

FEDERAL RESERVE BANK OF RICHMOND

MONTHLY REVIEW

Educational TV
Fewer but Larger Farms
Bonnie and Clyde in the 1960's
The Fifth District



AUGUST 1968



EDUCATIONAL

Educational television or ETV is the broad term given the wide range of television programs that are specifically designed for instructional purposes or for cultural enrichment. Some educators use ITV or instructional television as a more specific designation for programs used directly in the classroom. Recently, because of the dullness that some attach to the term "educational," an effort has been made to substitute the term "public television." Whatever the name ascribed to it, ETV is a widely accepted and expanding medium of teaching.

Television has great potential for educational purposes. It enables the smallest school system to enjoy the advantages of highly qualified teachers and of an expanding curriculum. Classes with appeal for only small segments of the population, such as the mentally retarded, become not only possible but also practical. Since all classes receive essentially the same instruction, quality control is simplified. The classroom teacher complements the studio teacher's presentation, providing individuality and adapting the course to her own students' needs and capabilities.

It is natural that the "telelesson" should be enthusiastically received by students who are familiar with television's attraction in their homes. ETV enables everyone to have a front row seat and allows trips around the world in a matter of minutes. The studio teacher has the assistance and sugges-

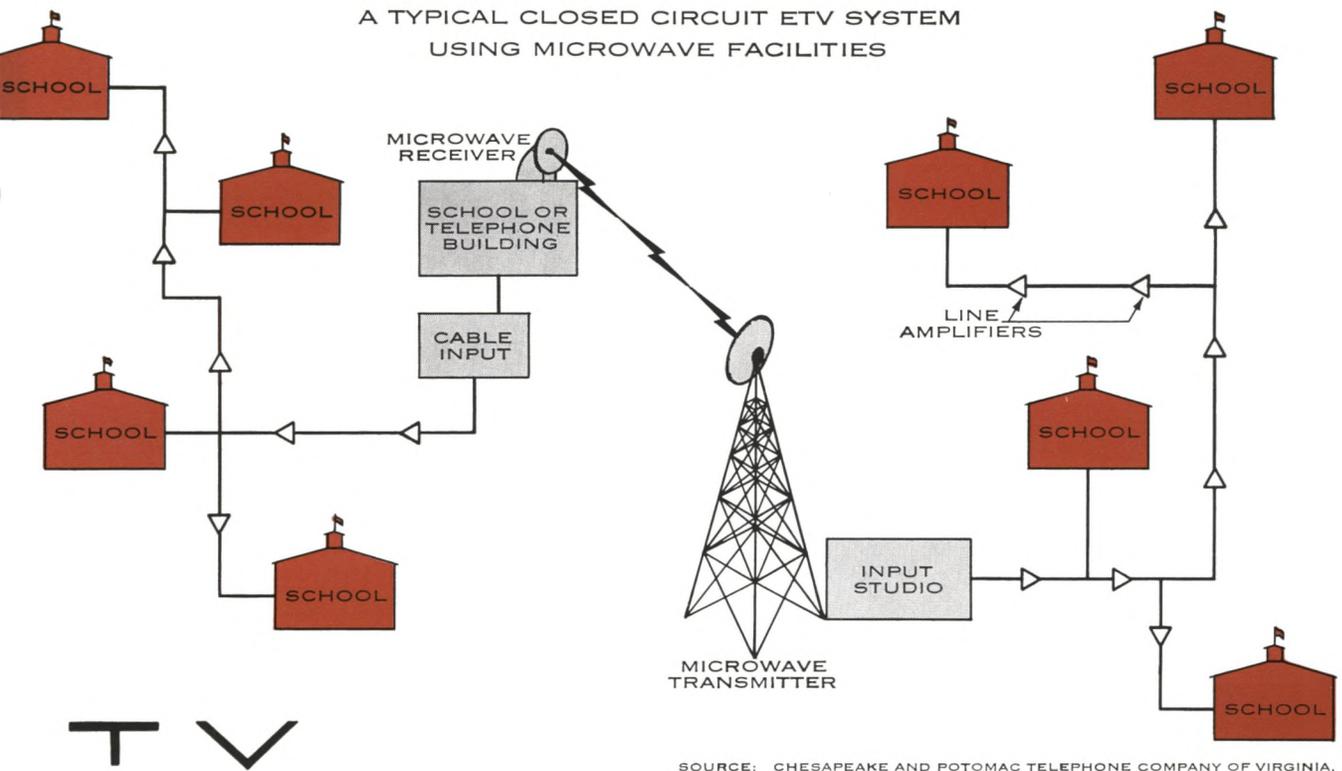
tions of an entire production staff in the preparation of a telelesson and has the best of visual aids to make her lessons realistic.

Financing ETV Operations The limited funds of most educational stations have hindered their development. From the beginning, the Ford Foundation has played a large part in the financing of ETV. Now Federal funds are available to the various states through the Educational Television Facilities Act of 1962, which was extended by the Public Broadcasting Act in November 1967. In addition there are several other Federal acts that pertain in some way to ETV. These include the National Defense Education Act of 1958, the Elementary and Secondary Education Act of 1965, and the Higher Education Act of 1965. Various state legislatures have provided funds for ETV, but many stations are still largely dependent on public donations. To supplement contributions, some stations charge a per-pupil fee for each course they provide.

