



# MONTHLY REVIEW

TWELFTH FEDERAL RESERVE DISTRICT

JUNE 1949

FEDERAL RESERVE BANK OF SAN FRANCISCO

## BUSINESS CONDITIONS: TWELFTH DISTRICT VS. UNITED STATES

**M**ORE than one finger has been pointed at the Twelfth District and at the Pacific Coast in particular as the place in which a decline in business activity would create problems much more severe than in the country generally. Business activity, according to the dire predictions for the Twelfth District economy, ought to have declined more in this District than in the country as a whole. These predictions have been based on the assumption that the District was in some way a one-industry economy and on the fact that unemployment as a percentage of the labor force is greater here than nationally. Actually, no greater decline has occurred here. Though late last year and early this year the District experienced a greater drop in business than the country, conditions in March and April were relatively better here. By the end of April, the District position was no farther from the peak level than was the comparable national position. In some fields of activity the District was better off than the nation as a whole, and the more favorable course of economic activity relative to the United States, which was first evident in March and April, continued into May and June. A brief review of the extent of the expansion in the District since 1940 might bring about a better understanding of the meaning of recent adjustments.

### *District grew more rapidly than country as a whole during the 1940's*

Between 1940 and 1948, population increased about 4 times as rapidly in the District as in the country as a whole. It increased 40 percent in the District during this eight-year period and about 10½ percent nationally. Even in 1948 the rate of increase in District population was 1½ times that in the nation. Between 1940 and 1948, nonagricultural employment increased more than 60 percent, compared with about 40 percent in the country as a whole. Income payments in 1947 (data by states for 1948 are not yet available) were almost 3 times the 1940 level in the District but only 2½ times the 1940 amount in the nation. Demand deposits in 1948 were more than 3½ times the 1940 level for the seven states of the Twelfth District, but a little under 2½ times the 1940 volume for the country. Department store sales were more than 2¾ times as large in 1948 as in 1940 for this part of the country; nationally they were just over 2½ times as large as in 1940.

The war gave rise to considerable plant expansion in the District. Most of the new facilities added during the war consisted of shipyards, aircraft plants, steel mills, and aluminum plants. Manufacturing employment was concentrated to a major extent in shipbuilding and aircraft production. By the end of 1947, the war-born industries had either declined to a minor position or had been absorbed into and consolidated with the District economy. By that time the District economy was fairly diversified as opposed to the concentration during the war period. Between the peak of wartime activity and the end of 1947, approximately 600,000 persons had left manufacturing employment. Most of the reduction came in aircraft and shipbuilding, the two largest wartime employers. Even though shipyard employment has continued to decline since 1947 and has contributed to the increased level of unemployment compared with last year, most of the adjustment had been made in the immediate postwar period and most of the workers had been absorbed in other lines of activity or had left the labor force. By the end of 1947, the level of nonagricultural employment was not far off the wartime peak. The increase in steel capacity and aluminum capacity were being fully utilized and further expansion was under way. The machinery and metal working industries were also expanding and in some parts of the District had become one of the leading employers. Construction was proceeding at a rapid pace and California alone accounted for almost 20 percent of the housing starts in the nation at the end of 1947.

### *Decline in the District about the same as in the country*

The record levels of 1947 were followed by additional increases in economic activity in the District as well as the nation. Production, income, and spending were

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1939-47**

**Fruit and Vegetable Canning, Twelfth  
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greater in 1948 than in 1947. At the same time, however, evidence began to appear that the expansionary forces were weakening, and during the year activity in one field after another turned downward.

Examination of several series relating to business activity in this District and the United States indicates slight differences in the time at which peak levels were attained. Though the District series tend to show an earlier peak, for the most part the variation does not appear to be significant. The declines from the peak, however, were greater in the District than in the nation during late 1948. Nevertheless, the declines in most series between the peak month and April 1949, were no more severe in the District than nationally. In some lines of activity the declines in the District were actually smaller than in the country as a whole. This occurred despite the severe winter weather which contributed towards a continuation of the greater rate of decline in the District into January and February. The recovery during March and April was sufficient to improve the District's position relative to the country as a whole.

The more favorable relative position of many lines in the District is shown more clearly by comparing the changes over a year. (See accompanying table.) This comparison, however, is less useful than a comparison with the peak month for the respective areas. The amplitude of changes from April 1948 to the peak month was not always the same in the District as in the nation.

PERCENT CHANGES IN SELECTED SERIES—UNITED STATES AND  
TWELFTH DISTRICT

	Peak <sup>1</sup> to Dec. 1948	Peak <sup>1</sup> to April 1949	April 1948 to April 1949
<b>Department store sales<sup>2</sup></b>			
United States (July 1948).....	— 1.6	— 6.7	— 4.2
Twelfth District (April 1948)....	— 1.2	— 6.3	— 6.3
<b>Nonagricultural employment<sup>2</sup></b>			
United States (October 1948).....	— 0.9	— 3.6	— 1.3
Twelfth District (September 1948)	— 1.7	— 3.3	— 0.6
<b>Manufacturing employment<sup>2</sup></b>			
United States (September 1948)...	— 1.8	— 7.3	— 4.4
Twelfth District (September 1948)	— 3.2	— 6.4	— 0.6
<b>Lumber production<sup>2</sup></b>			
United States (January 1948).....	— 8.4	— 19.6	— 12.9
Twelfth District (December 1947)...	— 13.0	— 12.3	+ 6.8
<b>Insured unemployment<sup>3</sup></b>			
United States (October 1948)....	+ 56.3	+ 147.0	+ 60.0
Twelfth District (September 1948)	+ 84.0	+ 112.3	+ 34.0
<b>Commercial, industrial, and agricultural loans<sup>4</sup></b>			
United States (December 1948) ...	....	— 9.0	— 3.7
Twelfth District (December 1948)...	....	— 9.2	+ 2.6
<b>Demand deposits (except interbank)<sup>5</sup></b>			
United States (December 1947)...	— 1.1	— 6.7	— 1.3
Twelfth District (December 1947)...	— 1.9	— 9.7	— 4.4

<sup>1</sup> Peak selected from highest month in 13 month period ending December 1948. Peak month for each series is listed in parenthesis.

<sup>2</sup> Adjusted for seasonal variation.

<sup>3</sup> Measured from low point.

<sup>4</sup> Weekly-reporting member banks.

<sup>5</sup> All member banks.

**Most District series do not vary widely from  
United States pattern<sup>1</sup>**

Even with the earlier declines in some phases of economic activity in the District, the movements of the series have approximately paralleled national movements. This characteristic is readily evident from an examination of individual measures of business conditions.

<sup>1</sup> See charts on insert page.

Nonagricultural employment gained somewhat more rapidly in the District than in the country as a whole during the first three quarters of 1948. The decline through January of this year was greater than the national decline. In contrast to the country as a whole, however, nonagricultural employment did not decline as sharply in February and March, and improved in April and May. Manufacturing employment declined more sharply in the District between November 1948 and January 1949, but has improved slightly since in contrast to a continued decline nationally. The data for insured unemployment tend to reflect these differences, at first deteriorating slightly relative to the national picture and improving somewhat recently.

One point which has been emphasized in illustrating the more severe decline in the Twelfth District is the high rate of unemployment compared with the United States total. The District, and particularly California, had a higher rate of unemployment than the United States even at the peak of wartime production. The present ratio of District insured unemployment to that for the United States, while greater than that in 1943, is not significantly different, however, from that during most of the postwar period. The important point is that despite the continued influx of population since the end of the war and the decline in business activity in recent months, the District has maintained about the same relative position for some time. The earlier and somewhat sharper decline in activity here did cause some increase in the ratio of District insured unemployment to the national total between October and March, but in recent months the ratio has declined.

Department store sales in the District and the United States parallel each other except for the difference in timing of the peak and the somewhat greater improvement since February of this year in the District. Somewhat similar behavior is apparent in construction authorized, except that the United States in recent months has reported greater increases than the District in non-residential construction while the District has gone ahead somewhat more rapidly in the residential field. Lumber, of which this District supplies a major portion of the United States output, has felt the effect of the declining rate of construction, particularly of homes. District lumber production has not paralleled national developments to the same extent as other series; the shifts in production in the District diverge from the national pattern in several periods. Not unlike other series, however, lumber production in the District was more depressed than in the United States between the peak month and December 1948, but by the end of April the reverse was true.

Demand deposits in this District have followed the pattern for the country, except that the rate of decline has been slightly greater here. Loans to business and farmers fell off somewhat more rapidly in the country than in the District during April, May, and June this year,

but before April the decline was somewhat more rapid in the District. Even bank debits, which are more likely to vary on a regional basis than other series referred to here, show a substantial degree of correspondence, though the fluctuations in the District series during the past year have tended to be more moderate than those for the United States. Business failures, perhaps to the surprise of some, increased more in the United States from January through April over the same period last year, though the fluctuations here during most of last year were somewhat more erratic than nationally.

District farm income, in contrast to most other economic series, has departed so significantly from the United States pattern over the past several years that comparison cannot be confined to recent months. Declining farm prices were experienced earlier in the postwar years and somewhat more extensively for farm products in the District than in the nation as a whole. Gross income from farm marketing in this District leveled off during 1947 while farmers elsewhere in the nation continued to receive a greater return for their products. During 1948 there was little difference in behavior. Farmers received slightly more than in 1947, so that their marketing receipts reached the postwar peak both in the country as a whole and in the District, but the District's share of total farm marketing income was

smaller than at any time during the 1940's. During the first quarter of this year, however, cash receipts in the District increased over the same period in 1948, while marketing income nationally declined somewhat.

