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MONTHLY REVIEW

TWELFTH FEDERAL RESERVE DISTRICT

AUGUST 1950 — FEDERAL RESERVE BANK OF SAN FRANCISCO

CREDIT, TAXES, AND KOREA

The nation is a long way from full military and economic mobilization, though no one knows what share of the national output may yet be required for military purposes. While the economic picture is by no means parallel to 1944, neither is it parallel to 1940-41, the first years of our defense program. Unlike that situation, we now have near-capacity production, with much less room for further expansion of output. Additional military expenditures are coming at a time of high employment, unparalleled construction activity, record peace-time industrial production, rising prices, Federal deficits, and expanding credit. As a consequence, even the moderate increase in military expenditures indicated for the near future has intensified the problem of holding civilian demand in check, if serious inflation is to be avoided.

Credit restraint mild to date

In mid-August, higher taxes and certain economic controls, including control over consumer and real estate credit, were still under consideration by Congress. Some mild steps toward credit restriction were taken during the previous month. The Federal Housing Administration and the Veterans' Administration were directed by the President to require larger down payments on guaranteed mortgage loans. The Reconstruction Finance Corporation announced that it would deny loans if it appeared that they would be used to buy substantial quantities of defense supplies for non-essential purposes.

On August 4, the following statement was issued jointly by the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Home Loan Bank Board, and the National Association of Supervisors of State Banks:

> The President of the United States in his message to the Congress on July 19, 1950, pointed out that as a further important safeguard against inflation we shall need to restrain credit expansion, and that if we are to be successful there must be sensible and restrained action by businessmen, laborers, farmers, and consumers. The need for the exercise of restraint is all-embracing. It applies alike to governmental agencies, national and State, as well as to private institutions and individuals.
>
> Accordingly, the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Home Loan Bank Board, and the National Association of Supervisors of State Banks urge that banks and all other institutions engaged in extending credit exercise special care in their lending and investment activities.
>
> The banks and other lending institutions of the country have demonstrated by their loyal response at critical periods in the past that they will stand united with their Government in the situation that now confronts us.
>
> Officials of associations of lending institutions have called upon banks and other financial institutions to decline to make loans to business or consumers which might be used for speculative purposes or otherwise interfere with defense requirements. The supervisory authorities strongly join in this request.
>
> All officials of the supervisory agencies will be glad to confer with the officers of banks and other financial institutions, to counsel with them regarding this program of credit restraint.
>
> As pointed out by President Truman, an abnormally high civilian demand for goods along with an increased need for military materials is creating a strong upward pressure on prices. A continuation of the rapid growth of credit resulting from consumer demand for houses and other goods and speculative accumulation of inventories by business would add to inflationary pressures and seriously handicap the necessary expansion of military production. Therefore, lenders should carefully analyze all loan applications and avoid making loans which would have these adverse effects.

Effective August 21, the discount rate of the Federal Reserve Bank of New York was raised from 1½ to 1¾ percent. Discount rates of the other Reserve Banks, including the Federal Reserve Bank of San Francisco, were similarly increased in the next several days. At that time, the Board of Governors of the Federal Reserve System and the Federal Open Market Committee made this statement:

> Within the past six weeks loans and holdings of corporate and municipal securities have expanded by $1½ billion at banks in leading cities alone. Such an expansion under present conditions is clearly excessive. In view of this development and to support the Govern-

ment's decision to rely in major degree for the immediate future upon fiscal and credit measures to curb inflation, the Board of Governors of the Federal Reserve System and the Federal Open Market Committee are prepared to use all the means at their command to restrain further expansion of bank credit consistent with the policy of maintaining orderly conditions in the Government securities market.

The Board is also prepared to request the Congress for additional authority should that prove necessary.

Effective restraint of inflation must depend ultimately on the willingness of the American people to tax themselves adequately to meet the Government's needs on a pay-as-you-go basis. Taxation alone, however, will not do the job. Parallel and prompt restraint in the area of monetary and credit policy is essential.

At the same time, the Treasury sought to encourage purchases of Series F and G bonds by certain institutional investors other than commercial banks. For the calendar year 1950, the limit on the amount of purchases by a single such investor was raised from $100,000 to $1,100,000. The refunding of $13,570 million of bonds maturing in September and October is to be done with no increase in rates, however; thirteen month notes will be offered at 1¼ percent. These are the same terms that were offered in the exchange issues dated June 1 and July 1.

Credit expansion much greater than in 1949

Commercial, industrial, and agricultural loans of weekly reporting member banks began to rise in June in both the Twelfth District and the nation, following a seasonal decline in preceding months. These loans declined less and turned up earlier during the first half of 1950 than a year ago. July brought a more pronounced increase and the expansion continued in August. In the District, outstanding business loans of reporting banks rose from their 1950 low of $1,885 million on May 24 to $1,954 million on August 9, an increase of $69 million compared to a decline of $98 million in the corresponding period in 1949.

The bulk of the credit expansion in 1950 has occurred in real estate and consumer loans, which have increased at a significantly faster rate than in 1949. During June, total consumer instalment credit outstanding increased $400 million in the country as a whole, the largest increase on record for that month. July figures will probably show an even larger gain as the result of the frantic buying wave impelled by the Korean situation.

Many dipped into their liquid assets in order to make their purchases. Though the total decline was slight, time deposits declined for seven successive weeks after June 28 in contrast to their previous gradual but steady increase during the past year or more. Redemptions of savings bonds increased also, but the total outstanding, including accrued discount, increased slightly in July.

Guns versus butter

Even before the outbreak of the Korean situation, the rising tempo of business activity was bringing with it indications that all demands of government, business, and consumers could not be satisfied without price increases. Indicated increases in military expenditures and the additional civilian buying induced by this prospect certainly cannot all be met at current prices. Military requirements come first, and they cannot be fulfilled without some denial elsewhere. Whether our military effort will have to be so large that it will require a substantial reduction in living standards remains to be seen. Developments of the past several weeks, however, have made it clear that we—consumers, business, and government—must accept less in terms of civilian goods and services than we are trying to get with the incomes, liquid assets, and access to credit that we have. Choices must be made or they will be forced upon us. If voluntary restraint is not exercised, if taxes are not raised and credit restricted, or if allocations, rationing, and price control are not invoked, purchases will still be limited—by higher prices. Higher taxes and restricted use of credit for less essential purposes, supported by self-restraint in the purchase of goods and services by consumers, by business, and by government at all levels, can minimize the threat of serious inflation, with its dangerous inequities, and the need for direct controls over production and prices, with their inefficiencies and irritations. Even if the present international situation should not worsen and the nation should be fortunate enough to produce the necessary guns without cutting deeply into its "butter" supply, more guns necessarily mean less butter than we want and might otherwise have had.

