large number of individuals, and it is collected on the basis of sales figures, which are much easier to ascertain and are subject to fewer questions of interpretation than are earnings or income figures.

All things considered, the most telling argument in favor of sales taxation at the state level is simply that it is a practical and acceptable source of additional tax revenues. The Federal government is dominant in the income tax field, and many states are reluctant to rely more heavily on direct income taxation. The matter is reduced to the old adage of tax policy which charges the taxing authority to "pluck the chicken where the feathers come off most easily."

Sales Taxation vs. Excise Taxation As compared with excise or special sales taxes, the retail sales tax has several advantages, all of which stem from the general nature of the retail levy. These advantages may be summarized as follows:

(1) Because the retail sales tax applies to a wider range of commodities and services, the rate required to raise a given amount of revenue is lower.

(2) The more general tax will be less likely to force changes in consumption patterns. This avoids penalizing sellers of the particular commodities and services selected for specific taxation. Also, if in the absence of any type of consumption tax, individuals have allocated their spending in a way that gives them maximum satisfaction, undesirable distortion of their chosen consumption patterns is avoided.

(3) Further, the more general tax avoids the discriminatory effects of specific excise taxation. Under a system of excises, individuals who desire to consume a larger volume of taxed items rather than nontaxed items bear a more than proportionate share of the tax load. With the more general tax, this does not happen.

Objections to the Tax The most often encountered objection to the general sales tax is that it tends to discriminate against those in the lower income brackets who spend a larger fraction of their income for consumption and accordingly devote a larger part of their income to payment of the tax. The weight attached to this argument depends basically upon the value judgments of the individual observer.

A second anti-sales tax argument is that it places an inordinate and unfair burden on the retailer who must act as tax collector for the government. The actual burden of this administrative requirement is, of course, extremely difficult to measure in any meaningful way. Some merchants operating in states which have adopted sales taxes claim, however, that they have been forced to hire extra personnel just to do the record-keeping associated with the tax.

A third argument against the use of sales taxation is less often voiced, but perhaps more significant.

RETAIL SALES TAX YIELDS
Fifth District States, Fiscal 1963-1964

	Retail Sales Tax Yields ($1,000)	Retail Sales Tax Yields As % Of State Tax Collections
District of Columbia	37,539	17.3
Maryland	104,496	22.0
North Carolina	156,731	25.1
South Carolina	85,481	30.6
West Virginia	45,863	19.8

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

It is contended by some students of tax policy that individuals simply are not conscious of the *amount* of tax that they are paying when the indirect method is used. Presumably, the citizen in a free society should be aware of his tax burden and, at least in a general fashion, weigh the burden of the tax against the benefits of government services, making the result of his assessment known on election day.

District Experience Whatever the merits or disadvantages of sales taxation, it has proved an effective method of revenue collection in this District. Last year, the District of Columbia and the four Fifth District states that employ sales taxes collected a total of $428 million through retail merchants. This sum was approximately one fifth of their combined total tax revenues. As shown in the table on this page, yields ranged from $37.5 million in the District of Columbia to $157 million in North Carolina. The tax was relatively most important in South Carolina where it provided more than 30% of total state tax revenue.

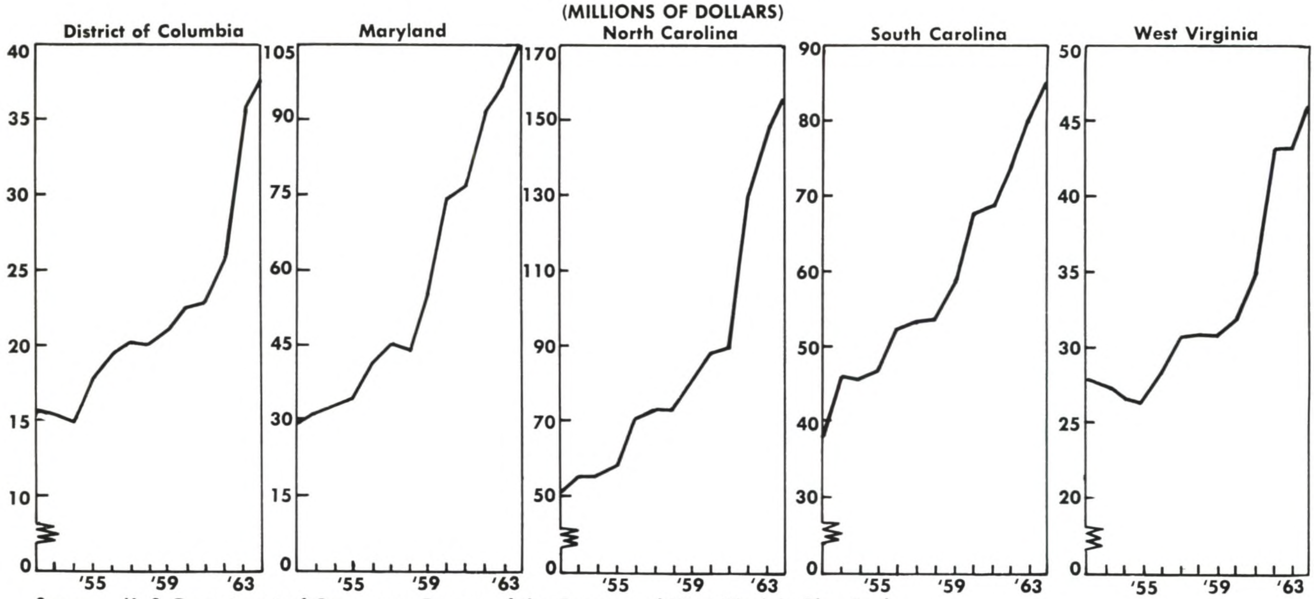
Between 1952 and 1964, revenues trebled in Maryland and North Carolina and more than doubled in the District of Columbia, South Carolina and West Virginia. Moreover, in every state except West Virginia the tax became a relatively more important source of funds, as sales tax revenues increased more rapidly than revenues from other taxes. The growth of retail sales tax revenues is shown in the charts at the top of page 4.