#### Where does the District stand?

The District does not appear to be any more seriously affected by recent events than the country as a whole. In fact, allowing for differences in timing of the peak reached, several series indicate a stronger position here than nationally. These indications should not be seized upon, however, to predict a less severe adjustment in the District.

The District economy is sufficiently diversified to be subject to most of the forces affecting the country as a whole. No attempt is made here to assess the prospects of individual industries or to discuss the local advantages and disadvantages that do exist. However, the Twelfth District as a whole does not have a one-industry or one-crop economy. It is not likely to lose existing industries to other parts of the country on a significant scale, despite the problems created by rising freight rates and the difficulties of the West Coast shipping industry. Therefore it would seem that any significant general downward movement would have about the same effect here as in the country as a whole.

### CENSUS OF MANUFACTURES—TWELFTH DISTRICT, 1939-47

It has long been accepted that economic growth during and since the war has been greater in the western states—and particularly those states in the Twelfth District—than in the rest of the nation. Still, one always welcomes the Census accounting of the exact extent and nature of the expansion in the various fields. The Bureau of the Census has recently released preliminary statistics of its first complete survey of manufactures since 1939. The Census of Manufactures is particularly welcome since there is much less adequate intercensal information on regional manufacturing activity than there is on population, employment, income, and trade. The Census covers the year 1947, and confirms, of course, the general conclusions drawn from previously published employment figures and the limited data available on output from other sources. Manufacturing in the Twelfth District has

indeed expanded since 1939, in terms of number of establishments, number of production workers, and value added by manufacture.<sup>1</sup> In terms of employment, manufacturing's position in the Twelfth District economy has not changed since 1939 relative to other nonagricultural industries. Slightly over 23 percent of all nonagricultural employees in the District were working in manufacturing industries in 1948, virtually the same as in 1939.<sup>2</sup> The structure of the manufacturing group itself has changed considerably, however, with the heavy industries becoming more important. Although food processing maintained its position as the leading manufacturing industry,

<sup>1</sup> These are the three categories for which the Census Bureau has revised its 1939 figures to make them comparable with the recent ones. Value added by manufacture is computed by subtracting cost of materials and supplies from value of shipments.

<sup>2</sup> *Monthly Review*, November 1948, p. 104, "The Structure of Nonagricultural Employment in the Twelfth District."

TABLE 1—CENSUS OF MANUFACTURES BY STATE AND AREA—TWELFTH DISTRICT

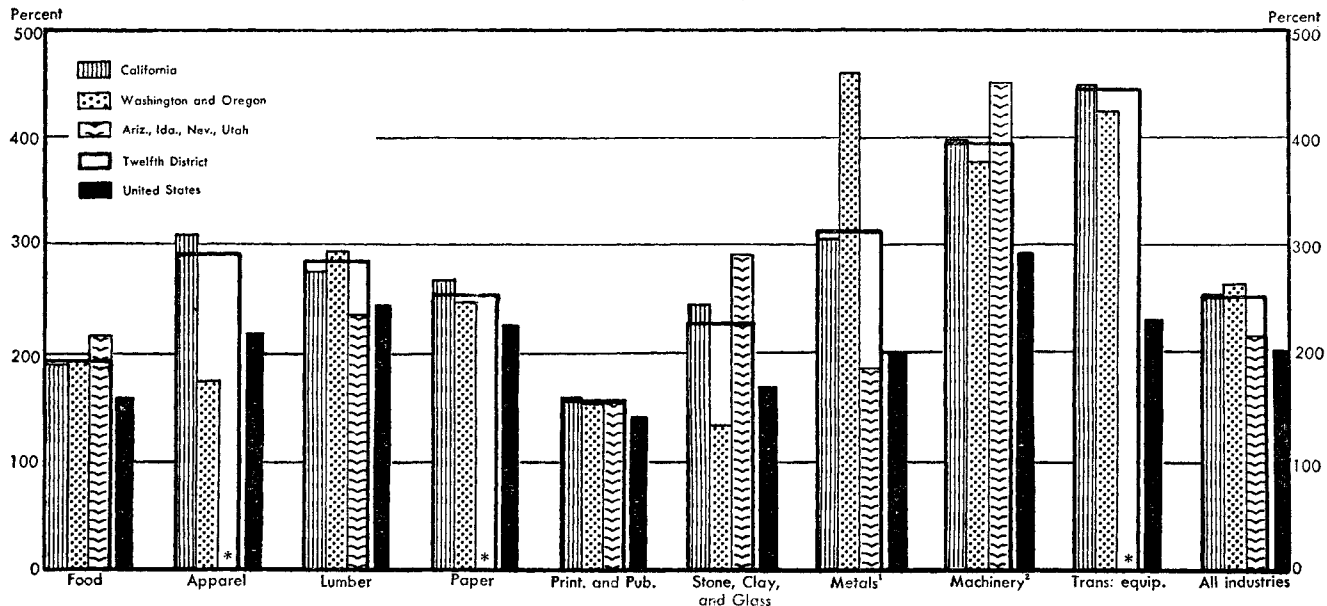
	Number of establishments (units)			Average number of production workers (in thousands)			Value added by manufacture <sup>1</sup> (in millions)		
	1939	1947	Percent increase	1939	1947	Percent increase	1939	1947	Percent increase
Arizona .....	313	545	74	5.9	11.2	90	\$ 31.6	\$ 104.0	229
California .....	11,558	17,645	53	271.3	529.8	95	1,122.5	3,996.2	256
Idaho .....	498	664	33	9.9	14.6	47	29.8	109.7	268
Nevada .....	94	125	33	1.0	2.0	100	11.5	27.6	140
Oregon .....	1,903	3,075	62	57.5	92.0	60	156.7	673.0	329
Utah .....	549	773	41	11.5	20.0	74	43.3	128.7	197
Washington .....	2,858	3,407	19	82.3	122.8	49	267.7	871.8	226
Twelfth District .....	17,773	26,234	48	439.4	792.4	80	1,663.1	5,911.0	255
Mountain .....	1,454	2,107	45	28.3	47.8	69	116.1	370.0	219
Pacific .....	16,319	24,127	48	411.0	744.6	81	1,547.0	5,541.0	258
United States .....	173,802	240,801	39	7,808	11,918	53	24,487	74,364	204

<sup>1</sup> Value added by manufacture is computed by subtracting cost of materials and supplies from value of shipments.

Note: Figures will not necessarily add to totals because of rounding.

Source: U. S. Department of Commerce, Bureau of the Census, *Census of Manufactures Statistics by States*, and Pacific and Mountain Divisions, 1947.

PERCENT INCREASE IN VALUE ADDED BY MAJOR INDUSTRY GROUP—TWELFTH DISTRICT, BY AREAS,  
AND UNITED STATES, 1939-47



\*Not reported, or withheld to avoid disclosing figures for individual companies, and not included in District totals. <sup>1</sup>Primary and fabricated. <sup>2</sup>Includes electrical machinery.

Source: U. S. Department of Commerce, Bureau of the Census, *Census of Manufactures Statistics*, Pacific and Mountain Divisions, 1947.

the large increases in employment and output in the transportation equipment, metals, and machinery industries brought them close to the top of the list in importance.

Forty percent more people were living in the Twelfth District in 1947 than in 1939; 80 percent more people were employed as production workers in manufacturing plants; 48 percent more plants were in operation; and the workers in the plants added 255 percent more value to their products than in 1939. The nation-wide increases were considerably smaller (Table 1). It must be pointed out that a large part of the enormous increases in value added by manufacture is due to the fact that the price level in 1947, as measured by the index of wholesale prices, was nearly double that of 1939.

In 1947, 971 thousand people (6.6 percent of all the manufacturing employees in the country) were working in Twelfth District manufacturing plants, and earned nearly \$3 billion, 7.5 percent of all manufacturing salaries and wages. The average production worker (about 80 percent of the total number of manufacturing employees

are engaged in actual production work) earned \$2,860 in the District, compared with \$2,538 in the nation.

