July 31, 1959
Volume 14 • Number 7

Monthly Review

OF THE FEDERAL RESERVE BANK OF MINNEAPOLIS

Production of small grain down

The district's production of small grain during 1959 is now estimated at about one-third less than last year's record crop. Drouth, heat and disease at various stages of growth gradually cut down the yield prospects for wheat, oats, barley, rye and flax. Nevertheless, the total district grain crops in 1959, including corn and soybeans, might well exceed the average of the last five years. Corn and soybeans have done very well to date and record yields are possible.

With total grain production down and with a declining level of prices for farm products, there is reason to expect district cash farm income to fall behind year-ago figures in the last half of 1959. During the first half of 1959 farm income averaged about the same as the equivalent period in 1958.

Another factor that may temper economic optimism is the effects of the steel strike should it continue over a long period. At its outset (July 14) the strike idled about 31,000 steel and ore workers in Minnesota, Wisconsin, and Upper Michigan and created a wage and salary loss estimated at 2½ million a week in Minnesota. Historically, the income-loss effects of a major steel strike do not spread out significantly during the first few weeks. Eventually, construction and other industries dependent on steel supplies feel the pinch and operations are curtailed. Stocks of steel,

Ninth district unemployment

An examination of the causes of district unemployment and their relationship to the regional economy . . . . . p. 6

however, at the beginning of the strike were relatively large.

In spite of the sobering aspects of a potential decline in farm income and personal income losses resulting from the steel strike, general business activity in the district continued to evidence considerable strength and vigor.

The current district banking picture may be described as one of increasing tightness as the demand for loans tends to outrun deposit growth. According to the mid-year call report, the ratio of loans to deposits at country banks increased from 44 to 46.5 percent during the year. At reserve city banks the increase was from 49 to 55 percent.

Retail sales, including those of new automobiles, are up strongly. Bank debits registered a 14 percent gain in June from year-ago figures. Preliminary figures indicate that nonagricultural employment was up 3 percent and hours worked per week in manufacturing went up from 39.2 in June of 1958 to 40.6 in June of 1959. District electric power consumption also has been moving up strongly in recent weeks.

Regardless of the uncertainties that have begun to appear at mid-year, taking such forms as the steel strike and lowered farm income prospects, it is clear that an unusually strong economic advance has been scored in the first half of 1959.

The following selected topics describe particular aspects of the district's current economic scene:

STEEL STRIKE EFFECTS

During the first half of this year, the contingency of a strike in the steel industry has had a noticeable effect in holding down business activity in the iron ore mining regions. Miners, beneficiation plant workers, steelworkers and transportation men, who are idled when a strike is called, have been very conservative in their spending of current earnings. This conservatism is reflected in bank debits—the amount of checks drawn on banks. In the Ninth district as a whole, bank debits in the first half of this year aggregated 17 percent more than the total in the first half of 1957 before the recent recession. However, in iron range communities, the amount of debits this year either was down or up only slightly from corresponding 1957 totals.

As a result of the strike called on July 14, over 22,000 workers were idled in Minnesota, about 2,700 in northern Wisconsin and 6,000 in Upper Michigan. In Minnesota the Department of Employment Security has estimated the loss of wages and salaries at approximately $2½ million per week. Industrial plants using steel, in most instances, have succeeded in building up a large supply. Consequently, the strike will not interfere with their operations for a number of weeks.

In previous strike periods, the effects in this district of the shutdown of iron ore and steel industries did not spread much beyond the mining regions during the first three weeks. Many firms normally grant employees a vacation in July and shut down the plants. In former strike periods others adopted this procedure to postpone a possible shortage of steel used in fabrication.

In the past, if the strike extended beyond three weeks, the costruction industry was the first to feel the effect of the strike because it so happened that structural steel was in short supply when strikes were called. This was not the situation when the strike was called this year.

1959 CROP FORECASTS

Ninth district farmers will harvest a crop of small grain in 1959 which will be substantially below the abundant production of last year—so reads the July 1 U. S. Department of Agriculture's forecast of crop production.

Reduced production of spring wheats and barley are forecast in spite of the fact that 1959 planted acreages of those crops were above a year ago.

Termination of the Acreage Reserve portion of the Soil Bank program in 1958 increased the

Ninth district acreage available for cropping by 2.1 million acres. A portion of this acreage likely went back into production and accounts for part of the increases in planted acreages of spring wheats and corn. Some of the acreage released from the Acreage Reserve likely shifted to the remaining Conservation Reserve portion of the Soil Bank program; this portion of the program recorded an increase of 3 million acres in 1959.

