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Income Growth in the Eighth District

The Eighth Federal Reserve District is an economically underdeveloped area. As a result it is a region of low income and below the national average living standard. In fact, with one possible exception, per capita income in the Eighth District is smaller than in any other Federal Reserve District.

The factors behind this situation have been many and varied. Perhaps the basic ones have been failure to utilize fully the natural resources at hand, lack of capital, surplus population which makes for small per person shares in the total income produced, lack of industry—especially the types in which worker productivity is high—,education and health deficiencies, lack of skill for nonfarm pursuits, and inadequate markets.

These factors react upon themselves and are both causes and results of low income levels. Lack of capital, surplus population, education and health deficiences lead to low productivity and lack of skills, which result in inadequate markets and low levels of industrialization. In 1947, per capita income in the Eighth District proper was under $1,000—but 75 per cent of the national average. And within the district, some areas had incomes per person far below the district average.

In a sense, because of the circular cause and effect of the factors making for low income, the district's problem might be said to involve lifting itself by its bootstraps. To some extent it has been doing just that. Prior to World War II, per capita income in the district was well below $400—about 70 per cent of the national average. District income per person grew rapidly during the war years and beyond. In the war period the growth here reflected mainly the effects of the war boom and not so much district effort. Retention of wartime gains and further increases, however, have been due largely to efforts on the part of individuals, groups and communities within the region.

Various articles in this Review have pointed out the nature of the district's problems and have stressed the efforts that are being devoted to raise income in various sections of the region. A better balanced and more productive agriculture, further industrialization, wiser and fuller use of the district's own resources, such as her forests, are among the things that make for higher income.

The problems are mainly ones for local areas and not for the district as a unit to solve. No blueprint can be handed down to the people of the district for over-all district development with any great expectation that it can or will be followed. Major district problems can be delineated but the solutions to those problems call for individual and local community action.

SMALL-AREA INCOME ESTIMATES

In an attempt to aid in marking out some of the geographic areas where income lags behind even the relatively low district average, the Federal Reserve Bank of St. Louis has begun a research project looking toward the development of data that will serve as small area equivalents of national and state income series. Figures on national income have been available for some time and are widely used to gauge the performance of our national economy. Income estimates provide the most comprehensive data we have to measure progress in economic growth of a region. The U. S. Department of Commerce publishes an annual series of income payments by states, and some private organizations have attempted to measure income for smaller areas. Most of these data, however, have limited usefulness for analysis of current economic change in regions that do not coincide with state lines.

Part III of this article presents income estimates for various regions within the states of Arkansas and Missouri. These are the first results of the small-area income study being conducted by this bank. The figures are based on and tie in with the Department of Commerce series of state income payments. Data from the Department of Commerce, from Arkansas and Missouri state departments, and from the two state universities have been used to derive the estimates. In time it is hoped to extend the small-area estimates to that section of the district lying east of the Mississippi River.

These data should be useful for a variety of purposes. A more precise measurement of income for the various areas of the district facilitates marketing analysis. It shows regional variations in income levels and thus highlights the problem of increasing income in relatively poor regions. It provides a time series to gauge the economic growth of each region in relation to the district and the nation as a whole. With other data available for local areas, it should permit the construction of accounts by which the flow of income through the various regions and industrial segments of the district economy can be traced.

The estimates presented for areas of Arkansas and Missouri are personal income payment estimates. They measure income received by individuals from their economic activities and from governmental agencies. They do not cover corporate profits as such but only the share of corporate profits that is paid to individuals (dividends). They do not show investment but they do include the return on investment to individuals. They comprise income received in the form of:

(1) **labor income**—wages and salaries.

(2) **entrepreneurial income**—proprietor's income, representing the net income of unincorporated businesses (including farms).

(3) **property income**—dividends, interest, net rents and royalties.

(4) **other income**—veterans' pensions, workmen's compensation, social insurance benefits, relief payments, and similar governmental transfers.

These income estimates are essentially an aggregate of monetary payments for current productive services of employed resources—labor, enterprise, capital—as well as governmental transfer payments. In a highly developed economy the great majority of all productive activities are evaluated in the market and reflected in money payments for services rendered. Monetary income totals therefore give a reasonably complete picture of the community's welfare. Yet in regions where the market is less developed, as in many rural areas, the relative importance of the household as a source of income in kind has remained substantial. Hence, monetary income totals tend to exaggerate the upward movement in the supply of goods to consumers of metropolitan centers as compared with income recipients in rural areas where family production is still important. A comparison of income in two regions at different stages of industrialization must therefore consider the differing importance of the market sphere in the total provision of goods to consumers. Some account of this problem has been taken by including in the income estimates the value of products grown and consumed on farms. Further adjustments for income and consumption in kind would be desirable but are difficult and have not been attempted in this study.

The data presented here are subject to some margin of error which is, however, in no case large enough to impair their usefulness for purposes of economic analysis. The estimates are published in the hope that they will contribute to a better understanding of recent economic changes in the Eighth District. Their sources and reliability are explained in detailed technical notes which also contain additional tables on Arkansas and Missouri incomes and expenditures by areas for selected years 1939-47. These technical notes are available on request.

I. INCOME IN DISTRICT STATES

As noted earlier, income per person in the Eighth District runs far below the national average. Per capita income in five of the seven district states also is below that for the nation. And in the two states where per capita income is higher than the national average—Illinois and Indiana—income in the Eighth District portions of the states is well below the state average and below the national average.

The fact that district per capita income in 1947 was but 75 per cent of that for the United States gives some measure of the gap that must be closed to bring district income and living standards up to the levels of other sections. That gap varies in magnitude among the district states. In Mississippi and Arkansas per capita income in 1947 was just about half the nationwide average. In Missouri it was about 90 per cent of that of the nation.

Tables I and II show district state income figures for 1947 both in absolute terms and relative to the national average. In that year the district states contained 18 per cent of the nation's population but received only 16 per cent of the nation's income. In large measure this reflects significant differences between the income structure of the district states and the nation. Chart I highlights these structural differences.

Chart I.

INCOME COMPONENTS - 1947

While for the nation as a whole labor income amounted to 63 per cent of all income payments in 1947, this component was considerably smaller in most district states. For all district states, entrepreneurial returns made up 23 per cent of total income, as compared with 20 per cent for the nation. Property income is of less relative significance for the district, amounting to 9 per cent of 1947 income payments as compared with 11 per cent for the nation. "Other" income, comprising governmental transfer payments, made up 6 per cent of the national income but amounted to as much as 10 per cent of the total in the relatively low-income states of Arkansas and Mississippi.

While district income is low as compared with the nation, it is growing at a faster rate. Chart II pictures the trend of district income over the last decade. Per capita income in the district states increased by 161 per cent, as compared with 145 per cent for the nation. In two district states, Mississippi and Tennessee, per capita income more than tripled.

The income estimates presented in this study are in terms of "current" dollars. They reflect the inflationary tendencies in the general level of prices over the period from 1939 to 1947, as well as changes in "real income". Yet even after adjusting for this price inflation, the gain in "real per capita income" remains impressive, amounting to 63 per cent for the district states as compared with 53 per cent for the nation. In terms of "constant" 1939 dollars, per capita "real income" more than doubled in Mississippi and came close to this record in Arkansas and Tennessee, reflecting the great gains of the Middle South in recent years.

Per capita income represents total income of a region divided by its population. Gains in per

TABLE I

TOTAL AND PER CAPITA INCOME PAYMENTS 1947

(Millions of Dollars)	District States	Arkansas	Illinois	Indiana	Kentucky	Mississippi	Missouri	Tennessee	United States
Labor Income	19,069	629	9,065	3,096	1,275	578	2,804	1,622	119,075
Entrepreneurial Income	7,044	498	2,333	1,173	673	570	1,058	739	38,709
Property Income	2,984	91	1,458	428	222	92	466	227	19,907
Other Income	2,080	140	780	239	194	142	343	242	12,043
Total Income	31,177	1,358	13,636	4,936	2,364	1,382	4,671	2,830	189,734
Population (Thousands)	26,016	1,913	8,397	3,835	2,781	2,097	3,903	3,090	143,415
Per Capital Income (Dollars)	1,198	710	1,624	1,287	850	659	1,197	916	1,323

TABLE II

TOTAL AND PER CAPITA INCOME PAYMENTS AS PER CENT OF NATIONAL INCOME 1947

	District States	Arkansas	Illinois	Indiana	Kentucky	Mississippi	Missouri	Tennessee	United States
Labor Income	16.01	.53	7.61	2.60	1.07	.49	2.35	1.36	100.00
Entrepreneurial Income	18.20	1.29	6.03	3.03	1.74	1.47	2.73	1.91	100.00
Property Income	14.99	.46	7.32	2.15	1.12	.46	2.34	1.14	100.00
Other Income	17.27	1.16	6.48	1.98	1.61	1.18	2.85	2.01	100.00
Total Income	16.43	.72	7.19	2.60	1.24	.73	2.46	1.49	100.00
Population	18.14	1.33	5.86	2.67	1.94	1.46	2.72	2.16	100.00
Per Capita Income	90.55	53.67	122.75	97.28	64.25	49.81	90.48	69.24	100.00

capita income, therefore, result from two distinct factors, changes in total income and changes in population. The relative importance of those two factors is shown in Chart II. Total income of district states increased from 1939 to 1947 at just about the national rate but population increased at a smaller rate. It is this difference in relative population growth which explains the large district gain in per capita income. In 1947, about 10 per cent more people lived in the United States than a decade ago. Arkansas, Kentucky, and Mississippi in 1947 all had less people living within their state lines than in 1939. Population growth in the district states as a whole was less than that for the nation. It was the net out-migration from the district between 1940 and 1947, people moving in search of greater opportunities in other areas, which permitted the remaining population to receive a larger share of the total product and thus to increase its per capita income.

Heavy out-migration is an undesirable way to raise per capita income in the Eighth District—for it means people moving away instead of producing more goods. Most people are not particularly interested in moving—labor is far less mobile than capital, and out-migration tends to take from a region its more vigorous and ambitious people—those which a region can ill-afford to lose.

Some of the district states showed a relative growth of total income that is greater than national-average growth. Similarly, some areas within states show percentage increases in total income that exceed the averages. In the interest of regional development it would appear of special importance to understand the reasons for a relative growth of total, as distinguished from per capita, income. Above average growth in total income would indicate those areas where workers have found new opportunities within the district, obviating their search for higher income elsewhere. Total income growth results from gains in the various income components. The contribution of each of these components to recent income gains may provide better understanding of the reasons for different rates of income growth within the district.