The Census figures provide us with four different measures for determining the importance of the various manufacturing industries: number of employees, salaries and wages, value added by manufacture, and number of establishments (See Table 2). In the Twelfth District, the food and kindred products industry has maintained a consistent lead in each of these categories. In 1947, 19 percent of the District's manufacturing employees were working in food processing plants, and drawing 17 percent of the total wages and salaries earned in manufacturing. Lumber was the next most important industry in both years in most categories. Because of the nature of lumber manufacturing, a larger than average proportion (95 percent) of the industry's employees are engaged in actual production work, and consequently, although the lumber industry paid out less in total salaries and wages in 1947 than the food products industry, it paid more in wages alone. The transportation equipment industry

TABLE 2—CENSUS OF MANUFACTURES STATISTICS BY MOST IMPORTANT INDUSTRY GROUPS—  
TWELFTH DISTRICT, 1939 AND 1947

	1939			1947					
	Number of establishments (units)	Number of production and related workers (in thous.)	Value added by manufacture (in millions)	Number of establishments (units)	All Employees—Number (average for year) (in thous.)	Salaries and wages total (in millions)	Production and Related Workers—Number (average for year) (in thous.)	Wages total (in millions)	Value added by manufacture (in millions)
Food and kindred products.....	5,261	103.5	\$ 417.1	4,832	182.3	\$ 516.7	145.0	\$ 373.3	\$1,222.3
Lumber and products except furniture.....	1,822	100.5	239.3	3,880	140.6	450.7	133.2	403.7	925.3
Transportation equipment.....	286	32.1	117.1	712	136.4	440.0	106.3	318.8	641.3
Metals (primary and fabricated).....	1,421	40.5	156.9	2,715	110.0	351.4	92.8	275.6	649.5
Machinery (including electrical).....	1,165	20.0	90.6	2,403	81.9	258.9	63.6	187.2	449.3
Printing and publishing.....	2,784	22.2	136.9	3,264	57.8	193.9	33.1	110.3	353.7
Other.....	5,034	119.3	493.8	8,428	259.2	770.9	218.5	598.1	1,669.7
Total, all industries.....	17,773	439.3	\$1,663.2	26,234	970.6	\$2,982.6	792.4	\$2,266.6	\$5,911.0

Note: Figures will not necessarily add to totals because of rounding, and because in some cases figures were withheld to avoid disclosing individual operations.

Source: U. S. Department of Commerce, Bureau of the Census, *Census of Manufactures Statistics*, Pacific and Mountain Divisions, 1947.

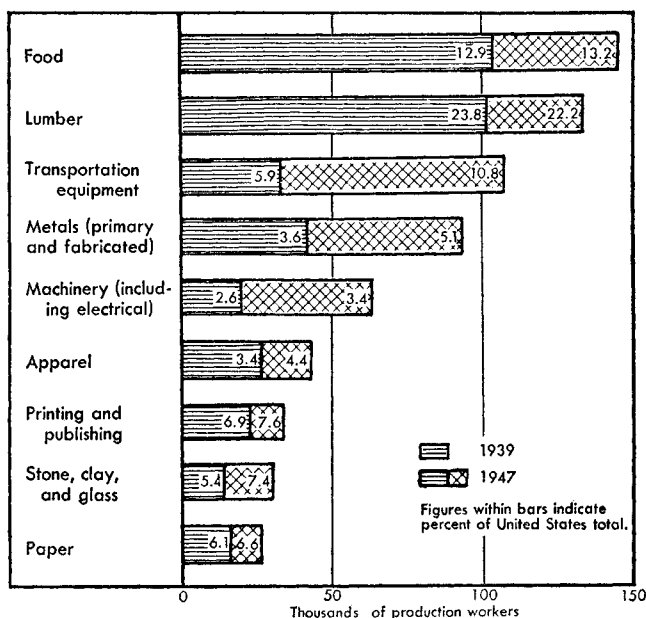
passed the metals industry to reach third place in terms of number of employees and salaries and wages in 1947, though the metals group was still ahead of it in terms of value added.

In the United States, the machinery industry was the most important manufacturing industry in 1947, in terms of employment and value added by manufacture. Metals and food processing were second and third. In 1939, the metals industry had been the most important in these two categories, followed by the food products and machinery industries in terms of value added, and by textile mill products and food products in terms of number of production workers.

All District industries expanded between 1939 and 1947. The most spectacular expansion (see accompanying charts) was in transportation equipment, even though the industry had been cut back sharply by 1947 from the wartime peak. The second and third most important expansions, in terms of both value added and number of production workers, occurred in the machinery and metals industries. In the United States, the greatest overall increase took place in the machinery industries. Lumber and transportation equipment followed in terms of value added, and instruments and related products and transportation equipment were second and third in terms of the increase in number of production workers.

The four Intermountain States experienced a greater increase in manufacturing activity than did the rest of the nation, but the increases in the Pacific Coast States were more striking. California overtook Massachusetts to reach seventh place in the grouping of the ten<sup>1</sup> most important manufacturing states in terms of value added. In accomplishing this feat it had grown faster than any

PRODUCTION WORKERS IN MAJOR TWELFTH DISTRICT MANUFACTURING INDUSTRIES, 1939 and 1947

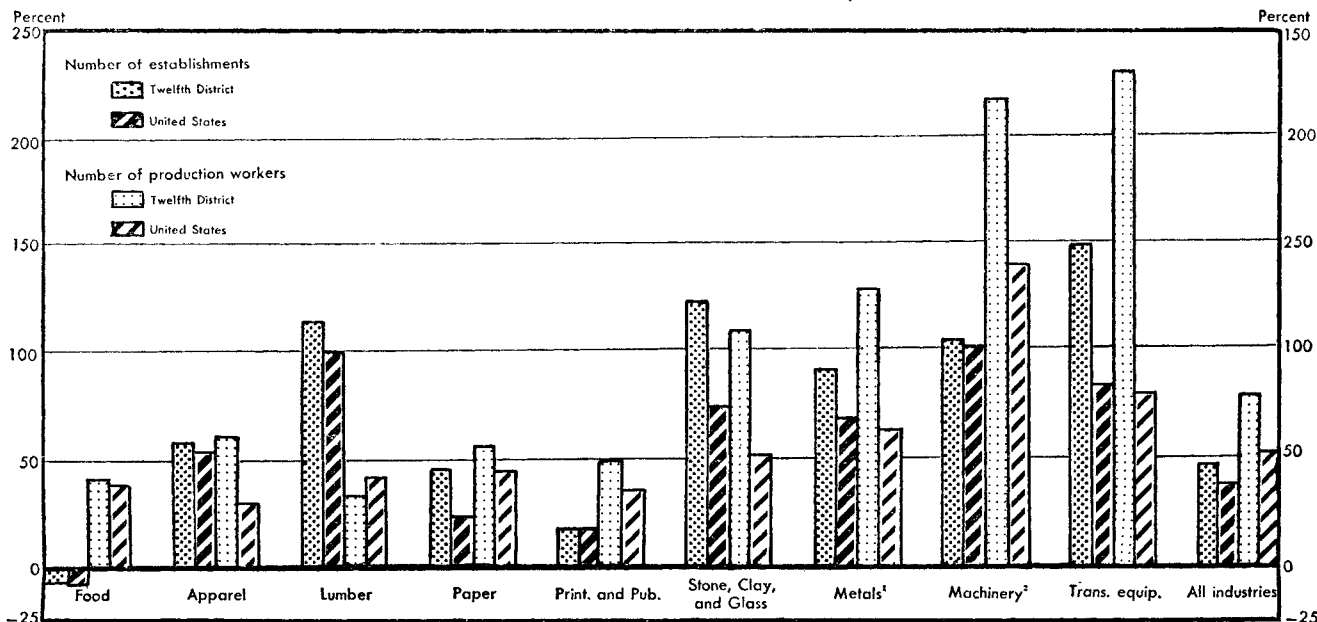


Source: U. S. Department of Commerce, Bureau of the Census, *Census of Manufactures Statistics*, Pacific and Mountain Divisions, 1947.

of the other nine states, in terms of both employment and value added. It employed 4.5 percent of the nation's production workers in 1947, compared with 3.5 percent in 1939. Its share of the total number of manufacturing plants in the country increased by 9 percent from 1939 to 1947, reaching 5.4 percent. Only New York has more manufacturing plants than California.

<sup>1</sup>The ten states are ranked as follows: New York, Pennsylvania, Illinois, Ohio, Michigan, New Jersey, California, Massachusetts, Indiana, and Wisconsin. The same states lead in terms of number of production workers, though in a somewhat different order.

PERCENT INCREASE IN NUMBER OF ESTABLISHMENTS AND NUMBER OF PRODUCTION WORKERS—TWELFTH DISTRICT AND UNITED STATES, 1939-47



<sup>1</sup> Primary and fabricated. <sup>2</sup> Includes electrical machinery.

Source: U. S. Department of Commerce, Bureau of the Census, *Census of Manufactures Statistics*, Pacific and Mountain Divisions, 1947.

## FRUIT AND VEGETABLE CANNING, TWELFTH DISTRICT—REVIEW AND OUTLOOK

THE season which closed June 1 was disappointing to many District fruit and vegetable canners. Substantial stocks in canners' and distributors' hands were brought over from the previous year. Raw material and operating costs increased, freight rates were higher and the new pack was slow to move. Much of the best shipping season was lost because of the waterfront strike last fall. Wholesale distributors have followed a conservative buying policy, while export business has been at an extremely low ebb. Aggressive price competition has weakened the tone of the market and created difficulties for many canners. Shipments improved in the final months of the season, but stocks of some fruit products remained unwieldy. Larger unsold stocks have been carried into the 1949-50 season than in other postwar years, although the ratio of unshipped merchandise to total packs at the season's end was not out of line with prewar experience. Banks are reported to be taking a conservative attitude toward financing the new packs. It is probable that generally smaller packs will be put up this season and that prices paid to growers will average considerably less than last year and possibly fall below the levels of two years ago.

### 1948-49 in review

The 1948-49 season presented conditions sharply different from those of two years ago and proved difficult for many District fruit and vegetable canners. In 1946 the problem was to pack enough to supply the markets and refill the channels of distribution. In 1947 some canners overestimated market requirements and put up larger packs than could be sold, especially of tomato products. By 1948-49 the cost of carrying large stocks became a major problem and full fledged price competition reappeared for the first time since before the war.