In each of the Fifth District states employing the tax, the rate structures applying on small sales, generally those of less than $1, allow the merchant to collect slightly more than the 3% which he must remit to the state. This partially compensates him for the administrative burden of collecting the tax and also provides some allowance for "breakage." As may be seen in the table at the end of this article, there is considerable interstate variation in these rate structures. In West Virginia, for example, the consumer must pay 1¢ in tax on any purchase of taxable items amounting to 6¢ or more, while in Maryland no tax is due unless the purchase is at least 25¢. On larger sales, generally those of $1 or more, the rate is uniformly 3% in the District of Columbia and each of the four states, except that in North Carolina a ceiling of $120 applies to purchases of automobiles and airplanes, and an $80 ceiling applies to machinery purchases.

Exemptions vary greatly among the several Fifth District states. The only consistent policy is that gasoline, newspapers, and government purchases are not taxed in any state. Other commodities may

RETAIL SALES TAX REVENUES

(MILLIONS OF DOLLARS)



Source: U. S. Department of Commerce, Bureau of the Census and West Virginia Blue Book.

or may not be taxed, depending upon the provisions of the particular state law. Cigarettes, for example, are free of sales tax in the District of Columbia, but are subject to tax in the four states. Sales of both prescription and nonprescription medicines are tax free in the District of Columbia and Maryland, while only prescription sales are exempt in North Carolina, and all sales of medicine are taxable in South Carolina and West Virginia. All sales to churches are tax free in the District of Columbia, Maryland, and West Virginia, but are subject to tax in the other states. These are only a few of the interstate differences in the laws and regulations governing sales taxation. As is indicated by the list of exemptions in the table at the end of this article, numerous others could be noted.

Local Sales Taxes In 13 states in various parts of the nation, certain local governments have enacted sales taxes. In 10 of the 13, these local taxes are imposed in addition to state levies. None of the Fifth District states with sales taxes have any local levies, however. Only in Virginia, where there is no state tax, are there local taxes on expenditures. At present, nine Virginia communities have such taxes. The Virginia half of the city of Bristol has a 3% sales tax which was instituted in 1950 to balance the Tennessee state sales tax applying in the other half of the city. Since mid-1964, Norfolk has imposed a 2% tax, with a $4 maximum on any one sale. The cities of Chesapeake, Hampton, Newport News, Petersburg, Portsmouth, Virginia Beach and Williamsburg have introduced identical taxes in the past several months. Charlottesville will impose the same tax beginning in September.

West Virginia's Turnover Tax The taxing policy of the West Virginia State Government is unique among the states in this District in that the retail sales tax is only one stage in a comprehensive system of taxes covering all transfers of goods and services within the state. In addition to the retail levy, the state taxes sales of raw industrial materials —coal, oil, natural gas, limestone, sand, gravel, timber, etc.—sales of semifinished products within the industrial sector, sales from producer to wholesaler, and sales from wholesaler to retailer. Collectively, these taxes are known as the Business and Occupation Tax. To complete the comprehensive system of taxation, the state imposes a privilege tax on certain carrier corporations engaged in interstate and intrastate commerce. The Business and Occupation Tax was enacted in 1921. The Transportation Privilege Tax came into being along with the retail tax in 1933.

This unusually comprehensive system of taxation has proved a very effective revenue producer for the state. Together, all of these taxes on transactions yielded almost $150 million last year. Thus, whereas collections from the retail levy were slightly less than 20% of total state tax revenue in 1964, the entire system of transactions taxes produced 45% of the total.

Summary Sales taxes are clearly growing in importance, both in the nation and the Fifth District. As the Federal government has assumed primacy in the direct taxation of individual and corporate incomes, states have been under pressure to adopt taxes on sales. There are, as outlined above, numerous arguments for and against this indirect method of taxation. Whatever the balance of these arguments, however, it is evident that the states have few alternatives. To many of them, the sales tax is the most feasible source of additional tax revenues. The fact that 10 states have adopted retail levies during the past 15 years, and adoption is currently being debated in a number of other states indicates increasing recognition of the usefulness of the tax. In short, the retail sales tax appears to have become a permanent element in the nation's tax structure.