The relative contribution of income components to total income growth is shown in Table III. Labor income (wages and salaries) was the largest single item accounting for income growth from 1939 to 1947 in all district states except Mississippi where farm income is of dominant importance. These gains in labor income resulted from increased employment combined with rising wage rates. The significance of wages and salaries in determining total income growth is obvious for industrial areas where payrolls form the largest source of community income. Thus, it is not surprising to find that in the highly industrialized states of Illinois and Indiana the growth of labor income alone was sufficient to more than double total income payments, though it should be emphasized again that state-wide totals are not characteristic of the district portions of those states. It deserves special attention, however, where labor income has contributed greatly to total income growth in less highly industrialized states. Tennessee showed a total income growth of 232 per cent from 1939 to 1947. Of this the labor income contribution was almost 130 per cent, larger than in any other district state and indicative of its rapid industrial growth. Payrolls in Tennessee more than tripled from 1939 to 1947, and it is this factor which largely explains the outstanding performance of Tennessee in terms of total income growth. That state increased its share of aggregate national income from 1.2 per cent in 1939 to 1.5 per cent in 1947.

Entrepreneurial income considerably improved its relative position for the nation as a whole, rising from 16 per cent of the total in 1939 to over 20 per cent in 1947. Profits usually fluctuate more widely than other types of income in response to changes in general economic conditions. Also, prices of farm products were exceptionally low in 1939 in relation to prices of most other products. Many of the recent relative gains in district income, therefore, reflect only the general improvements in entrepreneurial returns for the country as a whole. These have been of particular significance for this district because of its heavy reliance on farm income.

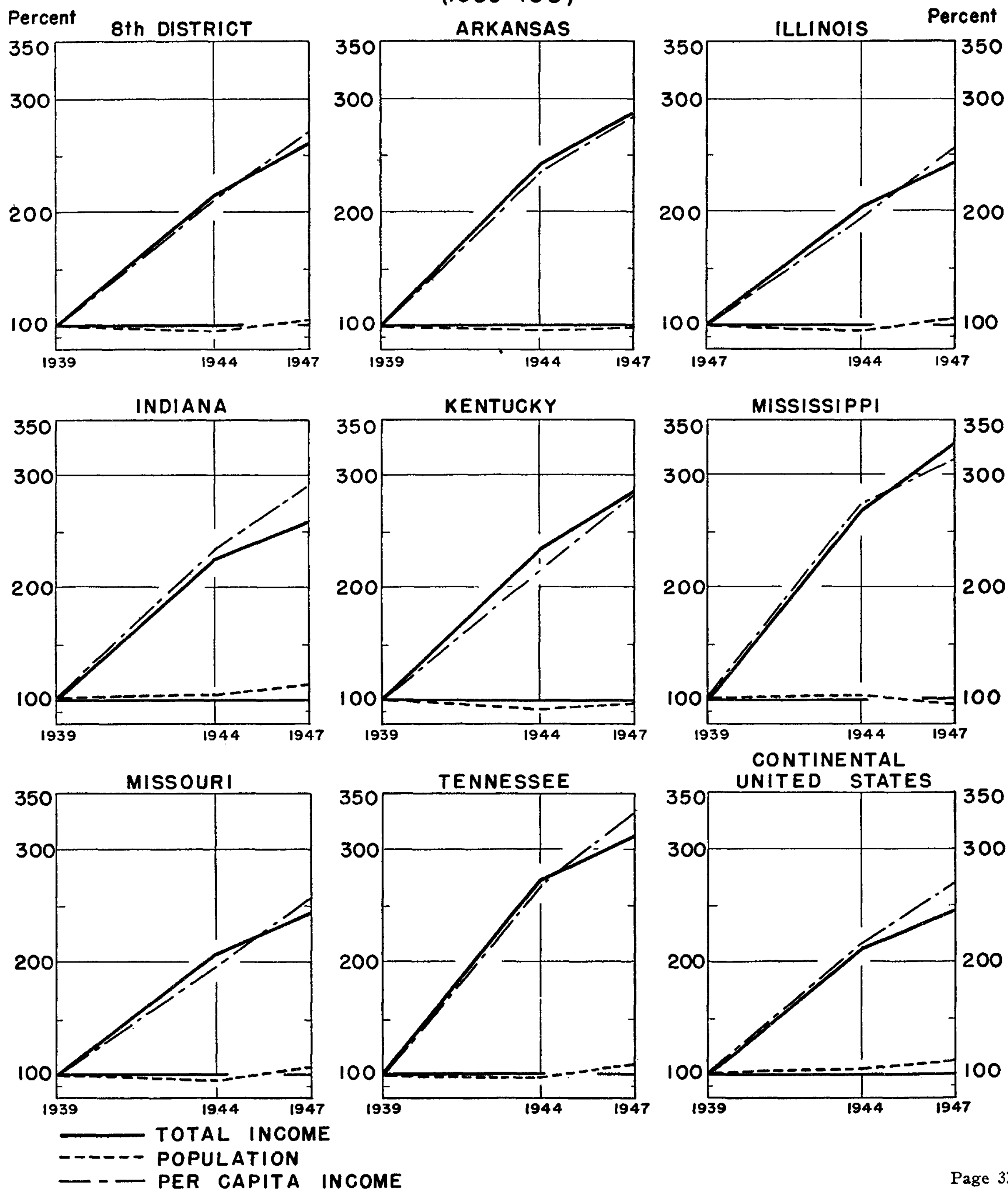
This point needs special emphasis. While entrepreneurial income has contributed greatly to the growth of total district income, its rate of increase within the district actually has been slower than for the country as a whole. Entrepreneurial income for the United States in 1947 was 253 per cent larger

TABLE III
CONTRIBUTION OF INCOME COMPONENTS TO RELATIVE INCOME GROWTH
1947 Compared With 1939

	District States	Arkansas	Illinois	Indiana	Kentucky	Mississippi	Missouri	Tennessee	United States
Labor Income	+105.3%	+ 85.6%	+106.0%	+119.1%	+ 96.2%	+ 88.3%	+ 92.9%	+129.2%	+106.5%
Entrepreneurial Income	+ 43.3	+ 67.8	+ 30.5	+ 51.8	+ 55.7	+ 92.2	+ 39.0	+ 64.9	+ 39.3
Property Income	+ 13.2	+ 10.3	+ 13.0	+ 14.7	+ 14.5	+ 12.4	+ 11.2	+ 16.1	+ 12.4
Other Income	+ 11.4	+ 20.5	+ 8.5	+ 6.8	+ 15.4	+ 24.1	+ 11.9	+ 21.6	+ 10.3
Total Income Growth	+173.2%	+184.2%	+158.0%	+192.4%	+181.8%	+217.0%	+155.0%	+231.8%	+165.8%

CHART II.

TOTAL AND PER CAPITA INCOME PAYMENTS
TREND 1939-1947
(1939=100)



than in 1939, yet the district states showed an improvement of only 236 per cent. An outstanding exception again was Tennessee where entrepreneurial income almost quadrupled from 1939 to 1947. These figures would indicate the extent to which the recent district income growth was due to general nationwide shifts in production and prices. They also point to possibilities of further regional development through increased productivity of the district's farms and industries.

Property and "other" income play a smaller role than labor and entrepreneurial income in the total income structure. For the United States as a whole, these two components contributed 23 points to the total income growth of 166 per cent from 1939 to 1947, as compared with 25 points out of 173 per cent for the district states. Important differences between the states, however, should be noted. Governmental transfer payments alone contributed more heavily to the income growth of the Middle South than to the other sections of the district. Thus, there is a striking contrast between the relative contribution of various income components to national income growth and to the increase of income payments in Mississippi. "Other" income contributed but 10 points of the national growth of 166 per cent but 24 points of the Mississippi increase of 217 per cent. This should not be interpreted to mean that the absolute amount of governmental transfer payments was unusually large in Mississippi, for residents of Mississippi received in 1947 only 1.2 per cent of all transfer payments though constituting 1.5 per cent of the country's population. Rather it points up the relative influence of even small individual payments, such as veterans' pensions and social insurance benefits, in a state of low per capita income.

All relative income gains over the base year 1939 must be considered in the light of the special factors affecting income in the base year. Some of the district gains reflect a very low starting level, and the fact that district income still runs well below the national average emphasizes the distance still to go in order to reach a more satisfactory income position. These problems are brought out in the more detailed study of Arkansas and Missouri, the former a district state with low per capita income but impressive gains over the last decade, the latter a state close to the national average in terms of per capita income but showing a slower rate of growth.

II. ARKANSAS AND MISSOURI INCOME

In 1947, per capita income in Arkansas was only 54 per cent of the national average in contrast to 90 per cent for Missouri. Between 1939 and 1947, however, Arkansas improved its income position considerably, whereas Missouri held about the same.

Already noted is the fact that population outmigration has a major effect on per capita income, and Arkansas lost population after 1939 while Missouri gained—although the increase was less than the national average. More important for an understanding of shifts in total income, however, is an analysis of the income structure of the two states as shown in Table IV.

The difference in structure of income is striking for 1947. Labor income was substantially less important and farm income more important in Arkansas than in Missouri. Property income in Missouri was more important and "other" income less important than in Arkansas. The contrast is between a state that is relatively little industrialized (Arkansas) and one in which economic activity is more mature (Missouri). The pattern of income by industrial source bears out this contrast.

But the contrast was even more striking in 1939. From 1939 to 1947, Arkansas labor income rose 186 per cent as against 154 per cent in Missouri, indicating the relatively more rapid growth of industry in Arkansas. In 1939 almost all of entrepreneurial income in Arkansas was farm income; in 1947 proprietors' nonfarm income was almost as large as farm income, pointing to growth through diversification. The relatively more important part played by "other" income in Arkansas in 1947 testifies to the continued low income level of the state, however, and is a challenge to further development of Arkansas resources toward more productive employment.

The differences in the industrial structure of the two states also may be highlighted with reference to their population ratios. In 1947, these ratios were 2.7 per cent for Missouri and 1.3 per cent for Arkansas; that is to say, 2.7 and 1.3 per cent of the United States population were living in these two states. For Missouri, income shares of most industries were in rather close agreement with the population ratio, indicating that the industrial structure of the state approximated the distribution of industries for the country as a whole. Thus, residents of Missouri received from each major industry a share of the national total which corresponded roughly with the population ratio of 2.7 per cent, the industry ratios ranging from 1.7 per cent for heavy manufacturing to 3 per cent for transportation and utilities. In Arkansas, on the other hand, the industry ratios show a much wider deviation from the population ratio, ranging from 0.1 per cent for heavy manufacturing to 1.9 per cent for agriculture. Residents of Arkansas thus rely much more heavily on one industry, agriculture, to maintain their income. During the war and postwar years, this very fact contributed to Arkansas' rapid income growth because of the relative improvements in farm income for the nation as a whole. In the long-run, however, it may point to a continued vulnerability of the Arkansas economy and the need for further industrial diversification.

On the expenditure side, the differences between the Arkansas and Missouri accounts are much less pronounced. Recipients of higher incomes pay progressively higher income taxes, and the largest single difference refers therefore to the share of Federal taxes, amounting to 6 per cent and 9 per cent, respectively, of the total income of Arkansas and Missouri residents. State taxes, on the other hand, are levied more often with only indirect regard to the income of the taxpayer, e.g., sales taxes, and tend to take a larger share of total income in low-income states. These amounted to 1.4 per cent in Arkansas as compared with 0.9 per cent in Missouri. These figures bear out the well-known fact that the people of low-income states have to make a relatively greater effort to maintain their state and local governments.