Both regional and national fruit and vegetable packs in 1948 were generally somewhat below those of 1947 and considerably under the 1946 packs. Because of large stocks in canners' and distributors' hands at the beginning of the season, however, total annual supplies of major canned fruits were probably as large in 1948-49 as in any previous season, while supplies of the leading vegetable packs were not much below those of 1946 and 1947. District canners generally paid higher prices in 1948 for raw materials, especially fruit, than in previous years, and were faced with higher-priced supplies, increased wage rates, and a further substantial advance in freight rates. In addition, the heavy packing season for peaches and mixed fruit was later than usual, due to the weather conditions of the preceding spring which delayed the maturity of orchard crops.

These conditions caused heavy going for the canning industry almost from the start of the season. The late summer and early fall of 1948 was a time of extremely high prices for many staple foods, especially meat, dairy, and poultry products. Although there is little evidence

### PRINCIPAL FRUIT AND VEGETABLE PACKS IN CALIFORNIA, OREGON, WASHINGTON, AND UTAH, 1945-48

	(thousands of cases)			
Fruit packs <sup>1</sup>	1945	1946	1947	1948
Peaches .....	13,198	19,243	18,142	17,203
Apricots .....	4,105	10,595	3,259	4,766
Fruit cocktail .....	6,035	7,752	9,386	9,902
Pears .....	4,465	5,256	5,508	3,830
Prunes and plums .....	1,676	3,548	1,919	894
Cherries .....	1,477	1,885	620	884
Other fruits and berries .....	2,024	3,441	2,717	2,894
Total fruits and berries.....	32,979	51,721	41,551	40,375
Vegetable packs <sup>2</sup>				
Tomatoes .....	2,813	4,805	6,772	5,344
Tomato juice .....	7,025	9,268	5,753	5,867
Other tomato products .....	13,615	20,471	20,754	14,001
Peas .....	8,052	9,701	9,087	6,955
Asparagus .....	2,729	2,990	2,502	2,262
Spinach .....	2,651	3,151	1,293	1,454
String beans .....	2,626	2,757	2,976	2,971
Corn .....	1,013	1,415	2,151	2,211
Other vegetables .....	4,925	5,630	2,166	2,754
Total vegetables .....	45,449	60,188	53,453	43,819

<sup>1</sup> Basis 24 No. 2½ cans (except Utah production, actual cases).

<sup>2</sup> Actual cases, all grades and sizes.

Source: Canners League of California, Northwest Canners Association, *Western Canner and Packer*.

that any marked slackening occurred in consumer buying of canned fruits and vegetables, distributors, both at wholesale and retail, were apprehensive of price risks and reluctant to make substantial commitments. Once established, the pattern of buying only for replacement needs persisted throughout most of the season and created numerous problems for canners having large packs financed by bank loans.

At the very peak of what is normally the heaviest shipping season came the disastrous waterfront strike which tied up marine transportation from early September to early December. The freight differential in favor of water as against rail transport is sufficient to discourage rail shipment to some consuming markets and relatively few buyers were willing to incur the extra cost of rail shipment at a time when prices were already high. How much business was lost by Pacific Coast canners because of the waterfront tieup is impossible to determine. The consensus in the trade is that it was considerable.

The combination of shipping difficulties, hesitant buying by distributors, and negligible export sales caused canners' stocks to back up. California canned fruit stocks almost doubled between December 1947 and December 1948; fruit stocks of Pacific Northwest canners were in somewhat better balance and showed an over-all reduction during the same period. Stocks of canned vegetables held by California packers were reduced somewhat during the year, chiefly because of smaller packs of tomato products which had been a source of concern during the previous season. Stock data for Northwestern vegetable packs are not available.

### Inventories and prices

Heavy inventories put pressure on prices. Large stocks in canners' hands tied up working capital and required extra storage facilities and the payment of carrying

charges in the form of interest on bank loans. The need by some canners to provide working capital or to repay bank loans led early in the season to the shading of prices in an effort to convert stocks into cash. The officers of one large District concern which has grown rapidly in recent years reported to their stockholders the deliberate adoption of an extremely competitive pricing policy as a means of developing national distribution for its products. According to their report, this policy resulted during the past season in selling at prices not only below those of other nationally advertised lines but even below many unadvertised brands. Early in 1949 one of the leading District canners cut its price 10 percent on fruit cocktail, of which very large packs had been put up both in 1947 and 1948 and which had been one of the slowest packs to move. Successive reductions on this product brought its price by May to nearly 25 percent below the opening price for the season and probably below production cost for most canners. Price weakness gradually extended to other products and relatively few items were unaffected by the widespread tendency to make concessions in order to move stocks.

There is some evidence that price reductions have been effective in stimulating the movement of the more sluggish packs. Ordinarily by far the greater part of the season's shipments of California fruits occurs in the first few months of the season. This was particularly the case in 1946 and 1947, when some 75 to 80 percent of the total seasonal shipments of cling peaches, apricots, and fruit cocktail had been made by the end of the calendar year. This past season, however, about 40 percent of the year's shipments of cling peaches and fruit cocktail, the two largest packs, occurred during the five months from January 1 to June 1. Shipments of canned apricots tell much the same story. It should be remembered, in appraising these figures, that the waterfront strike cut heavily into last fall's shipments.

In spite of this speeding up in rate of shipment the District canning industry came to the end of the season with the largest inventories since before the war. Total sold and unsold stocks of fruits and vegetables held by California canners at June 1, 1949, amounted to about 17.5 million cases as against slightly over 13 million cases a year earlier. Canned fruit stocks were about 8.3 million cases in June 1949, having increased by 5.3 million during the year; vegetable stocks decreased during the year by 1.3 million cases—chiefly because of reduced holdings of tomato products—to a figure of 9.2 million cases in June 1949. Washington and Oregon stocks of fruit in canners' hands declined during the year from 1.7 million cases to about one-half that quantity; current data on Northwestern vegetable stocks are not available.

While slow moving inventories are unwelcome and present a real problem to the trade, it must be remembered that the carrying of substantial stocks was a regular feature of the canning industry in prewar days. Over the 5-year period 1937-41, for example, unshipped stocks of fruit and vegetables held by California canners at July 1

CANNERS' SEASONAL SUPPLIES AND SHIPMENTS OF LEADING CALIFORNIA FRUIT PACKS, 1946-47 TO 1948-49  
(thousands of cases, basis 24 No. 2½ cans)

	Seasonal supply <sup>1</sup>	Shipments			Stocks at end of season <sup>2</sup>	Unsold stocks: percent of total
		June-Dec.	Jan.-May	Total		
<b>Cling Peaches</b>						
1946-47....	17,502	14,005	3,041	17,046	456	57.0
1947-48....	15,765	11,170	3,348	14,518	1,247	63.4
1948-49....	15,897	7,905	4,931	12,836	3,061	64.2
<b>Apricots</b>						
1946-47....	10,267	9,380	608	9,988	279	63.8
1947-48....	3,342	2,058	644	2,702	639	75.0
1948-49....	5,290	2,427	1,355	3,782	1,508	79.1
<b>Fruit Cocktail</b>						
1946-47....	7,859	6,460	1,336	7,797	62	18.6
1947-48....	9,512	7,227	1,985	9,212	299	11.1
1948-49....	10,139	4,121	3,001	7,122	3,016	81.0
<b>Pears</b>						
1946-47....	1,361	674	615	1,289	72	48.1
1947-48....	1,531	959	438	1,397	134	64.9
1948-49....	1,318	691	392	1,084	234	74.7
1948-49 <sup>3</sup> ...	4,556	2,204	1,591	3,795	761	66.4

<sup>1</sup> Canners' stocks at beginning of season, sold and unsold, plus pack.

<sup>2</sup> Sold and unsold, June 1.

<sup>3</sup> California, Oregon, and Washington. (Northwest data on stocks not available for 1946-47 or 1947-48.)

Source: Canners League of California, Northwest Canners Association.

averaged close to 9 million cases, of which fruits accounted for 4.9 million and vegetables for 3.8 million cases. In some respects, therefore, the current inventory position represents a return to a more nearly normal condition in the industry as compared with the situation a year or two ago.

Perhaps the most disquieting feature in the current inventory situation is the relatively high proportion of unsold merchandise still in canners' hands at the year end. Unsold stocks of California canned fruits increased from 556,000 cases at June 1, 1947 to 1,675,000 cases a year later, and to over 6 million cases in June 1949. The proportion of such unsold stocks to canners' total holdings was around 57 percent in 1947, about 62 percent in 1948, and 74 percent at the end of the season just closed. In the case of fruit cocktail and apricots, unsold stocks represented about 80 percent of canners' holdings in each instance at June 1, 1949. According to statements in the trade, poor quality, especially of apricots packed in 1948 by some canners, has made part of these stocks unsalable as standard merchandise. The heavy inventory of tomato products of a year ago had been reduced somewhat at June 1, 1949, but the proportion of canners' unsold stocks of all tomatoes and tomato products was slightly higher than in 1948.

#### Outlook for 1949-50

Current indications point to considerably reduced packs of certain products in 1949, especially of canned fruits. It seems probable that the industry will also be able to achieve a marked improvement in the average quality of its packs. Prospects are excellent for large orchard crops of high quality in California and better than average packs should result. The indicated crop of California cling peaches is comparable to the large crop of 1946 when a record tonnage of 534,000 tons was delivered to processors. The pear crop also promises to be well above average. Good cherry crops are reported in both California and the Pacific Northwest and good packs are anticipated.



