MONTHLY

Business Review

FEDERAL RESERVE BANK of CLEVELAND

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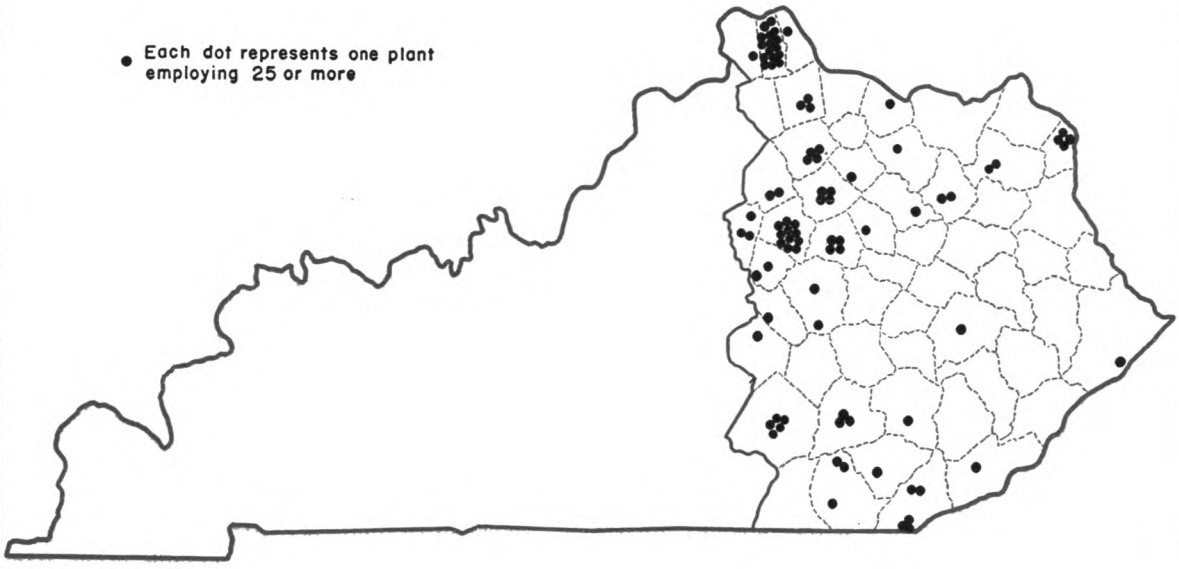
IN THIS ISSUE

NEW MANUFACTURING PLANTS IN EASTERN KENTUCKY
Established Between 1946 and 1954



SOURCE: *Kentucky Agricultural & Industrial Development Board, Frankfort, Kentucky.*

Business Highlights in Eastern Kentucky

INDUSTRIAL DEVELOPMENT and expansion has been one of the outstanding features of the business scene in Kentucky during the decade following World War II. Between 1946 and 1954, 240 new manufacturing plants, each employing 25 or more persons, were established in the state. In addition, companies which had been located in Kentucky for a number of years spent over $300 million for expansion.

The growth of manufacturing in Kentucky is also reflected in figures on employment. In June this year, for example, manufacturing employment in Kentucky was estimated at 160,800, an increase of over 30,000 from the total for 1947. A large part of this gain in employment can be attributed to substantial increases in the electrical machinery and chemicals industries.

While manufacturing has been gaining in importance in Kentucky's economy, both agriculture and mining have experienced setbacks from earlier postwar peaks of activity. Coal production for the state as a whole has fallen off considerably from the postwar record set in 1947 when production totaled 84.2 million tons. In 1954 production amounted to only 60.0 million tons, although 1955 production to date is moving somewhat above the figure for last year.

In the material which follows, attention is given to business activity in the 56 counties of Eastern Kentucky which are included in the Fourth Federal Reserve District. Where available, data for individual counties have been utilized to permit more detailed analysis of changes in the area.

New Manufacturing Plants

Of the 240 new manufacturing plants which have come into existence since 1946 in the state of Kentucky, 89 are located in the Eastern portion of the state. Approximate locations are shown on the cover chart. As the map shows, the majority of the new Eastern Kentucky manufacturing sites tend to be clustered around a line running approximately north and south through Lexington. Two centers, Lexington and Covington, each attracted ten or more new factories during the period.

Kenton County stood first among the fifty-six counties in number of new factories established during the postwar period. Besides the ten plants in Covington, six additional factory sites were located in other cities or villages of the county. Fayette County was selected as the site for eleven new enterprises (all in Lexington), while Pulaski and Bell Counties attracted five plants each.

A wide variety of manufacturing activity is represented by the new plants described above. In Lexington, for example, the new factories are in such lines as electrical equipment, automotive and home appliance parts, parachutes, and food items. The new Covington plants manufacture, among other items,

such products as machine tools, materials handling equipment, metal fabricated products, envelopes, and handkerchiefs.