Drouth, heat and virus diseases have cut sharply into small grain yields in the Dakotas and Minnesota compared with a year ago. Extreme drouth conditions in South Dakota have reduced wheat, barley and oat yield expectations nearly two-thirds from the yields realized in 1958. Growing conditions were less severe in North Dakota and Minnesota; small grain yields in North Dakota are expected to be down about a third from a year ago, while in Minnesota expected yields are about a fourth lower than last year. Conditions for small grain production were more favorable in Montana; small grain yields in that state are expected to be within 10 percent of last year.

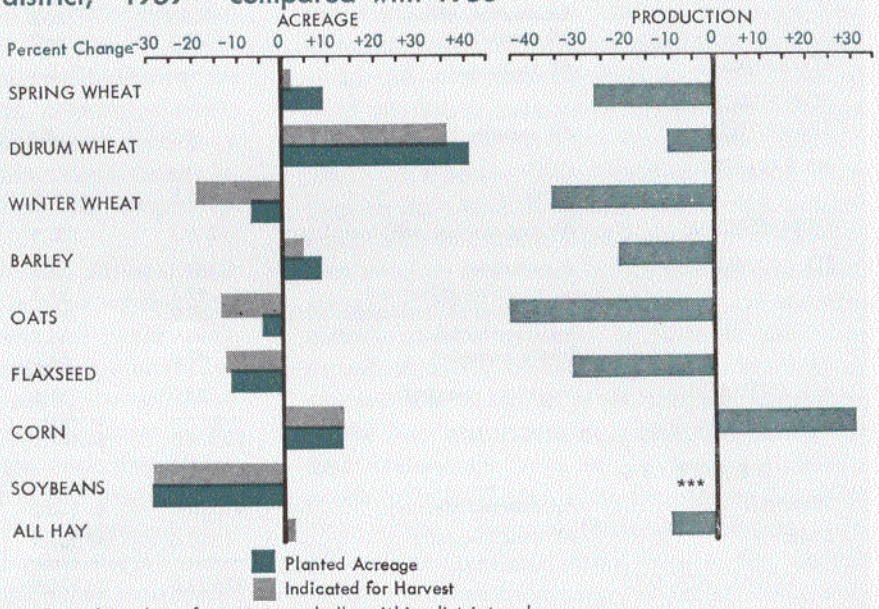
On the basis of the July 1 forecast, approximately 10 percent of the acreage planted to wheat, oats and barley in the district is expected to be abandoned because of a poor crop. Abandonment in South Dakota will be the heaviest where about a third of the small grain crop is not expected to warrant harvest.

In sharp contrast to a year ago growing conditions this season have favored the corn and soybean crops, whereas last year conditions favored small grains. The late planted crops received timely rains and were moved along rapidly by high June temperatures. As of July 1, corn yields were forecast at 10, 35 and 19 percent above last year in Minnesota, North Dakota and South Dakota, respectively. However, the moisture situation in the Dakotas remains critical and timely rains will be needed to allow farmers to realize the currently indicated production of corn.

The sharp increase in corn acreage, 13 percent in the district and 21 percent in Minnesota, the district's major corn state, is largely the result of the new corn program which provides a support price of $1.12 per bushel with no acreage restrictions. The termination of the Acreage Reserve program also added to the acreage available for corn planting this year.

Soybean acreage is down 29 percent in the district this year. The reduction was largely caused by a shift to corn; the $1.85 per bushel soybean support price makes soybeans a considerably less favorable alternative than corn at a $1.12 per bushel support, given existing yields and costs.

Prospective changes in crop acreages, and production in Ninth district,* 1959 compared with 1958**



*Data based on four states wholly within district only.
**1959 based on USDA's July 1 crop forecast.
***Production estimates to be released in August.

HIGHER LOAN RATIOS AT MIDYEAR

The tabulation of mid-year call reports for district member banks revealed that the ratio of loans to deposits rose from 49 percent to 55 percent during the year at the reserve city banks and from 44 percent to 46.5 percent at the country banks. Accompanying are tables showing details of loans together with deposit figures, for country banks and reserve city banks at mid-1959 and a year earlier. The city bank ratio was raised by falling deposits as well as by rising loans, while the country bank ratio reflects rising loans *and* rising deposits. Country bank deposits rose $193 million or 6.5 percent, while reserve city bank deposits fell $58 million or 3.7 percent. Loans rose by $153 million or 11.5 percent in the country and by $61 million or 8 percent in the city.

