Monthly Review

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Yesterday and Tomorrow

by

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For some years I have taken advantage of the traditional American custom at New Year's to write about recent developments and to speculate in some measure about prospective developments in the coming year. I believe this is a good custom. It is desirable to pause now and then to take stock of where we stand and to appraise the future. We naturally tend to see mainly what is happening right at the present. Often a backward and a forward glance puts current affairs in somewhat better perspective.

Right at the moment there is a great temptation to avoid looking ahead. Both the domestic and the international pictures are clouded with problems that most of us would like to forget—at least for a time. Unfortunately, problems do not disappear merely because they are ignored. All too often they grow more difficult under such treatment. Thus I believe it desirable to note some of them in the field of political economy—to attempt to define and delineate them—in the hope that by so doing some moves toward their solution may become apparent and possible.

As a parenthetical note before taking up developments in the international field, in business, in agriculture and in banking, I am inclined to believe that we lay too much stress upon short-run occurrences and tend to look for short-run solutions to problems. It is, of course, necessary to deal with situations as they arise and we naturally have to work with what we see on the current scene, for most problems are meaningful to us only in terms of the present and the immediate future. But at this present important period in our history, what we do in the near term has implications for the long-run not only in this nation but in the world.

INTERNATIONAL AFFAIRS

No one can look at the current international situation with much optimism. Certainly developments in 1948 in Germany, in Greece, in Palestine, and in China were far different from those we hoped for when 1948 began. The bitterness of feeling between the two great politico-socio-economic systems intensified rather than abated in the year just past. Rather than gaining strength the United Nations Organization seemed to lose ground during 1948. On balance, our efforts toward permanent world peace seem to have brought us no nearer our goal in 1948.

We can make some entries on the credit side of the ledger but these, unfortunately, are offset by debit entries. There were some positive gains—progress toward recovery in Western Europe, marked improvement in Canada, and some measure of success in various other areas including Japan. In addition, we might score as partial achievements—at any rate they were not dead losses—avoidance of actual war and the continuance of the United Nations.

In 1948, the Foreign Assistance Act was passed and the Economic Cooperation Administration got under way. The European recovery phase of the program has proved fairly successful in the eight months during which it has been in operation. Procurement authorizations at a value of almost $4 billion have been issued. Shipments of goods to Europe, of course, have lagged behind procurement authorizations (through November but $1.4 billion had been shipped) but the flow of foods, raw materials and finished products to the Western European nations has aided them in their struggle toward rehabilitation.

Marshall Plan aid represents but a small fraction, approximately 5 per cent, of the total supply of goods and services which the European nations need to reach something approximating the prewar standard of living. Obviously the bulk of these goods and services must come as a result of the efforts of these nations themselves. Since our aid is in certain strategic areas, however, it has played a very important part in the entire European recovery program. The impact of the aid should grow as the program advances in time.

Because of this aid, plus the strenuous efforts of the European nations themselves, European recovery is progressing, even though perhaps not on exact schedule. Economic Cooperation Administrator Paul Hoffman has stated that the tide of Communism in Europe has been halted due largely to the economic recovery in the nations of Western Europe. I believe we can mark this as a positive achievement on the credit side of the ledger. If recovery proceeds, we will attain a political objective of major importance and at the same time will have led to greater world economic stability by contributing to the rehabilitation of one of the most important producing geographic units on this globe.

I pointed out last year that the very fact that UN remains in existence is an achievement, even though its operations give cause for disappointment. UN has provided a forum for world opinion and there can be little doubt that world opinion has substantial moral force—witness the Russian efforts to influence it. It is becoming more apparent, however, that some sort of reorganization of UN is a necessity if that body is to become a positive force for the peaceful settlement of international disputes.

While the Berlin situation itself must be a debit entry, the fact that it has not yet led to war may be classed as some sort of favorable achievement. Prospects for settlement of the cold war in Europe, however, do not seem to have brightened in 1948. Many experienced observers are predicting that this crisis will continue indefinitely without actual hostilities. It seems to me of vital importance to the economic rebuilding of Western Europe that we make every effort to iron out this dispute. Admittedly it is one of many problems, but its solution would pave the way toward achieving one of our major objectives. Similiarly the whole German question and that of Greece, need to be solved if the democracies' position in Europe is to be enhanced.

