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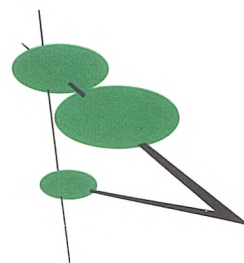
SAN FRANCISCO

# Monthly Review

*In this issue*

**Calibrating the Building Trades**

**Diversifying the S&L's?**



*June 1971*

### **Calibrating . . . The Industry**

. . . Construction is quite unlike most other industries in the national economy, but it has always been so.

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. . . The building trades, in keeping with tradition, are demanding "More," but public policymakers are now saying "Enough."

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. . . A great deal has happened recently to the regional S&L industry — enough to raise again the question of diversification.

**Editor: William Burke**

# Calibrating the Building Trades

## I. The Industry

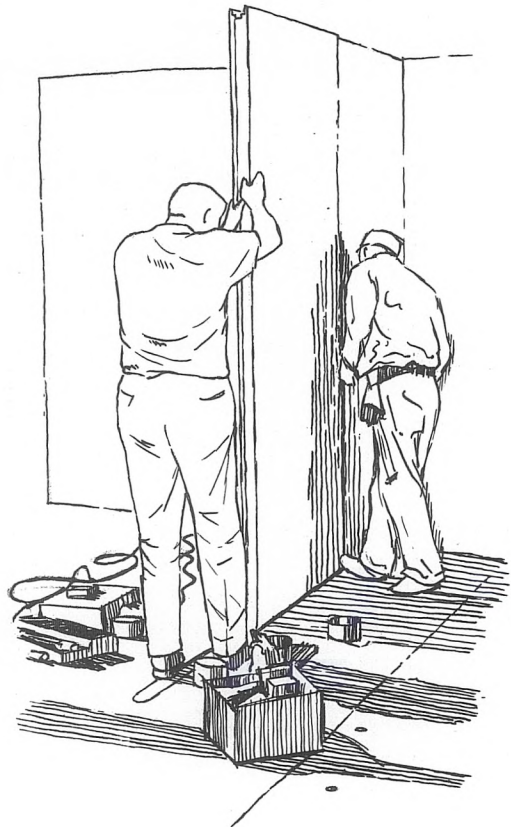
Construction is a very substantial element in the national economy, even though its role has been declining relatively over time. Spending on "structures" in the national accounts reached \$92.4 billion in 1970 — 9.5 percent of GNP, as against 12.3 percent of GNP in the mid-'50s. In terms of employment, contract construction employed over 3.3 million workers last year — 4.7 percent of total nonfarm employment, as against 5.5 percent of the total in the housing boom of 1955.

Yet construction is today, as it was a century ago, a fragmented industry and one whose workers are subject to cyclical, seasonal, and everyday work hazards. Building tradesmen shift continually from one worksite or building project to another, with consequent effects on efficiency. These workers are highly but not completely unionized, and they are also highly rewarded for their labors — more, however, in terms of hourly rates than in terms of annual earnings.

### Fragmented industry

The picture drawn from official sources, principally the Bureau of Labor Statistics, is of a small-scale industry which is unlike most of the other major industries in the national economy. With the exception of a few large national (and international) operations, most construction firms are small and operate only in their own local areas. Only 3 percent of the firms in the industry have over 50 employees, and only 1 percent have over 100 employees. The labor supply is also primarily local, and is highly fragmented into craft groups which claim jurisdiction over specified types of work.

Roughly 2.3 million union members work in the construction trades, concentrated mainly in the 17 national unions affiliated with the AFL-CIO Building and Construction Trades Department. Entry into most of the skilled crafts requires special training and examination, and (in contrast to other industries) these activities are frequently conducted by the craft unions themselves rather than by public agencies.





Three broad types of establishment operate in the contract-construction industry. *General building* contractors engage primarily in the construction of residential, industrial, commercial, and public buildings; these contractors account for about one-third of total employment. *General* contractors engage in nonbuilding work, such as street, highway, sewer, rail, irrigation, and marine construction; these operators account for about one-fifth of all workers. *Special trade* contractors employ almost one-half of all the work-

ers in the industry, especially in such activities as plumbing, painting, plastering, carpentering and electrical work.

### Fragmented functions

The contract-construction industry is unique among the goods-producing industries because it is organized by work function rather than by product. This reflects the nature of the industry's product, local statutory requirements, and the historical development of the craft structure of the industry.

## The Early Days

The building trades have played a path-breaking role in labor relations since the early days of the Republic, beginning with such events as the Boston carpenters' unsuccessful fight for a ten-hour day in 1825. (Local builders blamed the strike on foreign agitators and condemned the shorter day as opening a "wide door for idleness and vice.") Philadelphia carpenters won the fight for a ten-hour day just a decade later, during a turbulent inflationary period not too dissimilar from today's, and the standard they set then was maintained for the next half-century.

During the 1880's and 1890's, the leaders of the new American Federation of Labor began to press for the eight-hour day, realizing that in this demand they had an effective organizing tool and rallying cry for the nation's skilled craftsmen — a weapon which gave the worker and his union some measure of control over his job. Craft pride combined with job control (or ownership) proved to be the basic strength of the craft unions, enabling them to survive during the next several decades of industrial strife.

The new AFL developed during this period what labor historian Selig Perlman called "a philosophy of pure wage consciousness." In its efforts to obtain "More," the national organization operated through autonomous national affiliates and local unions, whose power was based upon the ethnic ties which bound together the members of each of the trades.

In the words of a nineteenth-century observer, "Each nationality usually follows some particular trade. In New York, for instance, the stone masonry is mostly done by the sons of Italy; Englishmen and Irishmen lay the brick. When the heavy work of putting on the beams, or of framing and placing in position the roof trusses, begins, seldom an English word is spoken; the broad shoulders and brawny muscles of the German provides the motive-power. Irishmen and Americans in about equal numbers do the carpenters' work. In the plumbing trade, where science is as needful as skill, our own countrymen will soon have control. Where delicate artistic work is required, we find the Frenchman and the German. In all the trades, except the plumbing, we find the best workmen, those who command the steadiest employment, are of foreign birth."



There are a great variety of construction activities, which typically demand high degrees of skill and must be performed at the building site and nowhere else. Except in heavy construction, most operations generally require relatively small capital investment, so that firms enter the market with comparative ease. Low capital requirements—often just a set of tools owned by the individual craftsman—enable the entrepreneur to hire a few workers and form his own firm whenever demand is heavy, and to dissolve that firm whenever demand disappears. On each project, the contractor is responsible for organizing the factors of production to build the finished product at a stipulated price that meets the buyer's specifications.

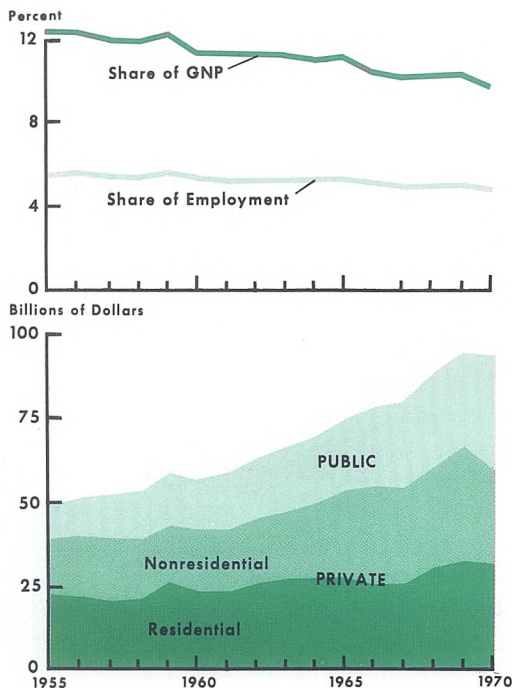
As a consequence of this market system, demand for construction work fluctuates widely, firms move in and out of the industry as the construction cycle fluctuates, and mass-production techniques are discouraged. For that matter, construction unions are frequently opposed to the introduction of techniques that would reduce the employment opportunities of their membership.