SALES TAX RATES AND MAJOR EXEMPTIONS
Fifth District States, 1964

State	General Rate to Retailer	General Rate to Consumer: Amount of Sale	Tax	Major Exemptions
D. C.	3%*	$ .01 to .14	None	(1) Sales to U. S. or the District or any instrumentality thereof except national banks and Federal savings and loan associations, (2) Sales to semipublic institutions, (3) Sales of motor vehicle fuels, (4) Sales of medicines, pharmaceuticals, and drugs, (5) Sales of cigarettes, (6) Casual and isolated sales by vendor not regularly engaged in retail trade, (7) Sales of newspapers and publications of semipublic institutions.
		.15 to .44	$ .01	
		.45 to .74	.02	
		.75 to 1.14	.03	
		1.15 to 1.44	.04	
		Above $1.44, same progression continues.		
Md.	3%*	$ .01 to .24	None	(1) Sales of food for human consumption by churches, religious organizations, schools, colleges, and hospitals, (2) Sales of motor vehicles or motor vehicle fuel and liquid fuel, (3) Farm products, seeds, feeds, fertilizers, etc., (4) Professional, insurance, or personal services, (5) Drugs, medicines, etc., and physical aids, (6) Sales to state, local, and Federal governments, (7) Sales of newspapers.
		.25 to .33	$ .01	
		.34 to .66	.02	
		.67 to 1.00	.03	
		Add 1¢ for each 33¢ or fraction thereof in excess of $1.00.		
N. C.	3%*	$ .01 to .09	None	(1) Farm products, seeds, feeds, fertilizers, etc., (2) Sales of boats, fuel and lubricating oils, machinery and equipment for use by commercial fishermen, (3) Gasoline and other motor fuel, (4) Medicines sold on prescription and physical aids, (5) Sales of manufactured products produced and sold by manufacturers or producers to other manufacturers or producers for resale, (6) Sales of newspapers, (7) Sales to state, local, and Federal governments.
		.11 to .35	$ .01	
		.36 to .70	.02	
		.71 to 1.16	.03	
		Add 1¢ for each 33¢ or fraction thereof in excess of $1.16.		
S. C.	3%	$ .01 to .10	None	(1) Sales of textbooks used in elementary and high schools and institutions of higher learning, (2) Farm products, feeds, seeds, fertilizers, etc., (3) Gross proceeds from sales of fuel, lubricants, and supplies for use aboard ships plying the high seas, (4) Sales of railroad cars and locomotives and parts thereof and vessels and barges of more than 50 tons burden, (5) Sales of all supplies and machinery used by laundries, launderettes, cleaning, dyeing, and pressing establishments, (6) Sales of gasoline and other motor vehicle fuels, (7) Sales of newsprint paper, newspapers and religious publications, (8) Sales to state, local, and Federal governments.
		.11 to .35	$ .01	
		.36 to .65	.02	
		.66 to 1.00	.03	
		Add 1¢ for each 33¢ or fraction thereof in excess of $1.00.		
W. Va.	3%*	$ .01 to .05	None	(1) Sales of motor vehicles and gasoline, (2) Sales of gas, steam and water delivered to consumers through mains or pipes and sales of electricity, (3) Sales of textbooks to be used in public schools of the state, (4) Sales to churches and charitable organizations, (5) Sales of tangible personal property for purpose of resale in form of tangible personal property, (6) Sales of newspapers when delivered to consumers by route carriers, (7) Sales to the state and the United States governments.
		.06 to .35	$ .01	
		.36 to .70	.02	
		.71 to 1.00	.03	
		Same progression continues up to $5.00. Above $5.00, add 1¢ for each 35¢ or fraction thereof.		

*There are several variations in the general 3% tax rate. The District of Columbia imposes a 4% tax on transient lodging and a 1% tax on the sale of food for off-premises consumption; Maryland levies a 2% tax on the sale of farm equipment; and North Carolina levies a 1% tax ($80 maximum) on the sale of fuel to farmers and manufacturers, machinery and equipment to farmers, dairymen, commercial laundries and dry cleaning establishments.

Also, there are a number of exceptions as to the manner in which motor vehicles are taxed. Under North Carolina's sales and use tax laws the amount of tax on the sale of a motor vehicle cannot exceed 1½% of the sale price of the automobile or $120. The following states exempt motor vehicles from general sales and use taxes but impose special sales or gross receipts taxes on them under motor vehicle tax laws: Maryland 3% titling tax; West Virginia 3% titling tax; District of Columbia 2% titling tax.

Sources: Codes of the several states involved.

