



Monthly Review

F E D E R A L R E S E R V E B A N K O F S T . L O U I S

Volume XXXIII

FEBRUARY, 1951

Number 2

1950 — BUTTER, GUNS AND INFLATION

1950 was a year of rising industrial and business activity. New peaks were reached in many lines. Before Korea inflationary pressures were evident with civilian demand—for consumers goods, business inventories and construction—furnishing almost all of the force. Korea added more military spending. Defense contracts began to flow into the district; some Government installations were reactivated and some new Government-owned plants were planned. The general result was some tightening in local areas but the over-all effect on the district economy was not great.

Increased non-military spending had more impact than the defense work after Korea. Civilian income rose and credit expanded sharply. Inflationary pressures grew.

The Federal Reserve System moved to moderate these forces but at year-end they still were strong and growing.

District employment rose sharply in 1950. Employment peaked in all major district cities. "Extra" workers entered the district labor force in 1950. Certain occupational shortages developed and there was a fairly general increase in hours and wages.

District industry boomed last year. Steel operating rates were higher, lumber output increased, meat packing activity was up, shoe production increased and whiskey production rose. Coal and oil production was higher. Construction was at a new peak,

largely due to the housing boom.

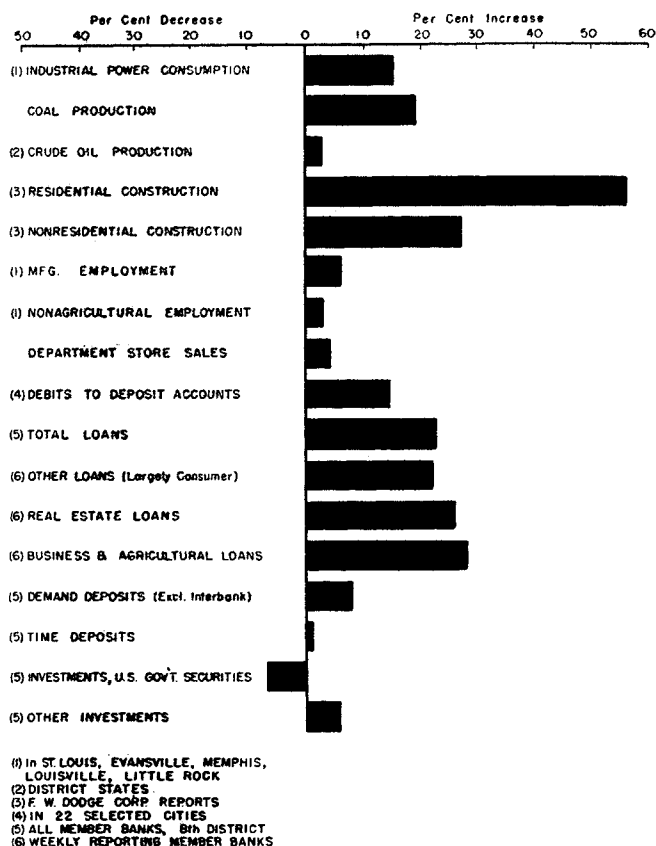
Consumers spent more money in 1950 than ever before. Hard goods led the sales parade. Korea touched off a buying wave but sales soon settled down, although for most lines at a higher level than pre-Korea. Consumer credit increased. Inventory replacement became more difficult. District department store sales were ahead of 1949. Furniture store sales were up sharply. Apparel stores just about maintained volume.

Farm prices rose in 1950; so did prices paid by farmers, but by a smaller percentage. Crop production was smaller than in 1949, but was the third largest of record. Farm income spurted in late 1950. Farm land prices went up also.

Eighth District member banks increased their loan volume roughly 25 per cent in 1950, principally in the form of loans to business centering in the larger city banks. Funds to expand loans were obtained partly by selling U. S. Government securities to individual and corporate savers, but a substantial share was created by the banking system, thereby adding to the money supply. A more rapid use of the expanded money supply also characterized the year and, supplemented by the "spending" of liquid assets, produced a sharp gain in private expenditures that outran production.

To counter the credit expansion, the Federal Reserve System tightened its restrictions—utilizing virtually all its tools of control.

THE YEAR AT A GLANCE EIGHTH DISTRICT TRENDS, 1949 - 1950



1950 was a year of rising industrial and business activity.

Economic activity in the district and the nation trended upward throughout 1950. In some lines—notably in residential construction—the uptrend developed into a full-scale boom. The degree of expansion was less striking in other phases of the economy. But the increases that occurred resulted in a year in which the over-all economic level was well above that in 1949.

The strong upward trend that characterized activity during 1950 got under way in the second half of 1949. As 1950 began, the underlying pressures were still pushing activity toward higher levels.

New peaks were reached in many lines.

Before 1950 came to a close many of the previously established peaks were relegated to a position of "second-best years." Manufacturing output was larger than in any other "peacetime" year—and so was manufacturing employment. Total nonfarm employment was larger than ever before. Income received by individuals and profits earned by business corporations climbed to new high

levels. Consumers' expenditures for goods and services were larger than in any previous year—and the same was true of outlays for construction.

Before Korea inflationary pressures were evident with civilian demand—for consumer goods, business inventories and construction—furnishing almost all of the force. Most of the upward pressure during the first half of 1950 resulted from the large volume of expenditures by consumers. Buying was heavy in a number of retail lines but was concentrated in consumers' durables—particularly automobiles and major appliances. Demand for soft goods in general was not equally strong and expenditures for apparel and some other kinds of nondurables actually were smaller than they were in the first half of 1949.

Retailers, wholesalers and manufacturers also stepped up their buying. In the first six months there was a net accumulation of business inventories at the national level. This contrasts sharply with the inventory liquidation that occurred just a year earlier—a major factor in the decline in industrial output and employment in the first half of 1949.

The year had hardly begun when activity in the construction industry showed signs of developing into a full-scale boom. The volume of non-residential construction put under contract in the district during the first quarter of 1950 climbed above that in 1949 and by midyear was near the postwar peak levels reached in 1946 and 1947. Even more striking gains occurred in the residential field. Here, the value of units put under contract jumped sharply from the seasonal low level in February. By May these expenditures were at the peak for the year—and totaled larger than ever before for a single month.

Korea added more military spending.

In 1950, as in 1949, the midyear was an economic milepost. In mid-1949 the downturn in activity was halted and the recovery which carried through into 1950 got under way. The events that occurred in mid-1950 were more dramatic and more far-reaching in their implications. When the Korean conflict began, forces were set in motion which not only affected economic trends during the remainder of 1950 but which will exert a dominant influence on our economy well into the future.

The situation in Korea did not result in a clear-cut transition from a "peacetime" economy to a "war" economy. We did not move from "butter to guns." Rather, we embarked on a program of "butter and guns."

Defense contracts began to flow into the district . . .

The volume of defense contracts placed with district firms tended to increase fairly sharply in the first few months after Korea. The trend toward the end of 1950 was not well defined, however. Security regulations apparently prohibit full-scale reporting of defense contracts. Data published by the U. S. Department of Commerce relate mainly to so-called "housekeeping" items required by the armed services, and do not include contracts for items that are on a restricted list.

During the last half of the year, the value of prime contracts for which Commerce publishes data totaled about \$30 million in this district. Of this amount, 27 per cent was placed with companies in the leather and leather products industry. The food industry was next, accounting for 12 per cent, and the lumber and lumber products was third largest, receiving some 11 per cent of the total. Most of the total was concentrated in the St. Louis and Louisville areas.

The volume of classified contracts, or of sub-contracts placed with district firms, is not available. There are indications that in the St. Louis area alone classified contracts total upwards of several hundred millions of dollars. In general, these are concentrated in a few firms, particularly in the aircraft manufacturing field.

. . . some Government installations were reactivated . . .

In some district areas, Army camps or other Government installations were reactivated, among them Camp Breckenridge, located near Morganfield, Kentucky, Camp Chaffee at Fort Smith, Arkansas, and Fort Leonard Wood in Missouri. At Millington, Tennessee, plans for a large expansion of the Navy's Air Technical Training Center got under way late in the year.

Among some of the Government-owned industrial facilities in the district, reactivation or expansion programs were begun. At Camden, Arkansas, an initial expansion program costing \$12.5 million was started at the Navy's rocket manufacturing plant. Further expansion is expected to raise the total to upwards of \$35 million. The synthetic rubber plants in Louisville were reopened; additional funds were appropriated for the Pine Bluff (Arkansas) Arsenal; just over the line, in Texas, from Texarkana, Arkansas, the huge Lone Star Ordnance Depot was reactivated; and in Tennessee, part of the facilities at the Milan Arsenal were brought into production.

. . . and some new Government-owned plants were planned.

More significant than these expansions, in some respects, was the announcement late in 1950 that a huge \$500 million plant was to be constructed near Paducah, Kentucky, by the Atomic Energy Commission. It will employ some 10,000 construction workers and an estimated 1,600 permanent employees. In order to furnish electric power requirements of the plant, the TVA and a privately financed company plan to invest a total of about \$190 million additional electric power generating facilities in the Paducah area.

The general result was some tightening in local areas . . .

Where expansions in existing facilities occurred, or where camps or plants were reactivated, the immediately surrounding areas experienced some tightening in their economies. This showed up particularly in housing. In most instances, housing already was scarce—and an influx of workers added to the critical nature of the problem.

It affected the labor market, too. Usually, demand for labor could be met without much difficulty. But in some areas, local employers suddenly found they were competing with the recruitment offices on these projects—and some difficulty was experienced in holding employees at prevailing wages.

. . . but the over-all effect on the district economy was not great.

The economy of the district as a whole, however, was relatively unaffected by the inflow of Government orders and the increase in operations at Government installations. The volume of demand for defense goods was not large—in fact it was quite small relative to civilian demand—and tended to be concentrated in lines that required little or no conversion of facilities.

Increased nonmilitary spending had more impact than the defense work after Korea.

The initial reaction of consumers, as a group, to the war situation was to buy—especially those items which during World War II were scarce or unobtainable. Department store sales zoomed in July and early August. Automobile dealers were swamped with customers. Sales of homefurnishings shot up to new peaks.