Gains in Manufacturing Employment

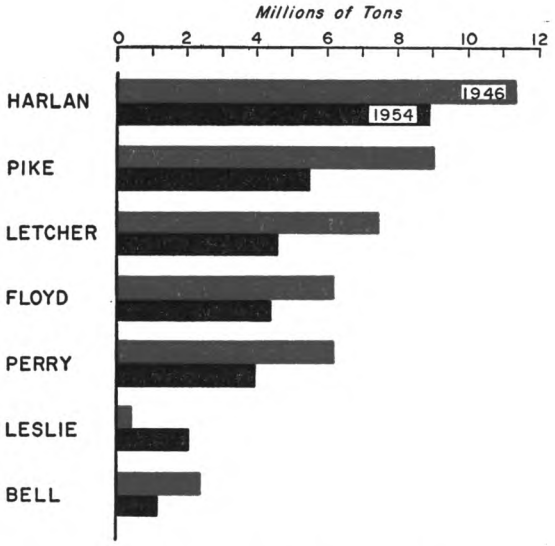
The increasing importance of manufacturing in the Eastern Kentucky area has been reflected in the data on manufacturing employment. Between 1945 and 1954, manufacturing employment in the 56-county area rose about 30 percent. In Kenton County, which includes Covington, the gain in employment between the two years amounted to about 55 percent, while in Fayette County, with Lexington as the principal city, the rise amounted to 42 percent. Certain other counties in the area had considerably larger percentage increases in manufacturing employment during the interval, although in terms of actual numbers employed, the increases were not so large. In most such counties, total manufacturing employment in 1945 had amounted to less than 100 persons.

Boyd County, which includes Ashland, had the largest number of manufacturing employees in 1954 (about 10,000) of any of the counties under consideration. The gain for the county from 1945 amounted to 53 percent. The bulk of manufacturing employees in the Ashland area are engaged in the petroleum and sheet steel industries. A number of counties, including Jessamine, Johnson, and Leslie, had practically no manufacturing employment in 1945, but last year had over 100 persons engaged in manufacturing activity in each county.

Mining Activity in the Eastern Kentucky Coal Field

Production of coal in the Eastern Kentucky field has dropped off considerably in recent years as compared with the postwar record attained in 1947. During 1947, production in the Eastern field (which includes several counties not a part of the Fourth Federal Reserve District) reached 62.1 million tons. By 1954, production had dropped 39 percent to 37.6 million tons. The decline in production has not been steady throughout the span of years, although total production declined each year from 1951 through 1954. During the first half of the current year, however, production has been running about 10 percent ahead of the 1954 pace.[1]

Of the seven top coal producing counties in the Eastern Kentucky coal field, all but one produced less coal in 1954 than in 1946.



The bulk of coal output from the Eastern Kentucky field comes from seven counties in the area, each of which produced over one million tons in 1954. Altogether, these counties extracted 30.7 million tons during the year, or 82 percent of the total for the area. An accompanying chart shows total output for each of the seven counties in 1954 (see black bars on chart) as compared with production in 1946 (shown by the colored bars). Production during 1954 was well below the 1946 rates for each of the counties shown on the chart with the exception of Leslie County,

(1) The outlook for the coal industry generally appears to be somewhat improved. There is some indication that the rate of loss of coal markets to competitive fuels has tended to level off in recent years. Likewise, the loss of export markets appears to have run its course. It is considered by many observers that increased consumption of coal by electric utilities should more than offset any further losses to competing fuels and result in continued net gains in total coal production.

where production in 1954 was five times as great as in the earlier year.

Harlan County has ranked as the top coal producing county in Eastern Kentucky throughout most of the postwar period. Pike County held the lead in 1947, 1948, and 1949. During 1954, Harlan County produced 8.9 million tons as compared with 5.5 million tons for Pike County.

Employment in Mines

Mining employment in the Eastern Kentucky coal fields has declined in recent years, as might be expected in view of the reduction in output. Changes in numbers of mining employees through the postwar years have not followed the same year-to-year pattern as have changes in production. While production reached a peak in 1947, employment in the Eastern Kentucky fields was at a peak in 1950. However, the mines were active an average of 216 days in 1947 as against 171 days in 1950. Production per man-day was the same in both years.