At the country banks, loans secured by farm land rose very little but conventional and FHA mortgage loans rose $40 million. Commercial and industrial loans and non-real estate loans to farmers were up by $39 million and $34 million, respectively. Loans to individuals added $33 million, of which $12 million was auto paper. At the reserve city banks commercial and industrial loans, up $37 million, accounted for better than 60 percent of the total loan increase. Conventional type mortgage loans and loans to individuals accounted for most of the other 40 percent.

MIDYEAR BALANCE SHEET CONSOLIDATED FOR NINTH DISTRICT MEMBER BANKS

(in millions of dollars)

		COUNTRY BANKS		RESERVE CITY BANKS	
		June 23, 1958	June 10, 1959	June 23, 1958	June 10, 1959
LOANS					
REAL ESTATE	Farm	$ 29.2	$ 31.9	$ .2	$ .3
	Residential, FHA	125.9	142.3	26.6	28.8
	Residential, VA	98.4	90.1	49.1	44.7
	Residential, other	157.9	180.8	32.6	38.3
	All other	70.6	84.2	25.5	30.4
TO BANKS	All to banks	—	—	16.9	6.2
FOR PURCHASING SECURITIES	All security loans	15.6	9.3	12.5	12.9
TO FARMERS	CCC	13.8	12.1	—	—
	Other	205.5	239.9	4.3	6.3
COMMERCIAL	All commercial and industrial	269.1	308.4	397.1	434.6
TO INDIVIDUALS	Automobiles	132.5	144.2	55.6	62.9
	Other retail instalment	49.7	54.3	30.5	28.3
	Repair and modernization instalment	39.9	43.0	27.2	27.5
	Instalment cash	34.9	38.7	11.6	12.5
	Single payment	47.8	56.3	40.0	43.6
ALL OTHER	Including overdrafts	24.0	31.6	33.1	46.5
TOTAL LOANS AND DISCOUNTS		$1,314.8	$1,467.1	$ 762.8	$ 823.8
DEPOSITS					
DEMAND	All demand deposits	$1,772.6	$1,863.2	$1,301.9	$1,236.0
TIME	All time deposits	1,205.0	1,307.3	257.7	265.7
TOTAL DEPOSITS		$2,977.6	$3,170.5	$1,559.6	$1,501.7

RETAIL SALES AID RECOVERY

The rise in consumer expenditures has been one of the strong forces behind the current recovery. In the first half of this year, retail sales in the nation exceeded the year-ago volume by the significant margin of 9 percent. In measuring the increase from a year ago, it is important to point out that sales, adjusted for seasonal variation and differences in trading days, declined during the first quarter of 1958 and then rose during the subsequent quarters. Last December, adjusted sales were 10 percent above the March low. Thus, in the second half of 1959, it will be more difficult to maintain the lead over 1958 sales.

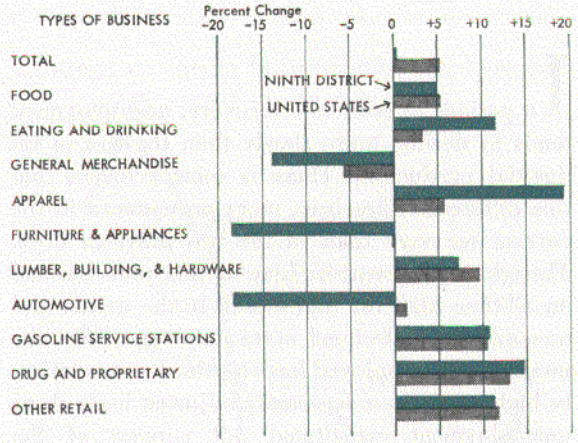
So far this year, sales have expanded in nearly all lines of goods. According to U. S. Department of Commerce reports, durable goods sales have made the anticipated comeback; from the first to the second quarter of this year, seasonally adjusted sales in the nation rose by 4 percent and in the whole first half they were 16 percent above a year earlier.

The increase in durable goods sales has been supported not only by the rise in employment and personal income but also by the use of a substantial amount of instalment credit. During the first five months of this year, consumers added about $1.9 billion to their instalment debt, on a seasonally adjusted basis. In May alone, the net inadjusted, totaled $443 million, the largest increase for any month since 1955.

In nondurable goods, seasonally adjusted sales from the first to the second quarter of this year in the nation rose by 2 percent and in the whole first half they were 6 percent above a year earlier.

In the Ninth district, retail sales have not shown as large a percentage gain as have those in the nation. In the first half of the year, department store sales were up 6 percent from a year earlier; nationally, these sales were up 9 percent. The Bureau of Census' sample of retail stores (which excludes sales of large retail chains), registered an increase of 5 percent for the first five months in the district and an increase of 9 percent nationally. District passenger car sales for the first five months in the four states wholly in this district were up 30 percent and in the nation, up 27 percent from a year ago.