### Cyclical industry

Sharp cyclical fluctuations occur in contract construction and, consequently, in the industry's demand for labor. Residential construction boomed in most of the first decade following World War II, based on a family-formation boom and on a generally easy monetary situation. The industry's fortunes varied considerably in the next decade and a half with changes in basic housing demand and in the financial situation. Several periods of expansion culminated in 1959, 1963 and 1969, but there were some long slow stretches in between. As a consequence, residential building accounted for almost one-half of total spending for "structures" in 1955, but for less than one-third of the total in 1970.

The valleys in residential activity were offset, however, by the peaks in other sectors. Commercial-industrial building was generally strong, especially in the late 1960's; Federal building

## Construction plays crucial role in U.S. economy, despite relative decline



was important during the Korean and Vietnam war periods; and state-local spending for highways and schools was sharply expansive in most recent years.

But the high level of demand for total construction activity has not always been translatable into a high level of demand for the various types of construction labor. When residential activity declines, the workers in certain occupations are released in large numbers, and many have trouble finding work in nonresidential building. Labor shortages meanwhile may occur in nonresidential construction, because of the different occupational patterns and organizational restrictions in the different sectors of the industry.

Indeed, the characteristics of the residential-building labor force vary greatly from the characteristics of the labor force in the nonresidential sector. In the former, unionization is less per-

vasive and there is relatively easy entry of firms and of individual workers. In contrast, the highly capitalized nonresidential sector is characterized by a very high degree of unionization, severe restrictions on entry, and higher skill requirements, leading to considerably higher wage rates in that sector.

### Mobile industry

Finding a job in construction is a relatively simple matter when construction activity is high. Some projects are usually starting as others are finishing, and some contractors are hiring as others are laying off. Time off for the worker between jobs may be long or short, depending upon the amount of construction in the area. But seasonal unemployment is ever present in certain trades, even in years of high construction activity. As the rate of activity declines between November and March, workers are hired for new projects at a slower rate, and other workers are laid off from projects approaching completion. From late fall until early spring, lost time between layoffs and new jobs may be considerable even in the face of a high level of total construction activity.

Workers originally are hired by a foreman, who selects applicants either at the job site or

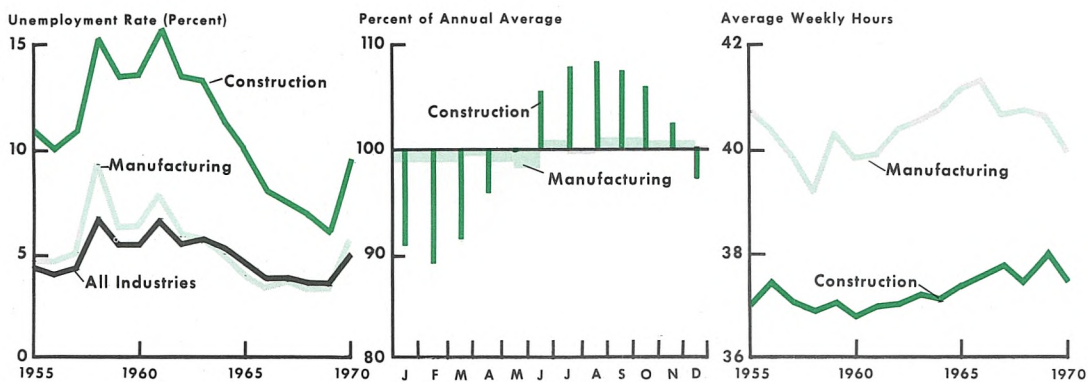
through the offices of union locals which represent the needed crafts. The worker is subject to being laid off at any time, either permanently as the work for which he was hired approaches completion, or temporarily with instructions to return at a stated time. Workers are usually paid on an hourly basis, with no pay for time off because of sickness or personal business. Lost time because of bad weather or other reasons beyond the worker's control also means loss of pay.

When a construction-union member migrates to an area with better long-term employment prospects, he must attempt to transfer his membership. The building trades are organized through chapters known as locals, each having jurisdiction over a designated geographical area. A member moving elsewhere usually can exchange his membership card for one in a new local. Thereafter, he is a member of that new local; should he return to his previous place of work, he must obtain another transfer.

### Seasonal industry

Seasonal fluctuations are a major characteristic of the construction industry. Employment increases about 30 percent between the winter lows and the summer highs, while unemploy-

## Construction workers more subject than others to high unemployment and short workweeks, reflecting seasonal and intermittent nature of work





ment typically declines 50 percent or more. (In contrast, annual average employment varies relatively little; the year-to-year change in employment has not exceeded 5 percent in any year in the past decade.) Seasonal fluctuations are greatest for highway and street contractors and least for workers in the special trades, who can generally work indoors. Similarly, seasonal fluctuations are mild in the milder climates of the Southern and Western states.

Construction laborers experience a greater degree of seasonal unemployment than craftsmen. Unemployment rates for laborers are generally much higher than for craftsmen, and decline at a slower rate through the spring and summer months. To a large degree, the scarcity of jobs at the peak summer period is a problem for unskilled workers only.

Intermittency of employment comes about not only because of seasonal factors, but also because of mobility from job to job. Construction workers in the course of any single year are twice as likely as manufacturing workers to work in more than one major industry, and almost twice as likely to work for more than one employer.

Construction draws a substantial number of workers from outside the labor force when building activity increases, and many construction workers move to other industries when jobs in this industry decline. Employment typically rises by 700,000-850,000 between the winter low and summer high, and unemployment drops over the period by 200,000-300,000. The net seasonal increase in the construction labor force is made up of workers from other industries, as well as high school and college students who work during their vacations.

### How many hours?

Seasonal and other factors thus tend to limit the annual hours of work for construction workers. In a special BLS study of four major labor-market areas, most construction workers worked less than 1,300 hours a year, far below the standard 2,000 hours for industry generally. Part-time



workers, who accounted for more than one-quarter of all workers in the areas studied, affected the results somewhat. But even after excluding this group, full-time construction workers averaged only 1,535 hours.

In terms of weekly hours, construction workers averaged 37.4 hours in 1970 — exactly the same as in 1955, with little variation in the intervening years. (Throughout that period, manufacturing workers generally put in two to three hours more a week than construction workers.) In a sense, then, the building trades have not advanced far since their path-breaking efforts in winning the 8-hour day almost a century ago, for according to a recent BLS survey, 86 percent of all union workers worked a 40-hour week in 1969.

Many workers, of course, put in considerable overtime, especially at the seasonal peak. However, the highly publicized cases of a short work-week in construction — in particular, the 25-hour week won by New York electricians a decade ago — appear to be fairly isolated.

### How many jobless?

The industry has consistently been troubled by high unemployment rates, reflecting such factors as seasonality and intermittency of employment, high prevailing wage rates, and restrictions on mobility among trades and geographic areas.

Even after adjustment of seasonal unemployment — roughly one-third of the total — jobless rates are considerably higher in this than in other industries.

The construction unemployment rate reached 9.7 percent in 1970 — twice the all-industry rate and high above manufacturing's 5.6 percent jobless rate. Actually, the 1970 figure was relatively low; in the last two decades, the average jobless rate fell below 10 percent only during the Korean and Vietnam war periods. The jobless rate in most other years ranged considerably above 10 percent, and in 1961 reached 15.7 percent.