Our position in Asia, aside from Japan, obviously worsened in 1948. In China, it perhaps has deteriorated completely and in the East Indies it is not much better. While our position is not as bad in India, Pakistan, Korea, and Southern Asia, from our viewpoint they certainly are not in good shape. Developments in this whole vastly important area go generally on the debit side of the 1948 ledger.

To sum up, I would say that our world position nets out as about the same at the beginning of 1949 as a year earlier. This is definitely not the achievement hoped for and that makes it all the more important that we put forth greater efforts in 1949. We are gaining an increasing awareness of our importance and responsibilities in the world political economy. As this awareness grows further we should make greater progress in our efforts. But we must make progress much faster if we are to preserve a peaceful world.

BUSINESS DEVELOPMENTS

On balance, 1948 was a year of continued inflationary pressure. The greatest boom in our history boomed louder throughout most of the year. At times, however, it seemed to reverberate a little off key, and at year end its beat was a little less pronounced.

The year began strongly enough but in February farm prices fell sharply. While they recovered somewhat during the summer, the bumper crop prospects caused them to weaken subsequently. The year closed with many farm product prices at support levels. Traditionally, the volatile farm product prices have presaged movements of other, stickier prices. But this year a number of sustaining factors led to continuance of the postwar strength of nonfarm prices, which at the close of 1948 were about 3 per cent higher than at the opening of the year.

The new foreign aid program, the increase in defense expenditures and the tax cut gave the boom new strength just when it seemed about to falter. And, as consumer prices continued to rise, the third round of wage increases added more strength to consumer demand. Business expenditures continued heavy as profits rose and expansion was needed to meet the increased demand. High support prices kept farm commodities from sliding further. The Treasury surplus declined as Government expenditures rose and the tax cut prevented receipts from being as large as they might have been. The total money supply, which had declined in the first part of the year, expanded in the second half.

So the factors of strength outweighed those of weakness and 1948 saw continuance of inflation. Practically all of the principal indicators of business activity averaged higher in 1948 than in 1947. The gross national product topped an estimated $250 billion this year as against $232 billion in 1947. Personal income was at an annual rate of over $215 billion in October (the latest available data) as compared with $200 billion in October, 1947, with salary and wage receipts rising somewhat faster than other types of income. Total civilian employment averaged almost 60 million in 1948, close to 2 million higher than the previous year's average. Industrial output, as measured by the Federal Reserve index, averaged 192 per cent of 1935-39 as against 187 per cent in 1947.

The striking feature of business activity in 1948, however, was the stability of the level of activity throughout the year. In effect, we operated pretty much at capacity during the whole of 1948. For example, the index of industrial activity in January was 193 and in November was 194. Employment did not vary much from the 60 million mark in any month of the year.

As I noted earlier, however, prices (except for farm products) generally moved higher in 1948. The consumer price index (the familiar cost of living figure) was 173 in November as against 169 in January. Consequently, the dollar value of the goods and services we produced in 1948 shows more of a rise than actually took place in physical volume. We increased our physical output about 4 per cent from 1947 to 1948, which was not sufficient to satisfy the demand. The balance of the rise in gross national product reflected price advances.

A year ago I wrote in this Review that the best efforts of business, individuals and Government would be needed to bring our economy into better balance during 1948. Efforts were devoted to this end in 1948. Production was relatively uninterrupted by strikes as labor and management settled most disputes without work stoppages. The flow of materials increased. Agriculture turned out bumper crops. Treasury and Federal Reserve action, plus the cooperation of the banks, held down increases in the money supply. And yet prices rose.

In a sense, we are in better balance as 1949 begins but the balance has been achieved with rising prices more closely equating demand and supply. This type of balance is at best precarious for it all too often is achieved by pricing segments of the population out of the market. Whether we have done so this time in sufficient degree to produce a painful reaction later remains to be seen. The weakness in retail sales at year end has been interpreted by some as evidence that we have.