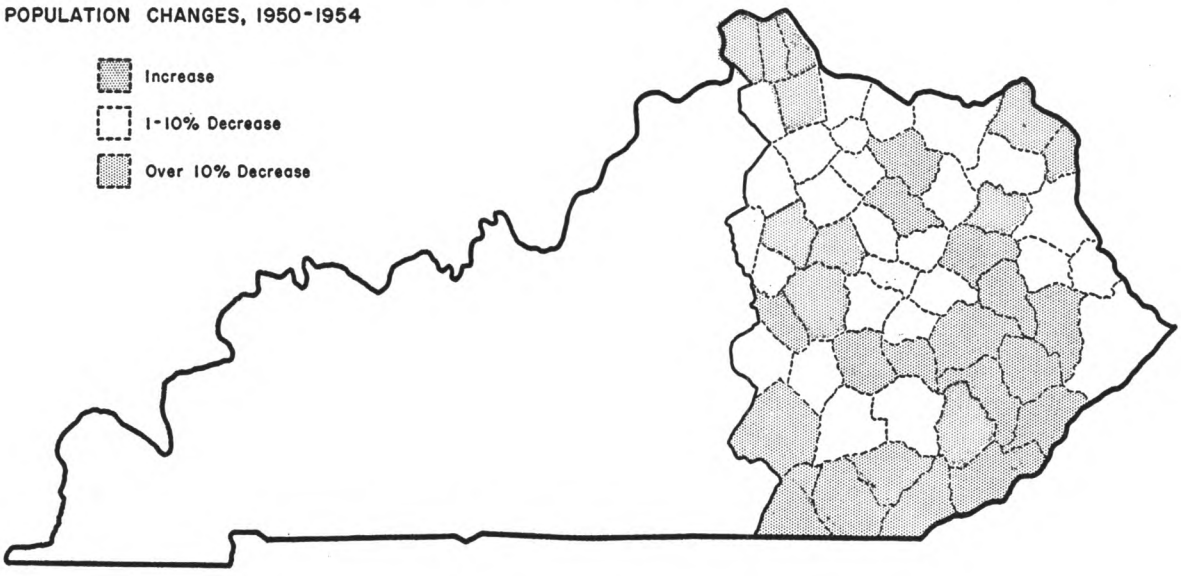
Between 1950 and 1953, the latest year for which data are available, employment in Eastern Kentucky mines dipped from 60,700 to 39,300. Very little change took place during this interval in the average number of days mines were active, but production per man-day increased from 5.25 tons to 6.47 tons.

As could be expected, mining employment was highest in those counties mentioned above as producing the greatest tonnages of coal. In Harlan County, for example, mining activity in 1953 provided employment for 9,225 persons. Pike County ranked second with 7,253 mining employees. In both counties, however, the totals were appreciably below those for earlier years.

Population Changes

In spite of increased manufacturing employment, population in Eastern Kentucky has declined in recent years. Between 1950 and 1954, population in Eastern Kentucky declined by an estimated 8 percent. For the state as a whole, population remained unchanged during the period, while the nation experienced a rise of 8 percent in total population.

Only 11 out of 56 Eastern Kentucky counties showed population increases between 1950 and 1954.



County-by-county changes in population are illustrated on the accompanying map which indicates the range of population increase or decrease for each county. The eleven counties shown in solid color on the map are the only ones to have indicated population increases during the period. The gains for individual counties ranged from 16 percent in Boone County to only a fraction of one percent in the case of Boyd County. For the most part, counties which experienced population gains were clustered around the three major industrial centers of the area, namely Covington, Lexington, and Ashland.

At the other extreme, the eighteen counties shown in black on the accompanying map had losses in population between 1950 and 1954 amounting to more than 10 percent. Magoffin County experienced a 22 percent loss in population during the period, the largest for any county in the area. This county had very few employees in either manufacturing or mining in 1954.

For the most part, the counties with population losses of more than 10 percent are those in the mining areas of the extreme eastern portion of the state. An important exception is Leslie County which, although located in the mining area, actually showed a 4 percent increase in population over the 1950-1954 interval. Manufacturing employment in this county rose from almost zero in 1945 to over 350 in 1954.

A number of counties in Eastern Kentucky, twenty-seven in all, had population losses of 10 percent or less between 1950 and 1954. These counties are shown uncolored on the accompanying map and tend to be scattered throughout the area.

Sources:

Kentucky Industrial and Agricultural Development Board, Frankfort, Kentucky.

Agricultural Experiment Station, University of Lexington, Lexington, Kentucky.

United States Department of Interior, Bureau of Mines.

Address of William McC. Martin, Jr.

Chairman, Board of Governors of the Federal Reserve System

(before the New York Group of the Investment Bankers Association of America, Waldorf Astoria Hotel, New York City, October 19, 1955)

THERE'S AN APOCRYPHAL STORY about a professor of economics that sums up in a way the theme of what I would like to talk about this evening. In final examinations the professor always posed the same questions. When he was asked how his students could possibly fail the test, he replied simply, "Well, it's true that the questions don't change, but the answers do."