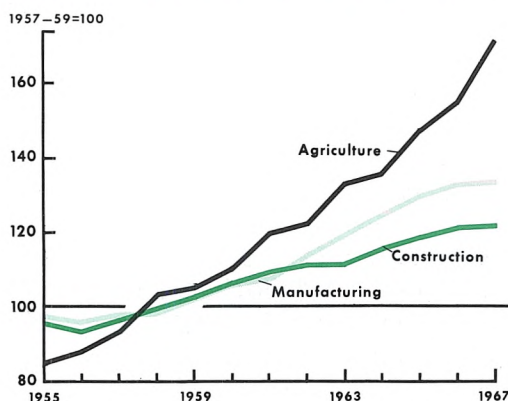
Unemployment remains a problem even when the construction industry is otherwise prosperous. In 1968, the industry's jobless rate fell below 7 percent, but 24 percent of all building tradesmen experienced some unemployment, as against 12 percent of workers in all nonfarm industries. In that same year, the rate of work losses lasting 15 weeks or more was about two-and-one-half times as great in construction as in manufacturing.

The problem is compounded by the ease of entry into the less skilled and less tightly organized segments of the industry. The male teenage unemployment rate is higher in construction than in all industries as a group. Still, the contribution of teenagers to the unemployment rate is often less than in other industries, even during the summer months. Thus, the jobless problem is concentrated among workers who are more permanently attached to the construction labor force.

### Fighting change

Construction workers face an environment which on the one hand is definitely hazardous, and on the other is uncertain in terms of when or where the next job will arise. The building trades have consistently acted to minimize these difficulties — and to maximize their wage return — by imposing restrictive practices on the industry. Part of their success is due to the clannish nature of many trades, frequently bolstered by ethnic ties and by an almost religious attachment to traditional tools and techniques.

### Construction matches factory productivity gains — until recently



Strict enforcement of building codes is one important means of restriction. In theory, building codes are designed for the health and safety of the public through the use of proper construction, in such essential areas as structural adequacy, sanitation and fire prevention. In practice, however, codes have often protected vested interests or delayed technological change.

The formulation of acceptable standards for construction are inevitably based on traditional methods and materials. Innovation in the industry thus tends to be hampered by the slowness of local authorities in amending current codes. Since the failure to make such changes would forestall the introduction of labor-saving materials and techniques, unions frequently put pressure on local governments to retain restrictive codes in order to "protect" workers' jobs.

Work rules impeding the use of technological innovations are another means of restriction. These include on-site rules requiring that certain work be done on the premises and limiting the use of pre-fabricated products; restrictions against the use of certain tools and machinery such as paint rollers; and requirements for excessive manpower on the job, including strict limitations on the variety of work that certain types of workers can do.



The control of manpower training and deployment is another weapon of market control. Local unions frequently create artificial manpower shortages by restricting the number of union members, first through control of four-year apprenticeship programs, and secondly through employers' reliance on union hiring halls as a major source of labor. Many crafts do not welcome newcomers, but in old-country fashion try to pass opportunities on to sons and close relatives. About twice as many workers leave the industry through death or retirement as enter the industry through apprenticeship programs; in fact, apprentices account for only about one percent of the entire construction labor force.

### How productive?

Restrictions on the introduction of new technology have helped dampen productivity gains in this industry, although some advances have nevertheless occurred. Official estimates (which are rather scanty) indicate that construction output per manhour rose 2.7 percent on the average in the 1950's, in line with the national average, but then actually declined by 0.7 percent a year during the 1960's, compared with a 3.2-percent annual productivity gain for all industries.

Several other studies suggest that long-term productivity growth in the construction industry has approximated that of the overall national economy, rising at about a 3-percent annual rate over the past several decades, despite a slowdown in the early 1960's. (These studies are summarized in *The Economics of the Construction Industry*, by Fairleigh Dickinson Professor Peter Cassimatis.) A number of reasons can be cited why productivity in construction is low, but there are factors working in the other direction also.

Substantial increases have been achieved in capital investment, such as through expanded use of heavy machinery. The industry's product mix has shifted towards the more efficient sectors of the industry, heavy construction and nonresidential construction. Greater economies of scale have occurred as large corporate firms have taken a larger role in the industry. Moreover, on-site labor requirements have been reduced through the increasing availability of a host of new labor-saving techniques, such as more powerful equipment, improvements in materials handling, and innovations in architectural design and in prefabrication.

In the equipment field, for example, earth-moving machines move many times the amount of material formerly displaced. Automatic controls have become widespread, engine transmissions have been improved, and large painting machines and efficient central mixing plants have become standard.

In on-site operations, tower cranes have solved materials-handling problems with large structures, plastering machines and other specialized equipment have speeded up operations, and computer scheduling has helped out on some larger projects. In off-site operations, production-line techniques for plumbing and electrical components have reduced labor requirements, and factory-style operations have permitted the concentration of materials-handling and reduced dependence on the weather. Even apart from such striking innovations as the automatic nailing machine, which hammers 500,000 nails in an eight-hour day, construction work generally has become more productive over time.

## II. The Wage Issue

The building trades, the aristocrats of the American labor movement, have consistently followed Samuel Gompers' dictum and demanded "More." Public policymakers, in their attempt to curb inflationary wage and price increases, are now saying "Enough." So in recent years an unavoidable conflict has developed between these two points of view, especially since, in the words of Presidential adviser Herbert Stein, "Without any grand announcement, we have now taken on a large number of ingredients of what is loosely called incomes policy."

The controversy is important because of the very large and highly visible wage increases gained by construction unions in recent years. In major contracts negotiated in 1970, construction unions gained a 16.3-percent average (median) first-year wage increase, compared with a 10.0-percent first-year increase for all industries. In today's inflationary environment, wage hikes of this magnitude have acted as a goal for other major unions but as a red flag to the Administration's inflation fighters.

### How much money?

Workers in this industry, which is reasonably productive despite all the hazards and intermittency of employment, expect to obtain relatively high wages — and they can generally get them because of the market power of their trades. Average *hourly* earnings reached \$5.22 in construction in 1970, as against \$3.36 in manufacturing. Union rates in some special trades, such as plumbing and electrical work, ranged as high as \$8.00 an hour or more.

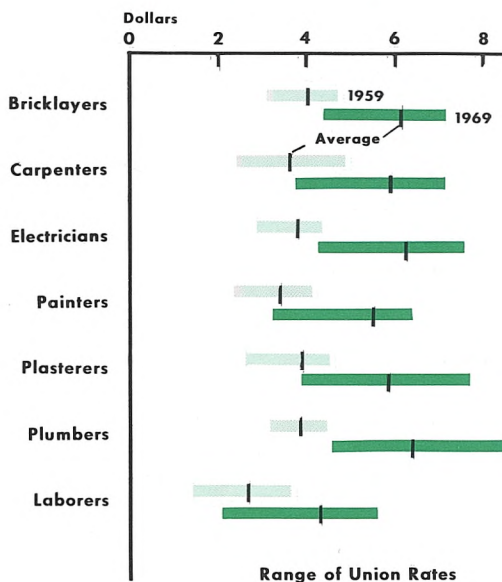
Average *annual* earnings of "full-time equivalent employees" reached about \$9,400 in 1970, which is somewhat less than that in a number of other major industries, such as auto manufacturing, the railroads, and the Federal civilian government. However, annual earnings in construc-

tion were about 27 percent above the all-industry average last year, the differential having widened considerably over the past decade.

The high level of construction wages and earnings has earned many headlines in recent years. The largest headlines, however, have been saved for the size of the increases won by union negotiators in the past year or two. In 1969, the building trades posted a 14.0-percent median first-year increase in new bargaining agreements, and in 1970, they recorded a 16.3-percent increase. (For all industries, the 1969 gain was 8.2 percent and the 1970 gain was 10.0 percent.) Construction's 1970 increase was over twice the size of the first-year gains won in 1967 and 1968, and over three times the size of the gains won in the industry in the earlier years of the 1960's.

Until recent years, wage increases in construction (and in all industries) were not too far out

### Hourly rates in some special trades range as high as \$8.00 or more





of line with productivity growth in the national economy. Indeed, construction wage increases in the mid-60's consistently fell behind the combined percentage increase in productivity and in consumer prices, despite union efforts to match the increases in *both* indexes.