Many observers have pointed out that the danger of price rises stems from the fact that different prices rise in differing amounts. As they do, income distortions appear which lead to lessened total demand because those people with purchasing power do not absorb all of the goods and services produced, while the potential demand for the excess goods and services by the rest of the people is not backed up with effective purchasing power. Increases in the ratio of savings to income often point to this development, and that ratio has shown increases lately.

What is to happen in 1949 to production, employment, income and prices will depend upon whether total demand for our goods and services is maintained, lessened or increased. That demand comes from four major segments of the economy—consumers, business, foreign and Government.

Taking these segments in reverse order, from the Government side demand seems likely to increase rather than diminish. Increased defense expenditures are a practical certainty. State and local governments also probably will spend more in 1949 than in 1948. On the foreign side our net export volume may shrink somewhat. Foreign aid should diminish as planned and as recovery proceeds abroad we should have somewhat less demand for our exports and at the same time absorb somewhat more in imports. It is important to realize that it is the net export position that affects the total level of demand for this nation's goods.

From the business side demand is expected to decline. Most postwar expansion projects are completed and, while business expenditures for new plant and equipment and residential construction expenditures will remain very high, they seem unlikely to equal those of 1948.

The big question mark is consumer expenditures. In more and more lines demand is catching up with supply at present prices. If consumer income is maintained and the income distribution is held adequate to sweep the market of consumer goods, consumer expenditures could move higher. If the income distribution becomes such that consumer demand turns downward, we might be in for trouble.

As 1949 begins I can do little better than paraphrase my statement of a year ago. If we are to retain and make less precarious our present balance at a high level, we will have to continue to exert substantial effort to that end. But this year we must avoid the pitfall of further inflation on the one side and of sharp deflation on the other. This means that prospective Government expenditures must be screened carefully. If they have to grow because of the tense international situation, the increase should be matched by increased tax revenues. This means that labor must cooperate to increase productivity and hold down demands for wage increases that freeze higher costs into the production process. If more people become priced out of the market so that demand turns downward, high cost rigidities bring production cutbacks and unemployment rather than price adjustments. This means that management must be forward looking in its cost-price policies so as to avoid this situation as far as possible. This means that agriculture must recognize that, while it needs a support program, that program cannot be sound if it produces the surpluses of the prewar era, or leads to sharp cutbacks in production. This means that the banks must continue their cooperation to restrain unnecessary credit expansion and that other financial institutions also must recognize their responsibility in this field.

AGRICULTURE

At this time of year we never have a very clear picture of what will happen in farm production during the coming season. Planting intentions are not known very definitely and weather, as always, will be a major determining factor—particularly as to yields. From the winter wheat acreage figures, and from other indications, however, it looks now as though total crop acreage in 1949 will exceed that of 1948. Under current support prices there is incentive to increase acreage as much as possible. Whether production will increase, of course, depends upon both acreage and yields.

On the whole, agriculture had a good year in 1948. I referred earlier to weakness in farm prices. In January, 1948 the index of prices received by farmers reached its peak at 307 per cent of the 1910-14 average. By November it had dropped 10 per cent to 271. For 1948 as a whole, however, farm prices averaged about 4 per cent higher than in 1947. Thus, even with a slightly smaller volume of marketings in 1948, cash farm income was larger than in 1947—$31.1 billion as against $30.2 billion according to preliminary estimates of the Department of Agriculture.

Farm production costs were up in 1948 (the index of prices paid by farmers averaged 250 per cent of 1910-14 as against 231 in 1947) and farmers' profit margins narrowed. Net farm income in 1948 probably will figure out at less than the $18 billion obtained in 1947 (although, allowing for the substantial increase in crop inventories in 1948, the year's net income figure will compare more favorably). And since prices paid showed far less decline than prices received during 1948, the cost squeeze increased as the year advanced. The parity ratio was 110 in November, down 12 points from January, 1948.

Until we know more about prospective production in 1949 it is hard to say anything about farm prices. If we assume another good crop year, it seems likely that farm prices will average lower than at present. Farm costs probably will not decline appreciably and the parity ratio thus would decline. By the close of 1949 the ratio of prices received to prices paid may well be parity or lower.