One of the leading processor-grower organizations in California is sponsoring proposals to limit deliveries of canning peaches this season to fruit of No. 1 grade only and further to restrict the supply by raising the minimum size of fruit eligible for the top grade. This latter proposal would require the issuance of a specific marketing order by the State Director of Agriculture, after approval by the requisite proportion of growers as well as by handlers and canners. If put into effect, it would require expensive thinning operations by orchardists in order to secure the maximum output of larger sizes and, even so, would probably result in reduced tonnage, although this is far from certain. It would also involve some possible discrimination as between the smaller early maturing varieties and the later varieties which are larger. For these reasons it is uncertain at this writing what the outcome will be.

It is likely in any event that prices paid for this year's crops of peaches and pears will be below the high prices paid last season. Apricot prices will probably also continue the downtrend of last year as it is almost certain that the apricot pack will be curtailed. The current weakness in canned fruit prices reflects in part the standoff attitude of wholesale distributors who are awaiting the impact of the large impending orchard crops on market supplies and prices in the new season.

District vegetable packs are also likely to be generally below those of last year and well under 1946 and 1947 packs. An exception is the California asparagus pack, which is probably close to the high output of 1946 and has largely moved into distributors' hands. The yield of canning peas in the Pacific Northwest was reduced by unfavorable weather; the total pack promises to run considerably below those of recent years. Crop damage, from insect infestation, also cut down the California spinach pack. It is too early to make predictions as to packs of tomato products. Trade reports indicate that tomato acreage in California is somewhat below that of last year and contracted acreage is still less; prices offered growers are down about 10 percent. Some of the specialized tomato packs, such as catsup and tomato sauce, are in oversupply; stocks of tomato juice, on the other hand, are under better control and the market for this product has been helped by the high prices of citrus juices.

Canners' operating costs appear to have become stabilized at a level somewhat above that of a year ago. Basic wage rates remain unchanged but certain "fringe" adjustments are estimated to add about 2½ cents per hour as an over-all average to wage costs. Prices of cans have increased materially over last year and sugar prices are also up. Other supplies are about the same or higher.

The new season will see some net reduction in cannery operating capacity in the District. One fair-sized chain store cannery in California has been closed down and several other plants will not operate. Over-rapid expansion during and since the war, together with losses sustained on last season's operations, has depleted working

capital in some cases. A number of canners have obtained loans from the Reconstruction Finance Corporation in order to continue operations and provide a market for produce and labor in their localities. Some of these loans are on a participating basis, with the banks assuming part of the risk; others are direct. While some investment is being made in facilities to effect operating economies, new construction or expansion is practically at a standstill.

#### *Freight rates and market distribution*

An increasingly serious problem for western canners, especially of vegetable products, is the mounting cost of shipping to distant markets. In spite of rapid and continuing population growth in the Pacific region, the principal market outlets for most District cannery products are still to be found in the central and eastern states. Not less than four successive advances in rail freight rates since June 1946 have steadily widened the freight differential to these areas between District canners and their competitors situated closer to the large consuming centers in those regions. For example, the rate on canned goods from Pacific Coast points to New York City on June 30, 1946 was \$1.02 per 100 pounds, while the corresponding rate from Green Bay, Wisconsin, in an important pea canning district, was \$.51 per 100 pounds. The spread of 51 cents per 100 was equivalent to about 19 cents per case on canned peas. By August 1948 the Pacific Coast rate to New York had been increased to \$1.60 and the Green Bay rate to \$.79 per 100 pounds, the resulting differential of 81 cents per 100 being equivalent to about 30 cents per case on peas. Similar increases in spread between Pacific Coast points and other competitive areas have resulted from the flat percentage method of increasing freight rates which has been applied in recent years. Proposed further advances in rail charges are currently pending in applications now before the Interstate Commerce Commission and, in fact, interim increases of about 4 or 5 percent have recently been granted.

District canners have made vigorous protests against what they characterize as the distortion in competitive relationships resulting from these freight increases. There can be no doubt that many of them have been seriously restricted in their market areas by the resulting higher costs of distribution. This applies more particularly to canners of vegetable products, which are packed in widely different parts of the country; the leading Pacific Coast fruit packs enjoy something approaching a monopoly of their respective fields, though they are not free from the competition of other varieties of fresh and processed fruits.

An important consequence of these increased freight charges has been to stimulate the decentralization and scattering of canning operations, especially in the packing of vegetable products. District canners will probably have to relinquish some part of the national market which they formerly enjoyed and look more to local and regional markets to absorb their output. The larger concerns, especially those packing a considerable variety of prod-



acts distributed under their own nationally advertised brands, are in a position to locate their plants wherever the net advantages are greatest, taking into consideration both raw material supply and nearness to consuming centers. Some of them have within the past year or two acquired a considerable number of additional plants, both by new construction and by purchase of established concerns, in strategic locations in eastern and central canning districts. A counter-movement—though probably not yet of equal importance—of eastern concerns acquiring western packing plants, is also taking place.

The smaller District canners, especially those packing a limited line of products and disposing of them largely under distributors' private brands, have probably been the hardest hit by increasing freight rates. They do not have the resources either to diversify their packs or to scatter the location of their plants. They are forced to meet the problem of competitive freight handicaps either by freight absorption or other methods of price concession. It is probably among this group that major adjustments in the organization of the District canning industry is to be looked for in the next few years.

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### EMPLOYMENT AND UNEMPLOYMENT: WHAT ARE THEY?

THE recent downturn in business activity has thrown another spotlight on the measurement of employment and unemployment. We have heard of full employment, 60,000,000 jobs, and the various other phrases that cause us to think of maintaining employment at a high level. In recent months, however, we have been hearing more and more of a specific number employed or unemployed. Frequently we are told that the number is larger or smaller now than it was a month ago or a year ago. Occasionally the number we see or hear as being the number employed or unemployed appears not to be consistent with that read or heard somewhere else. The uncertainty which surrounds the figures for employment and unemployment arises out of differences in procedures used by various agencies reporting on these aspects of our economy.

In a nontechnical sense, most people would agree that someone working full time for pay is employed, and that anyone willing and able to work who does not have a job, is not working, and who is unable to find work, is unemployed. It is not difficult to find a large number of cases, however, where the answer will vary according to the agency collecting the figures. For example: a worker who is on strike may be treated as employed in one report, but as unemployed in another; a worker who has been laid off for 30 days may also be treated as employed or unemployed; the same may be true for a person who has lost his regular job but is working a few hours a week on an odd job. The difference in treatment and the meaning of various reports can best be understood by examining the purposes for and methods by which the reports are assembled.

In general, employment statistics are collected either to provide operating information for specific agencies or to provide general information on the status of employment or unemployment in the economy. Many agencies collect such data for administrative purposes: the United States Civil Service Commission collects information on Federal workers, the Office of Education on school employees, the military establishments on their civilian personnel, and several other agencies on the fields which they are required to cover by law. Of particular importance in this field are the data on employment collected

by the Federal Security Agency in the course of administering the unemployment compensation and old age pension systems.

Two employment series are collected for purposes of economic analysis and general use. The Department of Commerce series on employment and unemployment entitled the "Monthly Report on the Labor Force" is collected by the Bureau of the Census and attempts to measure the status of the labor force in the country as a whole. The Bureau of Labor Statistics publishes a monthly series on nonagricultural employment. The Department of Commerce series involves a different set of concepts than either the operating series referred to above or the Bureau of Labor Statistics series.

#### *Employment, unemployment, and the labor force*

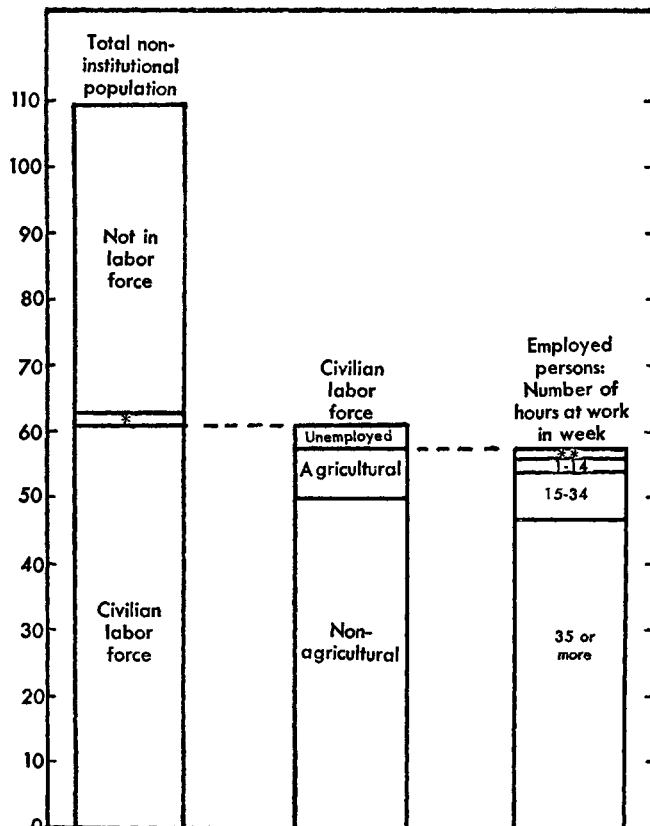
The Department of Commerce series represents an attempt to obtain a comprehensive picture of how many people are employed and how many who are able to work and are seeking jobs, are without employment. The report is collected from households in 68 sample areas located in various parts of the country. The sampling procedures used are designed to obtain comprehensive estimates for the overall employment picture. Because the aim is to determine employment and unemployment without reference to the status of people on payroll records, a different set of definitions is used from that common to most other series. The report is confined to persons 14 years of age or over.