The heavy buying at the consumers level cut into dealers stocks. In order to replace inventories, and to build up supplies in anticipation of future price rises and/or shortages, retailers also stepped up their buying. The wave carried back to the manufacturers and, as a result, business orders moved up sharply all along the line.

Late in August the initial rush for goods tended to subside, at least at the retail level. Consumers cut back their spending to something approaching a "normal" level. Many retailers continued to increase their commitments, however, and manufacturers made further attempts to build up inventories and at the same time to reduce the growing volume of unfilled orders on their books.

Civilian income rose . . .

The great expansion in demand in the months following the outbreak of hostilities pushed prices higher. For producers this meant a boost in income. Farm prices advanced sharply, a rise that was reflected in an expansion in farm income. Business income also moved up. For workers in factories as well as many in other industries, the general rise in living costs was a stimulus for another round of wage increases. In addition, average weekly earnings later in the year began to reflect a lengthening of the workweek and, in some instances, a gradual increase in overtime pay.

. . . and credit expanded sharply.

Rising income tended to add to the inflationary pressures that already existed. But a principal source of such pressure in the last half of 1950 was the large increase in private credit which pumped additional funds into the money stream and intensified the demand for goods and services.

Inflationary pressures grew.

The result was an increase in prices throughout the district. In December, consumers' prices in St. Louis averaged 180.2 per cent of 1935-39 as against 169.7 per cent in June and 167.8 per cent in December, 1949. In Memphis they were at 180.2 per cent as against 169.9 per cent in June and 170.8 per cent in December, 1949. In each of the major cities for which an index is published by the Bureau of Labor Statistics (St. Louis, Memphis, Louisville, and Little Rock) retail food prices in December

PRICES

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1926=100)	Dec., '50	Nov., '50	Dec., '49	Dec., 1950 compared with Nov., '50	Dec., '49
All Commodities....	175.3	171.6	151.3	+ 2.1%	+15.9%
Farm Products....	187.5	183.7	155.3	+ 2.1	+20.7
Foods.....	179.1	175.2	155.7	+ 2.2	+15.0
Other.....	166.6	163.5	145.5	+ 1.9	+14.5

CONSUMER PRICE INDEX

Bureau of Labor Statistics (1935-39=100)	Dec. 15, 1950	Sept. 15, 1950	Dec. 15, 1949	Dec., 1950 compared with Sept., '50	Dec., '49
United States.....	178.4	173.8	167.5	+ 2.6%	+ 6.5%
St. Louis.....	180.2	175.0	167.8	+ 3.0	+ 7.4
Memphis.....	180.2	177.2	170.8	+ 1.7	+ 7.5

RETAIL FOOD

Bureau of Labor Statistics (1935-39=100)	Dec. 15, 1950	Nov. 15, 1950	Dec. 15, 1949	Dec. 15, 1950 compared with Nov., '50	Dec. 15, '49
U. S. (51 cities).....	215.4	209.5	197.3	+ 2.8%	+ 9.2%
St. Louis.....	229.1	221.1	206.2	+ 3.6	+11.1
Little Rock.....	216.3	210.1	197.0	+ 3.0	+10.0
Louisville.....	204.1	198.8	185.0	+ 2.7	+10.3
Memphis.....	223.4	216.9	206.9	+ 3.0	+ 8.0

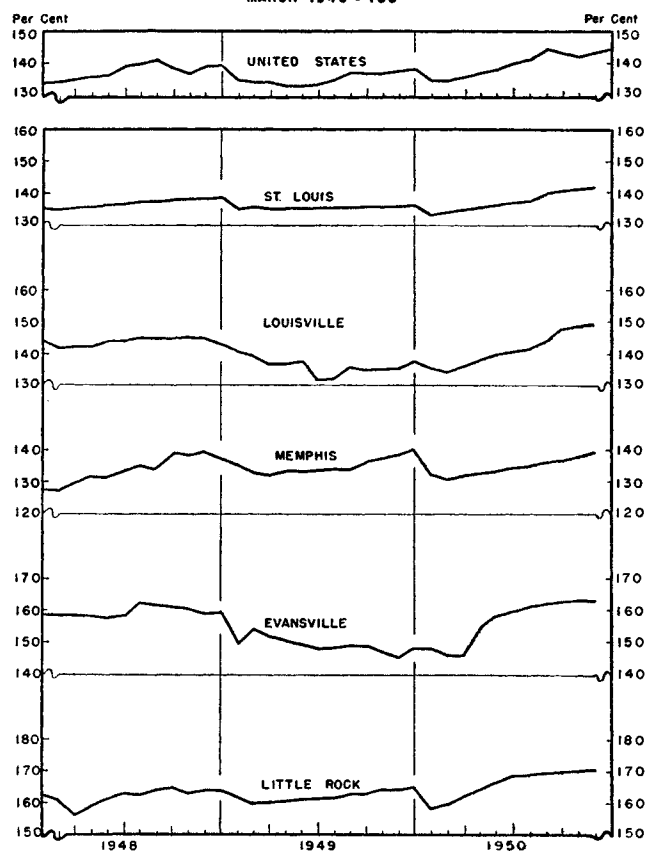
were higher than in June—the increase ranging from 8.2 per cent to 5.2 per cent.

The Federal Reserve System moved to moderate these forces . . .

In mid-September, restrictions were applied to instalment credit extended for the purchase of automobiles and a number of major consumers' durable goods items. These initial restrictions proved to be relatively ineffective in curbing credit expansion—particularly in the new automobile field. A month later—in mid-October—terms were tightened, a move which tended to achieve the results for which the controls were designed.

Also in October, the provisions of the Defense Production Act of 1950 pertaining to the regulation

NONAGRICULTURAL EMPLOYMENT
U. S. AND 8th DISTRICT CITIES
MARCH 1940 = 100



WHOLESALE

Line of Commodities	Net Sales	Stocks
Data furnished by Bureau of Census, U. S. Dept. of Commerce*	December, 1950 compared with Nov., '50	Dec. 31, 1950 compared with Dec. 31, 1949
Automotive Supplies.....	- 1%	+25%
Dry Goods.....	-34	+ 1
Groceries.....	- 1	+16
Hardware.....	+ 2	+35
Tobacco and its Products.....	+ 4	-0
Miscellaneous.....	+ 6	+16
**Total All Lines.....	- 2%	+17%

*Preliminary.

**Includes certain items not listed above.

of private real estate construction credit were put into operation. As in the case of Regulation W, the requirements of Regulation X were intended to curb the expansion of the money supply through the extension of private credit—and to aid in the program of conserving scarce materials needed in the defense effort.

In addition to these selective credit controls, the Board of Governors also acted to tighten general

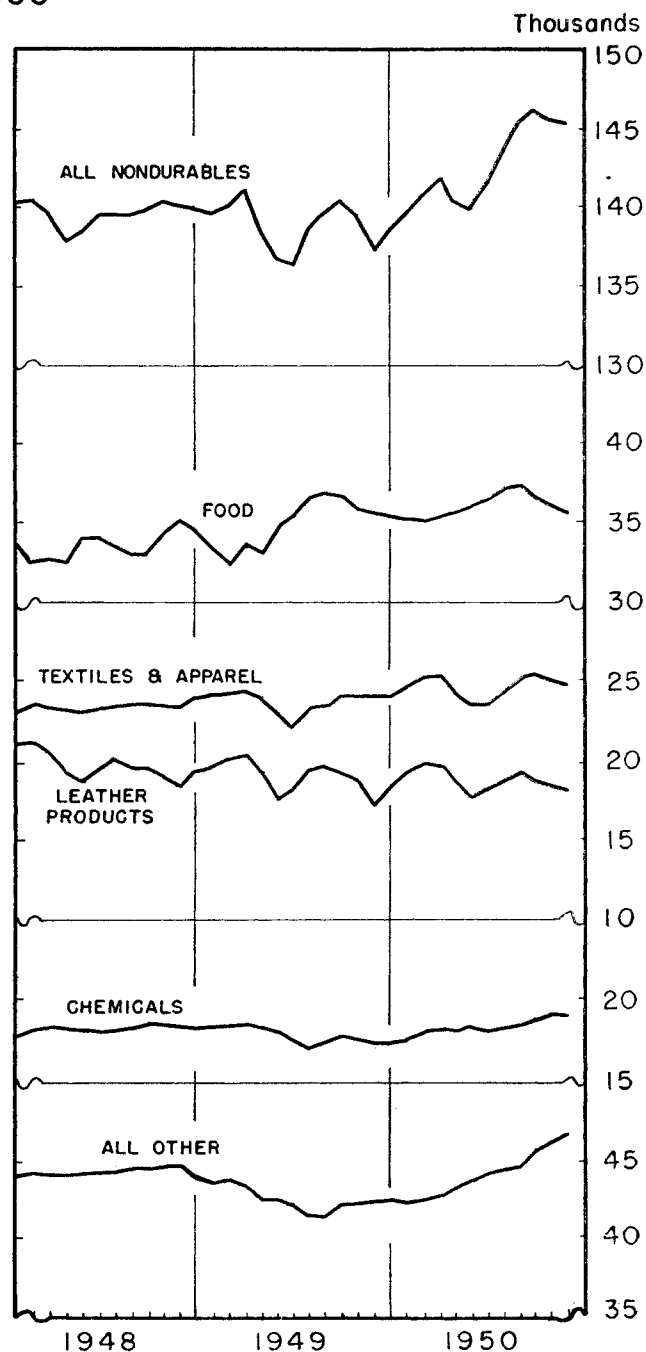
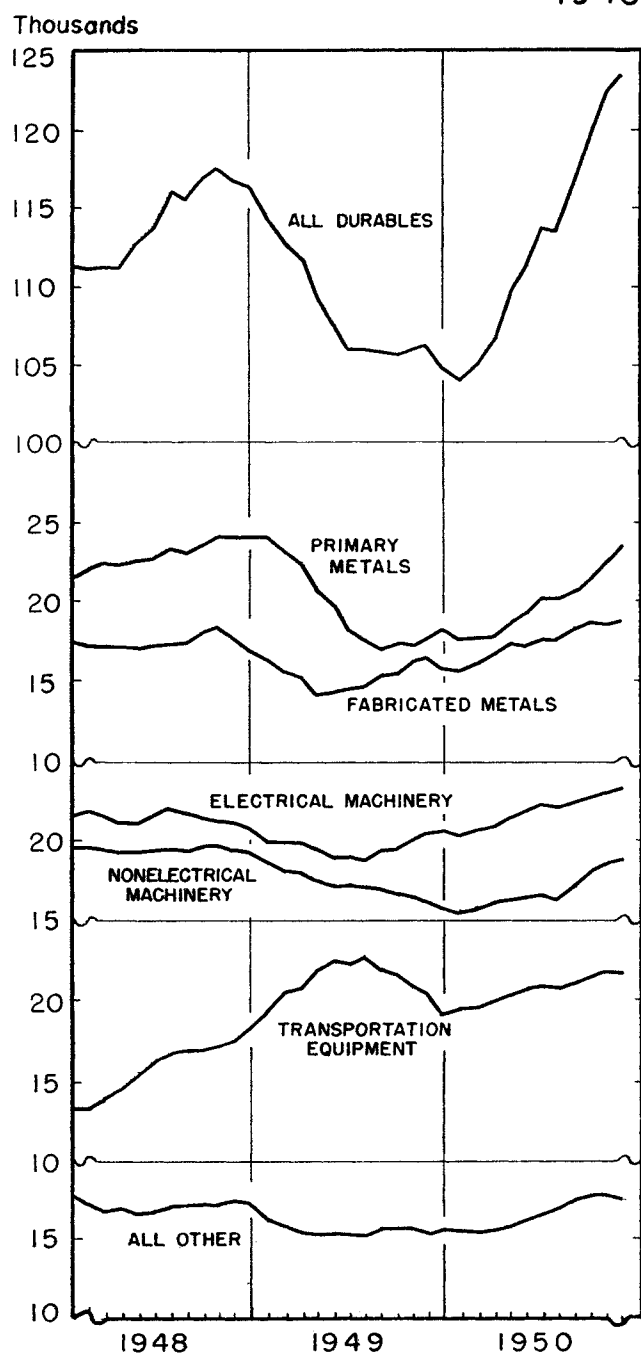
credit controls. Bank reserves were made more expensive and the cost of credit was raised.