Types of ETV Systems There are two types of educational television systems: closed circuit television (CCTV), and open circuit or broadcasting television.

A closed circuit system predetermines the viewing audience since only those sets connected directly to the circuit can receive the programs. When the viewing area extends no farther than 30 miles from

A TYPICAL CLOSED CIRCUIT ETV SYSTEM
USING MICROWAVE FACILITIES



SOURCE: CHESAPEAKE AND POTOMAC TELEPHONE COMPANY OF VIRGINIA.

the studio, a coaxial cable can be used for transmission purposes. This cable, usually provided by a local telephone company though available from other sources, is typically an underground one with an amplifier every 4,000 feet to maintain a strong signal. For transmission distances greater than 30 miles, the coaxial cable may be used in conjunction with microwave relay stations. In this situation, the program is carried to the microwave station via a cable, transmitted over the air to another station nearest the viewing area, and carried from there to the schools by coaxial cable. The signals reach the TV's through interior building wires running to each outlet. The diagram shows a typical closed circuit system using microwave facilities.

Open circuit television is the conventional type of commercial television broadcasting. While using the same transmission method as commercial stations, ETV open circuit stations are nonprofit and noncommercial. Of those stations now in operation, about a third are licensed to community groups, one-third to colleges or universities, one-fourth to state organizations such as boards of education or commissions, and the remainder to public school systems.

There are two major types of ETV open circuit channels: VHF (very high frequency—Channels 2-13) and UHF (ultra high frequency—Channels 14-83). Frequencies may be thought of as com-

munications highways. Their use is authorized by the Federal Communications Commission, and only closed circuit systems that do not use microwave relay escape FCC control.

A typical closed circuit system schedules classroom series during school hours. There may be in-service teacher training in the late afternoon with adult education classes or technical classes for special groups at night. An open circuit system varies the schedule by providing programs for general cultural enrichment in the evening.

Both closed and open circuit television have inherent advantages and disadvantages. CCTV can transmit several programs simultaneously and, therefore, provides more flexibility in scheduling. More local control over program scheduling and content is possible, too, since the owners and operators and the viewing audience are generally all part of the same immediate community. The main disadvantage of closed circuit transmission is that it limits the viewing audience and, therefore, the type of program presentation. Only classroom series are offered, since there is no demand for educational programs of a general nature. Open circuit ETV has the advantage of being able to reach everyone in the privacy of his own home. In addition, these stations usually have a greater availability of technical personnel and capital. The main disadvantages of open circuit TV are its higher installation costs and its

ability to broadcast only one program at a time.

In July 1963, the Federal Communications Commission, through Instructional Television Fixed Service (ITFS) or 2500 megacycles service, added 31 channels to those broadcasting frequencies reserved for ETV. ITFS is unique among the broadcasting stations for, while the signals are transmitted openly, they may be received only at locations where a more expensive special antenna and converter are provided. Therefore, though the general public can in theory receive the broadcasts, in effect it is a closed system. ITFS transmitting equipment is much cheaper than conventional open circuit equipment. In addition it has the advantage of being able to carry four programs at once. Today, the use of Instructional Television Fixed Service is not widespread, but it is gaining in popularity as ETV channel designations are becoming scarce in some localities.

History of ETV Open circuit educational television dates back to April 1952, when the Federal Communications Commission reserved 242 television channels across the nation (80 VHF and 162 UHF) to be used solely for instructional purposes. Since then the total reservations have been brought to 116 VHF and 516 UHF. The first open circuit ETV station began broadcasting in May 1953 in Houston, Texas, and by the end of 1967, 150 ETV stations were in operation. Estimates are that by 1980, 94% of the population will be reached by 377 stations.

According to *The National Compendium of Televised Education*, in the 1951-52 school year, "two schools were using televised education for systematic instruction." In 1967, 1,826 schools or school systems reported using ETV, with 19,232,584 students enrolled. Higher education enrollments were reported at 461,431, and 99,107 teachers were involved in in-service training through ETV. Even allowing for double counting (some students are enrolled in more than one course) these growth records are phenomenal. Furthermore, since all units did not report to *The Compendium*, the statistics are considered "very conservative."

Also, as reported in the 1967 *Compendium*, 578 closed circuit systems are in operation. ITFS is used by 36 institutions and 15 other units are in the planning stages.

A development of the 1960's has been the banding together of ETV facilities, both open and closed circuit, into state and regional networks. Formation of a national ETV network is now in process.

ETV in the Fifth District Fifth District states boast many milestones in educational television.