Counted as employed are those persons who are working for pay or are engaged in business, hire themselves out for a fee, or work without pay in a family business or on a family farm for more than 15 hours a week. Also included in the employed group are people with a job or business but not working temporarily because of "vacation, illness, industrial dispute, bad weather, or layoff with definite instructions to return to work within 30 days of layoff."<sup>1</sup> Any person with a new job who is to report for work in 30 days is also counted as employed. Unemployed persons include those persons able to work but who do not have a job, are not working, but are seeking work. Any person laid off from a job for an

<sup>1</sup> *The Monthly Report on the Labor Force*, April 1949, p. 4.

ESTIMATES OF EMPLOYMENT AND UNEMPLOYMENT—  
APRIL 3-9, 1949

(Persons 14 years of age or over)  
(in millions)



\* Armed services. \*\* With a job but not at work.

Source: Department of Commerce, Bureau of the Census, *Monthly Report on the Labor Force*, April 1949.

indefinite period is counted as being unemployed. The total of employed and unemployed persons is called the labor force. An examination of the data as presented in a recent report will illustrate how the definitions fit together to give an overall picture of employment.

There is one characteristic of the labor force, as defined in this series, which must be kept in mind. The labor force can increase or decrease in accordance with choices made by large groups of persons. For example, each spring many hundreds of thousands of students swell the labor force by seeking work; at the same time increasing agricultural activity makes jobs available, and housewives and others who normally do not work, in the sense used in this series, may take jobs. These conditions cause sharp increases in the labor force; if not all the students are absorbed, unemployment increases, but at the same time the number of employed may also increase. The reverse behavior may occur in the fall. Fluctuation in the size of the labor force, therefore, may influence changes in the level of unemployment, but increasing economic activity reflected in more jobs may in turn attract persons into the labor force.

The report does not give data by industries because it is collected chiefly from households where information available may not be sufficient to permit accurate classi-

fication, and also because the size of the sample would have to be increased considerably to maintain any degree of precision for small industries. Estimates are made, however, of agricultural and of nonagricultural employment. The report contains a table showing the sampling errors applicable to estimates of varying size which the report contains. Even though the errors may be fairly large for small estimates, the fact that the report permits error prediction increases its value.

*The Bureau of Labor Statistics series,  
based on a sample of payrolls*

In both the Commerce and Labor Statistics series, figures for nonagricultural employment are published, but the method of collection causes some important differences. The Bureau of Labor Statistics, in cooperation with some states, obtains reports from a group of employers each month showing the number of people employed in the payroll period nearest the 15th of the month. This sample provides the basis for an over-all estimate of nonagricultural employment as well as by industry groups. Data available from other agencies are used to supplement or check the estimates and to provide bench marks for the sample.

NUMBER OF WAGE AND SALARY WORKERS IN NONAGRICULTURAL  
ESTABLISHMENTS BY INDUSTRY DIVISION<sup>1</sup>  
April 1949

	(in thousands)
Manufacturing .....	15,265
Mining .....	915
Contract construction .....	1,965
Transportation and public utilities .....	3,932
Trade .....	9,688
Finance .....	1,726
Service .....	4,626
Government .....	5,773
Total .....	43,890 <sup>2</sup>

<sup>1</sup> Bureau of Labor Statistics.

<sup>2</sup> *The Monthly Report on the Labor Force*, Department of Commerce, reported 49,999,000 persons during the week of April 3-9, 1949 in nonagricultural employment.

To be considered as employed in this series, however, one would have to be at work for pay, or on a paid vacation. Persons with jobs but temporarily off the payroll are not included. The method of collection also results in the omission of domestic help, people working for themselves, and family workers in a business or farm who do not receive pay. The Bureau of Labor Statistics, however, may double count some few people who appear on two payrolls and may include a few workers under 14 years of age.

As a result of these differences, the Commerce series for nonagricultural employment includes a larger number of people than the Bureau of Labor Statistics series. Usually the two series tend to correspond in the timing of their up-and-down movements. Some minor variations are possible because of the different dates covered by the series and because of differences in errors arising out of the differences in sampling procedure. The differences in coverage and sampling method may also cause some variation between the two series in the relative sizes of increases or decreases.

### ***Agricultural employment estimates***

Estimates of agricultural employment are made by the Bureau of Agricultural Economics of the Department of Agriculture as well as by the Census Bureau of the Department of Commerce. The principal difference between the two series lies in the fact that the Bureau of Agricultural Economics counts all farm labor, whereas the Commerce series omits children under 14 years of age. In summer months this could cause a variation of almost 2 million workers. The BAE counts migratory workers who are foreign nationals brought into this country only for the season, whereas the Commerce series does not. The Commerce series, however, includes under agricultural employment those persons in non-farm occupations—such as office workers—when employed by a farm. The BAE series excludes this type of worker.

### ***Employment series based on social security laws***

The Bureau of Employment Security collects employment data from employers having workers covered by the unemployment insurance laws. The Federal program requires coverage of manufacturing, trade, construction, service, and financial workers where there are eight or more employees. Excluded are agricultural labor, domestic servants, family workers, officers or members of a ship's crew, and employees of nonprofit or government agencies. The coverage of the industries included in the Bureau of Employment Security series is not consistent, however, because of the variations among state laws. Some states have broader coverage than is required by Federal statute. In a number of state laws all employers having workers in activities covered by the law are included, while most states require that an employer have a minimum number of workers varying from 3 to 8. In addition, the employment covered varies from state to state because some states cover some of the workers exempted by the Federal programs and because the definition of employer-employee relationship varies to some extent among states. The data are collected quarterly and because they are used for administrative purposes, a system for rapid publication has not been developed and they are usually released several months after the end of the quarter to which they apply.

The old age insurance coverage is not unlike that for unemployment compensation. The difference in occupations covered is minor, but the old age insurance provisions cover all employers having workers in occupations subject to the law. There again, however, administrative considerations result in collection of figures on a quarterly basis covering the last month in the quarter only. Ordinarily the data are published for only 1 month in each year and appear about twelve months later. The value of this series and of the unemployment compensation series in current economic analysis is to provide a bench mark for current estimates of manufacturing and other covered employment. In these series it is apparent

that a person must be on a payroll to be considered as employed.

### ***Insured unemployment and total unemployment***

The Federal Security Agency publishes a weekly report of insured unemployment. This report is based on claims filed for unemployment insurance either under the various state unemployment insurance laws, veterans benefits, or under the Railroad Retirement Act. Since each state has different tests for eligibility and the occupations and employers covered differ somewhat, comparisons among states are affected by these factors. States with populations of similar size and age distribution may also show variation because in one state employment subject to insurance coverage may be more important than in another state.

In comparing insured unemployment with the Commerce Department concept of unemployment several important differences arise. The Commerce figures intend to include all persons who are unemployed, not only those who are entitled to unemployment benefits. Even within the group entitled to compensation there are some interesting differences in interpretation. Under insured unemployment a person in a covered occupation is considered as unemployed when he files an accepted claim that he had been unemployed a full week. He may be treated as ineligible if he is on strike, refuses work defined as suitable, has left his job voluntarily, or has been fired for cause. That same person would be treated as having a job but not at work in the Commerce figures if he had been laid off for less than 30 days or was away from work because of a strike. It is possible under some unemployment insurance provisions to consider a person unemployed if he is receiving substantially less than his usual earnings because of very sharply curtailed hours. Thus a person earning less than his unemployment benefits may be considered as unemployed in 35 states, but would be treated as employed by the Department of Commerce. Insured unemployment will not reflect fully, if at all, increases in the labor force when the new entrants fail to find employment. Except for veterans under the G. I. bill, one cannot be eligible for unemployment compensation unless he has a minimum amount of earnings in a covered occupation. New applications for benefits under the Servicemen's Readjustment Act cannot be made by most veterans after July 25. This will tend to reduce the level of insured unemployment after that date unless the law is renewed. Another group of jobless persons not reflected in insured figures are those persons who have exhausted their benefits.

### ***The several reports can be used to serve different needs***

For a comprehensive picture of the labor force status, the Department of Commerce report on the labor force presents monthly a breakdown of the working age population. The concepts on which the report are based permit a consistent analysis of this population into employed, unemployed, and persons outside the labor force. For measuring overall trends in the labor force, this source

appears to be the most satisfactory. To obtain a detailed view of the makeup of nonagricultural employment, the Bureau of Labor Statistics monthly estimates are of primary value. In addition, the detail by industry permits users to follow the trend in particular lines of activity. The fact that the total for this series varies from nonagricultural employment as reported by the Department of Commerce is the result of a difference in technique and coverage. Any variation in movement which might occur between the two reports over a short period is not likely to prove significant especially after allowance is made for sampling errors.