Recipients of higher income also have a somewhat larger margin to save. The 1947 share of personal savings out of total income amounted to 5 per cent in Missouri as compared with 4 per cent in Arkansas. A note should be added here about the interpretation of "savings" in national income accounting. Personal saving is essentially a residual item, indicating what is left after consumption expenditures and taxes have been deducted from personal income. It, therefore, reflects any improvement in the "net worth" position of individual consumers, whether resulting from a reduction of their debt or an addition to their assets, and any increase in "savings" may be due to larger debt payments as well as to an accumulation of liquid assets.

As low-income recipients save less and pay less in taxes, they spend a somewhat larger share of their income on consumption. In 1947, this share amounted to 88 per cent in Arkansas as compared with 85 per cent in Missouri. An interesting difference, however, should be noted with respect to the so-called "outstate balance". Consumers do not necessarily spend their income in their state of residence. Thus, in 1947, the people of Arkansas spent a net balance equal to 6 per cent of their income outside their home state, largely in trade centers like Memphis, which draws buyers from throughout eastern Arkansas, Springfield, to which some counties of northern Arkansas are tributary, and Tulsa, with its trade area extending to northwestern Arkansas. Missouri stores, on the other hand, sold on balance more to customers from other states than Missouri residents themselves spent outside their home state, so that Missouri showed in 1947 a favorable "outstate balance" equal to 2 per cent of Missouri income (the negative sign for this item in the Missouri portion of Table IV indicates the favorable balance). This, of course, reflects the importance of St. Louis and Kansas City as trade centers for a large area beyond the Missouri state line. Differences in the "outstate balance" call for considerable care in the interpretation of the data given for the several consumption categories listed in Table IV. Thus, the relatively large share of total income spent on clothing and accessories in Missouri reflects no extravagance on

TABLE IV
PERSONAL INCOME AND EXPENDITURE, 1947
(Amounts in millions of dollars)

INCOME

	Arkansas		Missouri	
By Type of Payment:	Amount	Pct.	Amount	Pct.
Labor Income	629.0	46.3	2,804.5	60.0
Entrepreneurial Income:				
Farm	272.7	20.1	438.0	9.4
Non-farm	225.6	16.6	620.3	13.3
Property Income	90.6	6.7	465.9	10.0
Other Income	140.4	10.3	342.6	7.3
Total Income	1,358.3	100.0	4,671.3	100.0
By Industrial Source:				
Agriculture	327.6	24.1	493.7	10.6
Mining and Construction	57.3	4.2	157.5	3.4
Manufacturing: "Heavy"*	12.0	0.9	350.9	7.5
"Light"	118.4	8.7	514.1	11.0
Transportation and Utilities	82.2	6.1	361.4	7.7
Trade and Service	423.9	31.2	1,632.7	34.9
Government	229.0	16.9	629.8	13.5
Unclassified	107.9	7.9	531.2	11.4
Total Income	1,358.3	100.0	4,671.3	100.0

EXPENDITURE

	Arkansas		Missouri	
	Amount	Pct.	Amount	Pct.
Consumption	1,200.7	88.4	3,972.2	85.0
Food and Tobacco	465.3	34.3	1,393.6	29.8
Clothing and Accessories	146.0	10.7	717.2	15.3
Personal Care	21.8	1.6	86.5	1.9
Housing	65.1	4.8	332.5	7.1
Household Operations	151.2	11.1	575.4	12.3
Medical Care and Death Expenses	53.4	3.9	258.6	5.5
Financial and Legal Services	25.8	1.9	171.5	3.7
Transportation	120.4	8.9	241.8	5.2
Recreation	49.2	3.6	188.2	4.0
Private Education and Research	3.4	0.3	41.2	0.9
Religious and Welfare Activities	10.3	0.8	59.1	1.3
Outstate Balance	88.8	6.5	-93.4-	2.0
Taxes	103.9	7.6	479.1	10.3
Federal	84.3	6.2	437.1	9.4
State	19.6	1.4	42.0	0.9
Personal Saving	53.7	4.0	220.0	4.7
	1,358.3	100.0	4,671.3	100.0

* "Heavy" manufacturing industries consist of metals and their products, machinery and transportation equipment, chemicals and allied products.

the part of Missouri residents but rather the extent to which fashion merchandise is bought in Missouri trade centers by out-of-state customers.

State income and expenditure patterns and their trend over the last decade also can be summarized with reference to the population ratio. In 1939, 1.5 per cent of the United States population lived in Arkansas but accounted for only 0.68 per cent of national income and expenditure. By 1947, the population ratio had dropped to 1.3 per cent, but Arkansas residents earned and spent 0.72 per cent of the national income. Thus, a smaller Arkansas population played a larger role in the national economy. Missouri just maintained its relative per capita income position within the nation.

III. AREA INCOME DIFFERENCES

Just as national income aggregates tend to average out significant variations between different districts and states of the nation, so do state income estimates conceal wide fluctuations among different income areas within the state. Many areas of Missouri have much more in common with the Arkansas income structure than the above discussion of the statewide totals would suggest, for all income data referring to Missouri as a whole are influenced by the heavy weight of the two metropolitan centers, St. Louis and Kansas City.

To indicate the wide differences of income for the various regions within Arkansas and Missouri, estimates of income payments have been prepared for 47 income areas within these two district states. The areas consist of from one to six contiguous counties and are marked on the maps. They are identified by the name of the largest community within the area which in many, though not all, cases also is the industrial and trade center of the region. Areas have been defined as such in an attempt to combine counties with similar sources of income so they can be grouped together for a study of income patterns and resource development. The boundaries of these income areas are arbitrary to the extent that they are dependent on administrative state and county lines. Thus, the data shown for St. Louis do not include the Illinois portions of the Greater St. Louis metropolitan area.

Whenever possible, areas have been defined to be not only homogeneous with respect to their principal sources of income but also to be of approximately equal size in order to facilitate income comparisons. It should be noted that in each case the per capita income estimate would change somewhat with a different area definition as per capita income is an average of income payments to all residents of the area, an average likely to change with any shift in the number and composition of income recipients covered.

A breakdown of state totals by income areas also reveals important differences between the Eighth and Tenth District portions of Missouri state totals. While Missouri per capita income for the state as a whole amounted to $1,197 in 1947, the Eighth District portion had an average of only $1,144 as compared with $1,356 in the Tenth District portion of the state. To put it somewhat differently, while 75 per cent of all Missouri residents lived within the Eighth District in 1947, they received only 72 per cent of Missouri income payments. The reasons for this disparity are the relative prevalence of urban centers as well as the inclusion of the richest agricultural areas of the state in the western tier of Missouri counties which lie in the Tenth District.

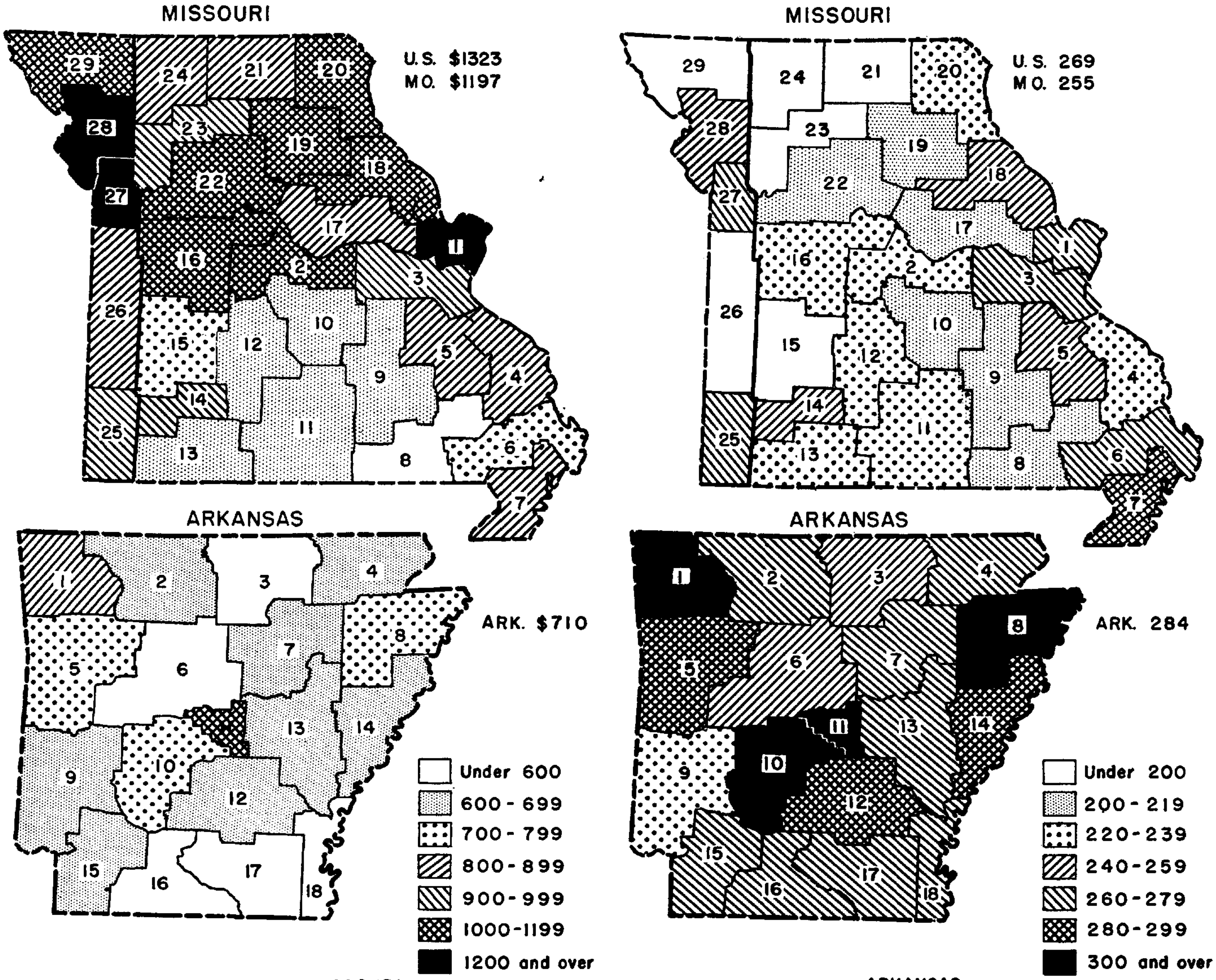
Income Structure—When all Arkansas and Missouri income areas are ranked in accordance with the size of their per capita income in 1947, only two areas, the metropolitan centers of St. Louis and Kansas City, had a per capita income above the national average of $1,323. These areas, which contained 43 per cent of the state's people, received 69 per cent of the state's payrolls. Labor income made up about three-fourths of total income payments.