... but at the year-end they still were strong and growing.

The net impact of these controls was to dampen down the rate of expansion in total private credit. But as 1950 drew to a close, the price structure continued to be under great pressure. Income was

MANUFACTURING EMPLOYMENT ST LOUIS AREA

1948 - 1950



still moving up, reflecting in part employment increases plus higher wage rates and more overtime pay. Expenditures were large—probably at an all-time peak—and here and there shortages were beginning to crop up in civilian goods supplies.

District employment rose sharply in 1950.

The most significant labor market development during the past year was the substantial gain in employment and the resulting question of future adequacy of the labor supply. Nonagricultural employment in both this district and the nation broke one record after another in the year.

Although the outbreak of the Korean conflict in mid-1950 accelerated the gains, employment began to improve early in the year. Most of the additional workers hired were for civilian rather than for war production.

Employment peaked in all major district cities.

In the St. Louis area, total nonagricultural employment increased about 16,000 in 1950, a gain of 2 per cent over 1949. This was about 8,000 higher than the previous peak reached in 1948. Manufacturing employment during 1950 also was at the highest peacetime level, surpassing 1949 by 10,000.

Employment increased steadily throughout 1950 in St. Louis, with the largest expansion taking place in the third quarter. The manufacturing and construction industries employed considerably more people in 1950 than in 1949; public utilities, trade and finance, slightly more; services about the same; and Government slightly fewer persons.

Unemployment at the end of 1950 was only half as large as in 1949. The Department of Labor classified St. Louis as a "B", or slight labor surplus area (from 3-4.9 per cent of the labor force unemployed) in November, 1950.

Nonagricultural employment in the Louisville area reached an all-time peak during the last quarter of 1950. Average employment for the entire year was somewhat lower than in 1948 but was about 9,000 higher than in 1949. The gains were about evenly divided between manufacturing and nonmanufacturing industries. In manufacturing, employment was up in the food, chemicals, tobacco, furniture and primary metals industries and down in the nonelectrical machinery industry. Practically all of the nonmanufacturing industries had substantial increases. Louisville also was rated a "B" or slight labor surplus area by the Labor Department in November, 1950.

In Memphis, 1950 employment averaged slightly higher than both the 1949 and 1948 levels. November, 1950 employment was about 1 per cent ahead of November, 1949. Gains in manufacturing, public

utilities, Government and finance more than offset losses in trade, service and construction. In manufacturing, the durable goods group accounted for practically all of the increase. Memphis also had a "B" or slight labor surplus rating in November, 1950.

Employment in the Evansville area during the last half of 1950 was at an all-time peak. Average employment for the year 1950 was a trifle less than the peak year of 1948, but was higher than in 1949. About 7,000 more people were working in November, 1950 than in November, 1949. Most of this increase occurred in manufacturing, with the largest gains in the nonelectrical machinery and transportation equipment industries. Evansville was one of the two district areas with an "A" or balanced labor market classification in November, 1950. This means that less than 3 per cent of its labor force was then unemployed. In November, 1949 it was classed as an area of substantial surplus, with at least 7 per cent of its labor force seeking jobs. Evansville had the most significant labor market change of any major district city during the past year.

Employment in Little Rock in November, 1950 was about 3,000 higher than in November, 1949. Manufacturing employment increased only slightly; practically all of the gain occurred in the nonmanufacturing industries. Substantial advances were reported in construction and trade and smaller increases in public utilities, finance and service. Little Rock also was classed as an "A" or balanced labor market area in November, 1950, with less than 3 per cent of its labor force unemployed. The Labor Department had rated it a "B" or slight labor surplus area a year earlier.

In the past ten years the employment gains in Eighth District cities have been very striking. About 200,000 more St. Louisans were working in 1950 than in 1940 with 80,000 of this gain in manufacturing. The increase in Louisville employment was 65,000 or 40 per cent, half in manufacturing. Memphis total employment rose 40 per cent and manufacturing employment 60 per cent. Evansville showed a 60 per cent gain in total workers and more than doubled manufacturing workers. Little Rock showed 65 and 70 per cent increases in total and manufacturing employment.

"Extra" workers entered the district labor force in 1950.

More "extra" workers began to re-enter the labor force during the last half of 1950, although the demand for their services was not very large. These workers included youngsters, women and

older men who would not, under normal conditions, seek jobs. During World War II these extra workers formed a very important part of our labor supply. Also during late 1950, some workers started to migrate from small towns and rural areas to the cities where they believed war jobs would be available.

Certain occupational shortages developed and there was a fairly general increase in hours and wages.

Shortages of labor for certain occupations began to reappear in the latter half of the year. For the most part, these occurred in the skilled machine trades and certain technical occupations. No critical labor shortages developed in the district. Substantial wage increases were granted many workers in all types of activities during 1950 with most of the raises occurring late in the year. Average hours worked per week edged upward in the year.

District industry boomed last year.

Along with the trend of national industrial activity, Eighth District factories and mines operated at high and rising levels of output in 1950. Pushed mainly by strong demand in consumer markets, and somewhat by direct impact of the development of new military needs, industries in the area hustled through a big year. At year-end most of them had racked up new records. In a few instances output was a little less than in 1948 but even in those cases was better than in 1949.

At the end of the year most industries could look back at a highly productive period, and could look forward to prospects of even greater demands for their products in the near future.

The district's leading cities consumed about 15 per cent more industrial power in 1950 than in 1949. District monthly totals in 1950 exceeded 1949 figures in every month of the year.

INDUSTRY

CONSUMPTION OF ELECTRICITY

(K.W.H. in thous.)	Dec., 1950	Nov., 1950	Dec., 1949	Dec., 1950 compared with	
	K.W.H.	K.W.H.	K.W.H.	Nov., '50	Dec., '49
Evansville.....	14,133	14,057	12,184	+ 0.5%	+16.0%
Little Rock.....	5,913	6,365	5,297	- 7.1	+11.6
Louisville.....	81,163	77,757	71,318	+ 4.4	+13.8
Memphis.....	28,546	30,159	27,563	- 5.3	+ 3.6
Pine Bluff.....	9,427	8,815	4,979	+ 6.9	+89.3
St. Louis.....	101,392	99,447	80,524	+ 2.0	+25.9
Totals.....	240,574	236,600	201,865	+ 1.7%	+19.2%

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

Dec., '50	Nov., '50	Dec., '49	Jan., '51	Jan., '50	12 mos. '50	12 mos. '49
116,662	115,346	99,992	33,073	24,419	1,360,873	1,246,348