South Carolina had the first and now has the largest, most comprehensive ETV network in the nation. The state system combines the use of closed and open circuit facilities. The coaxial cable hookup can transmit six programs simultaneously and reaches every county in the State. Though all six channels are not completely activated, there is a potential for 84 programs to be telecast every school day. There are five open circuit stations. During school hours, the closed system serves secondary schools and the open circuit stations provide elementary school programs. There is an ETV enrollment of 207,345 pupils in the elementary schools and 87,351 in the secondary schools. At each level 21 series of classes are offered in the curriculum. There is also an extensive in-service ETV teacher training program in the State. Professional educational programming now includes series for doctors, nurses, dentists, pharmacists, lawyers, bankers, social workers, and policemen; and a series for food service personnel is now in preparation. There is also extensive programming in business and industrial education and plans for in-service training of state employees. Telecasts are scheduled through the use of the University of South Carolina computer.

While South Carolina, with its state legislature recognizing the potential of ETV in 1957, had a head start on the other Fifth District states, all the states are making great strides toward eventual statewide networks. Virginia has three ETV open circuit stations, with two more under construction. Roanoke station WBRA is one of the first ETV stations in the nation with full color capability. In addition WCVE-WCVW in Richmond is the eighth station in the country to transmit on two UHF channels. In Virginia ETV has been developed on a regional basis, giving careful consideration to geographical and population factors. One area has proved a problem in the development of ETV. Portions of the Shenandoah Valley in Northern Virginia lie in the "national radio quiet zone." A facility in this area that is consistent with National Defense requirements of the Radio Observatory at Sugar Grove, West Virginia, requires a "unique, especially-designed highly-directional antenna." Construction of such a facility is still in progress, and temporarily the commercial station in Harrisonburg is carrying some educational courses. The other facility still being built is in Northern Virginia where, in addition, an ITFS system is planned. Now Northern Virginia schools receive programming from WETA in Washington, D. C. In the public schools of Virginia, more than 500,000 students receive some portion of their instruction through television. There

is limited use of closed circuit coverage in the State. The Medical College of Virginia Health Sciences Division of Virginia Commonwealth University in Richmond has an advanced system, however, and six other institutions of higher learning use closed circuit facilities.

North Carolina now has five ETV open circuit stations in operation with plans to activate four more, bringing 90% of the State within reach of one of these stations by 1970. Though present to a limited degree, in-school television is not as advanced in North Carolina as in South Carolina and Virginia. Instead, the State has centered its ETV efforts on specialized instruction. Series have been prepared for in-service teacher training, school food service personnel, and adult farmer education. Though other units are planned, only one school system now uses closed circuit TV. One ITFS two-county system is scheduled to be built when funds become available.

In the Fifth District, only West Virginia and Maryland have no ETV open circuit stations in operation, though some areas of both states are within range of nearby stations. Both states, however, do have plans for statewide ETV networks.

In West Virginia educators see in ETV a chance to overcome many of the problems caused by the mountainous terrain. Remote schools, hampered by small teaching staffs and limited resources, will be able to receive quality instruction at a minimum cost. Overcrowded city schools will be able to make optimum use of space and teacher skills. Morris Harvey College in Charleston has been offering college credit courses by television since 1954 and is considered a pioneer in ETV. Presently, the State is receiving generous cooperation from commercial stations in the broadcasting of educational programs and also has plans for three ETV open circuit facilities, with the first to begin operation in the fall of 1968. After these stations have been activated, a survey will be taken to see what areas cannot receive any ETV programs, and appropriate steps will be made to cover these localities. Considerable progress has been made in West Virginia in closed circuit television. Several institutions of higher learning use CCTV, and one inter-county system exists in the northern part of the State, with plans for another in the eight-county Eastern panhandle region. This Eastern area, portions of which are in the "national radio quiet zone," decided closed circuit TV would be the most feasible and the least expensive form of coverage. No ITFS units are in use now or are scheduled to begin operations in West

Virginia, though a committee has been set up to study the possibilities.

Maryland network plans include seven UHF stations, all broadcasting in color. Schools will receive programs on a voluntary basis, with no per-pupil charge involved. Funds will be provided by the State and from Federal sources. The first station is expected to begin operation in 1969, with the entire network completed by 1973. A pilot project in closed circuit ETV was conducted in the public schools of Washington County, Maryland, during the years of 1956-61. The Electronic Industries Association and the Fund for the Advancement of Education of the Ford Foundation sponsored the program, and the Chesapeake and Potomac Telephone Company of Maryland assisted in the effort. Though financial assistance has now been terminated, the County has continued the program with great success. The use of television affords a substantial saving over and above the annual operating costs of the system. The circuit now links 45 public schools in the County, and there is an ETV enrollment of 21,269 pupils.

While there is no formal plan for the utilization of educational television in the public schools of Washington, D. C., the City does have one ETV station within its boundaries. The use of closed circuit TV is being evaluated as a communications medium between schools, to be available in the event of an emergency. When not in use as an emergency facility, the circuit would be used for instruction and teacher training.