In our economic affairs, the major questions confronting us are in large measure hardy perennials: How do we attain and retain prosperity? How do we achieve normal healthy growth? How do we preserve the purchasing power of our money? The answers to these interrelated questions in the 1950's thus far differ in important respects from those of earlier decades.

My purpose tonight is to explore with you some of the main currents and undercurrents of thought which have colored and shaped these differing answers.

It is, of course, unorthodox, if not downright poor form, to reach your conclusion in the course of your

introductory remarks. But, as a matter of emphasis, I would like to state it now.

In the absence of war, or serious conflict among our people over political or social aims, the road to a substantially higher standard of living lies ahead of us as clear and as smooth as our modern turnpikes. We have passed through the turnstiles and are, in my judgment, out on the open road. This position has been achieved after a good many ups and downs, false starts, adaptations to war and preparations for war, false turns, and poor directions. Furthermore, the machine we are driving is adequate and capable of traversing the grades, curves, crossroads, and danger points, provided only that the drivers observe the speed laws, are alert and responsible, and sufficiently trained and experienced in the art of driving to understand the nature of the principles of propulsion, and the goals of the journey they are making. Our ability to travel this road safely depends upon a community of drivers who understand and utilize the time-tested principles which are derived from our inheritance.

It seems rather striking that one of the ideas now firmly imbedded in our articles of material faith, the concept of governmental responsibility for moderating economic gyrations, is almost entirely a product of our own Twentieth Century.

This concept, which is steadily being brought into sharper focus, has evolved from general reaction to a succession of material crises heavy in human hardship. It grew from mass desperation and demand for protection from economic disasters beyond individual control.

The Federal Reserve System, which I have the honor to represent, was our earliest institutional response to such a demand. It emerged out of the urgent need to prevent recurrences of such disasters as the money panic of 1907, and out of the thought that the Government had a definite responsibility to prevent financial crises and should utilize all its powers to do so.

Accordingly, 42 years ago Congress entrusted to the Federal Reserve System responsibility for managing the money supply. This was an historic and revolutionary step. In framing the Federal Reserve Act great care was taken to safeguard this money management from improper interference by either private or political interests. That is why we talk about the over-riding importance of maintaining our independence. Hence we have our system of regional banks headed up by a coordinating Board in Washington intended to have only that degree of centralized authority required to discharge effectively a national policy. This constitutes, as those of you in this audience recognize, a blending of public interest and private enterprise uniquely American in character. Too few of us adequately recognize or adequately salute the genius of the framers of our central banking system in providing this organizational bulwark of private banking and business.

Since the Federal Reserve System came into being, the problems of inelasticity of currency and immobility of bank reserves—which so often showed up as shortages of currency or credit in times of critical need—have been eliminated, and money panics have largely disappeared.

In this specialized respect there can be no doubt that the System has made notable progress, but in the more fundamental role of stabilizing the economy the record is not so clear. All of us in the System are bending our best efforts to capitalize on the experience of the past, and our current knowledge of money, so as to make as large a contribution as possible in this direction. But a note should be made here that, while money policy can do a great deal, it is by no means all powerful. In other words, we should not place too heavy a burden on monetary policy. It must be accompanied by appropriate fiscal and budgetary measures if we are to achieve our aim of stable progress. If we ask too much of monetary policy we will not only fail but we will also discredit this useful, and indeed indispensable, tool for shaping our economic development.

The answers we sought to the massive problems of the 1930's increasingly emphasized an enlarging role for Government in our economic life. That role was greatly extended again in the 1940's when the emergency of World War II led to direct controls over wages, prices, and the distribution of goods ranging from sugar to steel.

That experience led to growing concern over the effect of a strait jacket of controls on the economy's productive capacity, and the price that would be exacted in terms of individual liberty if the harness of wartime economic controls were carried over into the postwar years.

Such a strait-jacketing of the economy is wholly inconsistent with our political institutions and our private enterprise system. The history of despotic rule, of authoritarian rule, not merely in this century but throughout the ages is acutely repugnant to us. It has taken a frightful toll in human misery and degradation.

The transformation of this country from a wilderness to a highly developed civilization demonstrates the results that can be obtained through a system which is directed toward releasing, not shackling, energies and abilities. The fruits of these energies and labors are shared in growing abundance, not by primitive barter, but by the processes of the market place.

The advantages of a system where supply capacities and demand wants and needs are matched in open markets cannot be measured in economic terms alone. In addition to the advantages of efficiency in the use of economic resources, there are vast gains in terms of personal liberty. Powers of decision are dispersed among the millions affected instead of being centralized in a few persons in authority.

The basic concept of the market system has remained with us since the founding of the nation. It has remained the cornerstone of our society to this

day, although we have done some extensive remodeling of the structure as a whole from time to time.