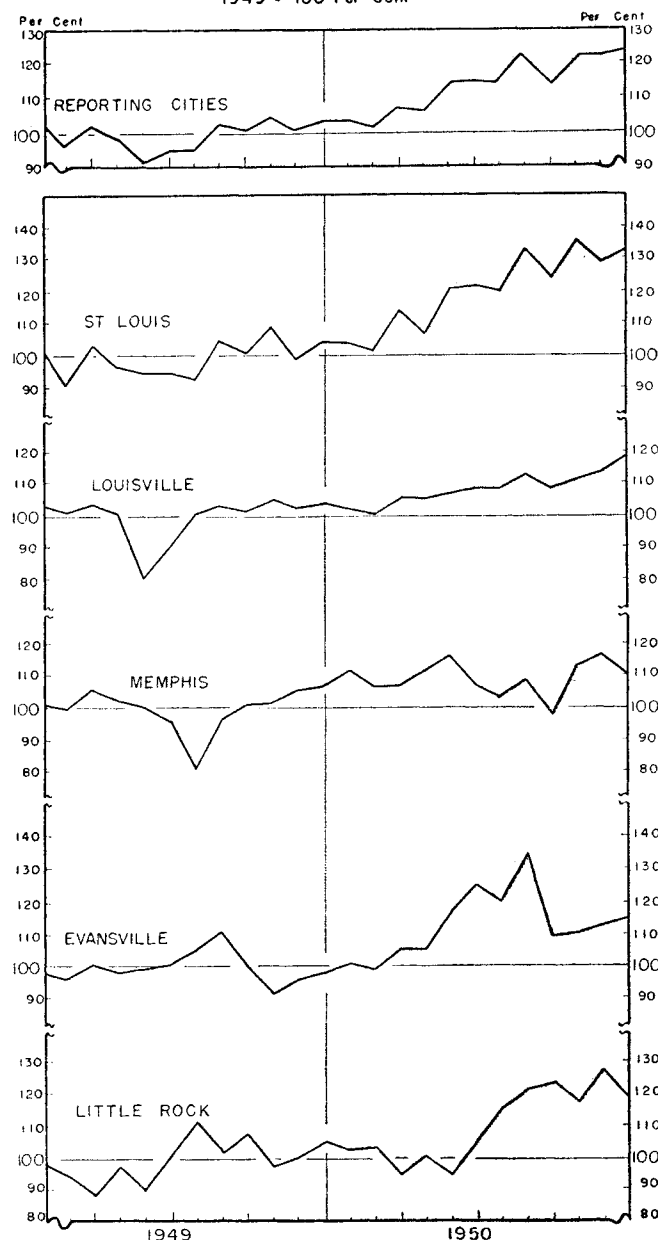
Source: Terminal Railroad Association of St. Louis.

CRUDE OIL PRODUCTION—DAILY AVERAGE

(In thousands of bbls.)	Dec., 1950	Nov., 1950	Dec., 1949	December, 1950 compared with	
				Nov., 1950	Dec., 1949
Arkansas.....	81.6	81.5	74.3	-0.3	+10%
Illinois.....	169.3	173.9	176.4	- 3	- 2
Indiana.....	30.4	30.1	28.1	+ 1	+ 7
Kentucky.....	30.5	29.9	25.3	+ 2	+18
Total.....	311.8	315.4	304.1	- 1%	+ 4%

DAILY AVERAGE INDUSTRIAL CONSUMPTION OF ELECTRIC POWER, 1949-1950

1949 = 100 Per Cent



SOURCE: Based on utility company reports for respective cities

Preliminary reports indicate percentage increases in power consumption for 1950 compared with 1949 at each of the leading district cities: Evansville (13 per cent), St. Louis (12 per cent), Little Rock (11 per cent), Memphis (10 per cent), and Louisville (9 per cent). Power consumption by type of industry also indicates that 1950 exceeded 1949 in every major industrial category. Most industries did not show midyear slumps in daily average consumption in 1950 as appeared in 1949. The last half of 1950 found most industries at record levels of consumption.

Steel operating rates were higher.

The growing need for steel caused the St. Louis basic steel industry to schedule 1950 operations at a higher level than in any year since 1943. During the first nine months open hearth operations were scheduled at about 77 per cent of capacity and in the final quarter of 1950 this was jumped to 85 per cent. The average for the year was 79 per cent.

The increase in per cent of capacity operated in 1950 probably understates the tonnage increase, for in the last year new facilities at one mill increased plant capacity there by 10 per cent.

Lumber output increased.

Large-scale construction activity and larger demands for lumber for furniture and related items resulted in increased lumber production in 1950. Production of southern pine averaged 8 per cent larger than in 1949, according to preliminary reports. Southern hardwood producers operated at an average rate of 92 per cent of theoretical capacity—reflecting booming production for seven months (from May through October) when operations were consistently above 90 per cent of capacity and ranged up to a high of 109 per cent in September. The rate for the year is also the highest on record here (since 1936).

Lumber prices tended to move upward after midsummer. Imposition of construction credit controls caused a short price break, reflecting fears that lumber demand has been decreased, but at the end of the year prices again were rising.

Meat packing activity was up.

St. Louis meat packing activity increased during the year. Four per cent more animals were slaughtered under Federal inspection in 1950 than in 1949, although volume did not reach the 1948 level. The increase reflected increased slaughter of hogs (up 6 per cent over 1949) and calves (14 per cent). Cattle slaughter was smaller in eight of the first 11 months of 1950 than in 1949.

Shoe production increased . . .

The St. Louis shoe manufacturing industry produced 78.3 million pairs in the first ten months of 1950. This level of output was 7 per cent above

the same period in 1949, but 3 per cent below the output for the first ten months of 1948. Production for the year is estimated at 90 to 95 million pairs—roughly comparable to the years 1947 and 1948, the two highest years previously recorded.

Late in the year St. Louis shoe firms began to receive sizable orders for footgear used by the armed forces. Most of these contracts were for combat boots.

. . . and whiskey production rose.

Kentucky whiskey production during the first ten months of 1950 was about one-third larger than in the same period of 1949. Output through October totaled 75 million tax gallons as against 57 million in the same period in the previous year. Production began to run ahead of that in 1949 in April and by the third quarter averaged more than twice that in the comparable quarter in 1949. In October, output was up to 11 million gallons—the largest monthly production since early 1947. The large inventories at year-end were straining warehouse capacity and reflected efforts of producers to build up stocks before defense needs cut into current alcohol output.

Coal and oil production was higher.

Coal mining operations in the district produced 102 million tons net in 1950. This was well above the 86 million tons mined in 1949. The largest increases over the previous year, percentage-wise, were in Arkansas and Indiana where gains of 20 per cent and 22 per cent, respectively, were recorded. In Illinois, where most of the district's coal is produced, output was up 15 per cent. In Kentucky last year's tonnage increased 13 per cent, but in Missouri production was off 23 per cent.

Crude oil production, on a daily average basis, was larger than in 1949 in each month except January. For the year, output averaged about 3 per cent larger than in 1949. In Indiana and Kentucky the daily flow averaged about 15 per cent larger than in 1949. In Arkansas there was a gain of 4 per cent but in Illinois, the largest producing area in the district, output averaged about the same as in 1949.

The larger volume in Kentucky and Indiana accounted for most of the increase in the district. In Kentucky the new Zion pool, east of Henderson, is proving to be one of the best discoveries in the district in the last year. The proven area now includes 1,500 acres and has a daily output of over 5,000 barrels. Illinois, too, has a promising new development in Richland County south of Olney.

The four district oil producing states—Indiana, Kentucky, Illinois and Arkansas—report well com-

PRODUCTION INDEXES

COAL PRODUCTION INDEX 1935-39=100					
Unadjusted			Adjusted		
Dec., '50	Nov., '50	Dec., '49	Dec., '50	Nov., '50	Dec., '49
207*	168*	154	199*	153*	148
SHOE PRODUCTION INDEX 1935-39=100					
Unadjusted			Adjusted		
Oct., '50	Sept., '50	Oct., '49	Oct., '50	Sept., '50	Oct., '49
144	159R	133	149	157R	137
R—Revised					
*—Preliminary					

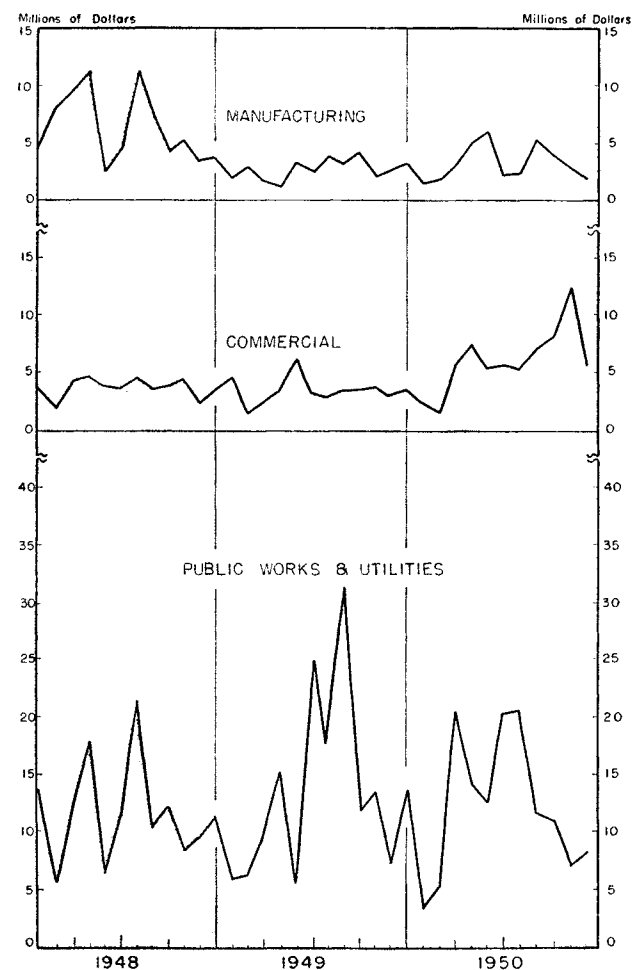
pletions at an average rate of about 500 per month for 11 months of 1950. If this rate held for the entire year, completions were about 600 over 1949 and about 1,300 over 1948. Of the wells completed through November, 1950, about 43 per cent produced oil, 4 per cent—gas, and 53 per cent were dry.

Construction was at a new peak . . .

Construction activity climbed—or jumped—to a new peak during 1950. Work put under contract totaled \$868 million. This was 17 per cent more than in 1942, the previous peak year, and 29 per cent larger than 1949. The increase over 1949 was smaller, percentagewise, in this district than in the entire 37-state area covered by the F. W. Dodge Corporation reports where total volume was up 40 per cent. The smaller relative increase reflected a less-than-national expansion in non-residential awards. Housing contracts both in the district and nationally were up about 54 per cent.