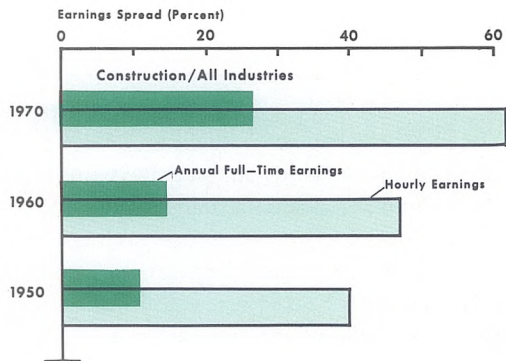
This was not the case in 1969 and 1970, however. In each year, output per manhour increased less than 1 percent in the economy as a whole, and it may actually have declined in the construction industry alone. If negotiators had attempted to offset the upward trends in both the price and productivity indexes of the national economy, they would have settled for a 6.2-percent increase in 1969 and a 7.2-percent increase in 1970. Instead, the building trades (as noted) obtained first-year increases of 14.0 percent in 1969 and 16.3 percent in 1970. For that matter, current contracts call for a 12.5-percent (median) deferred wage increase in 1971 — twice the all-industry average.

### Why so much money?

In analysing over 600 wage settlements negotiated during 1968 in the mid-Western states, MIT Professor D. Q. Mills found that a number of unique industry factors — plus national economic conditions — tend to affect the size of local wage settlements (February 1971 *Industrial Relations*). His study suggests that wage levels in construction nationally are tied in some fashion to the overall growth of the economy as a whole. It also suggests, however, that the decentralized structure of bargaining allows the adjustment of wages to localized conditions, including regional economic conditions and the bargaining power of the building trades, as well as wage competition among different crafts, different regions, and different sectors of the industry.

On the demand side, wage settlements in construction have been somewhat larger in the areas where construction employment has expanded most rapidly. Wage scales, of course, may be expected to reflect increased demand for labor

### Earnings spread widens between construction and other industries



associated with a high volume of construction activity. Still, total employment in the industry has risen only modestly in recent years. The most rapid expansion of demand, however, has occurred in the most highly organized and most technically demanding sector of the industry — non-residential building — and this has generated high wage settlements. Thus, a shift in the composition of construction demand has been important in the industry's wage behavior.

On the supply side, aggregate supply conditions generally are less relevant to wage behavior than are those of specific bargaining units, so that rapidly rising wages paradoxically may be associated with relatively high levels of unemployment in the industry. The overall unemployment rate in construction has been consistently high in relation to other industries. But although this overall rate may indicate some slackness in the labor market, some individual labor markets may be extremely tight. By virtue of entry and training restrictions, labor-market conditions may be especially tight with respect to the supply of skilled men, although casual entrants may swell the ranks of those reported unemployed at the trade generally.

On the bargaining side, wage settlements in construction have often occurred in tandem with cost boosts, where the individual client has been more concerned with avoiding delay than with

paying a premium for early completion. The pressure of uncompleted work, the availability of alternative work to skilled craftsmen, the cohesion of labor organizations, and the disunity of contractor groups arising from divergent economic interests have all played a role in various bargaining settlements.

The industry's decentralized collective-bargaining structure also tends to generate significant wage pressures. Deviations from traditional differentials among crafts or geographic areas will tend to stimulate a catching-up process, or substantial wage increases in some areas may stimulate similar demands in adjacent areas. Local market conditions may, for economic reasons, dictate variations in wage differentials. Still, a wage spiral may ensue, as certain crafts and contractors attempt to widen differentials by boosting their own pay while others attempt to maintain or narrow differentials by the same process.

### Prices — out of sight

Whatever factors are involved in the sharply rising trend of wage settlements, they are recognized as a major contributor to the disheartening price trend of recent years. In the GNP accounts, the price of structures rose at an average annual rate of 5.6 percent over the 1965-70 period, in contrast to annual price increases of 2.5 percent for durable goods, 3.5 percent for nondurable goods, and 4.8 percent for services. (In the preceding decade, the price of services rose somewhat faster than the price of structures and considerably faster than the price of goods.)

The price increases cited for structures (and for services) probably are overstated because of the statistical practice of basing output prices upon input prices, as a result of the difficulty in measuring improvements in quality of the final product. Even allowing for quality improvements, however, price increases in construction have been very sharp indeed in recent years.

The high rate of price increases in each of these sectors, especially during the recent period of "stagflation," has led to a certain amount of

despair on the part of policy makers about the possibility of bringing inflation under control without direct government intervention in the wage and price areas. Recent events have demonstrated that monetary and fiscal policies, while dampening demand-pull inflation, have failed to overcome the overall inflation problem. These events have also shown that a persistent inflation can be accompanied by a slowdown in economic growth, in a situation which combines the worst of both worlds.

The gradually emerging despair has been rooted in the apparent imperviousness of wage costs to a slowdown in the economy and even to rising levels of unemployment. This is a new problem — a particularly virulent form of cost-push inflation against which broadly restrictive economic policies have not been notably successful.

### Refurbishing guideposts

In 1971, the problem has persisted, while the monetary and fiscal authorities have adopted broadly expansionary policies to assure the resumption of growth and the reduction of unemployment. Thus, most experts now contend that this specific problem must be met by a specific type of policy — a policy to improve the workings of labor and product markets, so that the upward pressure of costs on prices will be reduced.

The attempt in many ways is reminiscent of the incomes (guidepost) policy developed by the Council of Economic Advisers a decade ago, as a means of reconciling the goals of high employment and rapid growth with the goal of reasonable price stability. Guideposts were based on the assumption that the economy would work more efficiently if the discretionary price and wage decisions of powerful firms and unions were brought more into line with the results expected in competitive markets.

The CEA's 1962 report highlighted the statement, "The general guide of non-inflationary wage behavior is that the rate of increase in wage



rates (including fringe benefits) be equal to the trend rate of overall productivity increase.” The original statement provided no precise measure of long-term productivity trends, but the CEA’s 1964 report was much more specific, citing the now-famous 3.2-percent figure — the five-year moving average of output per manhour in the private economy — as the standard for average wage increases.

Guideposts became the victim of demand-pull inflation in the late 1960’s. At first, union negotiators tried to obtain wage settlements which effectively equaled the original 3.2-percent guidepost *plus* the amount necessary to offset the rising trend of consumer prices — an inflationary combination. Eventually, as inflation quickened and as productivity declined, the union rank and file demanded raises sufficient to offset anticipated future price increases as well as actual past increases.

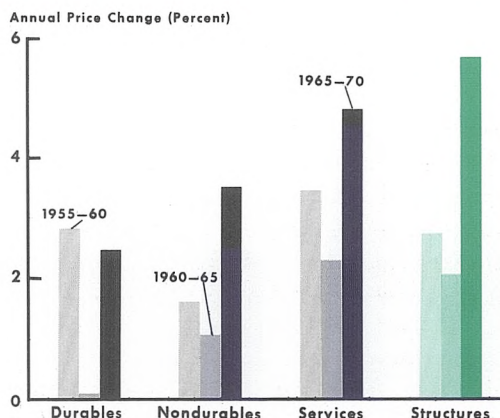
### Breaking bottlenecks

Yet, in all the discussion of guideposts, some useful alternatives have been discussed, one outlined by Harvard Professor John Dunlop being of particular relevance to the present case. At a University of Chicago conference in 1966, he proposed adoption of a bottleneck-oriented program, instead of a guidepost program, as the best solution to the cost-push problem.

Dunlop argued that an attack on bottlenecks should be worked out in each problem area by labor-management-government committees, with specialized working groups making detailed studies and pushing for corrective policies. His target sectors were those typified by rising costs, inadequate efficiency, and small-scale operations, such as some branches of transportation, local government services, medical and hospital services — and construction.