Retail sales*
(cumulative for first 5 months 1957 and 1959)



*Bureau of Census sample of retail stores.

Since this district has a large agricultural component which was not affected much during the recession, the downturn was not as severe here as in the more industrialized regions of the nation and retail sales generally held up better. Thus, it is of interest to note whether the district has recovered from the recession to the extent that the nation as a whole has. District department store sales in the first half of this year were 6 percent above the comparable 1957 volume; in the nation they were up 5 percent. In the Bureau of Census' sample of retail stores for the first five months, district sales were equal to those in the same period of 1957; in the nation, they were up 5 percent. The registration of new passenger cars in the four states wholly in this district for the first five months were up 10 percent from the comparable 1957 period; in the nation, they were down about 2 percent. Thus, on the basis of the information available, retail sales in this district have grown, on the average, about as much from the prerecession level as have those in the nation.

A closer look at district unemployment

In periods of economic recovery, unemployment tends to decline more slowly than the rise in industrial production. There is some evidence that this differential has been more pronounced in the current recovery than in the two previous ones. Though employment in June of this year reached an all-time high for that month in the nation and unemployment declined more than seasonally, the number of unemployed has remained at a relatively high level. On a seasonally adjusted basis, June unemployment constituted 4.9 percent of the civilian labor force compared with the recession high of 7.6 percent, whereas in the years 1955, 1956 and 1957, it averaged less than 4.5 percent.

When this national unemployment picture is viewed at closer range, it becomes apparent that there are marked differences in the nature of the unemployment problem among economic regions. In the Ninth district, in comparison with the two former post-World War II recessions, unemployment in the most recent recession was quite high and of relatively long duration in industrial centers and was especially acute in the mining regions. In the district as a whole, unemployment generally is somewhat higher than in the nation.

Since the objective of maintaining adequate levels of employment has a high priority in monetary and fiscal policy, it is of interest to examine the basic nature of unemployment and to look at those types that prevailed during the last recession and still exist at the present time.

Nature of unemployment

Unemployment may be divided into three general categories. First, there is temporary unemployment; this includes a constant inventory of unemployed persons due to a continual movement of workers from one job to another resulting from the opening and closing of job opportunities. Second, there is structural unemployment resulting from a permanent decline in certain industries or geographic areas. Third, layoffs in many industries occur during periods of business recession. This 'cyclical' unemployment arises out of a general falling off of demand for products and services of numerous industries rather than of a specific one.

Under the first category, there is some unemployment at all times in a free enterprise economy. Labor is free to seek the best jobs available; conversely, entrepreneurs are free to adjust their labor forces to produce the quantities of products and services absorbed by the market. As a result of this freedom, there are always some workers in transition. Complete statistics are not available on this group of unemployed; therefore, it also must be described conceptually.

Among the numerous causes of temporary unemployment that are continually present, several have been especially significant. Seasonal unemployment, one of the most important forms, is caused primarily by climatic conditions during the different seasons of the year and, to a lesser extent, by social customs which concentrate some economic activity in certain periods of the year. In a number of industries, particularly in this district, such unemployment builds up during the fall and winter in periods of prosperity as well as of recession.

A combination of other causes contribute to structural unemployment. There is the almost constant adjustment of the work force to improvements made in equipment and production methods. Depletion of resources is inherent in mining and sometimes in forestry and, unless new opportunities for employment develop in these areas, a relocation of labor is required. The ever-changing demand in our free market system, where con-

sumers may vary their choices, forces managements of many firms to either reduce or expand their output of products and services and this has a bearing on employment opportunities. Some workers are temporarily unemployed as they leave jobs on their own initiative to seek better positions. A discussion of the foregoing causes of unemployment in more detail provides an insight into their importance in this district.