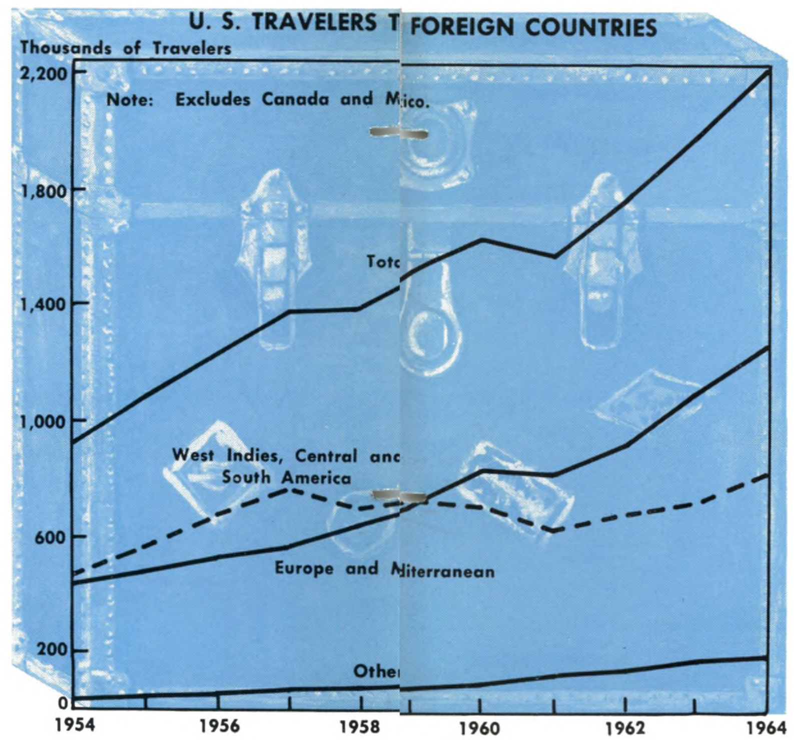
Tourist Spending Abroad

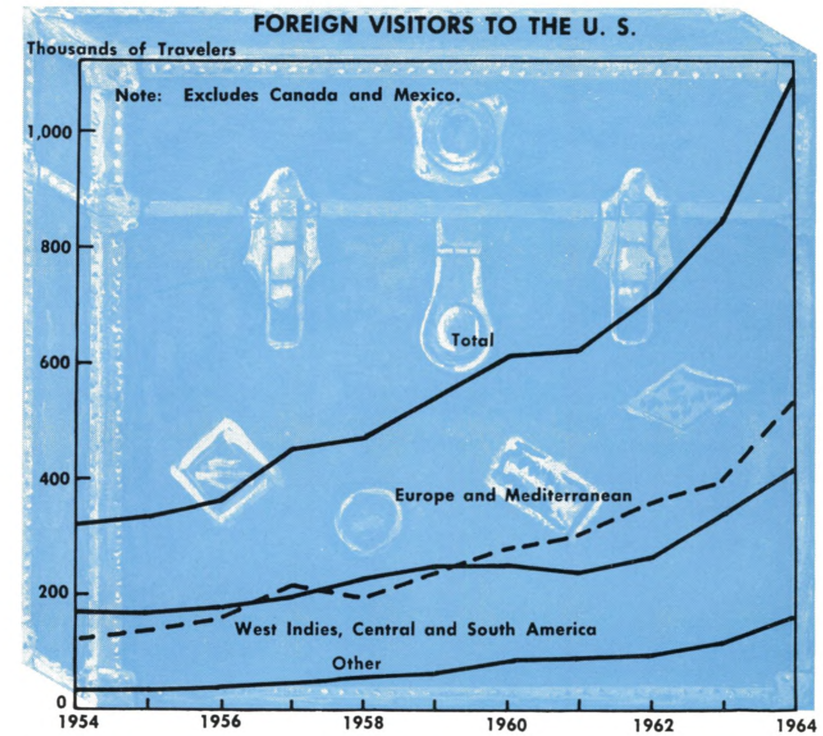
Last year a record 2.2 million United States residents traveled abroad, 11.6% more than in 1963. United States expenditures for foreign travel, excluding Canada and Mexico, totaled about $3.4 billion, a 5.8% increase over 1963. Of this amount transoceanic fares accounted for $1.2 billion, one third of the total, with American carriers receiving $530 million and foreign carriers about $635 million. Expenditures in foreign countries accounted for the remaining $2.2 billion.

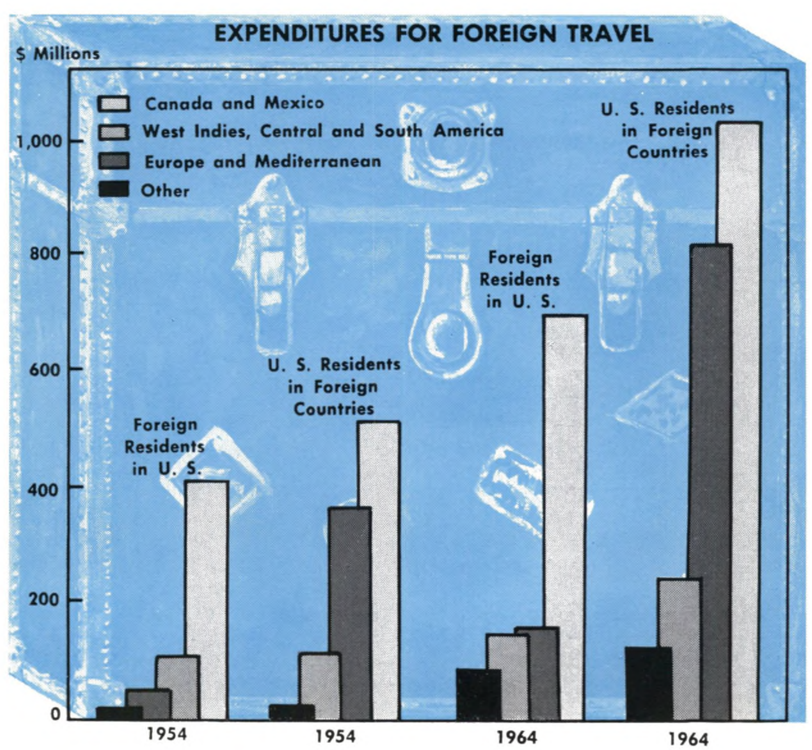
In contrast to total spending by Americans, which increased, the average annual expenditure per traveler trended downward. In the European and Mediterranean Area, for example, average expenditures fell by 4.8% despite a 13.4% increase in the number of travelers.

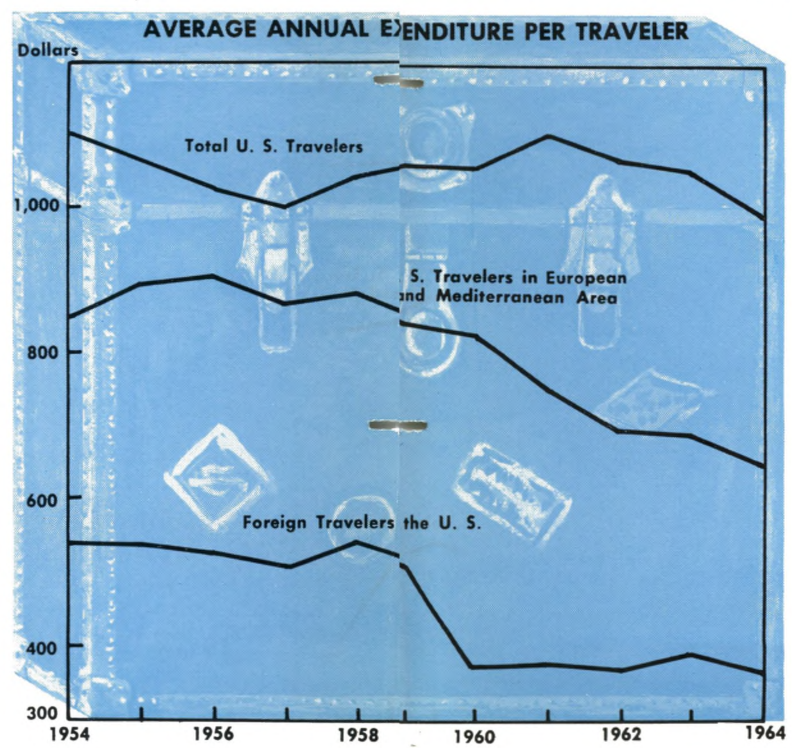
The number of foreigners visiting the United States, excluding Canadians and Mexicans, rose a substantial 29.6% from 1963, to 1.1 million. About one half of this total came from Europe and the Mediterranean Area, and their spending totaled almost $160 million.