Dunlop spoke on the basis of long experience with the construction industry. In 1961, he set up arbitration procedures in a classic bottleneck situation — the complicated rush jobs associated

## Prices of structures rise faster than prices of other GNP components



with missile-site construction. In 1966, he was involved in the confrontation between an Administration trying to force widespread acceptance of the 3.2-percent guidepost and several construction unions trying to obtain 7-to-9 percent annual increases in wages. In the latter situation, Dunlop proposed that local-area construction disputes be referred to a joint disputes board composed of national labor and management leaders, and that this board mediate and recommend contract terms where agreements could not be reached at the local level. But the construction union presidents unanimously rejected this plan as unworkable, since it involved “rigid wage restrictions that would be inequitable and irrelevant” to the industry’s seasonal nature and locally determined contract procedures.

### Creating commissions

The next several years witnessed a succession of ever-higher increases in construction (and other) wages, culminating in 1969 with a 14.0-percent first-year hike in construction wages that far exceeded 1969’s total increase in productivity and prices. The new Administration, although opposed to any guidepost-style approach, eventually decided that this unique industry required a unique treatment.

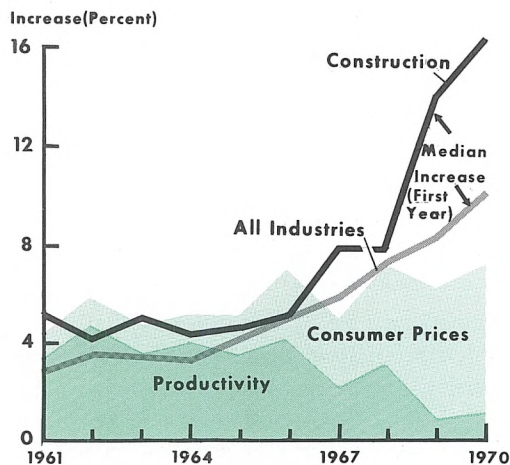
Consequently, President Nixon set up the Construction Industry Collective Bargaining Commission (September 1969) to develop voluntary procedures for settling labor disputes and to serve as a forum for the discussion of such problems as manpower development and seasonality of employment. (Labor Secretary Schultz was named chairman and Professor Dunlop secretary.) The new commission was authorized to intercede in any construction dispute likely to have a "significant impact" on a labor-market area, to hold hearings on the facts involved, and to impose a 30-day cooling-off period if it could get all sides to agree.

The pattern of hefty wage increases, leapfrogging from craft to craft and from community to community, continued into 1971 in the face of numerous committee meetings and numerous presidential exhortations. Finally, as the Administration noted the continued acceleration of construction increases — the 16.3-percent first-year increase of 1970 and the 12.5-percent deferred increase of 1971 — it took several steps aimed directly at the building trades, tying these steps in with a request for a two-year extension of stand-by control authority contained in the Economic Stabilization Act of 1970. The law, which the Administration initially opposed when passed by Congress last summer, authorizes the President "to issue such orders and regulations as he may deem appropriate to stabilize prices, rents, wages and salaries."

### Taking steps (I)

In mid-January, the President called in the Collective Bargaining Commission and asked the group to devise a plan within 30 days that would "seriously modify the wage-price spiral" in the industry. When the Commission failed to come up with an acceptable plan within the allotted time, the President in late February suspended the Davis-Bacon Act, which governs the level of wages for federally-aided construction projects. This depression-era legislation requires

## Recent wage increases far exceed productivity (plus price) increases



the Secretary of Labor to pre-determine, on the basis of local "prevailing rates," what pay levels must be on each such project; frequently in practice, this means simply paying union wage scales in each area.

The President said, "Wage rates on Federal projects have been artificially set by this law rather than by customary market forces. Frequently, they have been set to match the highest wage paid on private projects. This means that many of the most inflationary local wage settlements in the construction industry have automatically been sanctioned and spread by government contracts." To underscore this point, a report issued last year by the General Accounting Office charged that \$15.6 million spent on several federally-financed housing projects could have been reduced 15 percent if residential rather than commercial rates had been paid.

The Davis-Bacon suspension drew no support from union leaders. (AFL-CIO President George Meany said, "It is an open invitation to unscrupulous employers to exploit workers by competitive undermining of fair wages and labor standards.") The suspension also got little or no sup-



port from the 37 states (including the largest) which had "Little Davis-Bacon Acts" on their books. These laws, patterned after the Federal statute, in effect set up a second line of defense for union wage scales.

### Taking steps (II)

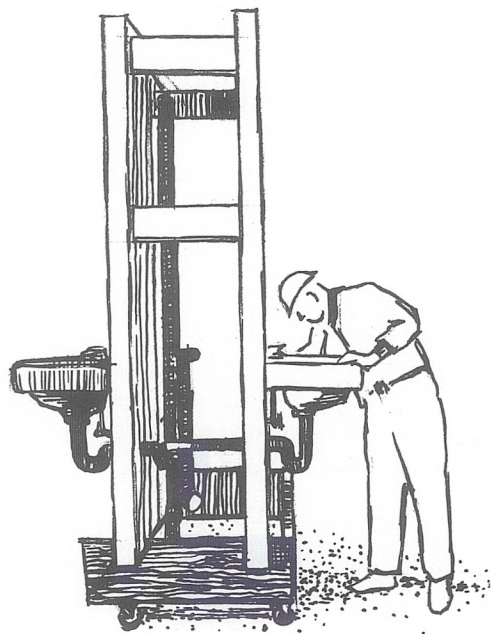
At the end of March, the Administration shifted its approach. As soon as authorization became available under the extension of the Economic Stabilization Act, the President issued an order establishing a "cooperative" system of "constraints" on construction wages and prices. Under the order, labor-management boards will review collective-bargaining agreements in each of the building trades, and these findings will be reviewed by a twelve-man stabilization committee representing labor, management, and the public — and chaired, of course, by Professor Dunlop. To assure union cooperation the Davis-Bacon suspension was lifted.

Settlements are deemed acceptable if supported by productivity and consumer price trends, although not in excess of the average annual increase negotiated during the 1961-68 period, which amounts to about 6 percent. At the same time, the order also allows "equity" adjustments to restore traditional relationships among the crafts in any single locality or with the same craft in a neighboring locality. The order did not set forth any specific criteria for price increases, but in late June a committee chaired by HUD Secretary Romney proposed linking the level of acceptable price and management-pay boosts to the size of the wage increases approved by the wage stabilization committee.

Henceforth, when any labor settlement is found unacceptable, the Labor Secretary has the power in effect to freeze the Davis-Bacon wage rate affecting any craft or locality at the level that existed before the settlement. In addition, the Government can refuse to award a building contract in the case, and can publicize the offending settlement.

### Fighting the calendar

The Administration's speed in setting up stabilization machinery seemed necessary because of the large number of major labor contracts up for negotiation in 1971. Altogether, the construction industry's schedule this year included 157 major negotiations covering 532,000 workers — with the unions involved wanting far more than 6 percent. In a key decision in May, the stabilization committee approved a three-year contract negotiated by an Arkansas painters' local which provided for a 12-percent average pay increase. The committee based its approval on the fact that the pact "preserves traditional craft relationships," especially since it also found acceptable deferred wage boosts of up to 14.5 percent negotiated in prior years by other crafts in the same area. By late June, the committee disposed of over 50 contracts, with most settlements falling within the range of 5.7 to 11.2 percent a year.



Bargaining throughout the economy has been generally heavy in 1971, since at least 4.8 million workers are covered by major collective bargaining agreements that either expire this year or contain wage-reopening provisions. (Last year was the only year in the past decade to have a heavier bargaining calendar). The major contracts cover the construction, longshore, coal, aerospace, and telephone industries — and steel.

Once the problem of 1971 is surmounted, the many factors that have generated extremely high wage increases in construction in the past will still be operative. The demand for construction labor will probably expand; in fact, according to BLS projections, construction employment may increase almost 25 percent in the first half of the 1970's. This projection appears unrealistic, given the industry's recent performance, but some improvement both in residential and non-residential construction still seems likely in the next several

years. (The increase was 10 percent in the first half of the 60's and 5 percent in 1965-70.)