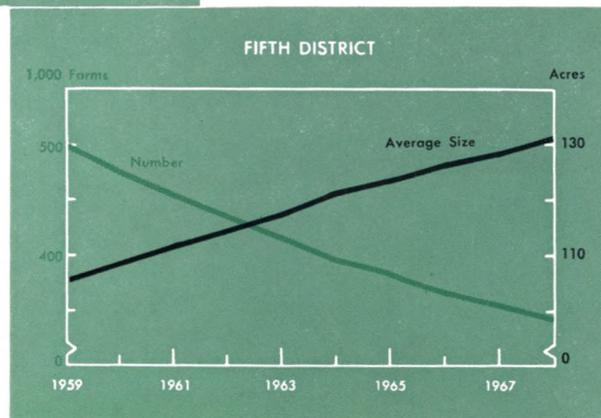
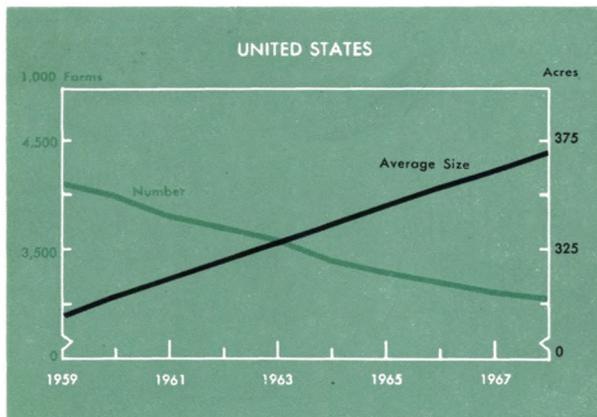
The Future of ETV Educational TV has a bright future, not only in the Fifth District but also in the nation. In 1966 the Ford Foundation submitted to the FCC a suggestion that a nonprofit corporation be formed for the purpose of connecting all television stations in a nationwide network through the use of communications satellites. In January of 1967, the Carnegie Commission on Educational Television recommended to Congress similar objectives, calling for interconnection of stations and a corporation to receive and allocate funds from public and private sources to ETV organizations. Accordingly, in November the Public Broadcasting Act of 1967 was passed establishing the Corporation for Public Broadcasting. Though many questions were left unanswered, such as the permanent financing, leadership, and role of the Corporation, the Act and the prospect of a national ETV network have opened up an entirely new era in educational television.

Charlotte B. Carmichael

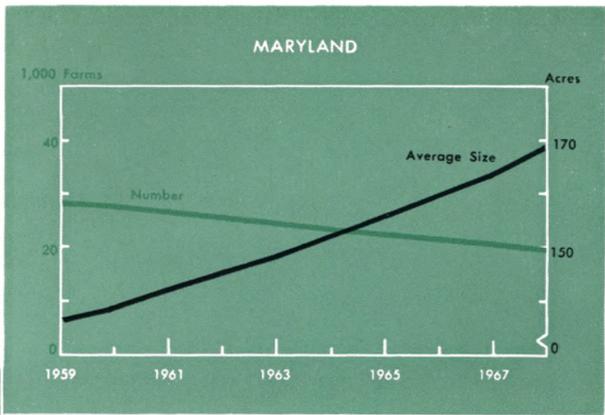
FEWER BUT LARGER FARMS

The trend toward fewer but larger farms continues, according to estimates of the U. S. Department of Agriculture. The number of farms expected to be in operation during 1968 is estimated to be around 3% below the 1967 figure in both the District and the nation, while the average size of farms will probably increase slightly more than 2%.

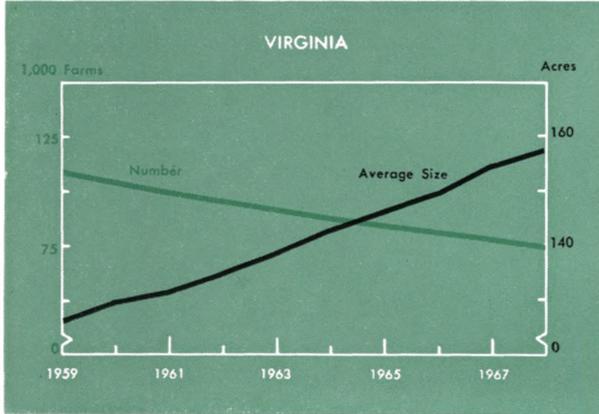
Since 1959, the number of District farms has declined 31%, compared with a 25% decrease in the nation. During the same ten-year period, the land in farms has also decreased but at a much slower pace, dropping 14% in the District and 5% nationally. These changes are associated with an increase in the average size of farms: for the District, from 105 acres in 1959 to 131 acres in 1968, a gain of 25%; nationally, from 288 acres to 369 acres, a 28% increase. Among District states, South Carolina has shown the biggest percentage changes since 1959, with farm numbers dropping 40% and the average size of farms increasing 39%. Smallest changes have occurred in North Carolina where the number of farms has fallen 25% and the average size has risen only 20%. Throughout the nation, the important influences in the decline in farm numbers continue to be the consolidation of farms into larger units and the conversion of farmland to nonfarm uses.