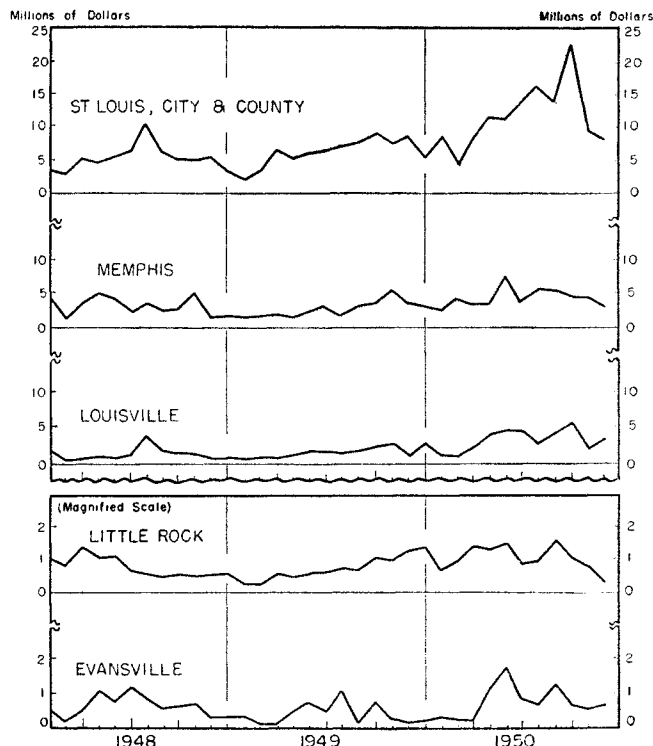
Part of the increase in the value of work put

VALUE OF NON-RESIDENTIAL CONSTRUCTION CONTRACTS AWARDED
EIGHTH DISTRICT, 1948 - 1950



SOURCE F W Dodge Corp

VALUE OF RESIDENTIAL CONSTRUCTION CONTRACTS AWARDED
EIGHTH DISTRICT CITIES, 1948-1950



SOURCE F W Dodge Corp.

under contract reflected higher costs. But the physical volume of construction also expanded considerably over 1949. In the St. Louis territory the floor area of commercial construction contracted for was 66 per cent larger than in 1949. There was an increase of 34 per cent in manufacturing construction. The floor area of apartments put under contract was almost three times as large as in 1949 while that of one- and two-family dwelling units was 45 per cent larger than in the previous year.

. . . largely due to the housing boom.

The boom in residential construction lifted the year's volume of such contracts to a level well above that reached in any previous year. Housing contracts totaled \$350 million, as against \$228 million in 1949, the previous peak. Forty per cent of the value of all contracts awarded during the year represented housing construction. This was the first year since the late 1920's that housing volume accounted for as much as 40 per cent of the total—and in the 27 years for which data are available, the proportion was higher only in 1928.

In terms of new dwelling units provided, 1950 also was a big year. In the St. Louis territory, as defined by F. W. Dodge Corporation, and where 80 per cent of the entire district's residential awards (on a value basis) were awarded, a total of 29,000 new dwelling units were contracted for.

This compares with 19,000 in the same months in 1949—or a gain of 50 per cent. There were sizable increases in one- and two-family units—but the big expansion was in multi-family units. In 1950, almost 18 per cent of the new dwelling units contracted for were in apartments; in 1949 these accounted for only 8 per cent of the total. One-family dwellings built for sale or rent represented 78 per cent of the total as against 87 per cent in 1949. Owner-built single-family units accounted for 22 per cent as compared with 28 per cent in 1949 and all two-family houses represented 4 per cent as against 5 per cent in the previous year.

Consumers spent more money in 1950 than ever before.

Consumer expenditures during 1950 totaled more than ever before. Nationally, sales of all retail stores approximated \$140 billion—above the \$128 billion of 1949 and the \$130 billion of the previous peak year, 1948. A number of factors accounted for the record sales volume. Income was high and consumers spent freely. Expanding consumer instalment credit and record production of hard goods were important. Prices were higher. But Korea sparked the wave of buying that sent total sales soaring.

Hard goods led the sales parade.

Not all retailers—either in the nation or in the district—shared equally in the gains. Consumers continued to want hard goods. Soft goods retailers struggled for their share of the consumers' dollar and were dogged by contrary weather throughout the whole year.

Sales in district hard goods lines gained more, percentagewise, than those in the country as a whole. In the first half, however, there were some signs of lessening consumer pressure for such goods. Some makes of new autos became available for "immediate delivery." In the used car market prices fell and sales showed some signs of returning seasonal patterns. Major household appliances continued to sell readily but not quite as rapidly as in the past several years. Even television sales slowed at the end of the first quarter, and second

quarter sales dropped further. But these developments were short-lived. The second half opened strong.

District soft goods lines generally fell off from 1949 in the first half and the decline here was larger, percentagewise, than nationally. Midway in the second quarter, however, some signs of renewed consumer interest became apparent.

Korea touched off a buying wave . . .

Then came Korea—and consumers with vivid memories of shortages during the last war started what was described as "panic", "scare", "security" and "advance" buying. Hard goods sales zoomed and many soft goods lines sales gained substantially. The scare buying, however, never became general in character, even though spectacular year-to-year gains occurred in a number of lines. For example, the average consumer appeared more concerned about buying a new automobile than buying clothing.

. . . but sales soon settled down although for most lines at a higher level than pre-Korea.

By mid-August buying subsided from the July peak but was at a level somewhat higher than in the first half of 1950. Then in the fall sales weakened somewhat. The used car market dropped again and buying pressure on some makes of new autos eased by September. Furniture and appliance sales, after rising spectacularly, fell back below the level of sales in the same period in 1949. Except for isolated items, soft goods lines settled back to seasonal buying patterns. This decline also was temporary; by year-end demand was strong again.

Consumer credit increased.

During the buying wave a large number of consumers paid cash for their purchases. But many purchases, particularly of hard goods, added to an already large volume of consumer instalment credit. The imposition of credit controls at mid-September and their subsequent tightening on October 16 slowed the rate at which sales increased—but consumer credit continued to expand until late in the year.

Inventory replacement became more difficult.

The heavy buying ate into stocks. Retailers could replace goods sold but delivery dates lengthened and prices moved up. Outstanding order volume increased. And regardless of the higher prices, consumers continued to buy.

District department store inventories and outstanding orders were generally larger throughout 1950 than in 1949. Thus, when Korea occurred, department stores were fairly well prepared, but had

CONSTRUCTION

		BUILDING PERMITS							
		Month of December							
		New Construction				Repairs, etc.			
(Cost in thousands)		Number	Cost	Number	Cost	Number	Cost	Number	Cost
		1950	1949	1950	1949	1950	1949	1950	1949
Evansville.....	93	33	\$ 339	\$ 89	27	31	\$ 551	\$ 252	
Little Rock.....	48	104	331	1,002	96	123	88	81	
Louisville.....	176	111	1,190	2,312	18	37	25	40	
Memphis.....	1,990	1,774	5,789	3,237	134	82	118	48	
St. Louis.....	195	239	10,547	3,843	135	152	781	277	
Dec. Totals.....	2,502	2,261	\$18,196	\$10,483	410	425	\$1,563	\$698	
Nov. Totals.....	2,477	2,962	\$ 7,406	\$ 6,760	588	680	\$ 899	\$707	

NOTE: In the January Review the permit figures for Little Rock and Memphis were reversed.

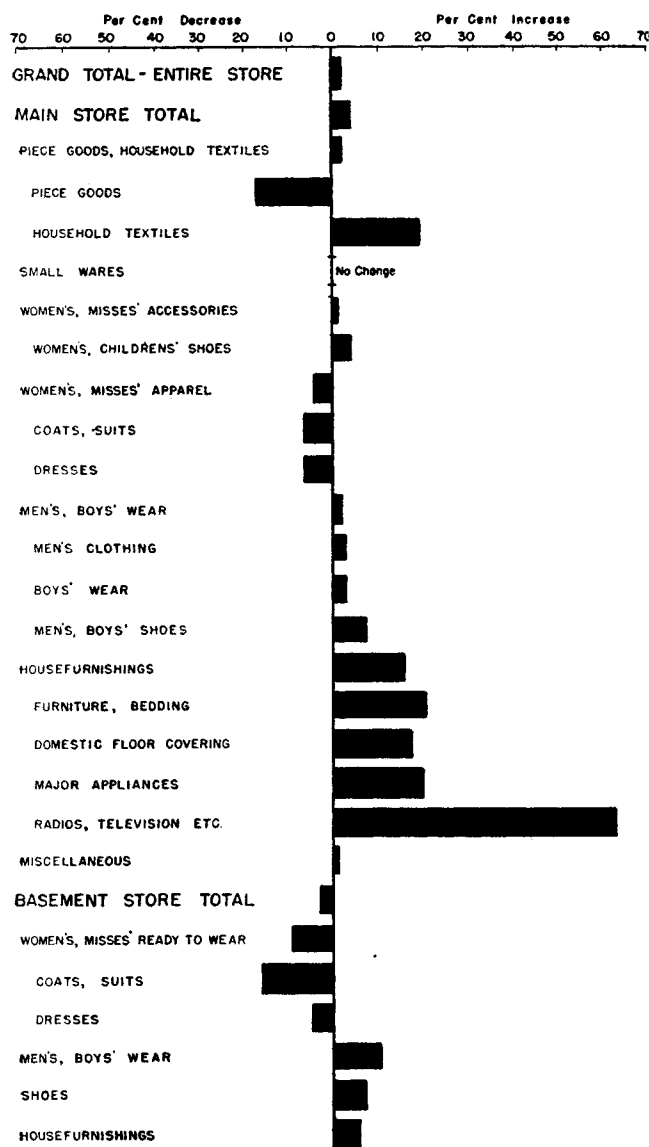
to continue efforts to maintain stocks. At the end of August outstanding orders were the largest since late in 1946. At the year's end inventories were about one-fifth larger than on December 31, 1949.

Furniture stores could maintain stocks fairly easily through mid-1950. The midyear buying wave, however, left certain items in short supply. Merchants found themselves once more scrambling for specific lines and items. Brand name merchandise became more scarce and manufacturers' allotments again came into being—although still on a fairly generous basis.