We have in the past done some remodeling for the admirable purpose of correcting structural defects and distortions. Competitive, freely functioning markets are one thing, and rigged markets are another. Rules and regulations to prevent rigging are necessary and essential to a sound structure.

Other remodeling has come about because the American people have refused to accept economic goals as their sole objective. That was true in older generations, as well as our own. Our family inheritances have, I am glad to say, usually included the beliefs that man cannot live by bread alone, and that in a properly equipped home library the Bible should occupy a more important place than a manual of arms or a mail order catalogue. Let it be said, to our credit, that American economic action has often been determined by balancing material advance against other human objectives.

For these reasons, and perhaps others, our market system has been modified continuously throughout this country's history. Ideas of market places functioning with no rules or regulations except the "law of the jungle" have, quite justly, gone the way of the great buffalo herds. When we speak today of "free markets" we of course mean markets that are only relatively free, as the freedom of speech we enjoy is itself only a relative freedom. The essential characteristics of free markets have nevertheless been retained.

It is true that in a great emergency we have been willing to make a departure from our market structure, but our mood has been that of the man who has to leave home for the confines of a bomb shelter. When a war comes on, we are willing to put up with all sorts of economic controls and dictation of even small details of our economic life. The dignity of the individual gets submerged in the necessity to win the war. The law of supply and demand is suspended temporarily, but it cannot be permanently repealed. It is always with us just as is the law of gravity.

When peace is restored we do not continue to ignore it. We cannot substitute the judgment of a few in authority for the free and independent judgments of the community as they are expressed in the market place. We cannot do so, that is, and retain our concept of freedom in a competitive, private enterprise economy.

I am not unaware that freedom entails certain hardships on the nervous constitution. It gives us opportunity to choose, but it also requires the making of choices. The pleasure of having a choice to make is counterbalanced by not only the necessity for making a choice, but also the responsibility for accepting the consequences of that choice, whether good or bad. Naturally we like the consequences only when our choice proves right. That's one reason it is easier to make a mistake than to admit one.

It requires no strain on my imagination to suppose that there might be some, even in this audience, who occasionally feel a nostalgia for the pegged money market that came into existence during the war and continued until the Treasury-Federal Reserve accord of March 1951 turned us back in the direction of a freer market.

Free markets, like free economies, have a way of going down as well as up, and thus reminding us that our system is one of profit and loss, entailing penalties as well as rewards. During the last four and a half years the Federal Reserve has pursued a monetary policy characterized by flexibility, or prompt adaptation to the sharply changing needs of a dynamic economy. It has been necessary in this period to combat both the forces of inflation and of deflation.

There are some who contend that a little inflation—a creeping inflation—is necessary and desirable in promoting our goal of maximum employment. My able associate, Allan Sproul, President of the Federal Reserve Bank of New York, put his finger on the fallacy in this contention in testifying before a Congressional committee earlier this year when he said:

> "Those who would seek to promote 'full employment' by creeping inflation, induced by credit policy, are trying to correct structural maladjustments, which are inevitable in a highly dynamic economy, by debasing the savings of the people. If their advocacy of this course is motivated by concern for the 'little fellow,' they should explain to the holders of savings bonds, savings deposits, building and loan shares, life insurance policies and pension rights, just how and why a rise in prices of, say, 3 per cent a year is a small price to pay for achieving 'full employment.' They should also explain to all of us—little, big, and just plain ordinary Americans—what becomes of our whole system of long term contracts, on which so much of our economic activity depends, if it is to be accepted in advance that repayment of long term debt will surely be in badly depreciated coin."

If inflation would in fact make jobs, no reasonable man would be against it. But as I have frequently emphasized, inflation seems to be putting money into our pockets when in fact it is robbing the saver, the pensioner, the retired workman, the aged—those least able to defend themselves. And when the inevitable aftermath of deflation sets in, businessman, banker, worker, all suffer. That doesn't mean jobs. It means just the opposite.

There have been some rather wide swings in attitudes toward monetary policy during recent years. In the depression, a great number came to the conclusion that monetary policy was ineffective as an instrument for promoting recovery from economic decline. Following World War II, some were troubled by the move from direct controls to restoration of the general control involved in monetary policy because they feared it could not restrain the inflation then prevalent—not,

that is, without being so drastically exerted as to plunge us into a devastating depression.

Nowadays, there is perhaps a tendency to exaggerate the effectiveness of monetary policy in both directions. Recently, opinion has been voiced that the country's main danger comes from a roseate belief that monetary policy, backed by flexible tax and debt management policies and aided by a host of built-in stabilizers, has completely conquered the problem of major economic fluctuations and relegated them to ancient history. This, of course, is not so because we are dealing with human beings and human nature.