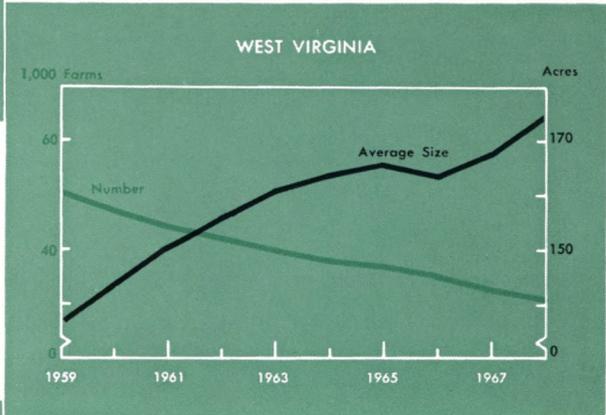
There are 19,500 farms in Maryland in 1968 compared with 28,000 in 1959, a decline of 30%. The average size of farms is 169 acres, 33 acres or 24% larger than in 1959.



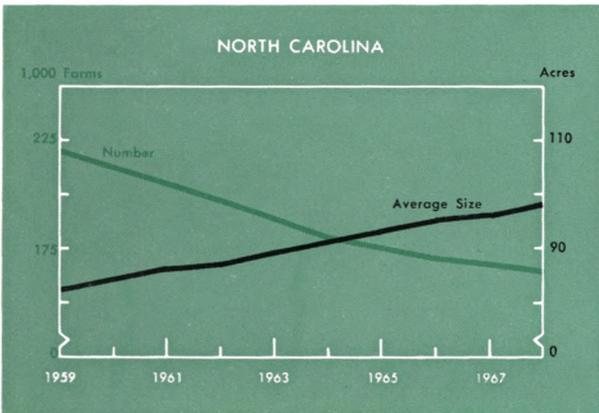
Virginia currently has 75,000 farms, 31% fewer than in 1959. The average farm has 157 acres, 31 acres or 25% more than ten years earlier.



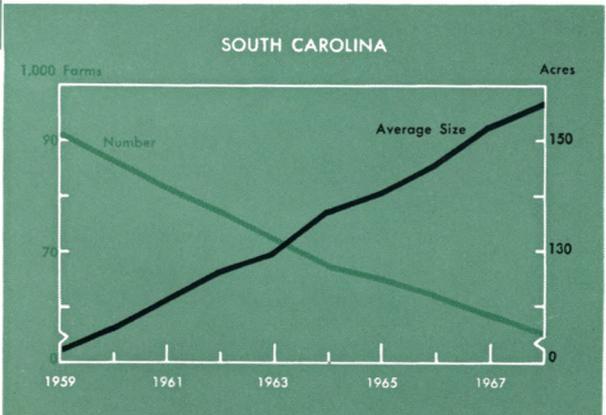
The 31,000 farms in West Virginia in 1968 represent a decrease of 38% from 1959. At 174 acres, the average farm is 38 acres or 28% larger than in 1959.



North Carolina's 165,000 farms, the largest number in any state in the District, are 25% fewer than in 1959. The average size farm, at 98 acres, has gained only 16 acres or 20% in this ten-year period and is by far the smallest among all District states.



The number of farms in South Carolina now total 55,000, 40% less than a decade earlier. The average farm has 156 acres, 44 acres or 39% more than in 1959.



Source: U. S. Department of Agriculture.



On April 10, 1968, the Academy of Motion Picture Arts and Sciences nominated for its famed and coveted "Oscar" a movie based on the rise and fall of two of the country's most notorious bank robbers—BONNIE AND CLYDE. If the production of this motion picture in 1967 were merely a coincidence, it was a most timely one, for that year was a golden period for bank robbers. Not since the post-Civil War raids of Jesse James and the John Dillinger escapades of the Depression have American financial institutions been as severely threatened by armed desperados. The resurgence of robberies of commercial banks and savings and loan associations has prompted bankers, police, security experts, and laymen alike to re-examine this phase of American crime.

BONNIE AND CLYDE IN THE 1960's

In order to appreciate the threat posed by modern-day Bonnies and Clydes it is necessary only to cite the increase in the occurrence of robberies (armed attacks), larcenies (sneak thefts), and burglaries (breaking and entering) over the past several years. In 1957 there were 278 bank robberies, but only ten years later the number had risen to 1,730—a startling six-fold jump. Last year's historic tally averages to an astonishing seven robberies each banking day. Although larcenies have been diminishing since 1963, their total is almost 40% higher than in 1961. Burglaries too have kept pace by more than doubling in the last seven years.

As bandits become more daring, the "take" gets larger. Bank losses more than doubled between 1961 and 1966, climbing from \$2.0 million to \$4.8 million, and then came close to doubling again in a single year, skyrocketing to \$8.7 million in 1967.

One encouraging aspect of the situation is that as robberies and losses go up, so do convictions. As shown in the chart, Federal convictions under the Federal Bank Robbery and Incidental Crimes Statute have more than doubled over the last seven years. A true comparison of total violations and convictions cannot be made for several reasons: a number of the cases are tried in state courts for other violations such as assault or murder; a man responsible for several violations may be tried and convicted for only one of them; or persons arrested during one year frequently are not brought to trial until the following year.