The reports on insured unemployment, because they furnish figures by state and are quite prompt, are useful because they supply recent information and because the data they contain may not be available in any other form. In using these reports the warnings issued by the Federal Security Agency should be kept in mind. Week-to-week changes should be regarded with care, because administrative and operating considerations may affect two succeeding weeks differently. These reports cover only those workers in each state subject to the unemployment compensation laws and the Servicemen's Readjustment Act. Total unemployment is not covered. If, however, a movement in a particular direction persists for several weeks, a basis may exist for making judgments concerning the course of total unemployment.

#### **Employment data in the Twelfth District**

In the Twelfth District, six states issue monthly statistical series relating to employment. Utah and California report on the entire labor force and provide separate figures for agricultural employment, nonagricultural employment, employment in specific industries, and total unemployment. These reports are based principally on payroll and unemployment compensation reports supplemented by other information from various governmental agencies, not on sample surveys of the population. Utah includes detail by manufacturing industry in the over-all report, but California publishes a separate report on manufacturing industries. Arizona, Nevada, Oregon, and Washington all publish monthly reports on nonagricultural employment including detail by industries. The sources relied on in each case are payroll records with supplementary information from various public agencies. For the most part the major breakdowns included resemble those used in the employment reports of the Bureau of Labor Statistics with which most of the states cooperate. The data are based on reporting samples of employers in each state. In addition to these reports, the several states publish general labor market information including series on insured unemployment, placements, and other pertinent labor market characteristics.

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#### **REGULATION W AND TEMPORARY AUTHORITY FOR INCREASED RESERVES EXPIRE JUNE 30, 1949**

*(Statement for the press released June 29, 1949 by the Board of Governors of the Federal Reserve System)*

"The authority under which the Board of Governors of the Federal Reserve System issued Regulation W, establishing minimum down payments and maximum maturities for consumer instalment credit, expires June 30, 1949 and the Regulation will not be effective after that date. Notice to this effect is being sent to those who, in accordance with the Regulation's provisions, have filed registration statements with a Federal Reserve bank.

"The temporary authority granted by Congress for increased reserves likewise expires June 30 and the Board has accordingly revised the supplement to Regulation D, under which the following reserve requirements will be effective with the beginning of the next reserve period (June 30 for Central Reserve City and Reserve City member banks and July 1 for other member banks); against net demand deposits—24 percent for Central Reserve City member banks, 20 percent for Reserve City member banks, and 14 percent for other member banks; against time deposits—6 percent for member banks of all classes. The changed requirements will

result in a reduction of approximately \$800,000,000 in required reserves."

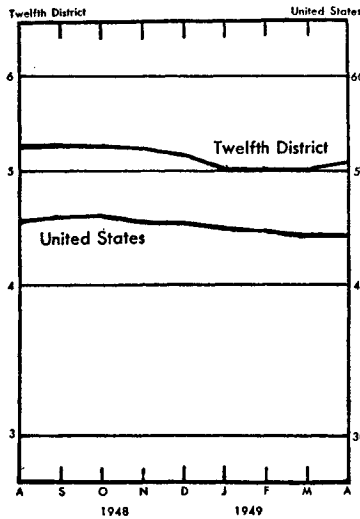
[Required reserves of Twelfth District member banks will be reduced by about \$140,000,000 as a consequence of this change in reserve requirements.]

#### **SUPPORT POLICY FOR GOVERNMENT BONDS MODIFIED**

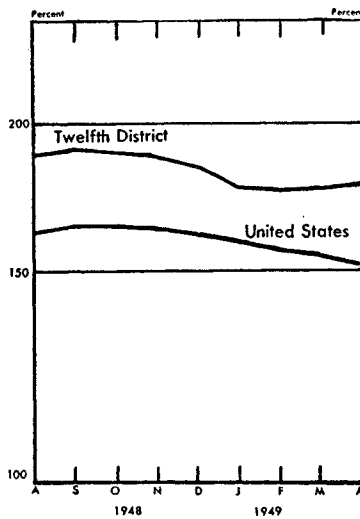
*(Statement for the press released June 28, 1949 by the Federal Open Market Committee of the Federal Reserve System)*

"The Federal Open Market Committee, after consultation with the Treasury, announced today that with a view to increasing the supply of funds available in the market to meet the needs of commerce, business, and agriculture it will be the policy of the Committee to direct purchases, sales, and exchanges of Government securities by the Federal Reserve banks with primary regard to the general business and credit situation. The policy of maintaining orderly conditions in the Government security market and the confidence of investors in Government bonds will be continued. Under present conditions the maintenance of a relatively fixed pattern of rates has the undesirable effect of absorbing reserves from the market at a time when the availability of credit should be increased."

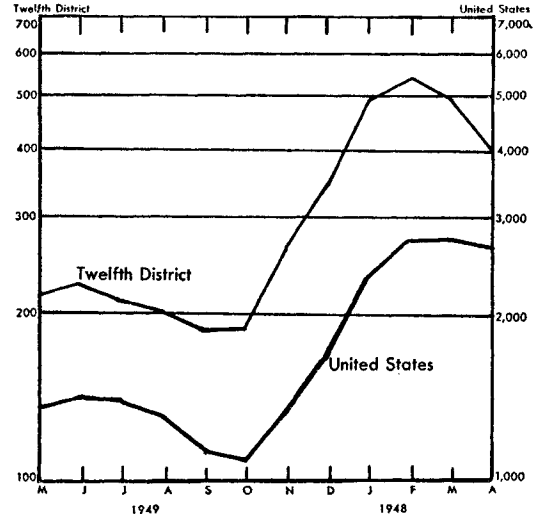
**NONAGRICULTURAL EMPLOYMENT<sup>1</sup>**  
(Millions of employees)



**MANUFACTURING EMPLOYMENT<sup>2</sup>**  
(Adjusted index, 1939=100)

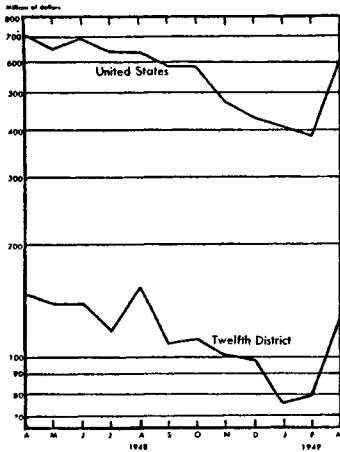


**INSURED UNEMPLOYMENT<sup>3</sup>**  
(Thousands of unemployed)

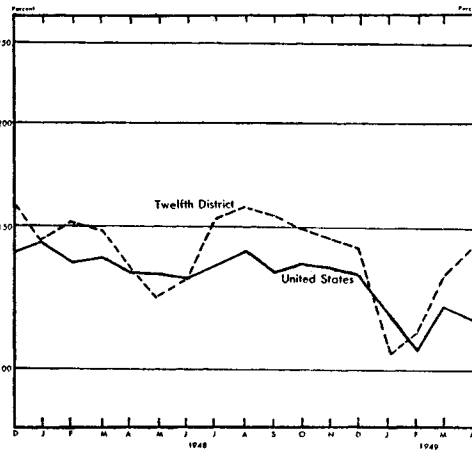


<sup>1</sup> Source: For Twelfth District, reports from states, not including Idaho; for United States, U. S. Department of Labor, Bureau of Labor Statistics, and Board of Governors of the Federal Reserve System. <sup>2</sup> Source: For Twelfth District, Federal Reserve Bank of San Francisco; for United States, Board of Governors of the Federal Reserve System. <sup>3</sup> Source: Federal Security Agency.

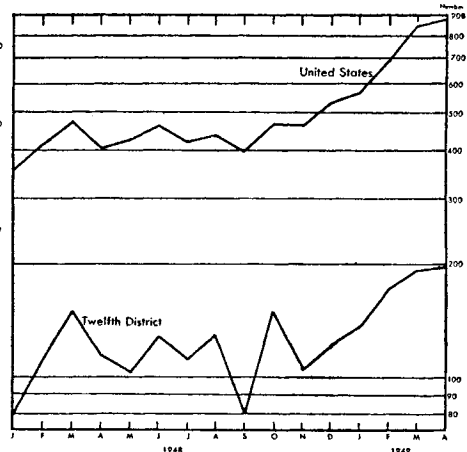
**TOTAL CONSTRUCTION AUTHORIZED<sup>1</sup>**  
(in Urban Areas)



**LUMBER PRODUCTION<sup>2</sup>**  
(Adjusted index, 1935-39=100)



**NUMBER OF COMMERCIAL FAILURES<sup>3</sup>**



<sup>1</sup> Source: U. S. Department of Labor, Bureau of Labor Statistics. <sup>2</sup> Source: Index for Twelfth District, Federal Reserve Bank of San Francisco; for United States, Board of Governors of the Federal Reserve System. <sup>3</sup> Source: Dun and Bradstreet.  
Note: These charts are plotted on a logarithmic scale on which equal vertical distances represent equal percent changes rather than equal absolute amounts.