While the pendulum swings between too little or too much reliance upon credit and monetary policy, there is an emerging realization more and more widely held and expressed by business, labor and farm organizations that ruinous depressions are not inevitable, that something can be done about moderating excessive swings of the business cycle. The idea that the business cycle can be altogether abolished seems to me as fanciful as the notion that the law of supply and demand can be repealed. It is hardly necessary to go that far in order to approach the problems of healthy economic growth sensibly and constructively. Laissez faire concepts, the idea that deep depressions are divinely guided retribution for man's economic follies, the idea that money should be the master instead of the servant, have been discarded because they are no longer valid, if they ever were.

Nor does the discarding of old ideas and the substitution of new ones mean that we are throwing basic laws or principles overboard. It is the return to first principles in many parts of the free world that is the most significant aspect of world-wide recovery and progress outside of the iron curtain. And that, in turn, vastly brightens the hope of lasting peace.

By first principles I mean time-tested basic concepts of the market place and the development of competitive private enterprise, with only that degree of Government interference or regulation necessary to prevent abuses and excesses. We see a return to these concepts here and abroad because other concepts have failed, and where there has not yet been a revival of these concepts economic troubles are acute.

As I suggested at the outset, the basic problems, the questions, remain pretty much the same always. The answers are different—and no one would be so rash as to say we have ultimate solutions for all of our problems. We can say confidently, I think, that we have discarded some wrong answers—that we have returned to some of those fundamental principles under which our society, our institutions, have flourished with incomparable benefits, benefits not merely material.

There will always be some, of course, who think we must go through the wringer periodically to purge the economy. There will always be cynics and defeatists, no doubt, who say that because there have always been disastrous depressions and more disastrous wars, we must accept these visitations as inevitable. If there are enough hopeless Jeremiahs, enough defeatists and cynics, those calamities are indeed inevitable. If we do nothing about it, if we do nothing to prevent inflation and thus avoid the inevitable aftermath of deflation, then of course we are defeated. Today's generations will accept no such fatalistic philosophy.

If we fail to apply the brakes sufficiently and in time, of course, we shall go over the cliff. If businessmen, bankers, your contemporaries in the business and financial world, stay on the sidelines, concerned only with making profits, letting the Government bear all of the responsibility and the burden of guidance of the economy, we shall surely fail. I am as weary as you are of pious platitudes and after dinner preachments about leadership and financial statesmanship. But the fact is that the Government isn't something apart and remote from you. It is you—all of us. If those responsible for major decisions in business, finance, labor, agriculture, are irresponsible, Government can't compel you, short of moving in the direction of dictatorship, to be reasonable, or moderate, or prudent.

In the field of monetary and credit policy, precautionary action to prevent inflationary excesses is bound to have some onerous effects—if it did not it would be ineffective and futile. Those who have the task of making such policy don't expect you to applaud. The Federal Reserve, as one writer put it, after the recent increase in the discount rate, is in the position of the chaperone who has ordered the punch bowl removed just when the party was really warming up.

But unless the business community, leaders in all walks, exhibit moderation, prudence, and understanding, then we will fail and deserve to fail. I cannot believe we will be so blind. I have a deep and abiding faith in that undefinable yet meaningful phrase we frequently use—"the American Way of Life."

"Warehousing" of Real Estate Mortgages

Fourth District

EXTENSIVE ACTIVITY in mortgage financing and widespread acceptance of mortgages underwritten by the Government have stimulated the development of a number of new financing techniques. The chart on page 11 shows the extent of participation of the weekly reporting member banks of the Fourth Federal Reserve District in one specialized financing arrangement that is used by institutional lenders. This type of financing is commonly labelled "warehousing," but the various existing types of bank and nonbank warehousing arrangements make it difficult to give a close definition to the term. To the extent that commercial banks participate, warehousing can be described as interim financing for real-estate mortgage lenders.

The occasion for interim financing, in the case of a mortgage company, arises when mortgages have been brought into the portfolio (1) at a rate faster than they can be disposed of by sale to long-term holders, or (2) prior to the date that long-term holders have committed themselves to purchase specified amounts and types of mortgages. Insurance companies, savings and loan associations, and mutual savings banks find interim financing with commercial banks a convenient way to maintain the flow of mortgages into their portfolios at a pace set by the inflow of premiums or savings. They can anticipate the latter with reasonable accuracy and, with the aid of commercial bank credit, they can originate or purchase desirable mortgages before the necessary funds become available. Of course, if the interim credit provided by commercial banks is allowed to roll over, it becomes a net addition to the volume of real estate credit over a long term, despite its apparent short-term character.

A special survey of the weekly reporting member banks in leading cities of the nation was made in August of this year in order to obtain information on the extent of indirect lending by commercial banks to real estate mortgage lenders that was not apparent in currently available statistics. The 400 banks included in the survey hold about two-thirds of all loans of member banks of the nation. The 17 Fourth District banks which were included in the survey hold about three-fifths of all loans and about two-fifths of all real estate loans of member banks in the District.