The Changing Portrait What type of person is responsible for the new abundance of bank robberies? Is the thief of the 1960's a professional criminal skilled in the art of stealing, or is he merely an amateur who is a little short of cash? Does he operate alone or as part of a gang using tactics reminiscent of the Capone era? Does our modern bandit rely on the tried and true techniques of safecracking, or has he perfected new systems compatible with our atomic age? The statistics suggest that the contemporary crook is changing to keep up with the times. By doing so he has proved to be just as effective as his spectacular counterpart of yesteryear.

One very evident change is in the techniques of safecracking. Today's professionals have turned to modern science and radioactive materials. The new system works by placing a radium source behind the safe and holding an X-ray plate against the lock. The lock's tumbler arrangement is revealed, thus giving the crook the desired combination.

Contemporary bank robbers have an array of other up-to-date tools to use in their quest for instant wealth. They can equip themselves with short-wave radios for monitoring police calls and use magnetic drill presses for breaking into the bank or vault. Burglars are taking advantage of these modern devices and are constantly looking for new ways to be more effective. Some are said to be searching for lasers small enough to be portable yet strong enough to penetrate vault steel.

The methods, as well as the instruments, of the

robber's trade have changed considerably in recent years, with the lone operator replacing the gangs of bygone days. During the first six months of 1967 single robbers accounted for 70% of the reported holdups. The professional bank robber is also on the wane. Statistics indicate that the loner nowadays is generally an amateur looking for an easy way to get out of debt. In some instances the impoverished amateur is so unlike the stereotyped, greedy professional that he attracts the public's sympathy rather than its wrath. A case of this sort occurred recently in Norfolk, Virginia, when a young man walked into a bank and handed a teller a note which read: "This is a holdup. I want \$90. No more if you please." The teller put the money on the counter while the young man asked if he might borrow the money instead. After being told that such a small loan was impossible he departed—leaving the \$90 lying on the bank counter. When arrested and charged with attempted robbery 45 minutes later, the "thief" disclosed that he was a dishwasher earning only \$30 a week.

Not all amateur "heisters" are this pathetic; some can be quite ludicrous. It is not uncommon for the first-time robber to be unarmed or virtually so; some have been known to threaten a teller with a loaded water pistol or an "acid" bottle filled with weak tea. Usually the single robber is a "note passer" intent on being as inconspicuous as possible. This is not always the case, however; in one instance a nervous amateur ordered a teller to fill his bag, then discovered he had forgotten to bring one. The excitement was too much for him, and he finally fainted, attracting considerable attention from concerned bystanders as well as police. Unfortunately, the novice is not always this inept, and the chance that he will endanger both property and life is very great. The FBI notes that the amateur is sometimes more dangerous than the professional since he is more unpredictable.

The frightening possibility that a bandit may not hesitate to use his weapon is inherent in every bank robbery. Many times the public's initial reaction is concern over the financial loss to the community.

There is a tendency on the part of most persons to overlook the danger involved. J. Edgar Hoover, Director of the Federal Bureau of Investigation, explains the real seriousness of the crime this way: "We must not forget the potential for physical danger to employees, customers and even to innocent bystanders during the commission of the crime or along the getaway route." The chances of robbery being accompanied by homicide are high, and no matter how clumsy or pathetic he is, the robber presents an acute danger to society.

The lone bandit is by no means the only menace facing banking institutions in the 1960's. The remaining 30% of the robberies committed in the first six months of last year resulted from attacks executed by an effectively functioning criminal organization: the gang. Bank holdups committed by bandits working in teams of two or more invariably pose greater hazards to human life than those perpetrated by single robbers. An assault by a highly organized band of robbers usually involves a bold display of firearms, combined with a ruthlessness not typical of the lone criminal. The gang is a structured association depending on the demands and instructions of a dominant leader. Its strategy is well planned, skillfully executed, and almost always characterized by overt threats of violence. The gang's success is illustrated by its responsibility for a disproportionately large share of total bank losses. During the first half of 1967 when multiple-bandit units committed only 30% of the reported holdups, they accounted for 55% of the total bank loot obtained by all robbers. Statistics for the same time-span also indicate that robberies instituted by gangs are seldom thwarted. In the first six months of last year approximately 92% of the gang attempts were successful, compared to 74% of the one-man holdups.

The Typical Robber Using information gathered from a survey on bank bandits, the FBI has produced a composite picture of the typical bank robber. The criminal who is causing the trouble for so many banking communities is a male in his middle thirties who works alone and is an amateur. This does

<u>Calendar Year</u>	<u>Robberies</u>	<u>Burglaries</u>	<u>Larcenies</u>	<u>Total</u>	<u>Convictions</u>	<u>Loss in \$ Millions</u>
1961	540	298	117	955	474	2.0
1962	678	352	220	1250	471	2.2
1963	919	393	236	1548	687	3.8
1964	1030	416	222	1668	803	4.5
1965	1154	395	200	1749	793	4.5
1966	1164	551	156	1871	834	4.8
1967	1730	660	161	2551	1018	8.7

Source: Federal Bureau of Investigation; Loss: American Bankers Association.

not mean, however, that robbery is limited to the masculine gender, only that men outnumber women. The man who robs banks is typically a fellow of normal height and weight who seldom uses a disguise. He looks like everyone else and makes this one of his greatest assets. His attack will be staged at the bank's busiest time: on Friday between 10 a.m. and 2 p.m. When he enters the banking establishment he will have an 86% chance of carrying away the booty which will average \$5,951.11. The *modus operandi* of robbers varies, but the typical bank bandit usually hands the teller a note with his instructions. In this way he becomes just another "customer." As quietly as possible he will threaten to use a revolver, bomb, grenade, or bottle of acid.