LOANS AND DISCOUNTS OUTSTANDING ON SELECTED DATES, ALL TWELFTH DISTRICT MEMBER BANKS
(amounts in millions of dollars)

	Dec. 31, 1949	June 30, 1950	% change Dec.31,1949-June 30, 1950	% change Dec.31,1948-June 30, 1949
Commercial and industrial loans	1968.6	1798.6	— 8.6	—14.1
Loans to farmers	317.6	286.5	— 9.8	—19.8
Loans for purchasing or carrying securities	58.4	67.7	+15.9	— 0.6
Real estate loans	2564.0	2716.8	+ 6.0	+ 2.3
Other loans to individuals	1005.2	1178.1	+17.2	+ 7.8
Retail automobile instalment paper	411.1	498.8	+21.3	+14.2
Other retail instalment paper	169.9	209.9	+23.5	+ 5.6
Repair and modernization instalment cash loans	132.5	148.3	+11.9	+ 7.3
Personal instalment cash loans	133.1	143.9	+ 8.2	+ 2.6
Single-payment loans	158.6	177.2	+11.7	+ 1.9
All other loans	93.4	95.9	+ 2.7	—16.7
Total loans and discounts	6007.1	6143.6	+ 2.3	— 4.8

Note: Totals and percent changes are based on unrounded figures.

LOANS AND DISCOUNTS OUTSTANDING ON SELECTED DATES, REPORTING MEMBER BANKS IN THE TWELFTH DISTRICT
(amounts in millions of dollars)

	June 28, 1950	Aug. 16, 1950	% change June28,1950-Aug.16,1950	% change June29,1949-Aug.17,1949
Commercial, industrial and agricultural loans	1,912	1,967	+ 2.9	— 3.5
Loans for purchasing or carrying securities	59	57	— 3.4	— 1.7
Real estate loans	2,263	2,305	+ 1.9	+ 0.7
All other loans[1]	959	1,024	+ 6.8	— 0.1
Total loans and discounts	5,193	5,353	+ 3.1	— 1.1

[1] Primarily consumer loans.

REVIEW OF BUSINESS CONDITIONS

The impact of increased military preparedness has not yet caused any major shift in production as between military and civilian products. In the domestic economy, the effects of the Korean War are chiefly apparent in consumer and business attitudes. The reaction of consumers and business has resulted in further expansion of already growing production and more sharply rising prices. Closely related to the impetus to buying and prices are the discussions in Congress concerning the nature and extent of controls to be applied or provided for and the nature of tax increases. By mid-August the House of Representatives had passed a bill providing for a substantial amount of economic control, but in the Senate the issues were still being debated. It was also apparent that tax increases for the remainder of this year would be confined to personal income taxes and that an excess profits tax on corporations would not be considered until later this year or perhaps early 1951.

The statistical information which became available during the past month continued to emphasize the high rate of business activity achieved prior to the hostilities in Korea. Industrial production in June reached a peacetime high and held virtually steady in July despite the large number of persons on vacation, a factor which usually causes a noticeable decline. Employment in the first week of July was off slightly from a month earlier because of a sharp reduction in farm work attributed in large measure to unfavorable weather; nonfarm jobs increased, however. Gross national product in the second quarter reached an all time high of $270 billion, compared with $262.5 billion in the first quarter of 1950 and $255 billion in the second quarter of 1949; this is the most comprehensive reflection of the high rate of economic activity achieved earlier this year.

Consumer buying remains high but eases somewhat

The increase in consumer buying to ward off prospective shortages resulted in very large increases in retail sales. Department store sales reached a peak in the week ending July 22, in terms of both the gain over the corresponding week last year and the gain from the previous week. Since then, sales have moderated somewhat. For example, department store sales in the second week of August showed the first substantial week-to-week decline since the beginning of the Korean War. Sales were still substantially higher than a year ago—up 11 percent in the District and 26 percent nationally. This was contrasted with a year-period gain in the preceding four weeks of more than 40 percent in the District and 35 percent in the country as a whole. A large proportion of the increase in sales at department stores was accounted for by house furnishings departments. Sales of major household appliances—refrigerators, washing machines, and stoves—and television and radios set the pace. Sales of furniture and floor coverings were also booming but did not record quite as sensational gains as the two companion departments. A considerable part of the increased buying involved instalment credit. Instalment sales of District department stores during late July and early August were double their dollar volume of a year earlier.

There is no precise accounting for the easing of buying pressure in August. Perhaps some consumers have committed themselves as much as they feel their financial position permits, or have become tired of fighting the crowds in stores, or have had their fears of shortages allayed by the continued availability of most items. Despite the heavy sales during July, over-all department store stocks did not decline much. Even in the most critical departments most items were still available despite sharp reductions from June 1950 or July 1949. The continued availability of items on the "scare" list has probably cut considerable ground from under the fears that induced people to go on a buying spree. There are even reports that automobile buying has regained a measure of reason, though it is still active.

Business buying also gains

Figures on purchases by business and industry lag further behind the facts than information on department store sales. But many sources indicate that business buying strengthened considerably after the Korean outbreak, partly to fend off anticipated shortages and partly to restock as a result of heavy sales. Department stores have been increasing their buying for some time and in June department store orders outstanding were well ahead of a year ago, but the July increases, according to preliminary information, were unusually large. Business buying has extended over a broad range of materials, and the products which have reacted most strongly to this pressure are raw materials, particularly those obtained from abroad.

A number of materials, including lumber, tin, rubber, and steel, appear to be in tight supply, but reports of shortages are too fragmentary and vague to indicate any widespread critical situations. Nevertheless, the competition for industrial materials is much stronger than a few months ago. In addition, industrial plans for expansion which had been lying dormant have been dusted off and those being processed have been speeded up. Again, this development comes on top of a pre-Korean expansion in plant and equipment expenditure.

