

ECONOMIC GROWTH OF ST. LOUIS

Delivered by
Harry A. Shuford, President
Federal Reserve Bank of St. Louis
at the
Scottish Rite Luncheon Club
Scottish Rite Cathedral
St. Louis, Missouri
Wednesday, September 2, 1964

ECONOMIC GROWTH OF ST. LOUIS

We are currently observing our City's bicentennial and it has been suggested that I discuss with you some factors regarding our economic growth.

While the interests of the Federal Reserve Bank of St. Louis are devoted to national policy and to the entire Eighth Federal Reserve District - - which includes all of one state and parts of six others - - the focus on economic activity for the region is importantly on the St. Louis Metropolitan area. Regional economic conditions are influenced in no small part by the St. Louis economy.

Independently of whether there is a bicentennial celebration, it is a good idea for a community to take stock of where it currently is and to lay plans for the future. To do this objectively and properly makes it important that we look back over our history and trace out some of the important developments.

The first and most obvious fact about St. Louis is that it is located on the Mississippi River. This great natural resource provided the take-off of the St. Louis economy in the 1840's. This was when the city ushered in the steamboat era. While the rivers and the steamboats were boons to activity for many years, the resulting success encouraged complacency with a then booming economy resulting from north-south trade; and tended to blind the city, for a time, to the value of the railroad and the desirability for encouraging its development. This complacency, coupled with the Civil War and its impact on the economy of the South had a harmful effect on St. Louis. Chicago, on the other hand, during this period, was vigorously pushing the

building of the railroad and trade with the East and upper Midwest. Of course, subsequently, we became a very important railroad center. But not until Chicago had forged way ahead. This is the kind of mistake which should make us resolve to remain alert, sharp, and progressive.

In the late 19th and early 20th centuries St. Louis laid a broad and diversified economic base. This period marked the development of the city as a wholesale and jobbing center, with growth of the West and Southwest a contributing factor. Manufacturing also increased in importance. The brewing, food processing, shoe manufacturing, meat packing, chemical and metals industries developed during this period.

A good deal has been made of the diversified character of the St. Louis economy - and rightly so. It was this diversity, planted solidly around the turn of the century that tended to moderate the economy during the booming 20's and to buoy the economy during the 30's. During periods of prosperity the St. Louis economy tended to rise, but the rise was a general increase among many lines rather than a boom in a few areas. So, too, during periods of recession the St. Louis economy tended to decline but here again the declines were general rather than dominated by a few industries that had gone sour.

With the second World War came the aircraft industry. Since that time movements in the St. Louis economy have been largely influenced by world and national events - including wars, national recessions and periods of national prosperity. But the essential characteristic of the local economy - diversity - has continued to play an important role and continues to have a stabilizing effect.

So much for the broad contours of the past. Let's take a look at our economic growth over the last decade or so and at those trends which seem to be currently in motion. Most of you are in particular lines of business and are interested largely in those things which affect your own business. This is natural and as it should be. However, the business of the Federal Reserve System is to help promote rising activity - production and employment - in the economy as a whole, so aggregate figures are meaningful to us. With this in mind, this discussion of developments in St. Louis will focus largely on broad measures of production and economic activity.

First, a word about people. In 1960 the St. Louis Metropolitan Area had a population of a little over two million - the 9th most populous metropolitan area in the nation. This was about a 20 per cent increase over 1950, a good growth compared with an increase for the nation of about 19 per cent. And, according to a recent estimate by the St. Louis Chapter of the American Statistical Association, the population is now in excess of 2 1/4 million. So, our rate of growth since 1960 has been greater than the previous ten years and, if sustained till 1970, would be one of our largest decade increases on record.

Now, turning to economic developments in St. Louis, it appears that the area is generating a growing stream of goods and services. Dollar value of manufactured goods processed in the area in July of this year was at about a three billion annual rate or one-third higher than in the 1957-59 period - six years ago.

This increase from 57-59 to mid-1964 occurred in several areas. During the period output in the chemical industry rose by nearly one-half and production of fabricated metals showed a strong gain. But the sharpest increases were in transportation equipment - which includes the aircraft and space industry - with a rise of over 95 per cent. The food industry - which includes meat packing and brewing - also showed a rise of about 14 per cent, the same as in the nation.

So we see that the pace of activity has picked up since the slight recession in 1958, but as we come down to the present, the evidence of improvement is even stronger. In the last year manufacturing output rose over 6 per cent. This rise in the St. Louis area was somewhat greater than in the nation as a whole.

The employment statistics present a somewhat different picture. Total payroll employment has increased little over the past six years. However, during the past two years there has been a significant increase of about 2 per cent per year.

Especially significant in the employment increases has been a revival in manufacturing employment. Employment in manufacturing has risen sharply since 1961; this rise may mark a reversal of a trend which was apparent during the late 1950's.

Another factor - St. Louisans spend money - and they appear to have been spending at a faster pace in recent years than somewhat earlier.

This, too, may be considered as evidence both of greater prosperity and

perhaps of further increases to come. In mid-1964 department store sales in the St. Louis Metropolitan Area were nearly 15 per cent above the level in 1957-59. The rise in spending in the St. Louis Area is also reflected in bank debits statistics. The dollar volume of check payments increased by more than one-half during the period. This represents a 9 per cent annual rate of increase, nearly twice the rate of gain from 1954 to 1958.

Now, coming from the Federal Reserve Bank we, of course, think that the pace of economic activity is influenced by the activity of banks. Banking statistics, I might add, are difficult to interpret, because on the one hand banking influences business activity, while on the other it also reflects business activity. It is significant, however, that loans by St. Louis banks have shown considerable strength in recent years, especially since 1960, and business loans have been particularly strong.