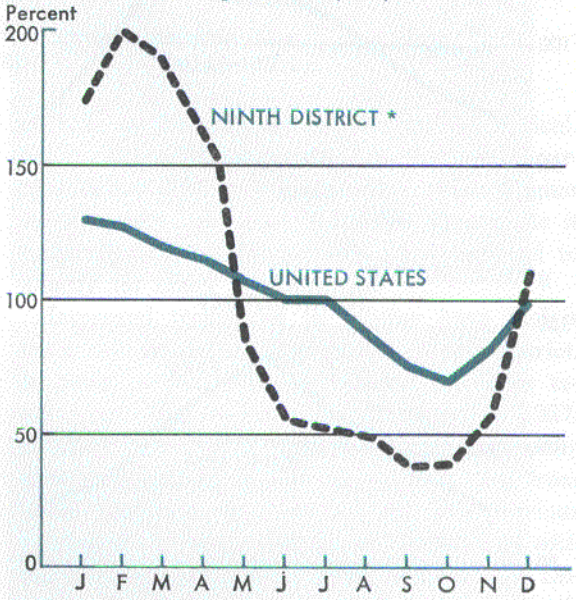
Causes contributing to unemployment

Seasonal—Information obtained from the several unemployment compensation agencies in Ninth district states points to seasonal employment as the most important single cause of unemployment in this region. The amplitude of the seasonal pattern here is markedly greater than the national average. During summer, district states generally have very low rates of insured unemployment and during winter they have rates which are among the highest in the nation.

An estimate of total unemployment is available for one district state, Minnesota,[1] covering the years 1948-1957, inclusive. This shows that on an average during the winter, unemployment rose to a peak in February of 49 percent above the annual average and during the summer fell to a low in September of 40 percent below the average. Because of similar climatic conditions in the rest of the district, seasonal fluctuations of unemployment are comparable in the other states. In the nation as a whole, the seasonal variation was less than half of that found in Minnesota; for the years 1948 to 1957 inclusive, it ranged from a peak of 16 percent above the annual average in February to a low of 21 percent below in October.

Were it not for seasonal workers, such unemployment would be even larger. In a small measure, the labor force adjusts to the seasonal demand for workers. During the summer, students, housewives and some retired people temporarily join the labor force. The food industry, especially that involving the canning and freezing of vegetables, hires a large proportion of tem-

Seasonal variation in insured unemployment
(monthly index, average for ten years)



*Four states wholly within district.

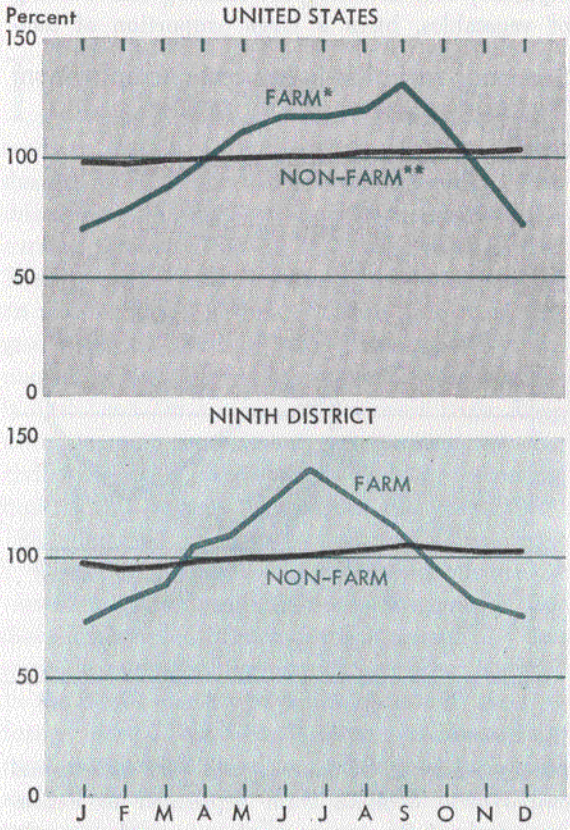
porary workers. Of course, each year as seasonal employment declines from September to February of the following year, there are also a substantial number of full-time workers who are laid off temporarily.

The causes of seasonal unemployment obviously are traced directly to the seasonal rise and decline in employment opportunities and they are most marked in the rural economy. It is evident that the release of the large number of summer workers on farms contributes to unemployment in the winter but it is difficult to obtain accurate figures on its magnitude. The expansion of agricultural employment during the summer is accomplished not only by the employment of hired workers but by an increase in family participation. Consequently, it is difficult to differentiate between those employed and unemployed in the rural areas. Employees on farms are not covered by state unem-

[1] Economic Guidelines for Unemployment Insurance, Minnesota 1958-67. A Report for the Minnesota Department of Employment Security, pp. 79-87.

Seasonal variations in employment

(monthly index, average for ten years)



*Four states wholly within district.
**Entire district with exception of northwestern Wisconsin.

ployment compensation laws, and therefore, these workers do not appear in the insured unemployment statistics.

Beginning with 1950, the U. S. Department of Agriculture has estimated farm employment by states. The economy of the Ninth district has a large agricultural component. In Minnesota, Montana, North Dakota and South Dakota, the total number of farm workers in 1958 was equal to 41 percent of the number employed by nonagricultural establishments. Similarly, the percentage of farm workers in northwestern Wisconsin and Upper Michigan is also high, although comparable figures are not available. In the entire nation, farm workers were only 15 percent of the total in 1958.