District department store sales were ahead of 1949.

District department store sales during 1950 totaled 4 per cent larger than during 1949 but were

**EIGHTH DISTRICT DEPARTMENT STORE SALES
BY MAJOR DIVISIONS AND SELECTED DEPARTMENTS
1950 COMPARED TO 1949**



slightly less than in the peak year of 1948. Sales during much of the first half of the year failed to equal those in 1949. In May, however, sales revived and the first year-to-year gain was registered. The Korean scare buying lifted normally slow July sales 29 per cent over those in July, 1949. Consumers rushed in to buy nylons, sheets, appliances and television sets. August and September sales also gained substantially. At the end of the first nine months district sales totaled 5 per cent above those in 1949 and were about as large as in 1948. October sales declined somewhat—apparently limited by the effects of credit controls and unusually warm weather—but November volume turned up again. In December, after starting slowly, sales gained momentum and in the week ending December 16 a record for a single week was established.

Furniture store sales were up sharply.

For the first ten months consecutive year-to-year gains occurred in furniture store sales. Consumers scurried to replace over-age appliances and furnish their new homes. Instalment credit regulations, imposed at mid-September, apparently had little effect on sales volume. The tightening of regulations at mid-October did have some limiting effect on sales. November, 1950, was the first month during 1950 that furniture sales did not exceed year-ago figures. In December, fears that "advance" buying had removed many consumers from the market appeared to have some foundation, for sale were 8 per cent smaller than in December, 1949.

Apparel stores just about maintained volume.

Soft goods retailers, in contrast to hard goods merchants, spent most of 1950 attempting to equal sales in 1949. In the first half of 1950 the sales decline at district apparel stores about equalled that for the country as a whole. But last half district apparel sales fared somewhat worse than in the nation. Maintaining 1950 sales volume proved more difficult for women's wear stores than for men's wear stores. Percentagewise, the decline during 1950 at district women's stores was about double that at men's stores.

Farm prices rise in 1950; . . .

During the first four months of 1950, agricultural prices increased 5 per cent—a pattern decidedly different from 1949 or 1948 when declines of 5 and 6 per cent, respectively, occurred. After Korea, farm prices jumped another 16 per cent. On December 15, 1950 they were 23 per cent higher than a year earlier. The December 15 index of 286 (1910-14=100) was only 7 per cent below the all-time record reached in January, 1948.

TRADE

DEPARTMENT STORES

	Net Sales		Stocks on Hand		Stock Turnover	
	Dec., 1950 compared with Nov., '50		12 mos. '50 to same period 1949		Jan. 1, to Dec. 31, 1950	
	Dec., '49	Dec., '49	Dec. 31, '50	Dec. 31, '49	1950	1949
8th F. R. District..	+39%	+4%	+4%	+20%	4.06	4.23
Ft. Smith, Ark.....	+54	+5	+5	+20	4.16	4.38
Little Rock, Ark....	+40	+2	+4	+21	3.93	4.42
Quincy, Ill.....	+50	+13	+5	+4	3.91	3.68
Evansville, Ind.....	+36	+14	+10	+31	3.99	3.89
Louisville, Ky.....	+50	+6	+8	+27	4.55	4.65
St. Louis Area ¹	+32	+3	+3	+21	4.00	4.19
St. Louis, Mo.....	+30	+2	+3	+23	4.01	4.19
Springfield, Mo.....	+52	+8	+6	+12	3.68	3.58
Memphis, Tenn.....	+41	+1	+4	+11	4.22	4.30
*All other cities.....	+53	+8	+6	+23	3.37	3.42

*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 Dec., 1950, were 23 per cent greater than on the corresponding date a year ago.

Percentage of accounts and notes receivable outstanding December 1, 1950, collected during December, by cities:

	Instalment Accounts		Excl. Instal. Accounts	
	Dec., 1950	Dec., 1949	Dec., 1950	Dec., 1949
Fort Smith.....	17%	48%	20%	58%
Little Rock.....	17	43	19	53
Louisville.....	18	48	12	40
Memphis.....	19	45	18	50

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

8th Federal Reserve District

	Dec., 1950	Nov., 1950	Oct., 1950	Dec., 1949
Sales (daily average), unadjusted ²	540	398	326	504
Sales (daily average), seasonally adjusted ²	353	316	305	330
Stocks, unadjusted ³	320	400	409	259
Stocks, seasonally adjusted ³	381	374	365	309

² Daily average 1935-39=100.

³ End of Month Average 1935-39=100.

SPECIALTY STORES

	Net Sales		Stocks on Hand		Stock Turnover	
	Dec., 1950 compared with Nov., '50		12 mos. '50 to same period 1949		Jan. 1, to Dec. 31, 1950	
	Dec., '49	Dec., '49	Dec. 31, '50	Dec. 31, '49	1950	1949
Men's Furnishings.....	+49%	+4%	+2%	+30%	2.53	2.74
Boots and Shoes.....	+51	+7	+2	+13	4.52	4.45

Percentage of accounts and notes receivable outstanding December 1, 1950, collected during December:

Men's Furnishings..... 46% Boots and Shoes..... 41%
Trading days: December, 1950—25; November, 1950—25; December, 1949—26.

RETAIL FURNITURE STORES **

	Net Sales		Inventories		Ratio of Collections	
	Dec., 1950 compared with Nov., '50		Dec. 31, 1950 compared with Dec. 31, '49		Dec., '50 Dec., '49	
	Dec., '49	Dec., '49	Nov. 30, '50	Dec. 31, '49	Dec., '50	Dec., '49
8th Dist. Total ¹	+37%	+8%	+7%	+40%	16%	16%
St. Louis Area ²	+31	+9	+10	+39	15	16
St. Louis.....	+30	+13	+10	+39	14	15
Louisville Area ²	+55	+4	+8	+47	16	16
Louisville.....	+53	+4	+8	+48	15	14
Memphis.....	+23	+24	+5	+22	13	14
Little Rock.....	+47	+16	+4	+33	17	16
Springfield.....	+23	+2	+1	+48	18	20
Fort Smith.....	+55	+6	*	*	*	*

*Not shown separately due to insufficient coverage, but included in Eighth District totals.

¹ In addition to following cities, includes stores in Blytheville, and Pine Bluff, Arkansas; Hopkinsville, Owensboro, Kentucky; Greenwood, Mississippi; Hannibal, Missouri; and Evansville, Indiana.

² Includes St. Louis, Missouri; and Alton, Illinois.

³ Includes Louisville, Kentucky; and New Albany, Indiana.

**39 stores reporting.

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	Dec., '50	Nov., '50	Dec., '49
Cash Sales	24%	23%	21%
Credit Sales	76	77	79
Total Sales	100%	100%	100%

By the end of the year prices of cotton, cottonseed, beef cattle, veal calves, lambs and wool were above parity by 25 per cent or more. Prices of rice, flue-cured tobacco and soybeans were also above parity but by a smaller margin. Many other products, including most grains, dairy and poultry products, fruits and vegetables, however, still were below parity and consequently below minimum ceilings that could be imposed under existing legislation.

... so did prices paid by farmers, but by a smaller percentage.

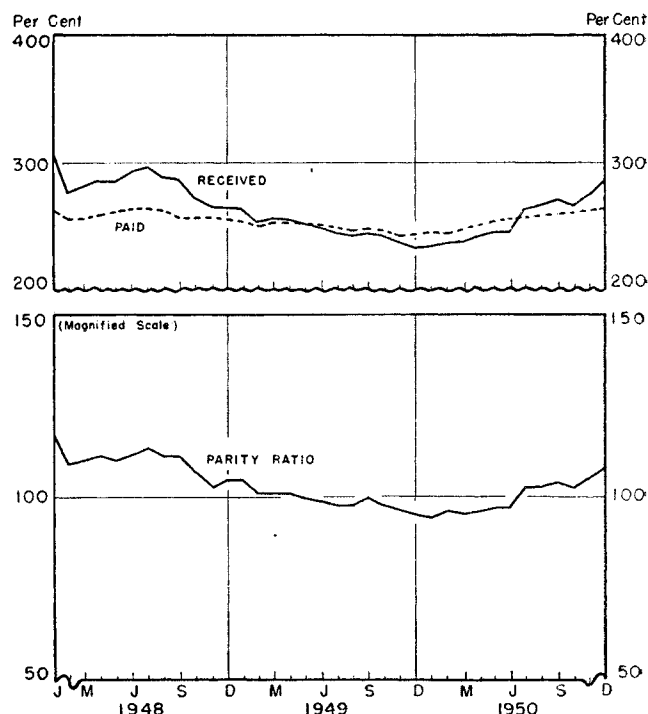
The index of prices paid by farmers hit a new high in 1950—above the previous peak reached in mid-1948. But the 8 per cent rise was much smaller than that of prices received, and thus the ratio between prices received and paid (parity ratio) widened. At the beginning of 1950 that ratio was 94; at the close it was 108. At that figure, however, it was still considerably below the peak ratio of 122 reached in October, 1946.

Crop production was smaller than in 1949 . . .

Output of most of the district's major crops was smaller in 1950 than in 1949. The decreases reflect mainly acreage restrictions, but also some unfavorable developments during the growing season. Fortunately, good maturing and harvesting weather late in the season offset some of the earlier unfavorable effects.

Cotton acreage was cut nearly a third in district

FARM PRICES WERE RISING BEFORE KOREAN WAR BUT HAVE RISEN FASTER SINCE



SOURCE: Agriculture Prices, U. S. D. A.

states and insects and weather held production down on this decreased acreage. Even so, the percentage decline in district cotton production was less than that for the nation. The district also fared better than the nation in two important feed crops. District corn production was down only 1 per cent compared with a 7 per cent decline nationally, and district oats production increased more relatively than that for the nation. In contrast, the district wheat harvest was down a third as compared with a drop of one-tenth for the nation, and district burley and dark tobacco crops were not as good as in 1949 in contrast to a 3 per cent gain in national tobacco production (mostly in the flue-cured types).

Considerable acreage was diverted from corn and cotton which were under acreage controls and planted to soybeans which had no acreage control.