Several areas in 1947 had a per capita income below the national average but above $1,000. All these areas are in Missouri except one, Little Rock. An important difference in the income structure of the areas should be noted, however. Little Rock is a metropolitan center where payrolls made up 71 per cent of total income in 1947. In this area, 10 per cent of the Arkansas population received 22 per cent of Arkansas labor income. Most of the Missouri areas in this category owed their high per capita income to the fact that relatively large farm returns accrued to a relatively sparse population. Thus, in Missouri areas 16, 18, 19, 20, 22, 28 and 29, primarily livestock regions, 15 per cent of the Missouri population received 40 per cent of all Missouri farm income in 1947.

There are several distinct income patterns in areas where per capita income ranges from $800 to $999. Missouri areas 17, 21, 23 and 24, all in the northern part of the state, have an economic structure quite similar to the high farm income areas just mentioned, yet have not quite the same outstanding productivity. Missouri area 7, the "bootheel", contains some of the richest cotton land in the country; in 1947, residents of this area received 46 per cent of their income in the form of entrepreneurial farm returns, the highest percentage in

INCOME PAYMENTS - 1947

PER CAPITA INCOME (DOLLARS) — TOTAL INCOME (1939 = 100)



MISSOURI

1 ST. LOUIS
2 JEFFERSON CITY
3 WASHINGTON
4 CAPE GIRARDEAU
5 FLAT RIVER
6 POPLAR BLUFF
7 CARUTHERSVILLE
8 THAYER
9 SALEM
10 ROLLA
11 WEST PLAINS
12 LEBANON
13 MONET
14 SPRINGFIELD
15 BOLIVAR
16 SEDALIA
17 COLUMBIA
18 MEXICO
19 MOBERLY
20 HANNIBAL
21 KIRKSVILLE
22 MARSHALL
23 CHILLICOTHE
24 TRENTON
25 JOPLIN
26 NEVADA
27 KANSAS CITY
28 ST. JOSEPH
29 MARYVILLE

ARKANSAS

1 FAYETTEVILLE
2 HARRISON
3 MOUNTAIN HOME
4 PARAGOULD
5 FORT SMITH
6 RUSSELLVILLE
7 BATESVILLE
8 JONESBORO
9 MENA
10 HOT SPRINGS
11 LITTLE ROCK
12 PINE BLUFF
13 STUTTGART
14 HELENA
15 TEXARKANA
16 EL DORADO
17 CROSSETT
18 Mc GEHEE

Name refers to largest city in area.

any part of either state. Arkansas area 1, in the northwest corner of the state, owes its relatively high per capita income to the heavy reliance on poultry production and truck farming. In this area, 4 per cent of the Arkansas population received 8 per cent of entrepreneurial farm income in 1947. Missouri areas 14 and 25, on the other hand, represent a more urban pattern, with payrolls accounting in 1947 for more than half of all income payments in the industrial regions of Springfield and Joplin.

Industrial areas in the $700 bracket in 1947 were Fort Smith and El Dorado, labor income in both amounting to about 60 per cent of total income payments. The same percentage of income in the form of payrolls, largely originating in trade and service industries, prevailed in the tourist center, Hot Springs. An important farm area in the $700 bracket was Jonesboro, including Mississippi county, for many years the leading cotton county of the United States. In this area, 40 per cent of all income payments took the form of entrepreneurial farm income in 1947, and one-tenth of the Arkansas population received here in 1947 more than one-fifth of Arkansas farm income, reflecting the productivity of the Cotton Delta. Its relatively low per capita income, as compared with some Missouri areas, was due to the heavier population pressure of the Arkansas Delta counties. Another rural area in the same income bracket was Poplar Bluff, including several Missouri counties of the Mississippi lowlands, where 3 per cent of the Missouri population received 7 per cent of Missouri farm income in 1947.

Two distinct income areas may be distinguished within the $600 range. On the one hand, there are the Missouri areas 9-13 and the Arkansas areas 2, 7, 9, making up a large part of the Ozark counties north and south of the state line, as well as parts of the Ouachita Mountain region. In these areas average productivity is low, and much of the land is wooded. All these areas have in common a relatively high dependence on governmental transfer payments. In 1947 these accounted for more than 20 per cent of total income in some Missouri counties. On the other hand, in the Arkansas areas 4, and 12-15, productive employment provided the dominant source of income in 1947, consisting largely of labor income in areas 12 and 15, and of entrepreneurial farm income in areas 4, 13 and 14. Per capita income of these areas, however, was low because of their relatively high population density.

In the lowest income bracket, under $600, were Missouri area 8 and Arkansas areas 3, 6, 17, and 18. Here again, a distinction should be made between areas of low productivity per acre and areas of low per capita income because of population pressure. Missouri area 8 as well as Arkansas areas 3 and 6 fall under the first category, being regions of sparse settlement in the Ozark and Ouachita Mountains with few opportunities for productive employment, where governmental transfer payments play a prominent part in maintaining minimum standards. Arkansas areas 17 and 18, on the other hand, are regions of considerable economic activity, reflected in the relative rise of labor and farm income components in the Southern Delta counties. Per capita income was low, however, as total community output was shared by a rapidly growing population. It should be noted that per capita income in these areas was only one-third that of the large metropolitan centers.

Income Trends—While Arkansas per capita income is lower than that of Missouri, it is growing at a faster rate, and this fact is emphasized by the income trends of the individual areas. A map showing these income trends is almost the opposite of a map showing current per capita income. While most areas of high per capita income are in Missouri, many areas showing more than average gains are in Arkansas. Partly, this reflects the low income of most Arkansas areas in the base year and the long way to go in order to reach a more satisfactory income position. But it also shows the special efforts made to accomplish this goal and the concomitant shifts in income structure.

TABLE V

ARKANSAS INCOME PAYMENTS, BY AREAS, 1947

		Total Income			Population			Per Capita Income			Per Capita Sales Tax		Per Capita Bank Deposits	
Area	Name of Largest City	Millions of Dollars	Per Cent Distribution	1947 as Per Cent of 1939	Thousands	Per Cent Distribution	1947 as Per Cent of 1939	Dollars	Per Cent of State Average	1947 as Per Cent of 1939	Dollars	Per Cent of State Average	Dollars	Per Cent of State Average
1	Fayetteville	70.7	5.2	327	82.1	4.3	90	862	121	365	14.10	145	434	125
2	Harrison	32.2	2.4	268	51.1	2.7	82	628	88	327	7.53	78	283	81
3	Mountain Home	25.8	1.9	253	44.2	2.3	83	585	82	305	4.54	47	220	63
4	Paragould	59.9	4.4	274	90.1	4.7	91	655	92	302	7.63	79	307	88
5	Fort Smith	115.2	8.5	295	146.7	7.7	92	785	111	322	10.70	110	473	136
6	Russellville	54.0	4.0	247	91.8	4.8	80	588	83	306	7.24	75	255	73
7	Batesville	59.9	4.4	263	95.2	5.0	93	629	89	282	8.05	83	287	82
8	Jonesboro	149.0	11.0	303	201.8	10.6	106	738	104	286	9.57	99	318	91
9	Mena	42.2	3.1	238	69.4	3.6	83	608	86	290	7.94	82	241	69
10	Hot Springs	80.0	5.9	310	108.7	5.7	105	737	104	296	11.28	116	353	102
11	Little Rock	196.9	14.5	310	195.7	10.2	126	1,006	142	246	18.05	186	537	154
12	Pine Bluff	86.9	6.4	299	137.1	7.2	113	634	89	265	7.26	75	341	98
13	Stuttgart	68.2	5.0	260	107.1	5.6	95	636	90	273	8.41	87	354	102
14	Helena	99.6	7.3	282	150.0	7.8	100	664	94	284	7.79	80	239	69
15	Texarkana	58.7	4.3	261	93.6	4.9	93	628	88	282	9.49	98	361	104
16	El Dorado	86.1	6.3	272	112.9	5.9	102	762	107	266	10.53	108	459	132
17	Crossett	43.8	3.2	262	73.9	3.8	100	588	83	260	5.91	61	237	68
18	MeGehee	30.1	2.2	269	61.6	3.2	113	488	69	236	5.25	54	164	47
	Arkansas	1,358.3	100.0	284	1,913.0	100.0	99	710	100	289	9.71	100	348	100

In 1947, there were four areas in Arkansas where total income more than tripled since 1939. Areas 1 and 8 owed their gains largely to improvements in farm income. In areas 10 and 11, payrolls more than tripled. The lead of Fayetteville is even more impressive in terms of per capita income, for the area, in spite of its large income gains, actually lost 10 per cent of its resident population during the last decade. A very much larger income thus accrued to a smaller number of recipients, increasing per capita income by 265 per cent. Areas 8, 10, 11 had population gains, and per capita income therefore increased at a somewhat smaller rate. Population in Little Rock advanced by 26 per cent, more than in any other area of the two district states, leading to a more moderate growth in per capita income.

Total income gains of 180 to 199 per cent were recorded for three other areas in Arkansas and one area in Missouri. Arkansas areas 5 and 12 tripled payrolls, indicative of the industrial growth in Fort Smith and Pine Bluff. An interesting difference in terms of per capita income for these two areas should be noted, however. Fort Smith lost 8 per cent of its population and therefore more than tripled its per capita income. Pine Bluff gained 13 per cent in population and thus showed a more modest per capita income gain. Arkansas area 14 and Missouri area 7 more than tripled farm income, reflecting, just as Arkansas area 8 mentioned above, the great gains of the Cotton Delta.

Leading all other Missouri areas in terms of total income growth from 1939 to 1947 was St. Louis, largely reflecting a gain in payrolls of 177 per cent. Because St. Louis also recorded the largest population gain within the state—16 per cent over 1939—its per capita income growth was more moderate. Similar total income gains, resulting largely from payroll advances, were shown for Kansas City. A smaller industrial area with the same rate of payroll growth was El Dorado. Most other areas in this category of total income gains, ranging from 160 to 179 per cent, owed their growth mainly to improvements in entrepreneurial income, farm and nonfarm. This held true for Missouri areas 3, 6 and 25 and Arkansas areas 2, 7 and 13. Special mention should be made, however, of Arkansas areas 15, 17 and 18 along the southern state line, all of which showed very substantial payroll gains. Attention is also called again to the different impact of population shifts. Thus, Arkansas areas 2 and 18 showed the same advance in terms of total income growth. But area 2 lost 12 per cent of its population while area 18 gained 13 per cent over the same period, leading to widely different movements of per capita income, which advanced 227 per cent in the Ozark counties but only 136 per cent in the Southern Delta.