Price rise briefly interrupted

The stepped-up buying by consumers and business along with the general reaction of suppliers to the prospect of shortages forced prices up sharply in the first three weeks after the outbreak of war in Korea. Prices during late July and the first week of August continued to rise, but the impetus was somewhat reduced. In the week ending August 15, the Bureau of Labor Statistics weekly index of wholesale prices dropped slightly. The weekly index of wholesale prices on August 15, however, was still 1 percent higher than a month ago, and price developments since the fifteenth indicate further increases.

Much of the increase in prices since late June was concentrated in raw materials acquired in international markets, and a fair part of the drop during the second week of August was recorded among these commodities. Rubber was quoted at a high of 64 cents a pound in early August and then dropped sharply to 42 cents in mid-August. Declines were also recorded by cocoa, coffee, flaxseed and hides. The price of tin continued to rise and at $1.07½ per pound was at its highest level since 1918; platinum jumped $11.00 a flask to $85.00 in one day and then gained an additional $8.00 a few days later. Copra fluctuated widely from day to day but remained well above $200.00 per ton, and wool tops reached $2.59 per pound on August 15.

In domestic commodities, price movements also varied among different items. Some foods, including grain and livestock, dropped off from their high point in the third week of July, while others inched up moderately. Almost all grains gave some ground. Cotton dropped almost $3.00 per bale between July 24 and August 15. Prices of domestic metals remained steady except for lead which moved up one cent a pound and steel scrap which gained two dollars per ton. Gulf Coast area gasoline increased one half cent a gallon, the first change since the war. Prices for manufactured goods, particularly building materials, have been moving upward. The increases outside the building material field have been spotty, but announcements of higher prices have been coming with increasing frequency.

District business activity at boom level

All available indicators point to the fact that business activity in the District is booming. District employment is rapidly approaching new all-time highs and unemployment new lows; for example, in Oregon reports indicate unemployment at the lowest level in five years. As has been true nationally, the major cause of the increase in business activity so far this year has been developments in the private civilian economy. So far expenditures for the Korean War are of minor proportions in the District, even though some industries and localities have already experienced a pick up in military production.

The international situation has not been without its effect on the District, however. The scare-buying splurge in which the District, as well as the nation, indulged itself is the most direct evidence of the effect of the war on the state of business. The de-mothballing operations of the Armed Services in both ships and aircraft are now well advanced and have caused some further employment increases in the District's shipyards and aircraft plants. San Diego, California has been removed from the Department of Labor's list of areas with very critical levels of unemployment, although it still has a labor surplus. The lumber price situation in the Northwest has been made more chaotic than it would have been otherwise by rumors of heavy military stockpiling of lumber this year. Recent statements of Defense Department officials indicate, however, that military lumber requirements will, in fact, be relatively modest for the remainder of the current fiscal year.

Railroad car shortages plague several District industries

The nationwide shortage of railroad cars is being felt acutely by several West Coast industries. The lumber industry is reported to be receiving less than one-half the cars needed to ship lumber stocks currently on hand in Oregon and Washington mills. It is remarkable that even in the face of the car shortage lumber production in this region for the first half of 1950 was greater than in any similar period.

Similarly, the wheat producers in the Northwest are feeling the pinch of the same shortage and it is reported that some three million bushels have already been stored on the ground for lack of means to transport it to elevators. Food processing in both northern and southern California, which is rapidly approaching the season's peak, is also plagued by the lack of cars to ship the crop to the canneries, and the canneries in turn are having difficulty in obtaining essential supplies of cans. This situation could lead to a smaller total pack than civilian and military demand might otherwise absorb.

Washington and Oregon employment situation tightens

The employment situation in both Washington and Oregon has tightened considerably over the past month. A delayed peak in food processing, renewed harvest demands, and the general stimulation given to a number of activities by the Korean War are factors which account for the tightened situation. An August 1 report by the Oregon State Employment Service relates that there are some two thousand skilled and semi-skilled job openings in Oregon for which no workers are available.

The settlement on July 20 of the long strike in the lumber industry which involved a major producer will add some five thousand workers to payrolls in Washington and Oregon lumber mills. The reopening of the struck mills will increase even more the already record high lumber production noted above.

Aircraft hiring in Seattle has not increased as sharply as in Southern California, but employers are seeking engineers and other skilled workers.

California factory employment at new post-World War II highs

California factories added some thirty thousand workers to their payrolls in July which brings total factory employment for the state to the highest July level since World War II.

While factory employment increased in both the Los Angeles and San Francisco industrial areas, employment in the Los Angeles area soared to the highest point since V-J day. The major share of the increase in employment in the two major industrial areas of the state was in the nondurable goods industries which for the first half of the year had been lagging somewhat behind durable goods industries. Seasonal expansions in such nondurable goods industries as food processing and apparel manufacturing account for the major share of the increase.

Further expansion in durable goods output and employment appears likely as shipbuilding and aircraft production becomes more active. Expansion of steel making capacity will also contribute to larger industrial output. At Pittsburg, California, for example, a war-built idle Government foundry was reopened under private lease and will add to shipments of California ingot steel to the rolling mills at Geneva, Utah. The capacity of this reactivated plant is small, about 60 ingot tons per year. Additional expansion is planned at Pittsburg as well as at Fontana in Southern California and at Geneva.

HARVEST PROSPECTS

Day by day, the Korean war is having a greater and greater effect on the nation's economy. And day by day, demands for food and fiber are increasing. But the die is cast for this year's agricultural output. Even with yields per acre somewhat higher than last year, it looks now as if the final totals will be less than in 1949. Large acreages usually planted to corn, wheat, cotton, and other crops now under allotment programs have been diverted to small grains and feed crops which will contribute less per acre to both volume and value totals. In addition, the 357 million acres put to crops this year are 12½ million less than last year, a drop of almost 4 percent. District acreage, on the other hand, is down only a little more than 1 percent.

Feed grain output may be only slightly lower than in 1949, but considerably smaller crops of wheat and rice are expected to drop food grain totals to the lowest level in seven years. Consumers should find more citrus fruit available than a year ago, about the same quantities of truck crops, and smaller amounts of the deciduous fruits.