Some of the results of the survey for the Fourth District, together with corresponding figures for the nation, are shown in the accompanying table.[1] Total indirect lending by Fourth District banks was about six percent of the United States total; unused commitments to participate in such loans in this District were about four percent of the United States total. The pattern of lending by Fourth District banks to each type of real estate mortgage lender in each loan category was similar to that shown by all weekly reporting member banks. On August 10, 1955, Fourth District banks held mortgages under resale agreement in the amount of 16 million dollars. This comprised about two percent of real estate loans included on the report of condition. However, reported real estate loans were understated by a large portion of the 71 million dollars in warehoused mortgages that

(1) For a summary of the results of the survey on a national scale, see *Federal Reserve Bulletin*, September 1955, p. 980.

LOANS TO REAL ESTATE MORTGAGE LENDERS

By Weekly Reporting Member Banks
August 10, 1955 and August 11, 1954

(Millions of dollars)

Major Classes of Borrower By Type of Loan	FOURTH DISTRICT			UNITED STATES		
	Outstanding on		Changes	Outstanding on		Changes
	Aug. 10, 1955	Aug. 11, 1954[1]		Aug. 10, 1955	Aug. 11, 1954[1]	
Mortgages Purchased Under Resale Agreement:						
Insurance Companies	10.9	....	+ 10.9	226.9	3.7	+223.2
Mortgage Companies	5.2	....	+ 5.2	96.9	43.6	+ 53.3
Others[2]	.2	.1	+ .1	12.3	4.4	+ 7.9
Total	16.2	.1	+ 16.1	336.1	51.7	+284.4
Secured by Real Estate Mortgages:						
Insurance Companies	1.3	.2	+ 1.1	28.9	12.0	+ 16.9
Mortgage Companies	57.7	16.1	+ 41.6	860.5	460.4	+400.1
Others[2]	(a)	(a)	(a)	54.9	25.9	+ 29.0
Total	59.0	16.3	+ 42.7	944.3	498.3	+446.0
Unsecured, or Secured other than by Real Estate Mortgages:						
Insurance Companies	....	....	....	6.4	3.8	+ 2.6
Mortgage Companies	.9	1.4	— .5	22.5	13.4	+ 9.1
Others[2]	10.7	4.5	+ 6.2	75.8	39.3	+ 36.5
Total	11.5	5.9	+ 5.6	104.7	56.5	+ 48.2
Unused Firm Commitments to Extend Credit of Above Types:						
Insurance Companies	20.4	....	....	183.6	....	....
Mortgage Companies	26.6	....	....	857.2	....	....
Others[2]	4.4	....	....	221.1	....	....
Total	51.4	(3)	(3)	1,261.9	(3)	(3)

(a) Less than $50,000.

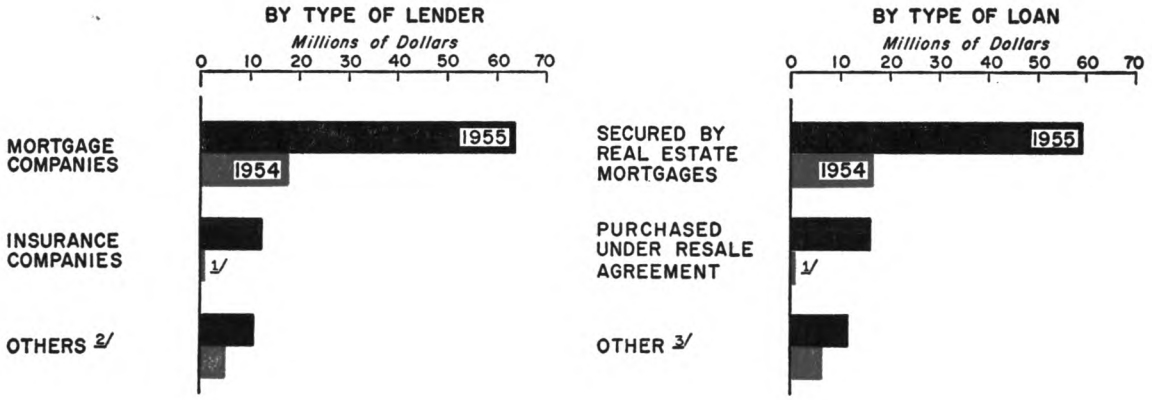
(1) Reporting banks were asked to estimate year-ago figures.

(2) Savings and loan associations, mutual savings banks, builders and other organizations (other than banks) that make or hold substantial amounts of real estate loans.

(3) Year-ago figures not requested.