Employment on farms in this district has had a considerably greater amplitude of seasonal variation than that in nonagricultural establishments. On the basis of the index of seasonal variation for the period from 1950 to 1958 inclusive, seasonal employment on farms in the four states wholly in this district has averaged a low of 440,500 workers during December and January and has built up during the spring and summer to an average of 810,400 workers in July.

In the nonfarm sector of the economy, state unemployment compensation programs cover most of the workers and provide a basis for observing unemployment trends. In this district, the number of workers drawing unemployment insurance benefits varies widely with the seasons. Average experience during the years, 1948 to 1958 inclusive, showed that the number drawing benefits during the summer declined to a low point in September of 63 percent below the annual average and rose during the fall and winter to a peak in February of 101 percent above the average. In the nation as a whole, covered unemployment declined to a low point in October of 31 percent below the annual average and rose to a peak in January of 29 percent above the average. Thus, the yearly swings in unemployment have a wider range in this district.

Several industries contribute heavily to the large seasonal unemployment pattern in the nonfarm areas of the district. Employment in the manufacture of nondurable goods, which has a pronounced seasonal pattern, is relatively large in this region. For instance, in 1958 the percentage of annual manufacturing employment in nondurables was 50 percent in the district compared to 43 percent in the nation. The food industry is highly seasonal and it carries a much greater weight in the district nondurable manufacturing picture than in the nation as a whole. Even though work on many construction projects is now carried on despite inclement weather, there still is a

SEASONAL PEAKS AND LOWS IN NINTH DISTRICT EMPLOYMENT

	Peak month	Percent of annual average	Low month	Percent of annual average
Nondurable manufacturing	September	109	February	95
Durable manufacturing	September	102	January	98
Construction	August	125	February	69
Mining	August	104	February	96
Trade	December	105	February	96

pronounced seasonal variation in employment in this field. Mining employment has a substantial seasonal variation although smaller than in construction and in nondurable manufacturing. Employment in district wholesale and retail trade also has a pronounced seasonal pattern but it differs only slightly from that observed in the nation.

Regardless of the importance of seasonal unemployment in this district, it is only a part of the total. Even in September when unemployment is at a seasonal low, estimated total unemployment in Minnesota averaged 37,000 or 60 percent of the annual monthly average in the period 1948 through 1957. Insured unemployment, which covers only a small portion of unemployed persons, averaged a total of 10,600 in the four full district states or 37 percent of the annual monthly average in September during the same 10-year period.

Technological change — Economic progress through technological changes eliminates jobs requiring well known skills and creates others demanding sets of new ones. In this district, the change has been especially rapid in agriculture. A technological revolution has taken place, especially since the beginning of World War II, which has involved, among other things, a substitution of equipment for labor.

In Minnesota, Montana, North Dakota and South Dakota, the number of workers on farms averaged 16,300 fewer each year over the past decade. The magnitude of this number of workers released from agriculture points up the problem of absorbing them in other industries if they are not to remain idle or migrate to other regions. Because of the minimum skills required, agriculture traditionally has provided employment opportunities for older and untrained workers. Higher skills required in other industries have made it especially difficult for persons thus displaced to qualify for many job openings.

Improved techniques in mining have had a noticeable impact on employment in this district. In some instances, it has reduced the labor requirements permanently. To illustrate, in 1957, in Butte, Montana, the Anaconda Copper company with improved equipment was able to turn from underground to open pit mining. The previous volume of copper production was maintained with the employment of about 3,000 less workers. Underground iron ore mines also have become high cost operations and even with the strong demand this year, some underground mines remained closed or were reactivated only partially.

On the other hand, the development of new processes which have made the turning to lower grade mineral resources economically feasible has raised labor requirements. The mining and beneficiation of low-grade iron ore require more labor per ton of finished product than the high-grade ore. This has been the situation in the mining and beneficiation of taconite in Minnesota and in jasper and low-grade copper ore in Upper Michigan. In communities where these activities are carried on, employment was well maintained even through the recent recession. As a result of these divergent trends, the unemployment picture in the mining regions remains spotty. In some communities where unemployment was high last year, some workers still have not been

absorbed by other industries.

Technological change likewise has been pronounced in a number of other fields. Thus, in the operation of railways, the change to diesel powered equipment and to the mechanization of switching facilities has been enough to reduce district employment noticeably in this industry during the past few years.

Depletion of resources

In some parts of the district, the depletion of mineral resources has created the greatest economic problem, contributing more to unemployment in past decades than have technological changes. In both iron ore and copper mining, as the ore is depleted in old mines fewer new ore bodies are opened.