The remaining areas, most of them in Missouri, showed less than average gains in total income over the last decade. In Arkansas, only areas 3, 6 and 9 increased by less than 160 per cent; all three are in the forest areas of the Ozark and Ouachita Mountains where population losses up to 20 per cent led to sizable per capita gains in spite of a slower growth in total income payments. In Missouri, most rural areas lost population and therefore recorded relatively high per capita income. Areas 10

TABLE VI

MISSOURI INCOME PAYMENTS, BY AREAS, 1947

		Total Income			Population			Per Capita Income			Per Capita Sales Tax		Per Capita Bank Deposits	
Area	Name of Largest City	Millions of Dollars	Per Cent Distribution	1947 as Per Cent of 1939	Thousands	Per Cent Distribution	1947 as Per Cent of 1939	Dollars	Per Cent of State Average	1947 as Per Cent of 1939	Dollars	Per Cent of State Average	Dollars	Per Cent of State Average
1	St. Louis	1,937.8	41.5	276	1,295.0	33.2	116	1,496	125	237	18.14	128	1,097	137
2	Jefferson City	68.6	1.5	227	67.1	1.7	96	1,023	85	236	13.26	94	592	74
3	Washington	72.0	1.5	266	78.4	2.0	100	918	77	265	11.06	78	455	57
4	Cape Girardeau	59.4	1.3	221	72.6	1.9	94	819	68	234	10.39	73	557	70
5	Flat River	55.8	1.2	256	69.5	1.8	94	806	67	271	8.84	62	312	39
6	Poplar Bluff	97.5	2.0	260	123.7	3.2	103	788	66	253	9.61	68	304	38
7	Caruthersville	121.0	2.6	281	136.6	3.5	104	885	74	270	9.48	67	284	36
8	Thayer	22.0	0.5	216	38.2	1.0	86	577	48	251	5.78	41	170	21
9	Salem	23.2	0.5	211	37.1	1.0	81	625	52	259	5.21	37	281	35
10	Rolla	32.5	0.7	208	53.5	1.4	104	607	51	200	9.00	64	302	38
11	West Plains	46.8	1.0	228	77.7	2.0	91	603	50	251	6.44	46	328	41
12	Lebanon	35.9	0.8	220	52.0	1.3	92	694	58	238	8.09	57	343	43
13	Monett	34.7	0.7	222	52.7	1.3	90	658	55	246	6.98	49	324	41
14	Springfield	111.2	2.4	251	118.6	3.0	104	937	78	243	14.99	106	523	65
15	Bolivar	36.2	0.8	193	50.7	1.3	85	714	60	228	7.45	53	400	50
16	Sedalia	100.7	2.1	223	99.9	2.5	94	1,008	84	236	10.09	71	519	65
17	Columbia	65.4	1.4	214	73.8	1.9	95	886	74	225	11.78	83	532	67
18	Mexico	65.7	1.4	240	61.7	1.6	95	1,065	89	254	10.49	74	505	63
19	Moberly	62.9	1.3	206	61.3	1.6	87	1,027	86	237	10.49	74	579	72
20	Hannibal	69.6	1.5	235	64.4	1.6	92	1,081	90	256	10.62	75	545	68
21	Kirksville	35.6	0.8	183	43.3	1.1	84	822	69	218	9.23	65	494	62
22	Marshall	100.0	2.1	204	94.4	2.4	89	1,058	88	229	9.57	68	606	76
23	Chillicothe	59.0	1.3	194	60.9	1.5	87	968	81	222	9.92	70	547	68
24	Trenton	37.6	0.8	174	46.1	1.2	85	818	68	206	9.49	67	526	66
8th District Missouri		3,351.1	71.7	253	2,929.2	75.0	103	1,144	96	246	13.53	96	730	91
10th District Missouri		1,320.2	28.3	260	973.8	25.0	106	1,356	113	246	16.00	113	1,006	126
Missouri		4,671.3	100.0	255	3,903.0	100.0	104	1,197	100	246	14.15	100	799	100

and 14 were the only ones in this category to have population gains. Springfield showed a large increase in entrepreneurial income, reflecting its role as a trade center for the Ozarks, but lagged in payroll growth. Similarly, Rolla, after a very rapid development in wartime around Fort Leonard Wood, evidenced a more gradual rate of increase in the immediate post-war years.

Other Economic Data—Income payments as a measure of economic activity get their significance for purposes of economic analysis from their relation to other economic data. Income is spent by the income recipients; the rate and direction of these expenditures in turn become an important factor in the determination of the size and composition of future income payments. Sources available at the present time do not permit the tracing of this income flow through the local community. Some of these relations, however, can be shown by local data on retail sales and bank deposits.

Sales in a given area depend on community income as well as the spending habits of the income recipients. Where people buy most of their needs within the area, the correlation of sales and income will be high. Where residents of a given income area spend much of their income outside, sales will be low in relation to income. Where transients and visitors from outside spend part of their income earned in other areas, sales will be high in relation to the income recorded for a given area.

For the state as a whole, these relations were brought out by the size of the so-called "outstate balance". Within the state, these relations can be shown by the per cent of income which is collected as sales tax in the different income areas of the state.

For Arkansas as a whole, the per capita sales tax amounted to 1.37 per cent of per capita income in 1947. For Little Rock, the trade center of the state, this figure ran to 1.79 per cent. In Fayetteville, with large expenditures of students and tourists, it was 1.64 per cent. In Hot Springs, resort place of the nation, the sales tax ratio amounted to 1.53 per cent. In Mountain Home, on the other hand, only 0.78 per cent of the per capita income was collected as sales tax, indicative of an area with no major urban trade center.

For Missouri as a whole, the per capita sales tax amounted to 1.18 per cent of the per capita income in 1947. The sales tax ratio was 1.60 per cent in Springfield which serves as trade center for a wide region extending into Arkansas. It was as low as 0.83 per cent in Salem, an Ozark area with few trade facilities.

Per capita sales differ more widely among income areas than per capita income. Per capita income tends to be high in urban centers, but per capita sales in such areas may be even higher because of nonresident customers. Per capita income is relatively low in rural regions where per capita sales may be even lower because the residents of rural areas are likely to shop outside their home community.

Deposits have a less direct relation to income than do sales. While retail sales tend to reflect shifts in consumer income rather immediately, bank deposits at any given time and place are determined by a great number of factors, such as income payments, gross business returns, liquidity preferences, and the degree to which depositors leave their funds with banks inside or outside their area of residence. As with sales, deposits are likely to be high in relation to income where banks receive funds from nonresident customers, while deposits will be relatively low where income recipients transfer part of their funds to banks located in other areas. These relations can be described in terms of a ratio of per capita deposits to per capita income. Thus, in 1947, this ratio was 82 per cent in Kansas City as compared with 26 per cent in Mountain Home, highlighting the difference between a metropolitan banking center and an Ozark county.

Werner Hochwald.

Survey of Current Conditions

Recent developments in the national economy give rise to many questions with respect to the outlook for the remainder of the year. The downward trend in employment since last fall and the rise in unemployment probably are responsible for most of the doubts about the future. One of the important problems resulting from the decline in employment concerns the impact this trend may have on the income and purchasing power of a large segment of the consuming public.

Part of the employment decline has been seasonal. Part has represented cutbacks incidental to model change-overs and other temporary factors. However, the rate of decrease this year, especially since October, was larger than that experienced last year or in 1946.

The reductions in employment have not resulted in a corresponding increase in unemployment since some of the people who were in the labor force have withdrawn. Nevertheless, early in January about 2.7 million workers were unemployed and according to the Bureau of Labor Statistics, the number increased to about 3 million by mid-February.

The effects of the layoffs in recent months are showing up in income estimates. Wage and salary payments received by the nations' workers were estimated at $137.3 billion in December on a seasonally adjusted annual basis—a decline of $700 million from the November peak and $200 million below the October level. Most of the decrease was in wage and salaries paid by manufacturing and other commodity producing industries. The aggregate income received by employees not only declined absolutely but it also represented a fractionally smaller part of total personal income in December than in the previous two months.

While this decline in wage and salary receipts, the first since early in 1948, is significant to those whose income is measured by the statistics, in terms of total income the decline in December still leaves employee income, and total personal income, at a high level. Wage and salary receipts in that month were approximately $10 billion larger than in December 1947, on an annual basis, while total personal income was at a new peak of $220.8 billion—some $13 billion larger than at the end of the previous year.

With income at these levels it is not reasonable to expect that consumers' expenditures will be curtailed for a lack of income. This would seem particularly true in view of the fact that in December total personal income was 6.3 per cent larger and wage and salary receipts were 7.8 per cent larger than a year earlier while consumers' prices averaged only 2.6 per cent higher than in December 1947.

The tightening up in the economy may produce results that are beneficial in the long run. As long as a seller's market prevails, neither labor nor management feels under pressure to exert maximum effort to reduce costs—particularly when any increase can be passed on to the consumer in the form of higher prices. But as a buyer's market is approached, and competition becomes more severe, attitudes tend to change. Thus an indirect result of the adjustments that are taking place may be lower prices to the consumer which in turn may stimulate demand in those lines where price resistance is keen and sales have been lagging.

EMPLOYMENT

The most significant development in both the Eighth District and the national labor market between December and January was the sharp increase in the number of unemployed persons—one of the largest increases since the end of the war. Although unemployment normally increases during this period due to seasonal reductions in employment, the increase this year was larger than can be accounted for by this factor. A drop in nonagricultural employment between December and January, the primary reason for the unemployment increase, was about twice as large as would be expected normally. Nonseasonal cutbacks in production appear to be as much responsible for the decline in employment and the increase in unemployment as were the usual seasonal declines in the trade, manufacturing, service and construction industries and government.

Prices

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1926=100)	Jan., '49	Dec., '48	Jan., '48	Jan., '49 comp. with Dec., '48	Jan., '49 comp. with Jan., '48
All Commodities	160.6	162.2	165.6	— 1.0%	— 3.0%
Farm Products	172.5	177.3	199.2	— 2.7	—13.4
Foods	165.8	170.2	179.9	— 2.6	— 7.8
Other	152.9	152.8	148.1	- 0 -	+ 3.2

RETAIL FOOD

Bureau of Labor Statistics (1935-39=100)	Jan. 15, 1949	Dec. 15, 1948	Jan. 15, 1948	Jan. 15, '49, comp. with Dec. 15, '48	Jan. 15, '49, comp. with Jan. 15, '48
U. S. (51 cities)	204.8	205.0	209.7	- 0 - %	— 2.3%
St. Louis	212.4	212.2	217.2	+ 0.1	— 2.2
Little Rock	199.8	201.6	211.4	— 0.9	— 5.5
Louisville	193.9	196.5	200.1	— 1.4	— 3.1
Memphis	217.1	217.9	230.7	— 0.4	— 5.9

On the brighter side of the picture, January employment was still higher than it was a year ago. Nationally, about half a million more people were working in nonagricultural pursuits in January 1949 than in January, 1948. In St. Louis, about 5,000 more people were employed this year than last.