The supply of skilled construction labor, moreover, could be a problem in coming years. In Dunlop's view, craft *shortages* are likely to be the most distinctive manpower problem of the next decade, in contrast to the mass unemployment of the 1930's and the class unemployment of minorities and youths during the 1960's.

In the last analysis, construction is likely to remain an industry of bottlenecks. Some progress is likely in evening out building activity over the seasons, extending bargaining areas, improving hiring practices, and broadening the industry's acceptance of new technology. But enough of the industry's unique characteristics will remain to provide a continuing problem for any incomes policy, whether it be the 3.2-percent guidepost of the mid-60's or the 6-percent standard of the 1970's.

*William Burke*

## Housing—Wage Costs Irrelevant?

Construction labor costs are only a secondary factor in the rising price of housing, according to a number of recent studies of this subject. The President's Committee on Urban Housing, reporting in 1969, pointed out that the cost of land is the key variable in new housing costs, and that labor's share of the housing dollar has actually declined in recent decades. Support for this thesis has shown up in Congressional testimony by housing economist Michael Sumichrast (1969) and in a recent article by economists Sara Behman and Donald Codella (February 1971 *Industrial Relations*).

Sumichrast's figures show that the onsite-labor share of the price of single-family residential housing fell sharply (from 33 to 18 percent) between 1949 and 1969, indicating a considerable shift to prefabricated components and a consequent rise in onsite productivity, as well as a sharp increase in other housing costs. In contrast, financing costs rose from 5 to 10 percent of total costs, while land costs jumped from 11 to 21 percent of the total. Other items changed relatively little over these two decades; materials costs rose from 36 to 38 percent, and overhead and profits fell from 15 to 13 percent of the total.

Similarly, the Behman-Codella study suggests that efforts to control building trades' wages are not likely to reduce the price of single-family housing to a level which low- or moderate-income families can afford. Substantial reductions in site costs and house size would be required for the price of new single-family housing to be reduced to the \$15,000-level which a \$7,500 family could buy, but a sharp reduction in wage costs would not be likely to have a comparable impact.



## Western Building Trades

Employment in the Western construction industry expanded fairly steadily (except for recession periods) between 1950 and 1964. In 1964 it reached a peak of 469,000 — 15.5 percent of the national total — but it then dropped to 411,000 by 1967, as the industry worked off excessive inventories of dwellings constructed during earlier years. A recent recovery in homebuilding brought employment back up to 462,000 in 1970, but at that figure the region accounted for only 13.9 percent of the national industry, or a smaller share than it held in 1950. Industry weakness has been concentrated in California; that state lost 25,000 construction jobs between 1964 and 1970, while other District states (as a group) continued to expand their work force over the period.

Annual construction wages averaged \$10,800 in California in 1970, against \$9,900 in other District states and \$9,700 in the rest of the nation. Over the past decade, annual earnings increased almost two-thirds in the West, but practically doubled elsewhere, as a reflection of the faster growth of construction job opportunities in other parts of the nation.

Annual earnings were about 15 percent higher in construction than in manufacturing last year, in each of the areas noted above. The earnings differential has widened considerably over the past decade. In the West, construction workers in 1960 earned roughly 10 percent more than manufacturing workers, and elsewhere, factory workers held a slight differential over the building trades. So by this standard too, the improve-

ment in construction earnings has been much more striking in the non-Western segment of the industry.

Hourly earnings in construction averaged \$5.22 nationwide in 1970, but most major Western labor markets paid considerably more. Building trades in San Francisco-Oakland earned \$7.16 per hour; in other areas, earnings ranged downward from \$6.45 in Los Angeles-Long Beach and \$6.24 in Washington to \$5.93 in Oregon and \$5.00 in Utah. In most Western areas, hourly earnings (like annual earnings) increased about two-thirds over the past decade.

Construction workers generally work a shorter workweek in California than in the nation as a whole — 35.1 vs. 37.4 hours last year, for example. The spread was rather narrow in the first half of the 1960's, but has generally widened since 1965. In manufacturing, in contrast, weekly hours are rather similar — 39.6 in California and 39.8 in the U.S. last year.

Construction does not exhibit as wide a seasonal pattern in the mild California climate as it does in the rest of the country. In California, activity expands about 15 percent between the February low and the August high, as against a swing of more than 20 percent in the national industry. Even so, construction employment fluctuates much more than manufacturing employment in California; the seasonal pattern in the latter industry is only about 6 percent from low to high, despite the presence of the highly seasonal food-processing industry in the state.

## Diversifying the S&L's?

The Western savings-and-loan industry was considerably less ebullient during the 1965-70 period than in the preceding half-decade. These institutions posted increases of only 23 percent in savings and 30 percent in mortgage holdings between 1965 and 1970, as against gains of over 130 percent in both categories in the 1960-65 period. Moreover, savings increased only half as fast at Western S&L's than at associations elsewhere in the more recent period, reversing the pattern of the previous half-decade.

The depressing effect on housing activity of the several recent tight-money episodes was offset somewhat by the actions of the Home Loan Bank System, which permitted the payment of higher rates on savings and also lent substantial amounts of funds to the S&L's at preferential rates. Indeed, about \$2.2 billion of the \$8.3-billion growth in mortgage financing in 1965-70 came from this source.

Even so, high ceiling rates on savings were not sufficient to offset the negative impact of the higher yields available on other investments. Similarly, increased borrowings from the Home Loan Banks were not sufficient to offset the impact of the expanded borrowing operations of the various housing agencies, which may well have siphoned off a considerable volume of funds that otherwise would have gone to the thrift institutions. The higher yields obtainable on other investments, along with the elimination of the slight rate differential payable on California S&L's passbook accounts, also helped induce a repatriation to the East of several billion dollars in savings.

### Behind the slowdown

A significant decline in the population growth rate and in the in-migration rate contributed substantially to the slowdown in Western thrift institutions' financing activity in the 1965-70 period. In every District state except Washington, population growth in both actual and percentage terms fell well below the magnitudes of the late 50's and early 60's. For Twelfth District states as a group, the average annual growth rate of the past half-decade (1.8 percent) was not much more than half the rate (3.2 percent) recorded during the previous half-decade. In terms of increments, average annual increases of less than 450,000 in the 1969-70 period were far below the increments of 800,000 and more recorded during most years of the late 50's and early 60's.

A change in the population mix in favor of young adults, which implies a higher rate of household formation and housing demand relative to a given population growth, might support some industry forecasts of California housing demand of 225,000 new units annually over the next generation, especially since that projection is only about 20 percent above the relatively depressed level of 1969-70. But even allowing for this, there is some question whether the recent sharp reduction in population growth will reverse itself to the extent of supporting a sustained level of housing activity of that magnitude in coming years.

This question is significant because of the sharp increase in homebuilding activity in District states in recent months — a situation remi-



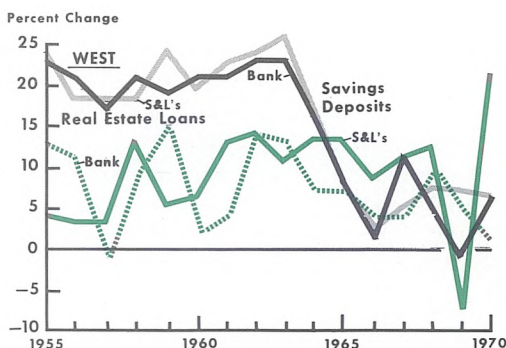
niscent of the early 60's, when burgeoning home-building activity by 1963 created widespread conditions of oversupply and soaring vacancy rates, even in the face of a substantial population boom. But now, despite the absence of population-based demand, housing starts in the West reached a record 450,000-unit annual rate in the period December 1970-March 1971. This surge in activity raises questions not only about the durability of the housing boom but also about the viability of the highly specialized asset and liability structures of the principal home-financing institutions — the savings-and-loan associations. It is against this background that the case may be analyzed for providing the S&L's with a greater degree of structural diversification.