According to census data[2], in Michigan and Montana the number of persons engaged in mining was at a peak approximately in 1909. In Minnesota the number of persons engaged in mining grew until the end of World War I and then began to decline. With the increased beneficiation of low-grade iron ore in recent years, employment in Minnesota has again reached the World War I peak.

Shifts in demand for products—In a free market economy, consumers, business firms and governmental units frequently shift their demand for products as new ones appear. These shifts cause industrial firms not only to change the quality and quantity of their products in relation to the demand but occasionally cause some to close plants and others to open new ones. In recent years this has been a factor in the employment picture in a number of district communities.

In the Ninth district as a whole, the factors contributing to unemployment create an inventory of unemployed workers which is a fairly constant percentage of the civilian labor force in spite of the fact that the seasonal creates a marked peak during the winter.

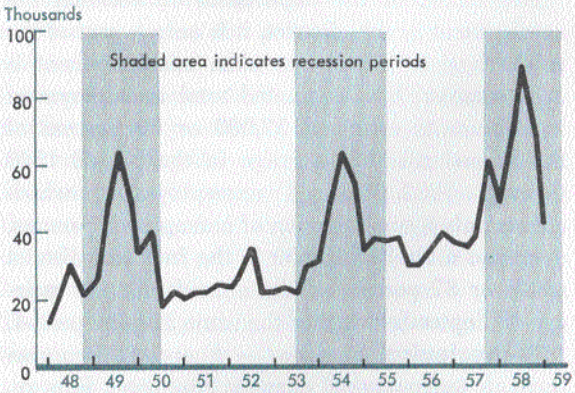
[2] 1954 Census of Mineral Industries, Volume II, Area Statistics, U. S. Department of Commerce, pp. 121-3, 122-5, 125-3.

Business cycle

In addition to unemployment resulting from natural and economic forces described in the foregoing paragraphs, there is a third category, cyclical unemployment resulting from business recessions. This type of unemployment, due to a general reduction in the demand for goods and services, often presents a serious economic and social problem to the unemployed since workers may be out of jobs for extended periods of time. Because it is not of a routine nature, its effects are more striking and, as a result, cyclical unemployment has been and continues to be of widespread concern and study.

Insured unemployment in Ninth district

(quarterly averages, seasonally adjusted)



*Entire district with exception of northwestern Wisconsin.

Some sectors of the economy are more subject to cyclical slumps than are others. This is particularly true in the manufacture of durable goods. Although employment in durable goods is a relatively smaller proportion of the number in total manufacturing in this district than in the nation —50 percent as compared with 57 percent in 1958—unemployment in the durable goods sector still has a notable impact in the industrial centers of the region. During the recent recession from 1957 to 1958, employment in this field declined by 9 percent and involved 13,000 workers. The decline was equally pronounced during the previous

two recessions of 1948-49 and 1953-54.

A reduction in the output of durable goods in the nation particularly affects the district's mineral output, the most serious impact occurring in iron ore mining. Whenever the production of steel is cut back, the demand for iron ore falls off sharply. As a result of the decline in the demand for iron ore in 1958, the usual seasonal unemployment in mining turned into cyclical unemployment which resulted in a material loss in income in a number of geographic regions dependent primarily on the extraction and beneficiation of iron ore. Very few workers unemployed during the winter of 1957-58 were employed during the 1958 shipping season. Last year, in the second quarter when employment in this industry generally is greatly improved, it actually was down 3.1 percent from the average in the first quarter and it was up only 0.3 percent in the third quarter.

Although cyclical unemployment tends to be concentrated in certain industries, the effect of the loss of economic security of unemployed workers spreads through other sectors of the economy. This was pointedly illustrated in the recession when secondary industries slumped materially in the mining regions.

The large seasonal variation in employment, the secular decline in agricultural employment and the depletion of high-grade mineral resources have resulted in higher annual unemployment in relation to the labor force in this district than in the nation. In Minnesota, one of the two district states with published estimates on total unemployment for the past few years, it was 4.5 percent in 1957 and 7.0 percent in 1958, of the civilian labor force. In Upper Michigan, it was 7.2 percent and 13.8 percent, respectively. This compares with 4.3 percent and 6.8 percent for the same years in the nation as a whole.

Basic unemployment problem

As the foregoing description of district unemployment clearly reveals, some of it is relatively routine and of short duration while, on the other extreme, some is so prolonged as to have serious social effects on individuals and society.