District crop production

Production prospects in Twelfth District states this year have been influenced primarily by two factors—Government control and price support programs and the weather. Each of the field crops whose output is expected to be down from last year's level is subject to either acreage allotments or reduced price support. Acreage allotments have cut the District's dry bean, cotton, and rice crops; support prices are lower for flaxseed and dry beans; and support has been removed altogether from dry peas. As was anticipated, acreages taken out of these crops were diverted to the small grains and feed crops and to sugar beets.

In spite of reduced acreages, favorable weather—including June rains—may push the District's wheat crop over last year's figure, in contrast to an anticipated 13 percent reduction in the nation's wheat crop. Weather conditions, however, have not been so favorable to deciduous fruit crops in certain areas of the District. Severe spring frosts in Utah, Idaho, Washington, and Oregon wiped out entire crops in some areas. The combined peach crop in these states, though always very small compared to California's, will be only about 11 percent of the 1949 crop and the cherry crop less than one-half last year's. Washington's and Utah's apricot crops were practically eliminated; the crop in the two states is estimated at less than 6 percent of last year's. The prune crops in Washington, Oregon, and Idaho suffered severe damage also; the combined crops are forecast as less than 30 percent of 1949 crops. Although California's fruit areas did not experience any damaging spring frosts, all the state's fruit crops, except for apricots, are down from the large crops of a year ago. The California apricot crop, which is generally close to 90 percent of the total District crop, is about 19 percent over last year's small crop.

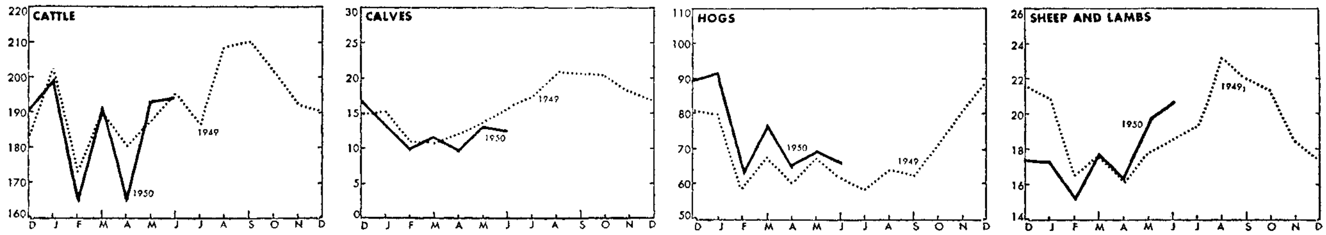
Total District supplies of truck crops so far this year have been close to last year's levels. Among specific crops there have been few sharp increases or decreases over last year's outputs, with the exception of California's spring tomato crop. A virus infection reduced the crop one-third below the output a year ago. Somewhat smaller planted acreages indicate that summer and fall vegetable crops may be slightly below last year's supply.

Indicated 1950 Production of Leading Crops—Twelfth District as of August 1, 1950

	Indicated 1950 production (in thousands)	Percent change—1950 compared with—	
Field and seed crops		1949	1939-48 average
Barley (bu.)	107,262	+30.1	+45.0
Beans, dry (bags)	7,213	— 9.7	+ 6.1
Corn (bu.)	7,721	+ 4.9	+ 1.3
Cotton (bales)	1,272	—29.8	+84.6
Flaxseed (bu.)	1,726	—64.7	—51.1
Sorghums, grain (bu.)	8,120	+31.4	+29.8
Hay, all (tons)	14,713	+ 5.0	+ 4.4
Hops (lbs.)	57,765	+13.9	+26.1
Oats (bu.)	35,559	+ 7.8	+11.3
Peas, dry (bags)	2,551	— 9.4	—50.7
Potatoes (bu.)	115,291	+ 7.4	+ 4.6
Rice (bags)	7,780	—19.4	+29.4
Sugar beets (tons)	5,604	+38.3	+50.4
Wheat, all (bu.)	151,790	+ 7.5	+16.4
Fruits			
Apples (bu.)	44,978	— 3.1	+10.4
Apricots (tons)	198	0.0	—15.3
Cherries (tons)	74	—44.0	—15.2
Grapes (tons)	2,348	— 6.4	— 9.8
Grapefruit[1] (boxes)	5,930	+46.9	— 3.5
Oranges[1] (boxes)	43,385	+15.0	—12.8
Lemons[1] (boxes)	10,400	+ 3.9	—21.0
Peaches (bu.)	29,979	—25.2	— 9.4
Pears (bu.)	23,256	—21.9	— .2
Plums (tons)	78	—13.3	+ 2.2
Prunes, fresh (tons)	47	—70.5	—62.3
Prunes, dried (tons)	147	— 3.3	—22.9
Nuts			
Almonds (tons)	37	—14.1	+59.6
Filberts (tons)	6	—46.2	+ .3
Walnuts (tons)	65	—24.1	+ 4.0

[1] Figures are for crop year beginning in October of the previous year.
Source: U. S. Department of Agriculture, Bureau of Agricultural Economics, *Crop Production*, August 1, 1950.

LIVESTOCK SLAUGHTER[1]—TWELFTH DISTRICT, 1949 AND 1950
(in millions of pounds)



[1] Slaughter in Federally inspected plants and in other wholesale and retail plants; excludes farm slaughter.
Source: United States Department of Agriculture, Bureau of Agricultural Economics, *Livestock Slaughter by States*, 1948-49 summary and June 1950.

Slightly more meat

Consumers so far this year have had a little more meat available than they did last year, and supplies should continue slightly larger the rest of the year. During the first six months of 1950, commercial meat production was 3 percent larger than a year earlier. Practically all the increase was in pork; a little more lamb and mutton was available, but beef and veal production was down from a year ago. Meat production will increase seasonally from now on and probably remain slightly above 1949 levels, owing to increases in better grade beef and in pork from the 3 percent larger spring pig crop. Veal and lamb production, however, probably will run under last year, partly offsetting the increases in pork and beef.

Plentiful dairy and poultry supplies during the rest of the year are expected to augment the slight increase anticipated in red meats. Though the number of chicks hatched this year was down 7 percent, a near-record supply of turkeys should provide more white meat than was available during the last half of 1949. Egg production during the first six months of 1950 exceeded that in 1949, but a gradual decrease in laying flocks may cut production during the rest of the year to the late 1949 level. Milk production, on the other hand, is continuing above last year; in fact, 1950 may turn out to be the record-high year.