Despite the increase in employment from a year ago, unemployment in January also was higher than a year earlier because of an increase in the labor force. A slightly larger proportion of the population was in the labor force in January, 1949 than in January, 1948 because of the unusually large number of women who entered the labor force during the year. Yet the number of unemployed men has increased proportionately more than the number of unemployed women. In January, 4.7 per cent of the men in the labor force were looking for work as compared with 3.8 per cent of the women. Although total employment was higher in January than a year earlier, the number of persons working full time (35 hours or more) decreased. Nationally, about one million fewer persons were working full time in January, 1949 than in January, 1948.

Actual figures on the number of unemployed are sometimes misleading because of changes in the size of the labor force. A more revealing comparison is the proportion of the labor force which is unemployed. Thus in January, 1949, 4.4 per cent of the labor force was unemployed as compared with 4.0 per cent in the first quarter of 1948, 3.5 per cent in January, 1948, 1.3 per cent in 1944, 14 per cent in January, 1941, and 25 per cent in 1933.

In the St. Louis area, total employment decreased about 9,000 between November and January as compared with a 7,000 decrease in the comparable period of last year. Nonmanufacturing employment generally followed the usual seasonal pattern. In the manufacturing industries, a larger than seasonal decline of 2,500 occurred from November to January, with most of the drop taking place since mid-December. Of the twenty industries which comprise the total manufacturing industry, nine declined, five increased and six showed no change between November and January. The major employment declines occurred in the food, fabricated metals, and nonelectrical machinery industries. The major employment increases occurred in the leather and transportation equipment industries.

Despite the decline since November in the St. Louis area, more people were working in January, 1949 than in January, 1948. In the manufacturing industries about 1,000 more people were employed. The increase in manufacturing was due primarily to an exceptionally large increase in the transportation equipment industry. The only other industry with a sizable increase was the primary metals industry. The major declines from a year ago were in the leather, fabricated metals, and nonelectrical and electrical machinery industries.

In the Louisville area, the Division of Employment Security reports that in January there was the most severe drop in employment since the end of the war. A decrease in manufacturing employment, principally in the furniture, fabricated metals, nonelectrical machinery and lumber and wood products industries, was reported to be due more to a lack of demand than to seasonal influences. The decline in nonmanufacturing industries, however, was primarily seasonal. Total employment in the Louisville area is still slightly higher than a year ago, although manufacturing employment is somewhat lower.

In the Evansville area employment in manufacturing declined between November and January as a result of cutbacks in the refrigerator and automobile industries. The employment reduction in automobiles, however, was due to a model changeover and the workers are expected to be recalled in the near future. Nonmanufacturing employment also declined, principally because of seasonal factors. Unemployment compensation claims in January, 1949 averaged half again as large as a year earlier.

Nonagricultural employment in the Little Rock area declined by approximately 2,000 between November and January, principally as the result of reductions in construction and retail trade. Slight losses occurred in the manufacturing, public utilities, and service industries. January employment was about 1,000 below that of a year earlier, with the major declines in the construction and public utilities industries. Manufacturing and government employment was about the same as a year ago, while retail trade and service employment increased slightly. Unemployment in January, 1949, was about 10 per cent higher than in January, 1948, as the result of employment reductions, which were offset to a limited degree by workers leaving the labor market.

INDUSTRY

Industrial activity in the district declined in January with the decrease apparently slightly more than seasonal. The general level, however, and that of most lines apparently averaged higher than in the corresponding month a year earlier.

Manufacturing activity was relatively unchanged during the month when allowance is made for seasonal factors. Crude oil production increased, regaining the levels attained late in 1948. Coal mines in the district operated at a lower level than in December and production was smaller than in January last year. Poor weather conditions curtailed construction in most parts of the district and contracts let for new work declined sharply in value.

Manufacturing—Manufacturing industries generally held operations at about the December level although most of the plants that cut back schedules at the close of the year continued to operate at a reduced pace. Some increase was indicated in the chemical, machinery and food industries. Retooling operations closed some of the district's automobile plants. The refrigerator industry continued to work at appreciably reduced schedules, as did manufacturers of stoves.

Industrial power consumption in the reporting district cities was off less than 1 per cent from December and totaled 9 per cent larger than in January last year. The only substantial increase from December was in Memphis. In St. Louis consumption was fractionally larger during the month, while in the other cities there were declines ranging from about 1 per cent in Little Rock to 8 per cent in Pine Bluff.

Steel—Basic steel operations in the St. Louis area were scheduled at 72 per cent of capacity in January or slightly below the December rate of 76 per cent. In January last year operations were at 77 per cent of capacity. The lowered rate was due to maintenance shutdowns of several of the district's open hearth furnaces. According to trade reports there have been scattered cancellations of orders for strip steel, but so far tonnage involved is very small.

Lumber—Basic lumber production in January was at a slightly higher level than in the previous month or in January a year ago, although heavy rains in the south hampered logging operations and transportation. However, the usual winter decline in buying made it possible for orders to be filled and still hold stocks at a high level. At the end of December, unsold stocks on hand, as reported by southern pine producers, were 68 per cent higher than a year ago. Reports indicate that southern pine operators plan to install more kilns during the next few months and buyers can expect more kiln-dried lumber in the near future. Hardwood producers report that slow buying at the winter furniture shows was reflected in a decrease in manufacturers' orders.

Reporting southern hardwood producers operated at 80 per cent of capacity as compared with 76 per cent in December and in January a year ago. Average weekly output of southern pine producers increased 3 per cent over December and was 5 per cent above January, 1948.

Whiskey—At the close of January, 41 of Kentucky's 63 distilleries were in operation. This is the same number as a month ago but considerably more than the 24 producing at the same time a year ago, when operations were influenced by the voluntary allocation of grain. Production continues at a high rate with distillers taking advantage of the plentiful supply and low prices of corn. Although stocks are accumulating at a rapid rate, retail prices remain firm.

Whiskey production in Kentucky in December totaled 9.1 million tax gallons, a 20 per cent increase over November output. In December, 1947, production totaled less than one-half million tax gallons, due to the grain allocations.

Meat Packing—Operations in the meat packing industry continued below year ago levels in January, as measured by the number of animals slaughtered under Federal inspection in the East St. Louis area. The year-to-year decline of 11 per cent was the largest since September. Nationally, slaughter was 3 per cent smaller than in January, 1948. The decline from December in the district also was larger than the national decrease—19 per cent as compared with 11 per cent nationally.

A total of 448,000 animals were slaughtered under Federal inspection in this area in January. In December the total was 553,000 and in January last year it was 505,000. Percentagewise, the largest

INDUSTRY

CONSUMPTION OF ELECTRICITY

(K.W.H. in thous.)	No. of Customers*	Jan., 1949 K.W.H.	Dec., 1948 K.W.H.	Jan., 1948 K.W.H.	Jan., 1949 Compared with Dec.,'48	Jan., 1949 Compared with Jan.,'48
Evansville	40	8,392	9,000	8,851 R	— 6.8%	— 5.2%
Little Rock	35	4,927	4,964	4,345	— 0.7	+13.4
Louisville	80	70,832	72,136	63,672 R	— 1.8	+11.2
Memphis	31	6,698	5,883	5,372	+13.9	+24.7
Pine Bluff	26	6,150	6,662	6,350	— 7.7	— 3.1
St. Louis	139	83,738	83,068	76,703 R	+ 0.8	+ 9.2
Totals	351	180,737	181,713	165,293 R	— 0.5%	+ 9.3%

* Selected industrial customers.
R—Revised.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS
First Nine Days

Jan.,'49	Dec.,'48	Jan.,'48	Feb.,'49	Feb.,'48	1 mo.'49	1 mo.'48
108,055	114,207	120,723	32,339	33,341	108,055	114,207

Source: Terminal Railroad Association of St. Louis.

CRUDE OIL PRODUCTION—DAILY AVERAGE

(In thousands of bbls.)	Jan., 1949	Dec., 1948	Jan., 1948	Jan., 1949 compared with Dec., 1948	Jan., 1949 compared with Jan., 1948
Arkansas	83.3	73.9	87.3	+13%	— 5%
Illinois	179.7	178.9	171.3	- 0 -	+ 5
Indiana	24.2	24.2	17.7	- 0 -	+37
Kentucky	23.9	24.0	26.7	- 0 -	—10
Total	311.1	301.0	303.0	+ 3%	+ 3%

declines were in the slaughter of calves and sheep. Cattle slaughter was 18 per cent smaller than in December and 24 per cent below last January. Hog killings were down 16 per cent from December and 8 per cent less than a year ago.

Shoes—Preliminary estimates indicate that shoe production in the district in December dropped below output of a year earlier for the fourth consecutive month. The decline in December, however, was smaller than in any of the previous months. Production was estimated at 8.2 million pairs as compared with 6.6 million in November and 8.3 million in December, 1947.

Petroleum and Coal—Daily average production of crude oil in the district in January increased 3 per cent above December output, resuming the higher level established in September, October and November of last year. Output also was higher than a year ago. Daily production in January averaged 311,000 barrels compared with 301,000 barrels in December, and 303,000 barrels in January, 1948. The gain over the previous month directly reflects a 13 per cent gain in production of Arkansas wells since output in the other district states remained unchanged. The year-to-year increase was traceable to a 37 per cent increase in Indiana along with a 10 per cent gain in output in Illinois.

Coal production in the district in January was fractionally higher than in the previous month whereas national output was up 4 per cent. Eighth District mines produced 10 million tons in January compared with 9.9 million tons in December and 11.3 million tons in January, 1948. Increases of 3 per cent in Indiana and 1 per cent in Illinois and Missouri just barely offset decreases of 2 per cent and 5 per cent in Kentucky and Arkansas, respectively. Compared with last year, production was off 36 per cent in Arkansas, 27 per cent in Kentucky, 9 per cent in Illinois and 2 per cent in Indiana. In Missouri, output was 4 per cent larger than a year earlier.

Construction—Construction contracts awarded in the district declined in January in both residential and nonresidential sectors. Although this was the first time since 1946 that contracts declined between December and January, prior to the war the normal trend was downward in this period. The dollar value of contracts awarded in January was $31.3 million according to the F. W. Dodge reports. This was 27 per cent below the December total of $42.5 million and 33 per cent below a year ago when contracts were valued at $46.3 million.

Residential construction awards in January totaled $8.8 million, compared with $13.7 million in December and $15.5 million in January of last year, decreases of 36 per cent and 43 per cent, respectively. These represented larger decreases percentagewise than nonresidential construction, which was off 22 per cent from December and 27 per cent from a year ago.

In the reporting district cities, building permits awarded in January declined considerably. The dollar value totaled $3.4 million, a decrease of 29 per cent compared with the previous month and 41 per cent below the total in January, 1948. On a month-to-month basis the value of permits declined in all the reporting cities except Evansville, where they were more than double the value reported in December.