Total deposits in the Metropolitan Area have also shown a healthy growth in recent years. Since 1957-59 bank deposits have increased by more than one-fifth. Thus, there has been no shortage of loan funds or loans for worthwhile projects.

All in all, it appears that the St. Louis economy has experienced a substantial increase in the last five years and that the pace of activity has quickened somewhat in the last year or two. Moreover, the growth has been balanced. While the increase has been especially great in transportation equipment - including aircraft and space - other areas of the economy have made important contributions.

In summary, it is clear that the history of economic growth in St. Louis since the days of Pierre Laclède has not only been romantic and interesting, but constructive as well. The area has made important contributions to the growth, development and well being of the nation. Clearly, too, we have had our ups and downs and a review of the past suggests that we have lagged at times. Speaking candidly, in some instances this was attributable - at least in part - to complacency. Certainly this was the case during the period when we were tardy in recognizing the opportunities made possible by the development of the railroad.

On the other hand, our progress has not been so depressed as some of us, on occasions, have been guilty of describing it. Incidentally, - may I add - this negative approach on the part of some of us is noticeable in other areas and does not do justice to the community. For instance, our weather is much better than we sometimes represent it, and our city is much more beautiful than we frequently credit it. In summer it's much hotter down the River and in winter it's much colder up the River. We need to appreciate our 9 or 10 months of reasonably pleasant weather rather than emphasize our 60 or 90 disagreeable days.

I don't advocate unwarranted boasting, but I do believe in thinking and talking the positive. Over the years our growth has been more steady than in other areas of the country, with a general upward trend.

In looking to the future we must continue to look outward to the possibilities of new projects and to the possibilities of new industries. At the same time, we need to look inward. We must remember the value of our current diversified economy and do what we can to sustain and encourage the development of those businesses, industries and people that are already here. This means we need to be concerned about some of our existing problems, both our economic problems and our people problems.

On the economic side, just for example, we need to make sure that we have adequate transportation facilities in order to keep the industry and business we have as well as to attract new. It is important that we be able to move people and materials rapidly through and around the local economy. The least this calls for is adequate streets and roads and eventually - undoubtedly - new means and methods of transportation.

But, equally important, we need to look at our people problems. Ours are no different from other Metropolitan centers, but the pay-off will be on whether and how they are met. Pointing these up doesn't mean that we are not now concerned with our people. It is clear that St. Louis is a warm community - ask any newcomers. Look at our churches, schools and parks. Ours is a family community. Better yet, few Metropolitan Areas of comparable size support a United Fund Campaign raising more than \$9 1/2 million.

A serious problem of the area is pointed up by the excessive crime rate. A high percentage of those involved are from what is referred to as the Inner City. Here we find a high rate of unemployed, numerous cases of school drop-outs, women with many kids but no husbands, hunger and filth.

It is a situation we would like to turn our backs on, walk away from and forget it; one where we are sometimes prone to say, "They're no good, "They brought it on themselves," "They ought to go to work." But it's not that simple.

It's there; it's not going away; and unless something is done it's going to get worse. A start has been made and I am pleased to say that it has been initiated through the cooperative effort of both the private and the public sectors. One program with which I am familiar is the YMCA Inner City Youth Outreach Program which was developed last year. Its basic aim is to take the youngsters in the area at an early age, help them understand what a "real man" is, and lead them into an urgent desire to become one. These children are approached and attracted through the usual "Y" program of athletics, which of itself teaches many fine lessons - but the ultimate aim is to build men.

This program was presented to the United Fund which recognized the need and appropriated \$30,000 for this year's initial undertaking. In view of the requirements of the other 116 worthwhile Fund agencies, this \$30,000 was most generous, but due to the seriousness of the problems and the vastness of the undertaking, it is negligible. The program calls for outfitting small vans with athletic equipment - baseball, football, volley ball, trampolines, and similar equipment - and taking the program to the kids.

The Downtown Rotary Club became interested and has provided two vans. Others have given office equipment and athletic gear. A small but dedicated staff is at work and the program is under way. Since January, ten sites within the Inner City area have been established. Twenty-seven clubs with a total of about 500 boys are participating. The value of the program is already evident even after this short experience.

\$6,000 is needed to complete the program this year. Where this will come from is not yet clear, but it must and is bound to come. This problem and others related to it must be met. These people must be encouraged and assisted to become people with moral fiber, with at least reasonable educational backgrounds, qualified to perform a job and with an ambition to hold one.

Some day St. Louis will know about the program; will appreciate its value, and will not only underwrite it and the other United Fund Agencies but will improve and expand it.

These and related problems are ones which must be solved if we are to expect continued economic growth and improvement of quality of the metropolitan area. They must be solved in the interest of our own selfish safety. Surely they will be solved because these people are a part of mankind and - "no man is an island; no man stands alone."

All of these things and more - control of air and water pollution, schools and universities, symphonies, museums, gardens and parks - cost money.

We are able to make estimates as to the current cost of doing some of these things that need to be done, but we are absolutely unable to estimate the long-run cost if these things are not done.

Earlier I suggested that our interests were largely along the lines of broad aggregates. How do all of these items add up, in the aggregate, to expanding output, rising employment, and greater economic opportunities? I think the answer to this is fairly simple and fairly straightforward. Gains along political, cultural, and educational - as well as economic - lines are

prerequisites to insuring the attractiveness of our area -- to that industry which is here and that industry which we would like to see here.

In the final analysis, to the extent that we make St. Louis a good place to live we make St. Louis a good place to work.

In this connection two statements strike home to me. The first was the admonition of a dynamic man made frequently to his fellow citizens in the interest of the city he loved - "Keep the dirt flying."

The other you know:

Except the Lord build the house, they labor in vain that build it.

Except the Lord keep the city, the watchman stays awake in vain.