Farm prices jump

Farm prices for most agricultural commodities on July 15 registered the sharpest monthly increases since March of 1947. Some of the increases were due to supply factors but the bolstering of an already high demand by the reaction to the Korean conflict was more important.

The general level of farm prices had been rising steadily since January. During June prices levelled off and then shot up again in July. At present, the all-commodity farm price index is at the highest level in 18 months. The sharpest price upturns came for hogs, cotton, and eggs, but sizeable increases also occurred for wheat, rice, cattle, calves, and chickens. The smallest wheat crop since 1943 and a 31 percent decrease in cotton acreage had their effect on price changes for those commodities.

Cattle prices, now higher than last summer, are expected to continue so the next few months. Hog prices in July were higher than the 1949 peak. Ample poultry supplies are likely to keep chicken and turkey prices under last year's level.

The recent strength in feed grain prices has been partly the result of less favorable weather for planting and early growth. Corn should continue higher this summer and fall and the seasonal decline in oat and barley prices may be less than in 1949. Likewise, wheat prices during and following harvest are not expected to drop as much below loan levels as they have in recent years.

Growers of fruits and truck crops can reasonably expect prices equal to or greater than last year's. The smaller crops of deciduous fruits, coupled with a high demand, should push prices moderately higher than a year ago. Though citrus crops are somewhat larger, continued strong demand, especially for processing use, is expected to keep prices relatively high.

While the more responsive prices received by farmers have been increasing at a fairly rapid rate the last few months, the prices paid by farmers have advanced quite moderately. The improved position of agricultural producers is reflected in the ratio of prices received to prices paid. In January, this ratio was down to 94, the lowest point in ten years. By the middle of last month it had jumped to 103.

Cash receipts down

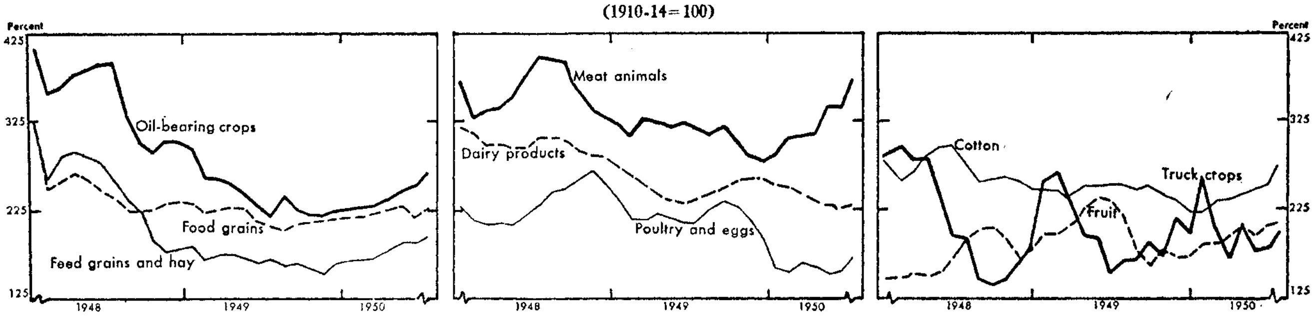
The nation's farmers, so far in 1950, have consistently received less from their marketings of crops and livestock than they did last year. Livestock farmers have not fared quite so badly as those raising crops, but lower average prices more than offset the slight increase in livestock marketings. Crop farmers have not only been getting lower prices but they have been sending less to market than a year ago.

CASH RECEIPTS FROM FARM MARKETINGS—JANUARY-MAY
Percent change, 1949-1950

	Livestock and livestock products	Crops	Total
Arizona	—1.8	— 8.1	— 5.7
California	—5.5	—18.6	—12.5
Idaho	—1.2	—29.3	—17.4
Nevada	—6.0	—59.6	—21.6
Oregon	—8.1	—16.2	—11.7
Utah	—5.8	—16.4	— 8.0
Washington	—7.3	—32.5	—22.4
Twelfth District	—5.4	—21.2	—13.8
United States	—6.5	—11.8	— 8.4

Source: United States Department of Agriculture, Bureau of Agricultural Economics, *Farm Income Situation*, June 1950.

INDEXES OF PRICES RECEIVED BY FARMERS—UNITED STATES, 1948-50[1]
(1910-14=100)



[1] Mid-monthly data.
Source: United States Department of Agriculture, Bureau of Agricultural Economics, *Agricultural Prices.*

During the first seven months of 1950, cash receipts of all United States farmers were 7 percent below the corresponding period last year. From January to May, the latest figure available by states, receipts of Twelfth District farmers were down 14 percent compared to a drop of 8 percent for all United States farmers during the same period. District livestock farmers have done slightly better than those in the rest of the country, but crop farmers' receipts are down 21 percent as against a drop of 12 percent for the country as a whole. Smaller plantings and unfavorable weather reduced crop marketings in many parts of the District. In addition, much of the District's 1949 cotton crop was sold prior to January, contrary to the usual practice. As in the rest of the country, District crop prices have been at lower levels than a year ago.

Whether or not farmers will end the year with cash receipts as high as in 1949 depends primarily on how much higher farm prices go. Livestock marketings may be slightly above last year's, but allotment programs and smaller plantings will reduce crop marketings considerably. Crop prices would have to increase substantially to offset the reduced output. In the Twelfth District, the loss of many deciduous fruit crops in some areas will probably hold these states' cash receipts, as well as total District receipts from fruit, below 1949 no matter how high prices go.

THE GROWING WEST—RESULTS OF THE POPULATION CENSUS

If a businessman wants to open up a new branch or start a new business, or redirect his sales and advertising dollars, one of the first things he wants to know is how many people live in this town and that town, and whether the population seems to be increasing at a good pace, or slowing down or perhaps even starting to decline. School committeemen and preachers, as well as bankers and businessmen, are interested in population trends for many reasons. It is with considerable anticipation, then, that the results of the decenniel population count are received.

The results computed so far are of course preliminary, and subject to alteration, as about 700,000 people were away from their places of residence at the time of the count and have not been included in the totals for states, counties, and cities. Since 700,000 people make up but a handful of the 150,500,000 people in the United States, and since they are likely to be spread about pretty much among the states, it is unlikely that the changes which result from including them will be significant.

