

July 21, 1954

Internal Memorandum

Interview with Mr. William Abbott

St. Louis Federal Reserve Bank

Mr. Abbott is a small, active, white-haired man precise and intelligent and very much interested in the work of the Research Department which he directs under Mr. Frederick Deming the Vice President in charge. Mr. Abbott started by giving a short picture of the economics of the Missouri region. It should be noted that Missouri is the only state that has two Federal Reserve district banks within its borders, one in St. Louis and the other in Kansas City. The St. Louis region is a region which cuts across state lines in a fashion that must be very difficult for the compilers of statistics. In the beginning the people who presented Missouri's case for a Federal Reserve Bank saw themselves drawing from the entire state of Texas and their trading area covered most of the Southern Mississippi Valley. In the process of setting up the banks they were sharply cut back to the present outlines of the district. The district contains 363 counties, ten and a half million people, eight thousand farms, and a quarter of a million enterprises. Its balance as between agriculture and industry is more heavily weighted on the agricultural side than is the usual United States average. With that one exception the district is fairly typical from an economic point of view. Industry in the region is diverse. There has been a recent enormous growth along the lower Ohio Valley which includes atomic energy and a complex of chemical companies. (Fortune and Life have both done stories about this.) The city stands at the confluence of some of the greatest rivers in the United States - the Ohio, the Mississippi, and the Missouri. The influence of the rivers on commerce has been declining, but recently has begun coming back into strength again. There are new docks for the transshipment of freight and the building of great motor barges has done a great deal to restore the rivers to a competitive position.

The department is making various kinds of studies - studies of Economic Geography which include the application of National Social Accounting techniques to this region, Input-Output studies, an activity which is here pioneer in a small district, Income and Pilot studies in which Werner Hochwald of Washington University is working on part-time for the bank, and Money Flow studies of the type begun by Morris Copeland. Most work has been done on the Input-Output studies and least on the Money Flow studies. In addition there is a study of the Flow of Funds through the inter-district settlement fund. This department has been impressed with the fact that the bank reserve research perfected by Messrs. Riefler, Burgess and so forth in the 1920's did not always come forth with generalizations which applied to St. Louis. Mr. Abbott is convinced that the difficulty lies in the difference between static funds and flowing funds. He thinks that bankers are not now dealing with deposits and with a stock of funds, but with a flow of funds. He is sure that Open Market operations in New York affect the St. Louis bank by way of this flow of funds.

It should be added that Guy Freutel is helping Werner Hochwald on this Input-Output study.

Mr. Abbott is going to regularly send us the work put out by the St. Louis Bank Research Department.

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