### What the industry wants

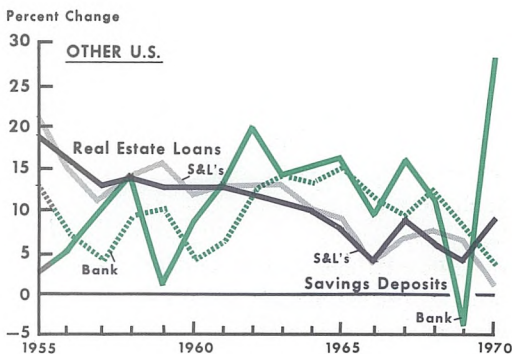
The issue can be traced back to the rather cautious recommendations of the Commission on Money and Credit and the President's Committee on Financial Institutions in the early 1960's. More recently, the thesis has found support in the study of the S&L industry undertaken by Wharton School Professor Irwin Friend for the Home Loan Bank Board, and it may well be considered in the forthcoming report of the Presidential Commission on Financial Structure and Regulation. In the meantime, the S&L industry, with the assurance of at least some Congressional support, has set forth several goals in its 1971 "legislative program" — including a wide range of new and broadened lending and investment powers, plus "limited" authority to accept checking deposits.

The industry is advocating the elimination of the restriction (presently 20 percent) on the proportion of S&L assets which can be placed in the financing of apartment houses. It also wants greater authority to finance other multi-family and mobile homes, to accommodate more easily the expected change in housing needs in future years — more specifically, a shift away from the traditional, yet ever more costly, single-family unit. (Loans representing permanent financing

### Western S&L's grew at slower pace in late 60's than they did earlier



... and they recently posted smaller gains than S&L's elsewhere



of single-family homes now account for about 70 percent of S&L total assets and for well over 80 percent of S&L mortgage portfolios.)

In addition, the S&L's are seeking much wider latitude for engaging in relatively high-yielding and more liquid short-term construction financing — an area now effectively dominated by the commercial banks. Also, they want the authority to double the proportion of their assets (from 1 to 2 percent) which can be invested in service corporations, so as to facilitate their ownership and development of real estate, especially with an eye to increased activity in the "inner city." In the area of consumer lending, the S&L's are seeking authority to make general-purpose con-

sumer loans, and are attempting to develop increased lending through a secondary market for guaranteed educational loans.

On the other side of the ledger, the industry wants, first and foremost, authority to accept a "limited" form of checking accounts in order to compete more effectively with commercial banks. (It would also like to hold Treasury tax-and-loan deposits, which are now held entirely by commercial banks.) For its depositors, it wants tax-free status for as much as \$1,000 in interest earned on savings accounts.

Moreover, the S&L's have declared themselves in favor of the extension, for at least one more year, of the Interest Rate Control Act, which governs rate ceilings on time-and-savings deposits held by the various thrift institutions. They have recommended measures which would both simplify procedures for obtaining advances from the Home Loan Banks and raise the limit on their amount. Finally, they have expressed interest in a proposal — advanced by Congressman Patman — which would provide S&L's with access to the discount window of the Federal Reserve Banks.

### Argument for diversification

Basically, the industry argues that broadened lending and investment powers for the S&L's will result in increased competition among financial institutions, to the advantage of the public at large. Also, diversification would decrease the dependence of certain types of borrowers — such as mortgage borrowers — upon specific sources of funds — such as S&L financing — thereby easing the transfer of funds from one financial sub-market to another in response to shifts in demand, while avoiding a disparate contraction (or expansion) of a single industry whenever monetary conditions change.

Currently over 80 percent of S&L assets represent long-term mortgages, while about 80 percent of their liabilities are nominally of a short-term nature. Consequently, any increase in flexibility resulting from diversification of asset and

liability structures would make these thrift institutions less vulnerable to a 1966- or 1969-type squeeze, and would also make them less inclined to make risky loans on overly liberal terms, such as happened in the West during 1963-65.

The increased earnings which would result from a better portfolio mix also would enable the S&L's to pay higher rates and compete more effectively for funds, and eventually might even obviate the need for rate ceilings on deposits. Finally, the industry argues that the transformation of the highly specialized thrift institutions into "one-stop family financial centers" would, simply by enhancing the S&L's competitive position vis-a-vis the commercial banks, mean more funds potentially available for housing in the long-run.

### The Bank Board acts . . .

The Home Loan Bank Board is already implementing a number of the S&L objectives, including several embodied in the Friend study, although it is proceeding cautiously on the more controversial industry proposals. Several recent regulatory changes have been designed to transform the S&L industry into an "all-purpose real-estate lender" benefitting "builders, lenders and home buyers."

Federally-chartered associations may now invest two percent of their assets in real-estate service corporations, and may combine permanent loans with construction loans instead of negotiating them separately. In addition, associations may increase the maturity on construction loans for apartments and commercial projects from two to three years, and may increase their permanent lending on commercial property, with an attendant increase in the loan-to-value ratio from 70 to 75 percent and an increase in maturities from 20 to 25 years.

The opportunities in the nonresidential field are quite extensive. Nationally, S&L's had \$11.2 billion in nonresidential mortgages on their books at the end of 1970 — almost all of it added just within the last decade — but this



compared with \$38.0 billion for insurance companies and \$26.5 billion for commercial banks. Moreover, the opportunities for nonresidential financing frequently increase as residential activity declines, as happened in the West during the housing slump of 1963-66.

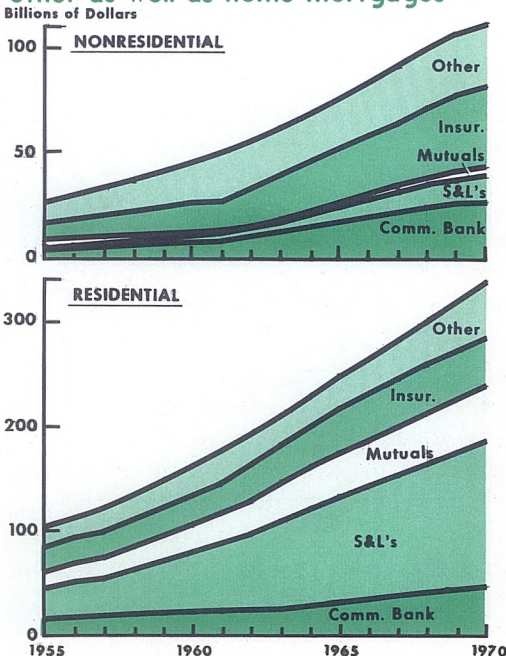
In the housing field, the Home Loan Bank Board has increased the lending limit on single-family homes from 80 to 90 percent of value, and has lifted the ceiling on loans carrying the lower down-payment from \$31,500 to \$36,000. (However, the latter is still below the median price of new homes in many Western metropolitan areas.) The S&L's may now make loans on residential lots to enable future home buyers to acquire an equity which may serve, in turn, as a down-payment on their future homes.

In addition, S&L's may invest, anywhere in the United States, up to 10 percent of their total assets secured by real estate, thus facilitating the flow of mortgage funds from surplus to shortage areas. Along the same line, other recent changes liberalize the lending limits for branch offices within a given state, provide for increased loan participation, and grant expanded authority to make FHA and VA loans, which now account for only about 6 percent of the mortgage portfolios of California S&L's and for about twice that proportion nationally. (In contrast, FHA's and VA's account for 40 percent of the residential mortgage portfolios of Twelfth District member commercial banks.)