California surprised no one by its jump from fifth to second place among the states, but Los Angeles disappointed its residents by failing to displace Philadelphia as the second largest city. In the main, the figures have been welcomed and the West Coast and neighboring states again made a spectacular showing.

California and Arizona grow the most

In order to make the leap from fifth to second place, California made the largest relative population gain in the nation—52 percent. Arizona followed with a 49 percent gain. The Far West, however, did not have a monopoly on the top places; enough people moved into Florida to put that southeastern state third among the pace-setters. Nevada, Oregon, and Washington came next, followed by Maryland and New Mexico. Utah ranked ninth, with a 25 percent gain. Idaho's 12 percent increase failed to meet the national gain of 14 percent. Alaska, still awaiting statehood, made the most impressive gain of all—82 percent, and Hawaii managed to surpass the national average with its 17 percent increase.

Eleven percent of the inhabitants of the United States live in the seven states of the Twelfth District, compared to only 8.7 percent in 1940. California's share of the national total rose from 5.2 percent in 1940 to 7 percent in 1950.

Varied changes among California counties; Richmond the most expanded of her large cities

Three of California's counties actually had a smaller population in 1950 than in 1940, but they are among the smallest counties in the state. All the others increased, with one gaining as much as 196 percent. This is Contra Costa County, which owes most of its rise to the enormous wartime ship building program in the city of Richmond. The next largest California county increases were also recorded around San Francisco Bay, in the counties of San Mateo and Solano.

Among the larger California cities, Richmond gained the most—319 percent—thus placing itself among the ten largest cities; Glendale gained the least—15 percent—

POPULATION IN TWELFTH DISTRICT STATES, 1940-50

	1950	Percent of District 1950	1940	Percent of District 1940	% increase 1940-50
Arizona	742,364	4.5	499,261	4.4	48.7
California	10,472,348	63.4	6,907,387	60.5	51.6
Idaho	586,037	3.5	524,873	4.6	11.7
Nevada	158,378	1.0	110,247	1.0	43.7
Oregon	1,510,148	9.1	1,089,684	9.5	38.6
Utah	686,842	4.2	550,310	4.8	24.8
Washington	2,361,261	14.3	1,736,191	15.2	36.0
Twelfth District	16,517,378	100.0	11,417,953	100.0	44.7
United States	150,500,000		131,669,275		14.3

and dropped from seventh to eleventh place. Burbank followed Richmond with a healthy 128 percent increase. Los Angeles attracted enough people to make an over-all 30 percent gain, while San Francisco had to be content with a 20 percent increase. Of the 16 cities in California with a population of 50,000 or more in 1950, seven are located in Los Angeles County, which holds nearly 40 percent of the state's entire population.

Oregon and Washington continue to attract new residents

The Pacific Northwest is another expanding area. The population of both Oregon and Washington increased more than a third over the past decade. Declines in five Washington counties and three Oregon counties were overshadowed by the great increases in most of the other counties of these two states. An enormous increase of 324 percent occurred in Benton County, Washington as a result of atomic energy installations in the city of Richland. That city grew from a tiny settlement of 247 people to a thriving metropolis of 21,793—an increase of 8,723 percent! In Oregon, Lane County with an 81 percent increase displaced Marion County to become the second largest county. Multnomah County, Portland's location, remained the most populous county, containing nearly four times as many inhabitants as Lane. Eugene's 71 percent increase narrowed the gap between that city and Salem, Oregon's second largest city, though Salem itself gained nearly a third.

Arizona and Nevada growing fast; Utah makes good gain; Idaho lags

Arizona and Nevada are the second and fourth most rapidly growing states. Impressive gains were made even though one-fifth of Arizona's counties and two-fifths of Nevada's counties had fewer residents than in 1940. Phoenix jumped over 60 percent to surpass the 100,000 mark, and Nevada's Las Vegas discovered it had 190 percent more inhabitants than in 1940. Reno's 52 percent rise kept it ahead, the largest city in Nevada, with 32,000 persons, but Las Vegas was closing in.

Half the counties of Idaho and more than half the counties of Utah lost some of their population. Increases in the other half of Idaho's counties were not sufficient to pull that state's population increase up to the national increase. Considerable increases in the remainder of Utah's counties, however, caused Utah's gain to rank ninth among the states. Boise and Salt Lake City remained the undisputed top cities in these two states, though the second largest cities of Pocatello and Ogden gained relatively more people.

POPULATION IN MAJOR TWELFTH DISTRICT CITIES,[1] 1940-50

	1950	1940	Percent increase
Arizona			
Phoenix	105,003	65,414	60.5
Tucson	44,395	36,818	20.6
Mesa City	15,940	7,224	120.7
California			
Los Angeles	1,954,036	1,504,277	29.9
San Francisco	760,381	634,536	19.8
Oakland	382,463	302,163	26.6
San Diego	321,485	203,341	58.1
Long Beach	243,931	164,271	48.5
Sacramento	134,313	105,958	26.8
Berkeley	112,125	85,547	31.1
Pasadena	103,971	81,864	27.0
Richmond	99,163	23,642	319.4
San Jose	95,020	68,457	38.8
Glendale	94,993	82,582	15.0
Fresno	90,626	60,685	49.3
Burbank	78,224	34,337	127.8
Alameda	62,242	36,256	71.7
Alhambra	51,225	38,935	31.6
South Gate	50,674	26,945	88.1
Idaho			
Boise	34,151	26,130	30.7
Pocatello	26,004	18,133	43.4
Idaho Falls	18,855	15,024	25.5
Nevada			
Reno	32,378	21,317	51.9
Las Vegas	24,417	8,422	189.9
Sparks	8,170	5,318	53.6
Oregon			
Portland	371,011	305,394	21.5
Salem	43,064	32,398	32.9
Eugene	35,672	20,838	71.2
Utah			
Salt Lake City	181,902	149,934	21.3
Ogden	56,908	43,688	30.3
Provo	28,899	18,071	59.9
Washington			
Seattle	462,981	368,302	25.7
Spokane	160,473	122,001	31.5
Tacoma	142,975	109,408	30.7

[1] Including the three most populous cities in each state and all other cities with a population of 50,000 or more in 1950.