The Cause Mounting concern over the resurgence of bank robberies has prompted serious attempts to determine the basic cause or causes of the crime. The growth in population and the subsequent development of suburbia seem to take most of the blame. Rapid expansion of suburban areas has greatly increased the number of branch banks, savings and loan associations, and credit unions. The very nature of the location of these branches makes them more vulnerable to attack. Suburbia is relatively uncrowded, there is less police protection, and escape routes are generally more accessible and better concealed. Suburban informality has left its mark on bank architecture, making the temptation for the robber even more tantalizing. Generally the new branches have few security features and lack the structural safeguards of downtown banks. The extensive use of glass makes them look light, open, and inviting. Most all of them have low, open service counters and drive-in teller windows. But the growth of branch banking is not the only cause for the increase in bank robberies. A partial explanation must be the rise in crime in general and the modern, effective tools of the robber.

The Cure Bankers have many protective devices for combating both the vulnerability of branch banking and the new equipment of the robber. One of the oldest and, according to statistical data, one of the most effective is the armed guard. There is also an increasing array of structural and procedural precautions that bankers can take to enhance their business' safety. Luckily for the banker, they are all relatively inexpensive. The building can be equipped with burglar alarms, bulletproof glass, and silent foot alarms at each teller's window. On an extra busy day only a minimum amount of cash can be left at each cage; the excess can be kept under

time lock. "Bait," "hot," or "decoy" money—currency that is marked or has serial numbers listed—can be included with the loot given to the robber. This is especially helpful in obtaining convictions. Cameras and microphones—concealed or unconcealed—are strong deterrents to the robber. They aid in the quick apprehension of the criminal and in his later conviction. A hidden microphone with a direct circuit to police headquarters or to the home of an officer costs approximately \$125. Another protective gadget consists of small rubber mats which are concealed by throw rugs. They are used after business hours and are electrically wired to set off an alarm when stepped on. The whole set can be obtained for a total cost of around \$40. Considering the amount of money lost each year from robberies, the expense of these materials is a small price to pay for safety.

In the event of a robbery banks are protected by insurance, but when heavy losses occur, insurance rates go up steeply since they are figured on the basis of the individual bank's loss rate. Due to the recent upswing in losses, banks are facing either higher premiums or increased deductible features. The small expense of equipping institutions with preventive devices is in the long run probably cheaper than increased insurance costs. Also, with the new equipment there is more chance of catching the thief with the loot. Because security precautions tend to reduce the number of robbery attempts, Congress was asked to formulate legislation dealing with minimum security requirements for financial institutions. The Bank Protection Act of 1968, which was signed by President Johnson on July 9, directs the Board of Governors, the FDIC, the Comptroller of the Currency, and the Federal Home Loan Bank Board to promulgate rules establishing minimum standards with respect to the installation, maintenance, and operation of security devices and procedures by insured banks and savings and loan associations.

Bonnie's and Clyde's professional descendants have made effective use of their legacy. The present decade has thus far been an extremely profitable one for the bank robber, but, as in the case of his predecessors, his temporary success will bring about his ultimate downfall. Both bankers and law enforcement agencies are making robberies more difficult and risky. They are fighting the robber's new techniques with modern methods of their own. Their's is a fascinating contest, and one that should offer historians as interesting a chronicle as Bonnie's and Clyde's.

Carla W. Russell

The Fifth District



Some national economic indicators have begun to show signs of moderation since the passage of the Revenue and Expenditure Control Act of 1968 in late June. The moderation in most cases takes the form of a decline in previously rapid rates of growth of the indicators. Though many economists have forecasted the effect of the recent fiscal move, it is somewhat early to determine with sufficient precision its impact upon the various facets of national economic activity and much too soon to perceive the effects upon particular regions. The economy of the Fifth District, at the time of this writing, remains buoyant.

Personal Income Estimates of personal income for the first four months of 1968 indicate a 9.0% increase over the similar 1967 period for Fifth District states, while for the U. S. this increase is 7.9%. These estimates, prepared by *Business Week*, also indicate a 9.3% increase in personal income for April in Fifth District states over April of 1967, compared to an increase of 8.1% for the U. S. for the same period.

Employment and Unemployment Seasonally adjusted District nonagricultural employment is estimated to have dropped 0.2% in May to a point 2.7% above that of May 1967. Total District nonagricultural employment grew at an annual rate of 1.6% in the first five months of 1968, compared to an annual rate of 0.4% in the comparable period in 1967. On the national scene total employment rose at an annual rate of 1.9% over the first five months of 1968.