LOANS TO REAL ESTATE MORTGAGE LENDERS

Fourth District Weekly Reporting Member Banks
August 10, 1955 and August 11, 1954



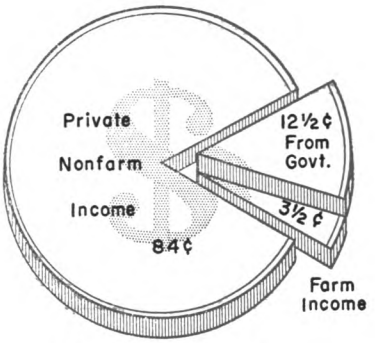
(1) Less than $200,000 in 1954.
(2) Consists mainly of savings and loan associations.
(3) Unsecured, or secured other than by real estate mortgages.

were included in the report of condition under other classifications.

The extent of Fourth District participation in warehousing arrangements is shown for the reporting date and as estimated for a year ago in the accompanying chart. Loans secured by mortgages owned by the borrower were the major type of loan involving warehousing in 1955 and showed the greatest increase over 1954. Of less importance in 1955 were mortgages purchased under resale agreements and loans secured other than by mortgages, or unsecured, but both categories showed relatively large increases from a year ago.

The left half of the chart reveals the major extent of loans made to mortgage companies for warehousing purposes, which far exceeded that of other real estate lending groups and which rose substantially from 1954. As might be expected, mortgage companies obtained most of their bank loans on the security of mortgages held. While insurance companies and the miscellaneous group were relatively minor participants in 1955, they showed substantial gains from a year ago. The bulk of the credit extended to insurance companies was through purchase of the mortgages under resale agreements. Savings and loan associations, which dominate the miscellaneous group, borrowed primarily on security other than mortgages, probably Government securities, or they borrowed without security.

In addition to data on warehoused loans, the special survey disclosed classification errors in the weekly data on condition reported by member banks; such information is being taken into account in current releases.



The Income Dollar, 1954

Personal Income in Ohio

PERSONAL INCOME in Ohio during each of the years 1953 and 1954 exceeded $17¼ billion, or slightly more than six percent of the U. S. total. Applying a six percent ratio to the current estimates of personal income in the nation would indicate that Ohio's personal income in 1955 will be in excess of $18 billion, or about two-fifths more than the state's 1950 total.

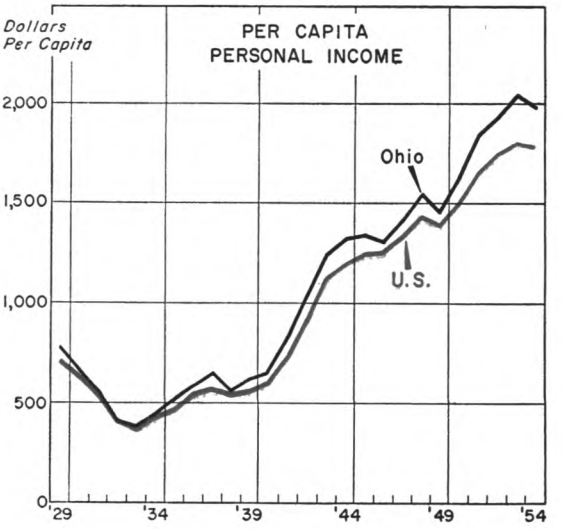
Personal income in Ohio is the current income received by the state's residents from all sources, i.e., from business establishments, Federal and state and local governments, households, institutions, and foreign countries. It is a measure of the income flow to individuals before the deduction of income and other direct taxes.

This September, for the first time, the Department of Commerce published estimates of the income of individuals by states which conform to the widely used "personal income" concept.[1] This report provides a more comprehensive record of income by states than was available heretofore, making possible an analysis of differences in income structure among states as well as changes from 1929 to 1954.

The aggregate income of Ohio's residents in 1954 ranked Ohio fifth among the 48 states and the District of Columbia, being topped only by New York, California, Illinois, and Pennsylvania—in that order. On a per capita income basis, however, Ohio ranked tenth out of 49, with its 1954 personal income averaging $1,983 for each man, woman and child in the state. In terms of per capita income, Ohio was 12 percent above the average for all states ($1,770) but 18 percent below the top per capita income average of Nevada ($2,414).

Slightly more than 70 percent of the income received by Ohio residents in 1954 was in the form of wages and salaries. Nearly half of Ohio's wage and salary income was disbursed by manufacturing industries, reflecting the state's industrial importance. Nationally, the proportion was about one-third.

Per capita personal income in Ohio increased 23 percent between 1950 and 1954. It has consistently remained above the U. S. average, exceeding it in 1954 by 12 percent or about the same margin as in 1940 and 1929.



(1) U. S. Department of Commerce, *Survey of Current Business*, September 1955, pp. 12 ff. A more detailed report, scheduled to appear next year, is now being prepared.