Increases greater outside large cities

With cities as crowded as they generally are, more and more people have decided to make their homes in one of the suburbs of the city in which they work. Many of them start up a business in the suburb itself, as was pointed out by the 1948 census of business. An approximate way to see how much more the area around a city increased than the city itself is to subtract the population of the city from the population of the county in which it is located. For example, the increase for Los Angeles County, excluding the seven cities of over 50,000 population, is 81 percent, compared to the 48 percent increase for the county as a whole. Alameda County jumps from a 43 percent increase to a 101 percent increase when Oakland, Berkeley, and Alameda are excluded. In Washington, King County's increase jumps from 44 percent to 93 percent when Seattle is excluded; in Oregon, Multnomah County's increase is 32 percent with Portland and 96 percent without Portland. In Nevada, Washoe County's increase becomes 126 percent when Reno is omitted, compared to 53 percent when Reno is included. This is true of nearly all the large cities of the District. Phoenix, Arizona is an exception. Its population increased 60 percent, but the county in which it is located, Maricopa County, rose only 19 percent, since the population of the rest of the county declined 4 percent.

EARNINGS AND EXPENSES OF TWELFTH DISTRICT MEMBER BANKS FIRST HALF 1950

Net current earnings of Twelfth District member banks for the first half of 1950 aggregated $95 million, an increase of more than 7 percent over the same period last year, according to preliminary figures. Gross earnings and expenses rose in the same proportion. Twelfth District experience conformed to a generally higher level of member bank earnings and profits for the nation.

Ratios of earnings to capital accounts did not change significantly from last year, and substantially exceeded the national aggregates as they have for some time. Net current earnings were 19.2 percent, and net profits after taxes 12.9 percent, of total capital accounts (annual rate).

Loan and security earnings both rise 6 percent

Income from Government securities was 6 percent above 1949, reflecting the larger volume of Governments held by District member banks; total Government holdings averaged 10 percent higher than during the first half of 1949. For all banks except the 15 largest, however, combined figures indicate a rise of less than 3 percent in income from Government obligations. Interest earnings on loans were 6 percent above last year, though the average volume of loans outstanding at all District member banks was only slightly above the level of the first half of 1949. The higher rate of return on loans may be attributed largely to the continued rise in the dollar volume of relatively high-yield consumer and real estate loans outstanding, while lower-yield business loans lagged behind 1949 totals. Loan expansion appears to have favored the smaller banks as a group; the 15 largest banks increased their loan earnings by less than 3 percent, but the figure for all other District member banks combined was 22 percent higher than a year ago. In the United States as a whole, member bank loan earnings gained almost 9 percent, while interest on Governments was less than 3 percent above the year-ago level.

Net profits up 12 percent

Net profits after taxes were over 12 percent higher than in the first half of last year, chiefly because of larger

Selected Earnings and Expense Items of Member Banks, Twelfth District and United States, January-June, 1949 and 1950

	Twelfth District: All banks 1st half 1950p (in millions)	Twelfth District: All banks 1st half 1949 (in millions)	Percent change: All	Percent change: 15 largest	Percent change: Other	U. S. % change—all banks
Interest and discount on loans	146.7	138.4	+6.0	+2.8	+21.8	+8.7
Interest on Government securities	53.9	50.8	+6.1	+7.8	+2.9	+2.8
Other earnings	54.4	48.4	+12.3	+19.8	—10.9	+7.1
Total earnings	254.9	237.6	+7.3	+7.0	+8.8	+6.6
Total expenses	159.7	148.8	+7.3	+6.8	+9.4	+5.7
Net current earnings	95.3	88.8	+7.3	+7.2	+7.8	+8.2
Total recoveries and profits	10.1	5.4	....	....	....	....
Total losses and charge-offs	14.5	12.2	....	....	....	....
Net losses and charge-offs	4.4	6.7	....	....	....	....
Profits before income taxes	90.9	82.0	+10.8	+10.2	+13.3	+12.3
Taxes on net income	26.9	25.0	+7.8	+5.5	+17.9	+18.2
Net profits after taxes	63.9	57.0	+12.1	+12.3	+11.1	+10.3
Cash dividends declared[1]	24.6	22.4	+9.8	+9.6	+11.4	+6.2
Undistributed profits	39.3	34.6	+13.5	+14.2	+11.0	+13.1

[1] Includes common-stock dividends only.
p—Preliminary.
Note: Totals and percent changes are based on unrounded figures.

earnings but also because of smaller net losses, charge-offs, and transfers to valuation reserves. For all District member banks combined, recoveries and profits plus transfers from reserves were almost twice as large as in the first half of 1949. Income taxes were up 8 percent.

Cash dividends declared in the January-June period were almost 10 percent larger than last year, and amounted to a conservative 39 percent of net profits after taxes.

Among the 15 largest banks, there were not many exceptions to the general year-to-year improvement in earnings and profits. Gross earnings were up in all but two banks. Eleven banks reported higher net current earnings, the other four recording declines of less than 10 percent. Ten banks increased their net profits over the first six months of 1949, seven by margins of 10 percent or more.

BUSINESS INDEXES—TWELFTH DISTRICT[1]

(1935-39 average = 100)