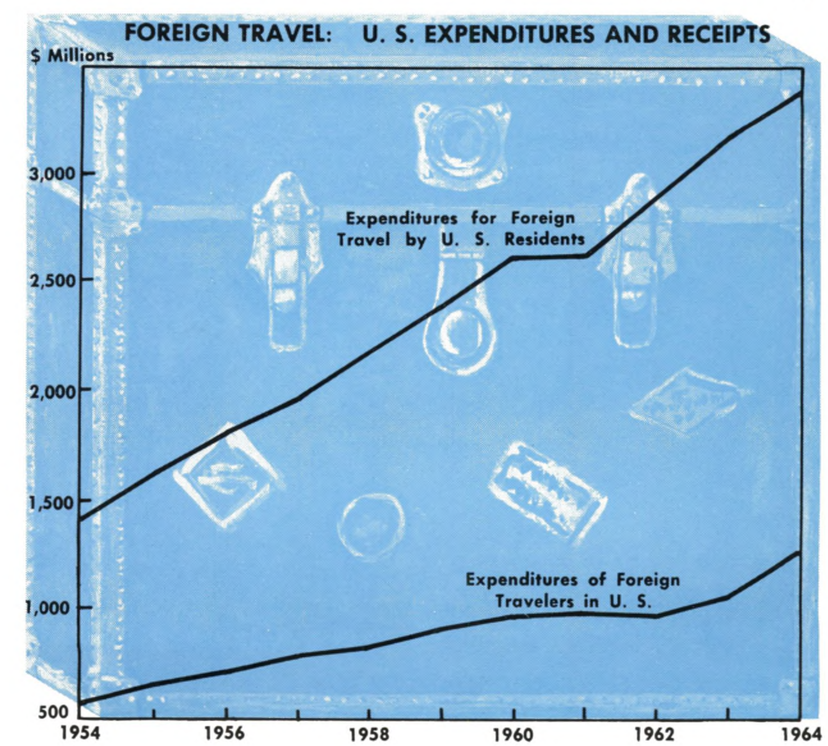
Total United States receipts from foreign visitors increased 18.6% to $1.2 billion, which included $150 million in fares paid to U. S. carriers. Tourists from Canada and Mexico provided the bulk of total receipts, with $698 million. Expenditures by visitors from overseas reached $397 million, up 20.3% from 1963, although average annual expenditure per traveler decreased by 7.3%.





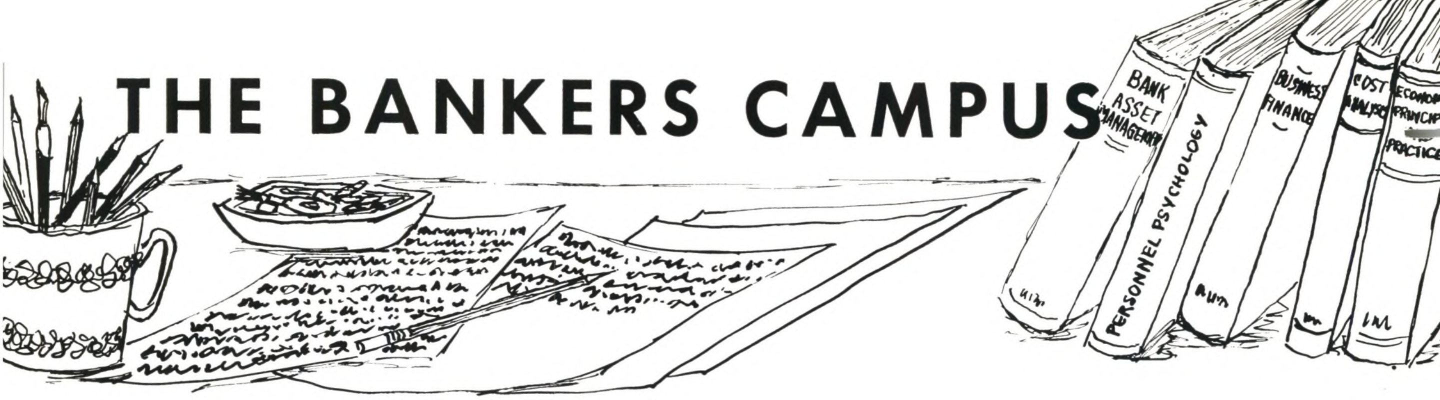






Source: Survey of Current Business.

THE BANKERS CAMPUS



Some 67 years ago a small group of bank clerks living in Minneapolis decided they wanted to know more about their field and began to meet after office hours to study subjects related to banking. These informal classes were the forerunners of today's innumerable banker education programs which range in type from seminars of a few hours duration to several years of study at the graduate level.

The American Institute of Banking offers chapter classes in banking and related subjects in some 345 large cities and sponsors numerous study groups in smaller cities. The majority of Institute subjects are also available by correspondence. Annual enrollment in A.I.B. courses totals about 100,000.

Other formal education for bankers is available at state, regional, and national full-time banking schools sponsored, in most cases, by national and state bankers associations. These schools are found in 28 states, principally in the south and east. Five are located in the Fifth District. The South Carolina Bankers Association operates a banking school at the University of South Carolina and, with the North Carolina Bankers Association, the North Carolina State Banking Department, and the University of North Carolina, co-sponsors the Carolinas School of Banking at Chapel Hill. The West Virginia School of Banking, run by the state's banking association and West Virginia University's College of Commerce, is located at Jackson's Mill. The Virginia-Maryland Bankers Schools at Charlottesville are a cooperative venture of the bankers associations of the two states and the McIntire School of Commerce of the University of Virginia. The fifth, also located at Charlottesville, is a special school on consumer credit.