As a result, soybean production exceeded any previous crop in the country. District production was up one-fifth.

CROP PRODUCTION

(In thousands)	Eighth District		United States	
	1950 Production	% change from 1949	1950 Production	% change from 1949
Cotton (bales).....	2,698	-28%	9,884	-39%
Corn (bu.).....	426,131	-1	3,131,009	-7
Tobacco (lbs.).....	303,034	-15	2,035,915	+3
Wheat (bu.).....	48,527	-33	1,026,755	-10
Oats (bu.).....	73,682	+17	1,465,134	+10
Rice (bu.) ¹	8,164	-18	37,971	-7
Soybeans (bu.) ¹	180,631	+20	287,010	+24

Source: USDA and Board of Governors, Federal Reserve System.

¹ District States total.

... but was the third largest of record.

Nationally, the 1950 crop was the third largest on record, exceeded only in 1949 and 1948 (the record year). This output was achieved despite harvested acreage of principal crops 5 per cent smaller than in 1949 and smaller than in any year since 1942. Crop output in 1950 was 26 per cent above the 1923-32 predrought base compared with indexes of 138 and 132 in 1948 and 1949, respectively. The composite yield index was the second highest of record, exceeded in 1948.

AGRICULTURE

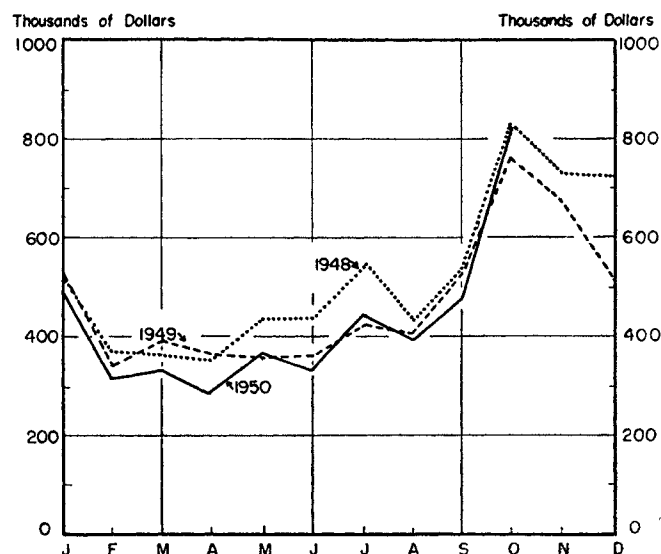
CASH FARM INCOME

(In thousands of dollars)	Nov., 1950		11 mo. total Jan. to Nov.	
	Nov., 1950	compared with Nov., 1949	1950	compared with 1949
Arkansas.....	\$100,622	-22% + 8%	\$ 431,505	-9% -10%
Illinois.....	171,243	-22 +17	1,572,180	-2 -9
Indiana.....	93,444	-19 +16	857,814	-3 -12
Kentucky.....	35,698	+6 -23	406,200	-5 -11
Mississippi.....	93,799	-32 +12	400,282	-11 -12
Missouri.....	113,299	-14 +3	906,889	-1 -7
Tennessee.....	55,185	-12 +10	363,171	-6 -17
Totals.....	\$663,290	-20% + 9%	\$4,938,041	-4% -10%

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts		Shipments	
	Dec., 1950	compared with Nov., '50 Dec., '49	Dec., 1950	compared with Nov., '50 Dec., '49
Cattle and calves.....	82,426	-23% -15%	22,999	-40% -23%
Hogs.....	303,379	+4 -2	68,680	+24 -12
Sheep.....	33,558	+2 -32	5,541	+25 -50
Totals.....	419,363	-3% -8%	97,220	-1% -19%

CASH FARM INCOME EIGHTH DISTRICT STATES



SOURCE: Farm Income Situation U.S.D.A.

Farm income spurred in late 1950.

The rise in farm prices helped hold farm income about at 1949 levels. Cash farm income in district states averaged below 1949 levels for seven of the first nine months of 1950. For the first five months farm income in Arkansas and Mississippi was 35 and 61 per cent, respectively, lower than in the same period in 1949—reflecting mainly the sharp decline in cotton production in this district in 1949. During the last quarter of 1950, however, farm income in the district generally was substantially higher than in 1949. Thus, 1950 cash farm income in district states was about the same as in 1949.

Farm land prices went up also.

The inflation of farm product prices spread to real estate values. During the four months, July to November, district farm land prices increased 5 per cent, slightly exceeding the national increase. However, land prices already were rising before the Korean war. The increase for the year ending in November was 8 per cent for the district and 7 per cent nationally. Largest increases were in the four northern states of the district, topped by an 11 per cent increase in Illinois and Indiana for the year.

FARM LAND VALUES

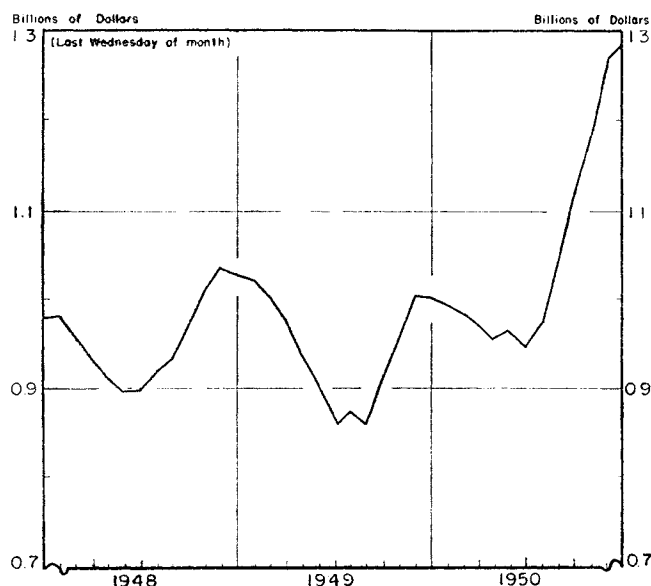
FARM LAND VALUES			
	Increase July to Nov., 1950	Increase Nov., 1949 to Nov., 1950	Increase 1935-39 to Nov., 1950
Arkansas.....	+ 3%	+ 5%	+175%
Illinois.....	+ 8	+11	+157
Indiana.....	+ 7	+11	+175
Kentucky.....	+ 4	+ 7	+196
Mississippi.....	+ 4	+ 5	+159
Missouri.....	+ 5	+ 9	+124
Tennessee.....	+ 4	+ 6	+184
Eighth District.....	+ 5	+ 8	+157
United States.....	+ 4	+ 7	+116

Source: The Farm Real Estate Market, USDA, November, 1950.

Eighth District member banks increased their loan volume roughly 25 per cent in 1950 . . .

The most significant banking development during 1950 was the expansion of loan volume, particularly

TOTAL LOANS
EIGHTH DISTRICT
WEEKLY REPORTING MEMBER BANKS



in the second half of the year. Eighth District member banks increased their loans approximately 25 per cent to a record total of \$1.9 billion at the close of 1950. Relative to a year earlier loans were up \$340 million. A large share of the loan growth occurred in the second half of the year as it normally does in this district, in connection with crop movements. This year, however, the rise from the June low to the December high—\$375 million—was much larger than usual.

... principally in the form of loans to business ...

The need to finance the 1950 cotton crop and substantial purchases of stored cotton from the CCC pool, both at high prices, contributed particularly to the 1950 loan expansion. Other business demand for inventory and other working capital requirements added to the upswing. A survey of a few banks at mid-November indicated that the gain in business loans from June to November 1950, although centered around the activity of cotton merchants and related processors, was spread throughout most types of businesses from manufacturers through retailers. In addition to emphasis on inventory and other working capital credit, the survey indicated that up to November defense production loans were an insignificant factor.

While the greatest surge in demand for bank credit apparently came from business, the expansion of real estate and consumer credit also was an important factor. At Eighth District weekly reporting member banks, for example, business loans increased \$158 million from December 1949 to December 1950. This accounted for 58 per cent of

the total gain in those banks. Expansion in real estate and consumer credit amounted to \$48 million and \$49 million respectively. In each case the growth during 1950 was much more than in 1947, 1948, or 1949. Within the year both real estate and consumer loans increased most in the third quarter, reflecting the scare buying and the rush to obtain real estate financing immediately following the outbreak of Korean hostilities. Likewise, loans on securities and loans to banks increased at these reporting member banks during 1950. The upward movement in security loans was in contrast with reductions occurring in the three previous years.

... centering in the larger city banks.

The loan expansion in 1950 was widespread throughout the member banks in the district but was centered heavily in large urban banks. They reported a 27 per cent increase in volume (about the same as growth nationally in large city banks), while the smaller banks reported a 13 per cent increase.

A study of June 30 and October 4 call reports indicated considerable variation in the change in loan volumes at district member banks in the period. Some 30 per cent of the number of banks showed no increase whatever.

Nationally, too, the sharpest rates of expansion in total loans appeared to be among banks in large urban centers. Loan growth at reserve city and central reserve city member banks was about 26 per cent, as against 18 per cent for "country" member banks.

Funds to expand loans were obtained partly by selling U. S. Government securities to individual and corporate savers ...