Year and month	Industrial production (physical volume)[2]								Total mf'g employ-ment[4]	Cali-fornia factory payrolls[4]	Car-loadings (num-ber)[2]	Dep't store sales (value)[2]	Dep't store stocks (value)[5]	Retail food prices[3,6]
	Lumber	Petroleum[3] Crude	Petroleum[3] Refined	Cement	Lead[3]	Copper[3]	Wheat flour[3]	Electric power						
1929	148	129	127	110	171	160	106	83	....	111	135	112	134	132.0
1931	77	83	90	74	104	75	101	82	....	73	91	92	110	104.0
1932	46	78	84	48	75	33	89	73	....	54	70	69	86	89.8
1933	62	76	81	54	75	26	88	73	....	53	70	66	78	86.8
1934	67	77	81	70	79	36	95	79	....	64	81	74	83	93.2
1935	83	92	91	68	89	57	94	85	88	78	88	86	88	99.6
1936	106	94	98	117	100	98	96	96	100	96	103	99	96	100.3
1937	113	105	105	112	118	135	99	105	112	115	109	106	108	104.5
1938	88	110	103	92	96	88	96	102	96	101	96	101	101	99.0
1939	110	99	103	114	97	122	107	112	104	110	104	109	107	96.9
1940	120	98	103	124	112	144	103	122	118	134	110	119	114	97.6
1941	142	102	110	164	113	163	103	136	155	224	128	139	137	107.9
1942	141	110	116	194	118	188	104	167	230	460	137	171	190	130.9
1943	137	125	135	160	104	192	115	214	306	705	133	203	174	143.4
1944	136	137	151	128	93	171	119	231	295	694	141	223	179	142.1
1945	109	144	160	131	81	137	132	219	229	497	134	247	183	146.3
1946	130	139	148	165	73	109	128	219	175	344	136	305	238	167.4
1947	141	147	159	193	98	163	133	256	184	401	142	330	300	200.3
1948	144	149	162	211	107	153	116	284	189	430	134	353	346	216.1
1949	136	147	167	202	103	140	104	303	186	423	126	331	323	209.6
1949														
May	143	149	170	215	126	159	100	304	189	415	134	340	320	211.0
June	146	148	174	219	118	138	104	315	188	419	139	335	313	209.9
July	136	146	162	217	98	131	108	299	186	423	120	329	302	206.3
August	135	144	165	209	93	121	109	310	186	429	138	333	309	205.7
September	140	144	166	208	84	136	108	308	185	437	138	326	333	207.3
October	139	141	158	200	77	136	104	306	185	435	124	337	330	205.5
November	147	140	161	200	89	145	101	299	183	421	129	319	331	205.7
December	149	140	156	196	105	140	189	306	182	424	128	339	315	202.5
1950														
January	121	140	161	178	123	168	104	322	179	417	96	316	323	206.4
February	131	139	157	179	118	164	91	313	182	421	108	322	337	204.1
March	148	138	151	201	122	169	91	299	186	427	125	321	349	203.4
April	156	138	159	217	125	172	87	325	189	432	135	333	342	205.4
May	167r	140	162	240	131	181	95	341	194	445	141	336	335	205.4
June	163	142	170	....	116	173	105	331	195	468	148	342	326	206.3

BANKING AND CREDIT STATISTICS—TWELFTH DISTRICT

(amounts in millions of dollars)

Year and month	Condition items of all member banks[7] Loans and discounts	U.S. Gov't securities	Demand deposits adjusted[8]	Total time deposits	Bank rates on short-term business loans[9]	Member bank reserves and related items[10] Reserve bank credit[11]	Commercial operations[12]	Treasury operations[12]	Coin and currency in circulation[11]	Reserves	Bank debits index 31 cities[3,13] (1935-39=100)[2]
1929	2,239	495	1,234	1,790	......	− 34	0	+ 23	− 6	175	146
1931	1,898	547	984	1,727	......	+ 21	− 154	+ 154	+ 48	147	97
1932	1,570	601	840	1,618	......	− 42	− 175	+ 234	+ 30	142	68
1933	1,486	720	951	1,609	......	− 2	− 110	+ 150	− 18	185	63
1934	1,469	1,064	1,201	1,875	......	− 7	− 198	+ 257	+ 4	242	72
1935	1,537	1,275	1,389	2,064	......	+ 2	− 163	+ 219	+ 14	287	87
1936	1,682	1,334	1,791	2,101	......	+ 6	− 227	+ 454	+ 38	479	102
1937	1,871	1,270	1,740	2,187	......	− 1	− 90	+ 157	− 3	549	111
1938	1,869	1,323	1,781	2,221	......	− 3	− 240	+ 276	+ 20	565	98
1939	1,967	1,450	1,983	2,267	......	+ 2	− 192	+ 245	+ 31	584	102
1940	2,130	1,482	2,390	2,360	......	+ 2	− 148	+ 420	+ 96	754	110
1941	2,451	1,738	2,893	2,425	......	+ 4	− 596	+1,000	+ 227	930	134
1942	2,170	3,630	4,356	2,609	......	+ 107	−1,980	+2,826	+ 643	1,232	165
1943	2,106	6,235	5,998	3,226	......	+ 214	−3,751	+4,486	+ 708	1,462	211
1944	2,254	8,263	6,950	4,144	......	+ 98	−3,534	+4,483	+ 789	1,706	237
1945	2,663	10,450	8,203	5,211	......	− 76	−3,743	+4,682	+ 545	2,033	260
1946	4,068	8,426	8,821	5,797	......	+ 9	−1,607	+1,329	− 326	2,094	298
1947	5,358	7,247	8,922	6,006	......	− 302	− 443	+ 630	− 206	2,202	326
1948	6,032	6,366	8,655	6,087	......	+ 17	+ 472	− 482	− 209	2,420	355
1949	5,925	7,016	8,536	6,255	3.20	+ 13	− 931	+ 378	− 65	1,924	350
1949											
June	5,762	6,330	8,006	6,179	3.24	0	− 53	− 5	0	2,063	351
July	5,707	6,548	8,139	6,179	......	+ 20	− 213	+ 130	− 16	1,997	344
August	5,729	6,846	8,221	6,170	......	− 30	− 194	+ 40	+ 1	1,832	332
September	5,853	6,863	8,273	6,186	3.14	+ 13	+ 41	− 37	+ 9	1,837	336
October	5,873	6,909	8,317	6,196	......	+ 2	− 95	+ 92	+ 7	1,831	351
November	5,919	6,944	8,511	6,157	......	− 12	+ 21	− 2	− 16	1,854	349
December	5,925	7,016	8,536	6,255	3.16	+ 40	+ 32	+ 30	− 8	1,924	376
1950											
January	5,901	7,123	8,620	6,244	......	− 48	− 92	+ 5	− 62	1,892	354
February	5,893	6,999	8,311	6,262	......	+ 5	− 34	− 7	+ 10	1,848	360
March	5,946	6,923	8,167	6,303	3.36	− 2	− 223	+ 204	− 16	1,842	373
April	5,914	6,896	8,307	6,282	......	+ 28	− 126	+ 106	+ 4	1,821	360
May	6,005	6,932	8,354	6,275	......	− 14	− 199	+ 170	+ 8	1,802	371
June	6,034	6,905	8,289	6,315	3.37	− 10	+ 23	+ 32	+ 5	1,836	389
July	6,162	6,810	8,458	6,250	......	+ 3	− 149	+ 169	0	1,858	382

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