GENERAL STATE SCHOOLS

The first four of these are classified in banking circles as "general state banking schools." They are "general" because their purpose is to expose students to all phases of the commercial banking function and to develop a comprehensive view of the role of the commercial banking system in the economy. They are "state" in that they are sponsored by either one or two state bankers associations.

Curricula There is considerable variation among general state banking school programs in level and type of education offered. The General Banking Division of the Carolinas School of Banking and the Commercial Bankers Seminar of the Virginia-Maryland Bankers Schools, for example, are geared principally to the educational requirements of non-officer bank personnel. Comprised of basic subjects, these programs are designed for individuals with relatively limited experience in the banking field. More experienced banking personnel who are unable to commit themselves to longer programs also find these one-week sessions useful as refresher courses.

Other general state banking school programs are planned for junior officers and supervisory personnel interested in management training or intermediate banking education. Senior bank officers, also, often find these programs consonant with their work and derive benefit from participating in them as well as in the still relatively few which are adapted to their special educational needs.

Comprehensive education for management is offered by both the Carolinas School of Banking in its Mid-Management Division and the Virginia-Maryland Bankers Schools in their School of Bank Management. Curricula include courses in economic growth, human relations, loan administration, business finance, communications, and in other subjects related to management functions. Programs offered by the South Carolina Bankers School and the West Virginia School of Banking are also suitable for advanced personnel and include management training. Such courses, however, are fitted into a framework of more general banking education. Each of these four programs is a three-year course of study, with students attending a 4- to 5-day session each year. In addition, students enrolled in the School of Bank

Management of the Virginia-Maryland Bankers Schools are assigned intersession problems which must be completed before the following resident session.

Admissions Policies The four Fifth District general state banking schools are operated primarily for the benefit of commercial bankers. However, admission is usually open to persons connected with bank examining agencies, state banking departments, and, in some instances, other financial institutions. Preference in admissions is given applicants from the state whose bankers association sponsors the school, but applicants from other states may be accepted if space permits. The student body of the Mid-Management Division of the Carolinas School of Banking, for example, is made up predominantly of North and South Carolinians, but may include bankers from Virginia and Georgia.

All of the general banking schools in the Fifth District admit both men and women. While the number of women attending these schools is still relatively small, it is gradually increasing as the employment of women in managerial type jobs in banking becomes a more general practice.

Enrollment ranges from about 75 at the South Carolina Bankers School to around 250 at the Virginia-Maryland Bankers Schools. Total enrollment at the four schools runs between 650 and 700 a year.

Instructional Staffs Expert knowledge and teaching ability are two of the main qualities sought in selecting instructors for the banking schools. Many of the instructors are commercial bankers. Others are recruited from colleges and universities and from the professions. It is customary for several Federal Reserve Bank officers and economists to instruct in the schools.

The lecture method of instruction is most often used, supplemented by such visual aids as flannel board exhibits, charts, and "hand-outs." The case study method is not uncommon, particularly in advanced work. Seminars and forums are often used to supplement classroom instruction, and intersession problems may be required.

Fees and Expenses Costs involved in operating the schools are relatively low, making it possible for the schools to keep fees reasonable and still be self-supporting. In Virginia, North Carolina, and South Carolina, the banking schools make use of classroom and other types of facilities on the campuses of state universities. The West Virginia school uses accommodations on the grounds of the state's 4-H camp at Jackson's Mill. The fact that many of the instructors serve without remuneration from the schools is another factor which helps to keep costs down. Fees covering tuition, room, board, and selected study aids currently run from $60 to $120, while those which do not include the cost of a room amount to $55 to $60. Fees are ordinarily paid, at least in part, by the student's employing bank.

ADVANCED GENERAL SCHOOLS

For many bankers, state banking school programs provide all of the specialized education that is feasible.

FIFTH DISTRICT BANKING SCHOOLS

Name and Location	Month Held	Days Per Session	Years to Complete	Approximate Enrollment
		Number	Number	Number
CAROLINAS SCHOOL OF BANKING				
University of North Carolina, Chapel Hill, North Carolina				
Mid-Management Division	July	5	3	115
General Banking Conference	July	5	1	75
SOUTH CAROLINA BANKERS SCHOOL				
University of South Carolina, Columbia, South Carolina	March	4	3	75
VIRGINIA-MARYLAND BANKERS SCHOOLS				
University of Virginia, Charlottesville, Virginia				
School of Bank Management	August	5	3	165
Commercial Bankers Seminar	August	5	1	75
WEST VIRGINIA SCHOOL OF BANKING				
West Virginia State 4-H Camp, Jackson's Mill, West Virginia	October	5	3	140
SCHOOL OF CONSUMER BANKING				
University of Virginia, Charlottesville, Virginia	August	12	3	300

Source: Banking Education Committee of The American Bankers Association.

For others, such programs represent an intermediate step in their progress toward advanced study at one of the regional or national banking schools where curricula are geared to junior officer level and above.

Regional schools are sponsored by three or more state bankers associations to afford opportunities for higher education to officers and experienced bank personnel. Southernmost of these, and the one serving the area in which most of the Fifth District lies, is The School of Banking of the South held at Louisiana State University, Baton Rouge, Louisiana. Its program of study "is designed to broaden the students understanding of the most significant banking, monetary and economic problems that affect commercial banking." The program covers a three-year period, with students in residence for two weeks each year. Among the 14 state bankers associations sponsoring The School of Banking of the South are those in North Carolina, South Carolina, Virginia, and West Virginia. Bankers from these four states comprised some 15 per cent of the student body registered for the 1965 session and 16 per cent of this year's graduating class.