**BUSINESS INDEXES—TWELFTH DISTRICT<sup>1</sup>**

(1935-39 average = 100)

Year and Month	Industrial production (physical volume) <sup>2</sup>								Total mfg employment <sup>4</sup>	California factory payrolls <sup>4</sup>	Car-loadings (number) <sup>2</sup>	Dep't store sales (value) <sup>2,3*</sup>	Dep't store stocks (value) <sup>3,4*</sup>	Retail food prices <sup>5,6</sup>
	Lumber	Petroleum <sup>1</sup>		Cement <sup>1</sup>	Lead <sup>1</sup>	Copper <sup>1</sup>	Wheat flour <sup>1</sup>	Electric power						
		Crude	Refined											
1929	148	129	127	110	171	160	106	83	...	111	135	112	134	132.0
1930	112	101	107	96	146	106	100	84	...	93	116	104	127	124.8
1931	77	83	90	74	104	75	101	82	...	73	91	92	110	104.0
1932	46	78	84	48	75	33	89	73	...	54	70	69	86	89.8
1933	62	76	81	54	75	26	88	73	...	53	70	66	78	86.8
1934	67	77	81	70	79	36	95	79	...	64	81	74	83	93.2
1935	83	92	91	68	89	57	94	85	88	78	88	86	88	99.6
1936	106	94	98	117	100	98	96	96	100	96	103	99	96	100.3
1937	113	105	105	112	118	135	99	105	112	115	109	106	108	104.5
1938	88	110	103	92	96	88	96	102	96	101	96	101	101	99.0
1939	110	99	103	114	97	122	107	112	104	110	104	109	107	96.9
1940	120	98	103	124	112	144	103	122	118	134	110	119	114	97.6
1941	142	102	110	164	113	163	103	136	155	224	128r	139	137	107.9
1942	141	110	116	194	118	188	104	167	230	460	137	171	190	130.9
1943	137	125	135	160	104	192	115	214	306	705	133	203	174	143.4
1944	136	137	151	128	93	171	119	231	295	694	141r	223	179	142.1
1945	109	144	160	131	81	137	132	219	229	497	134	247	183	146.3
1946	130	139	148	165	73	109	128	219	175	344	136r	305	238	167.4
1947	141	147	159	193	98	163	133	256	184	401	142	330	300	200.3
1948	144	149	162	211	107	153	116	284	189	430	134r	354	348	216.1
1948														
March	148	151	164	201	110	158	101	274	187	406	132	342	368	211.6
April	133	152	166	212	108	165	116	275	184	396	130	362	374	216.0
May	122	152	172	205	102	165	108	263	180	406	125	356	348	217.6
June	128	153	168	207	105	165	115	266	185	424	135	362	339	216.6
July	153	152	167	211	99	159	123	284	190	440	137	359	337	218.1
August	159	153	171	214	108	166	124	289	194	455	141	361	333	218.0
September	155	123	110	210	106	161	123	295	197	454	146	350	351	217.6
October	149	151	155	229	107	152	114	291	196	452	131	345	346	217.1
November	145	153	173	217	115	109	126	295	194	449	132	343	340	215.6
December	141	153	171	196	111	104	122	309	190	444	131	358	320	216.5
1949														
January	104	151	174	176	112r	108	128	308	184r	430	105	343	321	217.9
February	111	152	170	173	107r	129r	118	305	183r	423	103	308	327	214.1
March	131	153	176	195	120r	169	102	294	184	412	118	324	344	213.3
April	142	152	169	212	125	168	82	299	183	412	126	338	332	215.6

**BANKING AND CREDIT STATISTICS—TWELFTH DISTRICT**

(amounts in millions of dollars)

Year and month	Condition items of all member banks <sup>7</sup>				Bank rates on business loans <sup>8</sup>	Member bank reserves and related items <sup>10</sup>					Bank debits index 31 cities <sup>9,11</sup> (1935-39 = 100) <sup>12</sup>
	Loans and discounts	U.S. Gov't securities	Demand deposits adjusted <sup>8</sup>	Total time deposits		Reserve bank credit <sup>11</sup>	Commercial operations <sup>12</sup>	Treasury operations <sup>12</sup>	Coin and currency in circulation <sup>11</sup>	Reserves	
1929	2,239	495	1,234	1,790	.....	- 34	0	+ 23	- 6	175	146
1930	2,218	467	1,158	1,933	.....	- 16	- 53	+ 89	+ 16	183	126
1931	1,898	547	984	1,727	.....	+ 21	- 154	+ 154	+ 48	147	97
1932	1,570	601	840	1,618	.....	- 42	- 175	+ 234	+ 30	142	68
1933	1,486	720	951	1,609	.....	- 2	- 110	+ 150	- 18	185	63
1934	1,469	1,064	1,201	1,875	.....	- 7	- 198	+ 257	+ 4	242	72
1935	1,537	1,275	1,389	2,064	.....	+ 2	- 163	+ 219	+ 14	287	87
1936	1,682	1,334	1,791	2,101	.....	+ 6	- 227	+ 454	+ 38	479	102
1937	1,871	1,270	1,740	2,187	.....	- 1	- 90	+ 157	- 3	549	111
1938	1,869	1,323	1,781	2,221	.....	- 3	- 240	+ 276	+ 20	565	98
1939	1,967	1,450	1,983	2,267	.....	+ 2	- 192	+ 245	+ 31	584	102
1940	2,130	1,482	2,390	2,360	.....	+ 2	- 148	+ 420	+ 96	754	110
1941	2,451	1,738	2,893	2,425	.....	+ 4	- 596	+1,000	+ 227	930	134
1942	2,170	3,630	4,356	2,609	.....	+ 107	-1,980	+2,826	+ 643	1,232	165
1943	2,106	6,235	5,998	3,226	.....	+ 214	-3,751	+4,486	+ 708	1,462	211
1944	2,254	8,263	6,950	4,144	.....	+ 98	-3,534	+4,483	+ 789	1,706	237
1945	2,663	10,450	8,203	5,211	.....	- 76	-3,743	+4,682	+ 545	2,033	260
1946	4,068	8,426	8,821	5,797	.....	+ 9	-1,607	+1,329	- 326	2,094	298
1947	5,358	7,247	8,922	6,006	.....	- 302	- 443	+ 630	- 206	2,202	326
1948	6,032	6,366	8,655	6,087	.....	+ 17	+ 472	- 482	- 209	2,420	355
1948											
April	5,509	6,943	8,461	6,019	.....	+ 9	- 75	+ 29	- 17	2,048	354r
May	5,569	6,883	8,445	6,008	.....	+ 30	- 14	+ 45	+ 26	2,068	342
June	5,591	6,841	8,455	6,058	3.00	- 14	- 10	- 12	- 13	2,061	348
July	5,640	6,816	8,556	6,010	.....	+ 15	- 38	+ 43	- 11	2,075	354
August	5,743	6,712	8,555	6,005	.....	- 23	+ 1	+ 12	+ 17	2,065	356
September	5,848	6,394	8,661	6,003	3.20	+ 17	+ 427	- 98	+ 2	2,409	359
October	5,910	6,440	8,647	6,018	.....	+ 12	- 8	- 35	+ 8	2,351	363
November	5,984	6,358	8,658	5,998	.....	- 25	- 40	+ 7	- 8	2,323	355
December	6,032	6,366	8,655	6,087	3.16	+ 11	- 2	+ 45	- 61	2,420	376
1949											
January	6,009	6,352	8,664	6,082	.....	+ 2	- 101	- 58	- 54	2,329	356
February	5,910	6,306	8,330	6,097	.....	- 4	- 7	- 19	- 4	2,308	344
March	5,809	6,208	8,147	6,102	3.27	- 15	- 34	+ 6	- 31	2,299	345
April	5,811	6,230	8,157	6,109	.....	+ 6	- 127	+ 109	+ 11	2,264	354
May	5,738	6,357	8,154	6,112	.....	- 8	- 202	+ 94	+ 37	2,128	345

<sup>1</sup> All monthly indexes but wheat flour, petroleum, copper, lead, and retail food prices are adjusted for seasonal variation. Excepting for department store statistics, all indexes are based upon data from outside sources, as follows: Lumber, various lumber trade associations; Petroleum, Cement, Copper, and Lead, U.S. Bureau of Mines; Wheat flour, U.S. Bureau of the Census; Electric power, Federal Power Commission; Manufacturing employment, U.S. Bureau of Labor Statistics and cooperating state agencies; Factory payrolls, California State Division of Labor Statistics and Research; Retail food prices, U.S. Bureau of Labor Statistics; and Carloadings, various railroads and railroad associations. <sup>2</sup> Daily average. <sup>3</sup> Not adjusted for seasonal variation. <sup>4</sup> Excludes fish, fruit, and vegetable canning. Factory payrolls index covers wage earners only. <sup>5</sup> At retail, end of month or year. <sup>6</sup> Los Angeles, San Francisco, and Seattle indexes combined. <sup>7</sup> Annual figures are as of end of year; monthly figures as of last Wednesday in month or, where applicable, as of call report date. <sup>8</sup> Demand deposits, excluding interbank and U.S. Gov't deposits, less cash items in process of collection. Monthly data partly estimated. <sup>9</sup> New quarterly series beginning June 1948. Average rates on loans made in five cities during the first 15 days of the month. <sup>10</sup> End of year and end of month figures. <sup>11</sup> Changes from end of previous month or year. <sup>12</sup> Minus sign indicates flow of funds out of the District in the case of commercial operations, and excess of receipts over disbursements in the case of Treasury operations. <sup>13</sup> Debits to total deposit accounts, excluding inter-bank deposits. \* Seasonal factors revised. p—preliminary. r—revised