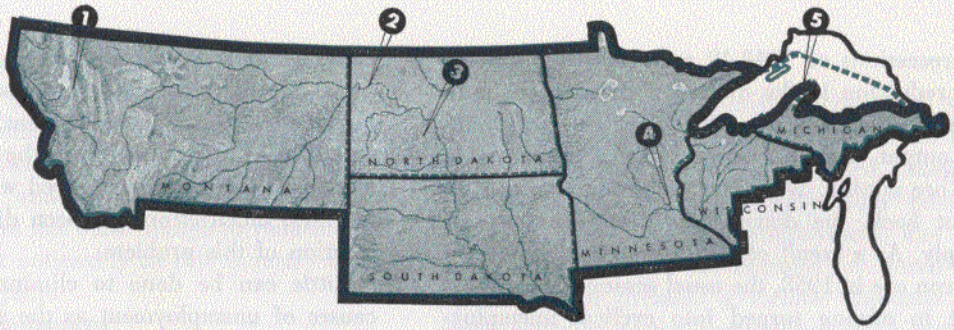
Since each year unemployment results in a substantial loss of production to the nation and even more important to unemployed workers and their families, much effort has been directed toward a solution of this problem.

Little can be done to eliminate such routine causes of unemployment as the seasonal. Certain causes are attendant upon the free market economy. Such unemployment is unavoidable; what can be done is limited to a minimizing of the detrimental effect on individuals and society. This includes measures to assist the individual through retraining programs and placement services, and of easing the financial strain through insurance benefits.

Since cyclical unemployment caused by business recession is the type which receives the most attention, it is not surprising that efforts to correct unemployment have been concentrated on stabilizing the economy and lessening the swings of the business cycle. A number of economic stabilizers such as unemployment insurance and, in some measure, counter-cyclical fiscal policies have become a part of the economy. Another basic method of maintaining economic stability, which has received increasing study, is the control of credit. The availability and cost of credit enter into the decisions made by business management to invest in inventory, equipment and plants and thereby increase or reduce output. Thus, the effective operation of monetary policy is necessary for the minimization of cyclical unemployment.

From this discussion it is apparent that the problem of unemployment is complex, caused by many, often interacting forces. While unemployment cannot be eliminated entirely, the combined efforts of business management through better planning, the government through employment security programs, and the individual by availing himself of better education can do much to reduce the economic and social effects of unemployment.

—Oscar F. Litterer



Economic Briefs

1. Montana lumber mill opens production

A new $1.5 million automatic sawmill near Pablo, Mont. was scheduled to go to two-shift operations sometime this month. The mill, owned by the Plum Creek Lumber company, is now only partially complete. It will have a capacity of 100,000 board feet of rough lumber per shift when finished. The mill will also produce wood chips for pulp manufacture. The plant now employs about 75 persons and will ultimately employ about 150 persons.

2. Salt plant with LPG depot set for N. D.

Construction is underway at Williston, N. D. on a $1,750,000 salt manufacturing plant which will also serve as underground storage for liquefied petroleum gas. Salt will be obtained from a depth of about 8,300 feet. Water is sent down to dissolve the salt, forcing the brine to the top. Dakota Salt and Chemical company, a subsidiary of General Carbon company of Lake Forest, Ill., is undertaking the project. The salt plant will have a yearly capacity of 50,000 tons and will employ about 40 persons. It is scheduled to begin operations by May 1960. Storage space resulting from salt removal will be available on a fee basis to U. S. and Canadian firms and is expected to reach 2 million barrels in the next 5-8 years.

3. 8 firms study $25 million power plant

A proposed $25 million electric generating plant is the subject of engineering studies in western North Dakota. The plant would serve power needs of eight utility firms which operate in North Dakota, northwestern Minnesota, eastern Montana and in a portion of South Dakota. If the plant proves feasible, as earlier studies suggest, it would provide a large market for North Dakota lignite. Plans call for initial establishment of a 150,000 kilowatt unit and the addition of similar units as power demands increase. The initial plant should be in operation in about five years.

4. Minnesota Mining adds research labs

A $700,000 laboratory expansion project is in progress at the Minnesota Mining and Manufacturing company research center at Maplewood, Minn. The expansion work involves two buildings —a $500,000 addition to the electrical products laboratory and a $200,000 addition to the central research laboratory. By the time the project is completed early next year, the research center will employ 50 percent more persons than when operations began in 1955.

5. Houghton-Hancock bridge nears completion

The steel superstructure is now being put in place on the $10 million Houghton-Hancock bridge in Upper Michigan. Erection work was begun in May upon completion of the substructure. Laying of the concrete deck of the bridge is scheduled to begin this month. Opening of the four-lane structure spanning Portage Lake is set for the end of this year.