WHOLESALING

Lines of Commodities Data furnished by Bureau of Census U. S. Dept. of Commerce	Net Sales: Jan., 1949 compared with Dec., 1948	Net Sales: Jan., 1949 compared with Jan., 1948	Stocks: Jan., 31, 1949 compared with Jan. 31, 1948
Dry Goods	+10%	—32%	....%
Groceries	— 8	—16	- 0 -
Hardware	—19	— 5	+20
Tobacco and its Products	—22	— 3	+ 8
Miscellaneous	+ 1	— 6	- 0 -
**Total all lines	— 8%	—14%	+ 7%

* Preliminary.
** Includes certain items not listed above.

CONSTRUCTION

BUILDING PERMITS
Month of January

(Cost in thousands)	New Construction: Number 1949	New Construction: Number 1948	New Construction: Cost 1949	New Construction: Cost 1948	Repairs, etc.: Number 1949	Repairs, etc.: Number 1948	Repairs, etc.: Cost 1949	Repairs, etc.: Cost 1948
Evansville	18	58	$ 241	$ 112	41	56	$ 21	$ 45
Little Rock	28	71	80	785	92	108	63	88
Louisville	75	70	338	537	36	36	48	68
Memphis	471	607	1,248	2,730	133	95	152	115
St. Louis	115	202	816	923	143	147	356	256
Jan. Totals	707	1,008	$2,723	$5,087	445	442	$ 640	$ 572
Dec. Totals	763	1,339	$3,961	$7,569	501	440	$ 745	$ 774

TRADE

Retail sales volume in many parts of the district as in the nation was affected by continuing bad weather during January. As a result volume dropped more than seasonally from the previous month. Department store sales were spotty throughout the nation with weather causing fairly sharp swings in volume from week to week. Intensive general sales promotions and special clearances plus traditional "January white sales" helped to offset the decline due to weather.

Durable goods retailers, also hampered by adverse weather conditions, advanced into January some "inventory reduction sales" normally held in February. Apparently the February sales were held also in a number of instances. Furniture store and appliance retail executives report that while January sales were somewhat low in comparison with the previous month and year ago, volume was not disappointing in view of weather conditions and a noticeable return to "normal" shopping habits. While some importance was given to credit regulations as a limiting factor in sales volume, the consensus was that prevailing price levels were more of a contributing factor.

At Eighth District reporting department stores the dollar volume of sales in January declined 56 per cent from December and was 5 per cent less than in January, 1948. The greater-than-seasonal decline from the previous month and lessened volume in comparison with a year ago was attributed almost wholly to extremely adverse weather conditions in the latter half of the month.

At those St. Louis department stores reporting sales by departments the decline was shown to be general throughout most of the divisions. Sales of women's and misses' ready-to-wear accessories and apparel in the main store declined 12 per cent and 3 per cent, respectively; in the basement store sales volume of comparable departments averaged slightly larger than in January 1948. Upstairs men's and boys' divisions reported sales totaling 5 per cent less than in January last year. The decline was smaller, however, than in the comparable basement division where a loss of 9 per cent in dollar sales from a year ago was registered. Despite "white sales", volume in the main store piece goods and household textiles divisions was 2 per cent under January, 1948 volume while the like divisions in the basement were unchanged from the same period. Main store sales of housefurnishings declined 15 per cent. This compares with a 4 per cent gain in basement housefurnishings divisions.

BANKING

For the first seven weeks of 1949, total loans of weekly reporting member banks declined $16 million, the same dollar decline as in the corresponding period in 1948. This decline was the net result of a drop of $21 million in business and agricultural loans, a $4 million gain in "other" loans (largely consumer credit loans), and a $1 million expansion in real estate loans. While the decrease in total loans was similar to that in 1948, the decline in business and agricultural loans was greater and the expansion in real estate loans was less. The growth in "other" loans was unchanged from that of 1948.

Change in Loan Volumes
34 Weekly Reporting Eighth District Member Banks
(In Millions of Dollars)

	First Seven Weeks 1949	First Seven Weeks 1948
Business and Agricultural Loans	—20.7	—12.6
Real Estate Loans	+ 1.3	+ 3.2
"Other" (consumer) Loans	+ 4.0	+ 4.1
Loans to Banks	+ 0.1	—10.0
Loans on Securities	— 0.7	— 0.2
Total	—16.0	—15.5

TRADE

DEPARTMENT STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	Jan., 1949 compared with Dec.,'48	Jan., 1949 compared with Jan.,'48	mos. to same period	Jan. 31, '49 comp. with Jan.31,'48	Jan. 1, to Jan. 31, 1949	Jan. 1, to Jan. 31, 1948
Ft. Smith, Ark.	—62%	— 4%	........%	+ 1%	.28	.31
Little Rock, Ark.	—60	— 2	....	+ 9	.27	.32
Quincy, Ill.	—61	—14	....	+20	.20	.29
Evansville, Ind.	—61	— 9	....	+ 8	.21	.26
Louisville, Ky.	—62	— 2	....	+ 4	.30	.32
St. Louis Area [1]	—52	— 9	....	—13	.29	.30
St. Louis, Mo.	—51	— 8	....	—13	.29	.30
E. St. Louis, Ill.	—60	—16	....	....	....	....
Springfield, Mo.	—65	—30	....	- 0 -	.18	.24
Memphis, Tenn.	—57	+10	....	—11	.31	.25
* All other cities	—61	— 4	....	+ 3	.19	.21
8th F. R. District	—56	— 5	....	— 7	.28	.29

* El Dorado, Fayetteville, Pine Bluff, Ark.; Harrisburg, Mt. Vernon, Ill.; New Albany, Vincennes, Ind.; Danville, Hopkinsville, Mayfield, Paducah, Ky.; Chillicothe, Mo.; Greenville, Miss.; and Jackson, Tenn.

[1] Includes St. Louis, Mo., Alton, Belleville, and East St. Louis, Ill.

Outstanding orders of reporting stores at the end of January, 1949, were 39 per cent less than on the corresponding date a year ago.

Percentage of accounts and notes receivable outstanding January 1, 1949, collected during January, by cities:

	Instalment Accounts	Ex. Inst. Accounts		Instalment Accounts	Ex. Inst. Accounts
Fort Smith	....%	45%	Quincy	[illegible]%	58%
Little Rock	19	45	St. Louis	19	54
Louisville	23	49	Other cities	18	51
Memphis	26	49	8th F. R. Dist.	21	51

INDEXES OF DEPARTMENT STORE SALES AND STOCKS
8th Federal Reserve District

	Jan., 1949	Dec., 1948	Nov., 1948	Jan., 1948
Sales (daily average), Unadjusted [2]	238	517	404	239
Sales (daily average), Seasonally adjusted [2]	290	338	321	291
Stocks, Unadjusted [3]	260	276	347	265
Stocks, Seasonally adjusted [3]	303	329	325	309

[2] Daily Average 1935-39=100.

[3] End of Month Average 1935-39=100.

SPECIALTY STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	Jan., 48 compared with Dec.,'48	Jan., 48 compared with Jan.,'48	mos. to same period	Jan. 31, '49 comp. with Jan.31,'48	Jan. 1, to Jan. 31, 1949	Jan. 1, to Jan. 31, 1948
Men's Furnishings	—58%	+ 3%	........%	+11%	.23	.25
Boots and Shoes	—47	— 3	....	+ 6	.30	.32

Percentage of accounts and notes receivable outstanding January 1, 1949, collected during January:

Men's Furnishings........ 49% Boots and Shoes........ 47%

Trading days: January, 1949—25; December, 1948—26; January, 1948—26.

RETAIL FURNITURE STORES *

	Net Sales		Inventories		Ratio of Collections	
	Jan., 1949 compared with Dec.,'48	Jan., 1949 compared with Jan.,'48	Jan., 1949 compared with Dec.,'48	Jan., 1949 compared with Jan.,'48	Jan.,'49	Jan.,'48
St. Louis Area [1]	—56%	—26%	— 3%	+12%	28%	21%
St. Louis	—56	—26	— 3	+12	28	21
Louisville Area [2]	—52	—25	—15	- 0 -	16	18
Louisville	—52	—25	—15	- 0 -	16	18
Memphis	—59	— 3	— 3	— 4	16	18
Little Rock	—39	— 7	— 9	— 1	23	25
8th Dist. Total [3]	—51	—18	— 7	+ 7	24	21

[1] Includes St. Louis, Missouri; East St. Louis and Alton, Illinois.

[2] Includes Louisville, Kentucky.

[3] In addition to above cities, includes stores in Blytheville, Fort Smith, and Pine Bluff, Arkansas; Hopkinsville, Owensboro, Kentucky; Greenville, Greenwood, Mississippi; Hannibal and Springfield, Missouri; and Evansville, Indiana.

* 37 stores reporting.

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	Jan., '49	Dec., '48	Jan., '48
Cash Sales	19%	19%	17%
Credit Sales	81	81	83
Total Sales	100%	100%	100%

BANKING

PRINCIPAL ASSETS AND LIABILITIES FEDERAL RESERVE BANK OF ST. LOUIS

(In thousands of dollars)	Feb. 16, 1949	Change from Jan. 19, 1949	Change from Feb. 18, 1948
Industrial advances under Sec. 13b	$	$	$ ....
Other advances and rediscounts	9,237	— 1,108	— 8,458
U. S. Securities	1,205,308	+ 4,686	+ 72,045
Total earning assets	$1,214,545	$+ 3,578	$+ 63,587
Total reserves	$ 750,555	$— 8,003	$+106,760
Total deposits	847,090	+ 6,776	+160,112
F. R. notes in circulation	1,110,383	— 20,206	+ 1,332
Industrial commitments under Sec. 13b	$	$	$— 580

PRINCIPAL ASSETS AND LIABILITIES WEEKLY REPORTING MEMBER BANKS EIGHTH FEDERAL RESERVE DISTRICT

(In Thousands of Dollars)
34 Banks Reporting

Assets	Feb. 16,'49	Change from Jan. 19,'49	Change from Feb. 18,'48
Gross commercial, industrial and agricultural loans and open market paper	$ 611,136	$— 8,282	*
Gross loans to brokers and dealers in securities	5,551	— 96	*
Gross loans to others to purchase and carry securities	21,612	— 286	*
Gross real estate loans	161,054	+ 199	*
Gross loans to banks	1,245	— 15	*
Gross other loans (largely consumer credit loans)	213,449	— 326	*
Total	$1,014,047	$— 8,806	*
Less reserve for losses	9,248	— 9	*
Net total loans	$1,004,799	$— 8,797	$+ 39,723
Treasury bills	55,068	— 10,850	+ 16,056
Certificates of indebtedness	201,233	— 31,965	+101,054
Treasury notes	55,009	+ 1,060	— 36,474
U. S. bonds and guaranteed obligations	690,043	+ 5,692	— 70,622
Other securities	134,831	— 585	— 11,129
Total investments	$1,136,184	$— 36,648	$— 1,115
Cash assets	828,186	— 36,803	+ 92,844
Other assets	24,046	+ 486	— 1,018
Total assets	$2,993,215	$— 81,762	$+130,434
Liabilities			
Demand deposits of individuals, partnerships, and corporations	$1,463,181	$— 47,228	$+ 50,746
Interbank deposits	651,447	— 77,886	+ 26,443
U. S. Government deposits	68,076	+ 36,064	+ 43,998
Other deposits	143,519	+ 4,575	+ 13,012
Total demand deposits	$2,326,223	$— 84,475	$+134,199
Time deposits	475,181	+ 2,518	+ 1,151
Borrowings	1,000	— 1,000	— 10,350
Other liabilities	15,828	+ 230	+ 158
Total capital accounts	174,983	+ 965	+ 5,276
Total liabilities and capital accounts	$2,993,215	$— 81,762	$+130,434
Demand deposits, adjusted**	$1,387,524	$— 32,696	$+ 57,584

* Comparative data not available due to change in method of reporting.
** Other than interbank and government demand deposits, less cash items on hand or in process of collection.