The oldest and perhaps best known of the advanced schools is The Stonier Graduate School of Banking at Rutgers University, New Brunswick, New Jersey. Established in 1935 by the American Bankers Association as The Graduate School of Banking, its name was changed in 1959 to honor Dr. Harold Stonier who founded, and was for many years director of, the school. Its purpose is to provide an opportunity for advanced education to the many bank officers who are qualified by experience or formal schooling, or a combination of the two, for graduate study in their field of interest. Today, annual enrollment in its three-year program numbers from 1,100 to 1,200 bank officers. Between 300 and 400 students successfully complete diploma requirements each year.

SPECIALIZED SCHOOLS

For men and women interested in studying a single phase of banking—investments or consumer lending, for example—there are state and national specialized schools. While study in one of these schools is not necessarily limited to the core subject since many specialized schools also offer one or more courses in economics or other general subjects, the curriculum is much more circumscribed than that in a general school, allowing attention to be focused sharply on a single aspect of banking.

As in general schools, length of sessions varies from a few days to two weeks; the time required to complete a course of study may be one year, two years, or three; and programs may be appropriate for a special group—nonofficers, junior officers, supervisory personnel, senior executives, or any combination of these—or for bank employees regardless of their position. Specialized national banking schools are usually sponsored by a national banking association, a college or university, or by the two jointly. On the state level, specialized schools are sponsored by a state banking association either singly or in cooperation with an institution of higher education.

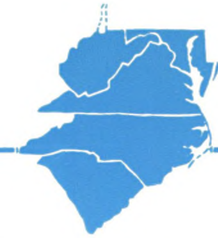
The School of Consumer Banking is the one specialized school located in the Fifth District. Sponsored by the Consumer Bankers Association in cooperation with the McIntire School of Commerce, University of Virginia, it is held annually at the University in Charlottesville. The program covers a three-year span and students must attend a two-week session each year. They also must complete extension work between resident sessions and submit an acceptable thesis in order to fulfill diploma requirements. Instruction is geared to the officer level. For the 300-odd students who attend the school each year, the program is designed to furnish a broad general background in bank management in addition to specialized study in consumer banking.

OTHER BANKER EDUCATION PROGRAMS

There are other banker education programs which may be more appropriately classified as conferences, forums, clinics, workshops, or seminars than as "schools." Some are general in scope, others are limited to a specific area such as agricultural credit or management operations. In general they are brief, lasting only a day or two. Of the four currently held by the Virginia Bankers Association, for example, the shortest lasts only one day; the longest, two and one-half days. The city in which such programs are held may or may not be the same each year. In Maryland, for instance, the Management Operations and Consumer Credit Conferences are always scheduled for Baltimore while the Young Bankers Conference may meet in Baltimore but more often is held elsewhere.

Whatever their type, their duration, or their location, these brief programs are valuable adjuncts to formal schooling. They expand participant bankers' contacts outside their immediate sphere of activity. They stimulate interest in the topic or topics being presented. And they direct attention to the value of outside education as a supplement to on-the-job training.