### ... but not on every issue

On the other hand, the Bank Board has not (so far) indicated any willingness to go along with the more controversial items in the S&L industry's legislative program — the consumer-lending and checking-account proposals. The Irwin Friend study suggested that S&L's should eventually have the authority to make consumer loans, up to 10 percent of an association's total assets. Bank Board Chairman Preston Martin recently expressed disagreement with this idea, but indicated that the Board might favor a vari-

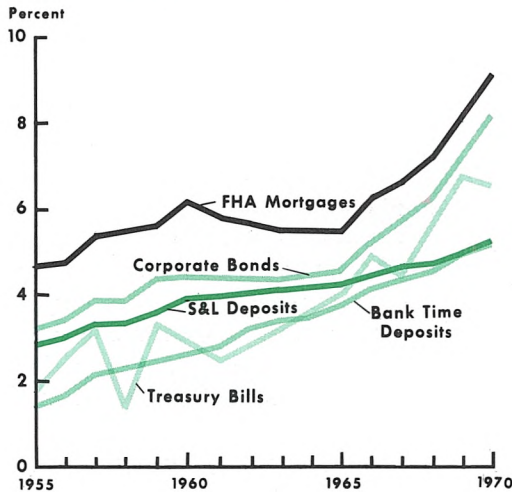
## S&L's now hold large amounts of other as well as home mortgages



able (open-ended) mortgage balance which the home owner could use "so he doesn't have to scurry around to get a side consumer loan."

Martin also questions the feasibility of checking-account authority for the S&L's, but he supports the development of "a variety of instruments with third-party payment characteristics." The Bank Board issued a ruling in September 1970 (amended January 1971) authorizing Federally-chartered S&L's to offer non-transferable third-party payment services for "housing and housing-related items and loans for such items." Under this plan, payments may be deducted from S&L accounts for residential mortgage loans, taxes and insurance, utilities, rent, home improvements, mobile homes, fixtures, major home furnishings, major home appliances and similar items. Payments for food, clothing and automobiles are specifically excluded, and in the words of Chairman Martin, "until we see how this works . . . we're not convinced that we need to take the next step."

## Savings-and-loan deposit rates generally lag behind other rates



### Looking from outside

Observers outside of the S&L industry have their doubts about these proposals, however. Many would question whether empowering the S&L's to allocate their funds to non-mortgage purposes would help the financial situation of the housing industry — a point on which the Irwin Friend study itself expresses some doubt. Increased consumer lending could probably bolster the profits of the S&L's; indeed, a number of associations in the Pacific Northwest converted to mutual-savings banks within the last year or so in order to take advantage of this type of broadened lending authority. But the very fact that the Friend study suggested a 10-percent-of-assets limit on S&L consumer loans indicates an awareness that the comparatively high rate of return on these loans, plus the greater liquidity which derives from their relatively short maturity, might induce profit-oriented S&L's to shift some of their funds out of housing and into the consumer area.

Many observers also would question whether increased liquidity obtained in this way would actually be of any help to the housing sector during tight-money periods. If, for example, the

S&L's had been able to acquire a portfolio of several billion dollars of consumer loans during the 1960's, they would not necessarily have liquidated these loans and used the proceeds to finance housing during the recent period of credit restraint. In the last analysis, the S&L's would be expected to place their funds where they can obtain the highest yields, and it is doubtful that even in the face of rising mortgage yields in 1968-70, they would have shifted their funds out of even higher-yielding consumer loans.

Nevertheless, the authority to make consumer loans — and to accept checking accounts — should enhance the S&L's competitive ability to compete for funds at any given level of rates payable under deposit rate ceilings. If, as a consequence, the S&L's should obtain a greater share of the overall supply of loanable funds, then the net supply of funds to housing might increase, so long as the S&L's continue to allocate relatively more funds to housing than the commercial banks do. Still, some competitive reaction must be expected from the commercial banks, since these institutions (especially the Western banks) play an important role in both the consumer and mortgage fields.

### Policy issues

Finally, there is the question of the impact on monetary policy of the proposed changes in financial structure outlined above. Would increasing product diversification, by enabling the S&L's to accommodate a wider spectrum of the public, increase or decrease the effectiveness of traditional techniques of monetary control? That is, would such a diversification in any way weaken the links between money and interest rates at any given levels or rates of change of income and wealth? Or conversely, would diversification lead to increased institutional interdependence and more uniform regulatory treatment of financial markets, thereby increasing the "leverage" or effectiveness of monetary controls and the process by which policy objectives are transmitted?



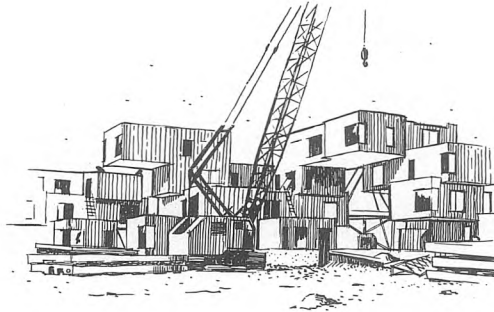
The questions are based upon the consideration that monetary policy is concerned with real growth, and hence with the pattern of real resource allocation. If the latter is affected by the pattern of financial flows, and financial flows themselves are influenced by the structure of financial institutions, then the structure of such institutions and the nature of the markets in which they operate are matters of relevance to monetary policy.

With considerations such as these in mind, J. L. Robertson, Vice-chairman of the Federal Reserve Board of Governors, has advocated that mutual-savings banks and savings-and-loan associations be allowed to evolve gradually into broad-gauge lenders and borrowers, somewhat like commercial banks. All depository-type institutions would then be regulated by a single, independent regulatory agency under a common set of ground rules. A more even-handed regulatory

treatment thus should lead to a "better" allocation of resources, thereby enabling the public to assess more accurately the relative costs and yields of various social priorities — including those related to housing.

Governor Robertson's proposal has found support among commercial bankers, some of whom are now seeking legislation to give the S&L's everything they want, and then some. Proposed legislation would confer upon the S&L's not only the broadened lending and investment powers which they seek, *but* also the constraints to which the commercial banks are subject on the capital-and-liabilities side of the ledger, including the full gamut of bank tax and regulatory restrictions. However, the S&L industry has rejected any such restrictive legislation as being "against the public interest," and the battle lines are now shaping up along this front.

*Verle Johnston*



## Publications Available

**Wall Street: Before the Fall** (36 pp. 1970) — An analysis of basic stock-market developments of the past 15 years. The booklet describes the supply and demand factors underlying general price trends, and analyzes the industry's operational problems and the expanded role of institutional buying in recent years.

**Silver: End of an Era** (32 pp. 1969) — An historical study of silver legislation and silver market developments of the past century. The booklet describes the coinage and industrial uses of silver, with emphasis on the recent demonetization of the metal.

**Aluminum: Past and Future** (64 pp. 1971) — An analysis of the long-term growth of the aluminum industry, with its eight-fold expansion in consumption over the past quarter-century. The study describes the locational factors responsible for the national and international spread of the industry, and analyzes the reasons for recent fears over the industry's sharp expansion of capacity.

**Copper: Red Metal in Flux** (56 pp. 1968) — An historical study of the copper industry, with emphasis on the growth of Western producers. The report describes copper's response to the competitive inroads of other materials in traditional copper-using industries.

**Credit — and Credit Cards** (16 pp. 1969) — A report on the rapid expansion of bank credit-card and check-credit plans throughout the nation. The study explores the role of Western banks in pioneering this fast-growing field.

**Law of the River** (16 pp. 1968) — An analysis of present and future sources of water for the Pacific Southwest. The report describes how Southern California and Arizona are looking beyond the Colorado River to meet their 21st-century needs for water.

**A Time for Sharing . . . Crisis in the State House** (24 pp. 1969) — Reports on the major problems of state-local government finance, centering around the attempts made through revenue-sharing proposals to overcome the fiscal difficulties of state governments.

**BART: Dig We Must** (16 pp. 1970) — An analysis of the urban-transit crisis, with specific attention to Bay Area Rapid Transit as a possible solution to the growing problem of motor-vehicle congestion in the San Francisco Bay Area.

**The Redwoods** (12 pp. 1969) — A study of the creation of the Redwood National Park along California's northern coast. The report discusses the economic and ecological issues affecting this region.

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