DEBITS TO DEPOSIT ACCOUNTS

(In thousands of dollars)	Jan., 1949	Dec., 1948	Jan., 1948	Jan.,'49 comp. with Dec., '48	Jan.,'49 comp. with Jan., '48
El Dorado, Ark.	$ 22,844	$ 24,586	$ 21,162	— 7%	+ 8%
Fort Smith, Ark.	39,239	42,952	40,362	— 9	— 3
Helena, Ark.	10,309	10,460	8,749	— 1	+ 18
Little Rock, Ark.	121,551	137,013	114,363	—11	+ 6
Pine Bluff, Ark.	29,546	36,146	29,223	—18	+ 1
Texarkana, Ark.*	10,511	10,605	10,207	— 1	+ 3
Alton, Ill.	23,530	26,863	25,363	—12	— 7
E.St.L.-Nat.S.Y.,Ill.	105,194	132,753	128,607	—21	— 18
Quincy, Ill.	27,855	31,673	31,736	—12	— 12
Evansville, Ind.	113,316	121,055	120,997	— 6	— 6
Louisville, Ky.	474,295	595,056	517,043	—20	— 8
Owensboro, Ky.	31,659	33,058	31,568	— 4	- 0 -
Paducah, Ky.	14,163	17,751	16,016	—20	— 12
Greenville, Miss.	24,818	30,389	20,925	—18	+ 19
Cape Girardeau, Mo.	12,807	12,172	11,721	+ 5	+ 9
Hannibal, Mo.	7,215	8,462	8,265	—15	— 13
Jefferson City, Mo.	78,141	43,590	52,612	+79	+ 49
St. Louis, Mo.	1,501,013	1,780,001	1,493,243	—16	+ 1
Sedalia, Mo.	9,094	11,067	10,317	—18	— 12
Springfield, Mo.	50,973	58,400	56,964	—13	— 11
Jackson, Tenn.	17,856	20,601	17,589	—13	+ 2
Memphis, Tenn.	556,460	674,742	529,146	—18	+ 5
Totals	$3,282,389	$3,859,395	$3,296,178	—15%	- 0 -%

* These figures are for Texarkana, Arkansas, only. Total debits for banks in Texarkana, Texas-Arkansas, including banks in the Eleventh District amounted to $26,330.

It should be pointed out that the decline in business and agricultural loans is not large percentagewise. In the first seven weeks of 1948 the drop was 2 per cent; in 1949, 3 per cent. Business and agricultural loans on February 16, 1949, were $16 million over February 18, 1948.

Total loans at all district member banks at the end of January, the latest date for which data are available were down $10 million from the 1948 year-end figure. Total loans for small rural banks declined in January for the first time since November, 1947.

The slight decline in total loans at the smaller banks in January and the somewhat greater decline in business and agricultural loans at the weekly reporting banks, noted above, reflect the uncertainty of bankers and businessmen in this district as to the general business outlook for the immediate future.

The district reporting member banks' holdings of U. S. Government securities have expanded $18 million since the close of 1948 reflecting changed appraisal of the Government security market, preferences for investments as against loans, and a smaller Treasury surplus which holds down the Treasury debt retirement program. The percentage distribution of Governments in reporting member banks as between bills, certificates, notes and bonds has changed but little despite the significant shift in investment appraisal of long-term securities in the past three and one-half months. The principal changes since October 27, 1948 are toward some-what smaller proportions of bonds, notes and bills and an expansion in the percentage of certificates.

In terms of total deposits, the change from the year-end is slightly down—$44 million—for the seven weeks of 1949. By comparison with the $206 million drop in the first seven weeks of 1948, the decline thus far in 1949 is moderate. It should be weighed, however, in terms of the reduced Treasury debt retirement program which cannot bring the same force to bear on the level of deposits this year.

AGRICULTURE

The decline in agricultural prices in January and the first part of February, although not as spectacular as the break in prices early in 1948, nevertheless carried prices of several farm commodities to new postwar lows. The Bureau of Labor Statistics index of farm product prices on February 8 was 7 per cent lower than a month earlier and 11 per cent lower than a year earlier. Grains were 13 per cent lower, and livestock was 10 per cent lower than a month earlier, while they were 29 per cent and 9 per cent lower, respectively, than a year earlier.

Spot market price quotations of corn, barley, cottonseed oil, lard and tallow dipped to new postwar lows, and on February 8 were below levels that prevailed prior to initial price decontrol in June, 1946. Prices of hogs and steers were lowest since October, 1946 and the May contract of Number 2 Hard Winter Wheat (Kansas City) sold for $1.94 per bushel compared with a low of $2.22 during the market break of February, 1948.

Net farm income of farm operators in 1948 was two per cent or $400 million less than in 1947, representing the first decline in ten years. The $17.4 billion net income, however, was very high by any prewar standard. With continued softening of farm prices, and relatively inflexible farm costs, further declines in net farm income in 1949 are expected.

Equities of farmers increased $6.2 billion during 1948. However, two-thirds of this increase represented further increases in the value of land. Changes during the year which deserve the most careful attention took place on the "claims" side of the balance sheet. Total real and non-real estate debt at the beginning of 1949, exclusive of Commodity Credit Corporation loans, was $10.1 billion, $300 million more than any year since 1940. Debts of farmers, exclusive of C. C. C. loans, increased $1.2 billion in 1948, the largest increase since the reversal of the downward trend in farm indebtedness in 1946. Of this increase, $898 million represented additions to short-term debt.

Farm mortgage debt increased $258 million in 1948, the third year in which increases have occurred. The rate of increase in farm real estate debt during 1948 also exceeded the rate of increase in the two preceding years. It should be remembered, however, that total farm mortgage indebtedness in 1949 is only half what it was in 1922. On the other hand, if data as to assets and claims of only those in debt were available, the proprietors' equities probably would show up as much thinner.

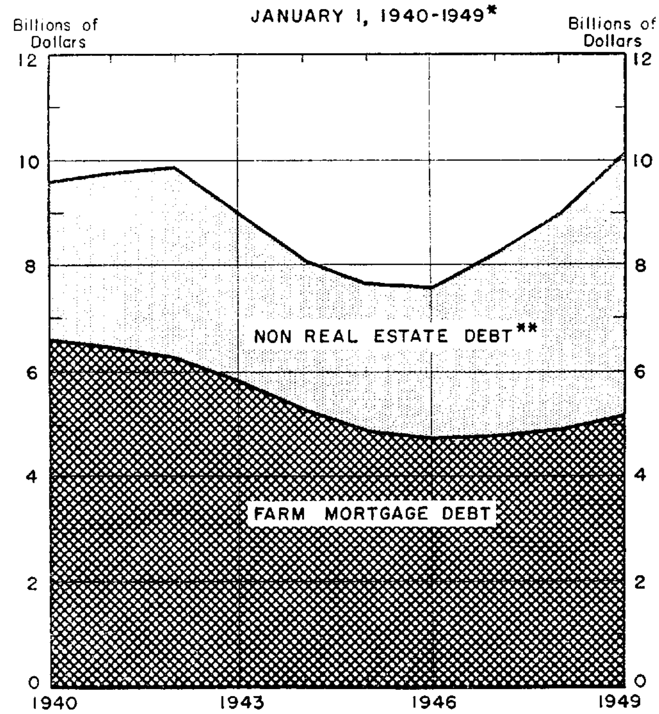
Deposits and currency in the hands of farmers apparently declined for the first time since before the war. Although the decline was small and was offset partially by increased holdings of savings bonds, it probably marked the turning point in growth of liquid financial holdings of farmers. Reasons (other than a narrower profit margin) for this decrease are shown in the balance sheet . Assets of farmers in machinery and motor vehicles increased $2.8 billion during the year, and additions to the value of household equipment were more than one-half billion dollars. The physical volume of crops was greater on January 1, 1949, than a year earlier, but the value was less. The reverse was true in the case of livestock; numbers were fewer but their value was higher.

BALANCE SHEET OF AGRICULTURE: PRELIMINARY ESTIMATES FOR JANUARY 1, 1949, AND COMPARISON WITH ESTIMATES FOR JANUARY 1, 1948[1]

Item ASSETS	Jan. 1, 1949 (Preliminary estimates) Million dollars	Jan. 1, 1948 (Balance sheet) Million dollars	Change 1948 to 1949 Million dollars
Physical assets:			
Real estate	$ 66,900	$ 62,813	$4,087
Non-real estate:			
Livestock	14,600	13,451	1,149
Machinery and motor vehicles	12,600	9,174	2,826
Crops, stored on and off farms [2]	8,500	8,830	—330
Household equipment [3]	6,000	5,415	585
Financial assets:			
Deposits and currency	15,200	15,600	—400
United States savings bonds	5,000	4,745	255
Investments in cooperatives	2,125	1,916	209
Total	$130,325	$121,944	$8,381
CLAIMS			
Liabilities:			
Real estate mortgages	5,140	4,882	258
Non-real estate debt:			
To principal institutions:			
Excluding loans held or guaranteed by Commodity Credit Corporation	2,800	2,302	498
Loans held or guaranteed by Commodity Credit Corporation	1,120	81	1,039
To others [4]	2,200	1,800	400
Total	11,260	9,065	2,195
Proprietors' equities	119,065	112,879	6,186
Total	$130,325	$121,944	$8,381

[1] The margin of error of the estimates varies with the items.
[2] Includes all crops held on farms and crops held in bonded warehouses as security for Commodity Credit Corporation loans.
[3] Estimates valuation for 1940 plus purchases minus depreciation.
[4] Tentative. Includes individuals, merchants, dealers, and other misc. lenders.
(Source: U. S. Department of Agriculture, Bureau of Agricultural Economics.)

FARM REAL AND NON-REAL ESTATE DEBT
UNITED STATES
JANUARY 1, 1940-1949*



* 1949 DATA PRELIMINARY
** EXCLUDES C.C.C. LOANS
SOURCE: U.S.D.A., B.A.E.

FEDERAL RESERVE BANK OF ST. LOUIS
INCORPORATED MAY 18, 1914