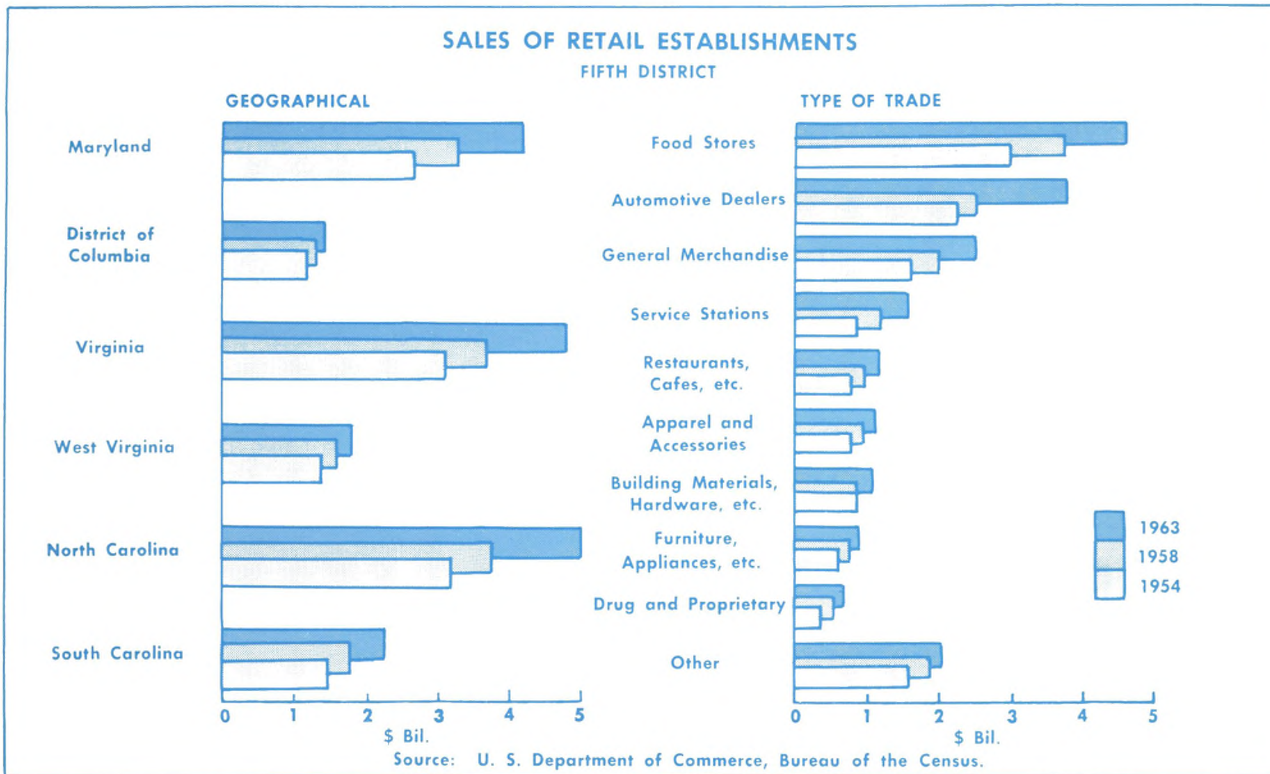
THE FIFTH DISTRICT



Business activity in the Fifth Federal Reserve District has continued at a high level in recent weeks. Bank debits in June recovered from a May decline, rising to a record level one-sixth higher than a year ago. Total debits in the first half of the year surpassed 1964's first-half figure by one eighth, slightly more than the comparable rise in bank debits nationally. Nonagricultural employment increased more than seasonally in June, as it has with few exceptions for many months, and closed the first half 3% above a year ago. Although man-hour gains were quite prevalent in June among the District's principal manufacturing industries, most fell slightly short of the usual seasonal magnitudes. Nevertheless, total factory man-hours finished the first six months 4% higher than in the previous year. District insured unemployment has continued to decrease considerably faster than usual and averaged more than one-fifth below comparable 1964 levels during June and the first half of July.

The District's economic vitality is also reflected in less comprehensive indicators. New car sales in the first half of the year topped last year's first-half figure by one eighth. Fewer businesses have failed so far this year than at any time since 1956 and, except for an unusually high figure in February, the dollar volume of liabilities associated with these failures has remained at its lowest level in nearly a decade.

Strength in Construction Earlier indications that the District construction industry's strong three-year uptrend might be starting to wane have largely disappeared. Contract construction employment, which rose less than seasonally in March and April, resumed greater-than-seasonal gains in May and June and recently has maintained a margin of more than 4% over year-earlier levels. Contract award values rose sharply in March and April, and although they declined in May, the total was still the second highest



so far this year and was surpassed in only four months of 1964. Awards have been particularly strong in the residential category and in public works and utilities.

Retail Trade District department store sales rose again in July following a mild decline. Present indications are that the July figure may be the second highest on record. Total retail sales in the District, which take more time to compile, have been estimated for May at $2.03 billion. This was the first time that any month other than December had passed the two-billion-dollar mark. Although the increase over the April figure was smaller than in either of the previous two years, May sales exceeded their year-earlier level by more than 6%.

The largest component of the May figure was, of course, automobiles, which totaled $508 million in the District, almost exactly one fourth of the total. May automobile sales were up 9% from the previous year and were 23% greater than in 1963.

Trends in Trade Longer term changes in the volume and composition of retail trade are revealed in recently published results of the *1963 Census of Business*. The chart on page 11, based on census data, classifies Fifth District retail sales by geographical areas and by types of stores for the census years 1954, 1958, and 1963.

The growth of retail trade in a particular geographical area primarily reflects two elements, the change in population and the rise in living standards. A third factor may be present: the extent to which shopping centers in one geographical area draw customers from other areas; as Washington stores, for instance, attract business from suburban Maryland and Virginia. Naturally, the strongest gains in sales have occurred where both population and per capita consumption have trended upward. The following table summarizes these changes in the District and compares them with national trends.

	% change					
	1954-1958			1958-1963		
	Population	Sales per capita	Total sales	Population	Sales per capita	Total sales
U. S.	7.6	9.2	17.5	8.3	12.5	21.9
5th Dist.	6.1	11.6	18.5	8.4	15.5	25.3
Md.	11.1	11.9	24.3	12.4	13.4	27.4
D. C.	− 4.3	14.2	9.2	5.4	3.1	8.7
Va.	10.1	8.2	19.3	9.4	17.8	28.7
W. Va.	− 3.2	18.3	14.7	− 1.7	12.6	10.7
N. C.	5.9	13.4	19.5	9.4	17.9	29.7
S. C.	5.9	8.6	15.0	8.7	19.8	30.1

Growth rates in the District as a whole exceeded national rates, except for the change in population between 1954 and 1958 when both the District of Columbia and West Virginia experienced significant declines. During this first period, sales grew most rapidly in Maryland with North Carolina in second place, barely ahead of Virginia. Population was the strong factor in each of the two northern states, while increased sales per capita dominated the picture in North Carolina. West Virginia and the District of Columbia, where population declined and per capita personal income remained high, showed the strongest rise in per capita sales, and North Carolina came next.

During the second period (1958-1963), centers of most rapid growth shifted southward. South Carolina made the strongest gain, and most of it resulted from gains in sales per capita, in which the Palmetto State led the rest of the District by a sizable margin. Higher per capita sales likewise accounted for most of the increase in North Carolina and Virginia, but gains in population were also strong. As in the first period, the growth of sales in Maryland strongly reflected both increased population and higher consumption per capita.

Retailers Broaden Lines Trends in the composition of retail sales by type of store also reflect two principal influences. As incomes rise, consumers shift larger fractions of expenditures from "necessities" to "extras," and retailers tend to widen their lines accordingly. Thus, store classifications indicate less and less accurately the type of merchandise sold. Automobile dealers are exceptions, as are gasoline service stations to a considerable extent.

Most of the increase since 1954 in automobile sales and much of the rise in sales of service stations occurred after 1958. For other types of retailers, gains were about evenly distributed over the entire period and were strongest where diversification was most apparent. Compared to a rise of 48% in total District sales between 1954 and 1963, drug store sales rose more than two thirds, and the volume of food store and general merchandise store sales increased more than one half.

Retail sales represent a declining fraction of personal income. This fraction was three fifths in 1954 in both the nation and the Fifth District. Between 1954 and 1963, however, the ratio of sales to personal income declined more slowly in the District than in the nation as a whole. In 1963, the portion of personal income spent for retail purchases ranged from 46% in Maryland to 58% in the Carolinas, with an average of a bit over 53% for the entire District compared with slightly less than 53% for the nation as a whole.