A clearer picture of economic conditions develops when employment statistics are considered in relation to unemployment and labor force figures. The unemployment rate nationally has moved from the 14-year low of 3.5% of the labor force in January 1968, up to 3.7% in February, and down again to 3.5% in both April and May. Though it has risen again to 3.8% in June, this is partly attributable to a greater than seasonal increase in the labor force at the end of the school year. In the Fifth District, the rates of unemployment in May were 3.0% in Maryland, 2.7% in Virginia, 6.0% in West Virginia, 3.2% in North Carolina, and 4.4% in South Carolina. The weighted average for the District,

excluding D. C. for which May figures are not available, was 3.7%, slightly above the May U. S. rate. In all District states except Maryland, however, May unemployment rates were lower than May 1967 rates; the Maryland rate was 0.1% above a year ago. June unemployment figures for the District are not available, but are expected to reflect the increase in the labor force, shown by the national figures, resulting from younger persons leaving school and looking for jobs.

Business Inventories Most observers expect a decline in inventory building throughout the remainder of 1968, following the strong accumulation which occurred during the second quarter. Some of the accumulation may have been involuntary, but steel stockpiling as a hedge against a strike in August was a major contributor. For this reason, subsequent declines in inventory accumulation are likely to be more pronounced in the durable manufacturing sector. In the Fifth District a decline in inventory investment also seems plausible. Manufacturing respondents to our surveys of business conditions in the District have indicated some declines in inventory accumulation in June following several months of gradual increases. The impact of this kind of adjustment can be expected to be somewhat more significant in terms of the national economy than in the District due to the greater importance of heavy manufacturing in other parts of the country.

Retail Sales One of the areas of economic activity in which a tax increase is ordinarily expected to bite quickly is retail sales. The current situation following the June tax hike, however, is more uncertain than might be expected. The extent to which consumers had anticipated the tax rise is unclear, and a reported second quarter rise in the savings rate may cushion the impact of taxes on future spending to some degree. Moreover, the extent to which individuals will meet increased tax payments out of reduced saving is unknown. June figures are the latest monthly figures available, and they indicate an almost negligible increase nationally, on a seasonally adjusted basis. Durables were up about 0.8% from May and nondurables were down very slightly in the U. S. figures, though both categories were considerably above a year ago. Automobiles were re-

portedly a major factor in the June durables increase. In the Fifth District all categories of retail sales increased in June, according to our survey respondents. But the June responses indicated a considerable slackening in the rate of advance from that reported in previous months of this year.

Construction The sector of the economy about which most concern has been voiced in recent months is construction. Many have feared a substantial choking off of construction activity in the face of rapidly advancing construction costs and the rising cost of mortgage money. However, there is little doubt that a large pent-up demand for housing exists, to some extent remaining from the sharply curtailed construction activity of 1966. Now, with the tax and spending law a reality and with prospects for increased flows of funds to mortgage lenders, certain aspects of the clouded construction picture have started to clear. Other elements of uncertainty have entered the picture, however, since the Federal expenditure cut will affect public construction and the tax rise will have some impact upon the building plans of individuals and firms. On balance, many observers seem to feel that while public construction may suffer, more favorable conditions will prevail for private builders as a result of the tax and spending law.

A partially complete picture of national construction activity is available through May and a fragmentary picture through June, at the time of this writing. For the U. S. as a whole, construction contracts were sluggish in the first quarter, rose in the second, and are believed by some observers to have reached their peak for the year. Building permits began to decline in April and the decline continued through May and June. Housing starts dropped sharply in May, and slightly further in June. This has been interpreted by some as indicating that expenditures entering the national income accounts

for housing may be off for some months to come. New construction outlays declined in May and June for both commercial and industrial building and began to decline in June on private housing. Public construction spending continued to advance through May and June. On balance, expenditures for all kinds of construction put in place increased in May. The final June balance is not yet available. In the past year some 40% of the increase in expenditures can be attributed to price rises.

For the Fifth District, on a seasonally adjusted basis, building permits were 34.1% higher in May than in May 1967. For the first five months of the year they were 14.1% ahead of the comparable 1967 period. May construction contracts, also seasonally adjusted, were 26.7% above May 1967. The residential component increase was 9.4%, and the nonresidential increase, 45.8%. Preliminary figures on building permits for June indicate a continued advance, contrary to the national picture. June construction contracts are not available. Respondents to our business conditions survey indicate moderate continued increases in residential construction activity and substantial continued advances in both commercial and industrial building in June, all contrary to the national indications. Inferences are difficult to draw from these comparisons, but it is apparent that Fifth District construction is stronger than in the nation as a whole.

William H. Wallace

ERRATUM

In the July 1968 issue of the *Monthly Review*, the article titled "The Federal National Mortgage Association" reported incorrectly the number of Fannie Mae common stockholders. The error is contained in the next to the last sentence of the first full paragraph of the left-hand column on page 4. This sentence, corrected, should read: Stockholders number about 9,500.