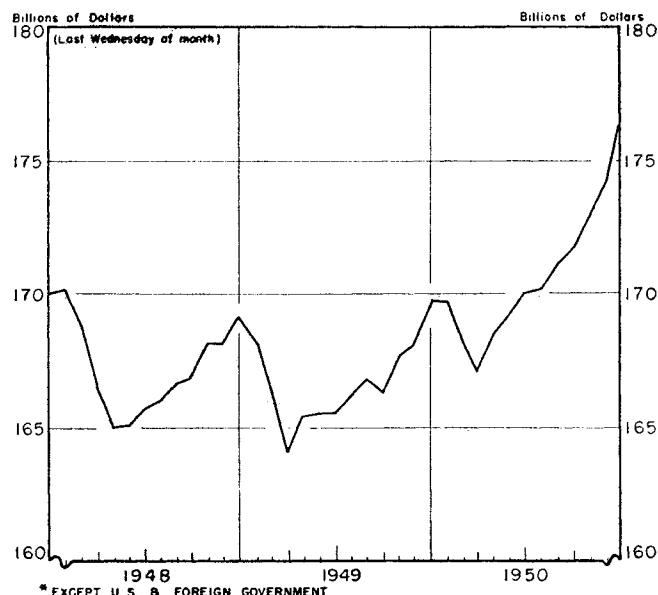
Some of the funds to expand loans were obtained by the banks from the sale of investments to individual and corporate savers. From December 1949 through November 1950 commercial bank holdings of U. S. Government securities declined \$5.7 billion. Nonbank investor purchases, mostly by corporations and individual investors, offset a large part of these sales but not all. To the extent that nonbank investor purchases of Government securities offset bank sales, no expansion in the nation's money supply was involved—there was merely a transfer of ownership of existing bank deposits.

To the extent loan and "other" investment expansion was not offset by the sale of Governments to nonbank investors, bank deposits were created by a net expansion in earning assets of the banking system.

... but a substantial share was created by the banking system, thereby adding to the money supply.

On balance bank credit expansion was a major

MONEY SUPPLY*



source of funds supporting the enlarged civilian demand for goods particularly after Korea.

The net expansion of bank credit in the first half of 1950, which occurred despite a loss of gold from the banking system, increased the money supply by \$1.3 billion—the bulk of the gain going to the U. S. Government (\$0.7 billion), the next largest share going into foreign deposits (\$0.4 billion) and a relatively small proportion being added to the privately held money supply \$0.2 billion).

During the second half of 1950, data through November indicate a bank credit expansion of \$4.6 billion (2.8 per cent) offset in part—as in the first half of the year—by a loss of \$1.2 billion in gold. The bulk of the gain in the money supply in this five-month period flowed into the hands of individuals and businesses.

Recent, preliminary data show that the trends of the five months through November were extended in December: the gold loss continued; loan volume grew in the neighborhood of another \$1 billion and the private money supply increased about \$1 billion.

A more rapid use of the expanded money supply also characterized the year . . .

In addition to an expansion in the supply of money, there was a rapid growth in its rate of use. At banks in reporting centers outside New York, the annual rate of turnover of demand deposits seasonally adjusted increased from 18 to 20 in the first six-month period. By the end of 1950, the annual rate had risen to about 22.

. . . and, supplemented by the "spending" of liquid assets . . .

Series E Bonds were cashed at an increasing rate in 1950. Beginning in May 1950, redemptions exceeded sales by an amount averaging roughly \$100 million per month over the last six months of the year.

Time deposits were drawn down in the last half of the year. Eighth District member banks reported \$18 million loss in time deposits from June through December. In contrast these deposits had increased \$25 million in the first half year.

. . . produced a sharp gain in private expenditures that outran production.

The combined effect of (1) increased money supply and (2) increased rate of use is roughly measured by the gain in debits to deposit accounts. In dollar volume for 1950, debits reached the total of \$1.4 trillion—a growth of approximately 14 per cent over the 1949 total. Most of the 1950 gain came in the second half of the year when the volume was 22 per cent over the corresponding period in 1949.

Growth of the spending stream outran the ability of the country to produce more goods and services on short notice. Inflationary pressure on prices resulted.

To counter the credit expansion, the Federal Reserve System tightened its restrictions—utilizing virtually all its tools of control.

In view of increasing inflationary pressure within the economy, Federal Reserve credit policy evolved from one of neutrality at the beginning of the year to one of positive restraint. Acting under previously existing authority and under the new powers granted in the Defense Production Act, a general program aimed at dampening inflationary forces was

DEBITS TO DEPOSIT ACCOUNTS

(In thousands of dollars)	December, 1950	November, 1950	December, 1949	December, 1950 compared with	
				Nov., '50	Dec., '49
El Dorado, Ark.....	\$ 30,038	\$ 23,075	\$ 25,937	+30%	+16%
Fort Smith, Ark.....	46,551	41,869	40,191	+11	+16
Helena, Ark.....	10,766	14,245	9,559	-25	+13
Little Rock, Ark.....	153,211	149,716	134,659	+2	+14
Pine Bluff, Ark.....	38,080	48,266	34,477	-21	+10
Texarkana, Ark.*.....	13,494	11,102	11,783	+22	+15
Alton, Ill.....	29,702	26,508	26,633	+12	+12
E. St. L.-Nat. S. Y., Ill..	124,269	129,227	106,070	-4	+17
Quincy, Ill.....	32,621	32,130	30,953	+2	+5
Evansville, Ind.....	138,076	137,459	109,848	-0-	+26
Louisville, Ky.....	666,009	581,706	588,631	+14	+13
Owensboro, Ky.....	45,884	40,746	43,362	+13	+6
Paducah, Ky.....	19,150	15,609	15,717	+23	+22
Greenville, Miss.....	27,784	38,676	28,121	-28	-1
Cape Girardeau, Mo....	12,694	12,676	11,913	-0-	+7
Hannibal, Mo.....	9,056	9,435	8,864	-4	+2
Jefferson City, Mo.....	46,377	48,779	40,569	-5	+14
St. Louis, Mo.....	1,869,615	1,786,980	1,608,694	+5	+16
Sedalia, Mo.....	12,003	10,937	10,908	+10	+10
Springfield, Mo.....	63,823	63,354	54,302	+1	+18
Jackson, Tenn.....	22,619	24,773	21,340	-9	+6
Memphis, Tenn.....	745,335	850,753	632,682	-12	+18
Totals.....	\$4,157,157	\$4,098,021	\$3,595,213	+1%	+16%

*These figures are for Texarkana, Arkansas, only. Total debits for banks in Texarkana, Texas-Arkansas, including banks in the Eleventh District, amounted to \$31,978.

undertaken by the System. Notwithstanding the fact that open market operations added to banks' reserves during the year, the cost of the additional reserves was increased. Consumer credit was again placed under regulation and restrictions were placed on certain new residential construction credit. On December 28, reserve requirement increases were announced which would absorb \$2.0 billion in member banks' free funds when effective (January 11-February 1, 1951).

At the close of 1950, Federal Reserve System action had brought virtually all its tools of control into play.

CHANGES IN THE CONSOLIDATED CONDITION STATEMENT OF BANKS AND THE MONETARY SYSTEM

	(In Billions of Dollars)	
	December, 1949 to June, 1950	June, 1950 to November, 1950
Assets		
Bank Credit:		
Loans.....	+ 2.4	+ 7.5
Investments		
Non-U.S. Government.....	+ 1.0	+ 0.8
U.S. Government.....	- 1.7	- 3.7
Treasury Currency.....	- 0.2	- 1.2
Gold.....	+ 1.5	+ 3.4
Liabilities		
Private Money Supply.....	+ 0.2	+ 4.5
U.S. Government Deposits.....	+ 0.7	- 1.1
Foreign Deposits.....	+ 0.4	- 0.2
Bank Capital Accounts.....	+ 0.2	+ 0.2
	+ 1.5	+ 3.4

EIGHTH DISTRICT MEMBER BANK ASSETS AND LIABILITIES BY SELECTED GROUPS

(In Millions of Dollars)	All Member			Large City Banks ¹			Smaller Banks ²		
	Change from:			Change from:			Change from:		
	Dec., 1950	Nov., 1950 to Dec., 1950	Dec., 1949 to Dec., 1950	Dec., 1950	Nov., 1950 to Dec., 1950	Dec., 1949 to Dec., 1950	Dec., 1950	Nov., 1950 to Dec., 1950	Dec., 1949 to Dec., 1950
Assets									
1. Loans and investments.....	\$4,131	\$+ 42	\$+220	\$2,463	\$+ 41	\$+156	\$1,668	\$+ 1	\$+ 64
a. Loans	1,874	+ 12	+343	1,291	+ 11	+274	583	+ 1	+ 69
b. U.S. Government Obligations.....	1,885	+ 26	-143	987	+ 25	-130	898	+ 1	- 13
c. Other Securities	372	+ 4	+ 20	185	+ 5	+ 12	187	- 1	+ 8
2. Reserves and Other Cash Balances.....	1,436	+171	+166	915	+134	+149	521	+ 37	+ 17
a. Reserves with the F.R. Bank.....	631	+ 33	+ 48	418	+ 30	+ 41	213	+ 3	+ 7
b. Other Cash Balances ³	805	+138	+118	497	+104	+108	308	+ 34	+ 10
3. Other Assets	48	- 1	+ 9	28	- 1	+ 3	20	- 0	+ 6
4. Total Assets	\$5,615	\$+212	\$+395	\$3,406	\$+174	\$+308	\$2,209	\$+ 38	\$+ 87
Liabilities and Capital									
5. Gross Demand Deposits.....	\$4,251	\$+224	\$+332	\$2,669	\$+184	\$+262	\$1,582	\$+ 40	\$+ 70
a. Deposits of Banks.....	807	+104	+ 79	763	+104	+ 75	44	- 0	+ 4
b. Other Demand Deposits.....	3,444	+120	+253	1,906	+ 80	+187	1,538	+ 40	+ 66
6. Time Deposits	972	- 2	+ 7	490	- 1	+ 5	482	- 1	+ 2
7. Borrowings and Other Liabilities.....	58	- 9	+ 32	52	- 9	+ 31	6	- 0	+ 1
8. Total Capital Accounts.....	334	- 1	+ 24	195	- 0	+ 10	139	- 1	+ 14
9. Total Liabilities and Capital Accounts..	\$5,615	\$+212	\$+395	\$3,406	\$+174	\$+308	\$2,209	\$+ 38	\$+ 87

¹ Includes 15 St. Louis, 6 Louisville, 3 Memphis, 3 Evansville, 4 Little Rock and 4 East St. Louis-National Stock Yards, Illinois, banks.

² Includes all other Eighth District member banks. Some of these banks are located in smaller urban centers, but the majority are rural area banks.

³ Includes vault cash, balances with other banks in the United States, and cash items reported in process of collection.

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