It is important to recognize that many farm product prices now are at support levels. The ratio of prices received for all crops to the index of prices paid was 91 in November, and a number of products (fruits, truck crops and some grains) had even lower ratios than that for all crops. High livestock and livestock product prices have kept the general ratio above parity so far. These prices are expected to hold up fairly well until the larger pig crop comes to market in the fall of 1949, and then go lower.

Net farm income in 1949 then probably will be off from 1948 more than gross farm income. But relative to the immediate prewar period agriculture will still be in good shape in 1949. In fact, if farm prices average anything above parity, agriculture in general will be relatively better off than its long range goal. If this position can be maintained—in other words, if production is good and prices received do not fall further with prices paid holding more rigidly—farmers in general will find that the expected postwar readjustment, though painful, can be handled. Fortunately, the readjustment comes at a time when most farmers are in the best financial position in history and thus best able to withstand it.

At the same time, it should be noted that the current cost squeeze in agriculture already has led to many farmers facing difficult positions. For the most part these are marginal cases, but marginal is a relative term and could take in a lot of farmers if costs hold and income declines. We are still a long way from solving our long-run agricultural problems.

I want to stress right here, however, my conviction that long-run farm prosperity cannot be legislated. Prosperity for the farmer depends basically upon prosperity for the whole economy—upon adequate purchasing power to absorb abundant farm production at reasonable prices. It depends upon constantly improving farm practices which lower production costs and bring more people into the market for farm products.

Few thoughtful students of farm problems argue against the desirability of a farm price support program of some type to smooth out the transition from wartime to peacetime production, and to moderate the price swings that have such painful repercussions throughout the entire economy. But if we have a support program so high and so rigid that it means either strict acreage and marketing quotas or unmanageable surpluses, or perhaps both, I believe agriculture will be hurt more than helped. Implicit in such a program is a distressed agriculture with marginal farmers being squeezed out of the picture and with generally lower total income for agriculture as a whole.

I repeat we are a long way from a complete solution to our farm problems. But we should proceed with thoughtful appreciation of the long-term implications of solutions suggested purely to meet the most pressing difficulties of the current scene.

FINANCE

At the end of 1948 the total money supply (currency and demand deposits) was just about the same as a year earlier. Since the turnover rate of money rose somewhat in 1948, however, on balance the supply of money exerted upward pressure on prices.

Treasury and Federal Reserve action continued to be aimed at holding down increases in the money supply. The Treasury used its large cash surplus largely to retire Federal Reserve held debt, thus putting direct pressure on bank reserves. Money rates advanced—the October refunding was in terms of 1¼ per cent certificates (and 1⅜ per cent 18½ month notes). The Treasury bill rate moved higher. Other money market rates and bank loan rates stiffened. The Federal Reserve banks raised their rediscount rates. After the special session of Congress which granted additional powers over reserve requirements of member banks and authorized reinstitution of consumer credit control, the System increased reserve requirements by roughly $2 billion and put Regulation W (with some changes) back into effect in the field of installment credit.

Loans, however, continued to expand. In 1948 bank loans rose about $5 billion net. Other institutions also increased their loans substantially. The funds from which this loan expansion stemmed were derived in large part from sale of Government securities and, on balance, the residual purchaser was the Federal Reserve System under the support program.

So much has been written about the effects of supporting the Government security market that I do not see any reason to discuss it in any detail here. I believe, however, that it might be noted that the Treasury-Reserve System position with regard to support remains just about what it was when 1948 opened. A Federal debt of $250 billion that requires constant refunding and management poses many problems. The possible consequences of failure to support the market so as to preserve orderly conditions there are such as to induce great caution in policy formulation. Certainly under such a situation the suggestion to completely abandon the market to its own actions is not realistic. Thus the question becomes one of support at some level—and so far that question has been answered by support of a 2½ per cent rate for the long-term bonds.

The System authorities are fully aware of the fact that pursuance of the present policy handicaps action designed to curb credit expansion. Within such limits as exist, however, action has been taken. And while the money supply has not been reduced, as I noted earlier, it has not grown in 1948.

While bank loans rose in 1948, by and large bankers exhibited more restraint than was evident in 1947. Less restraint was shown by other lending agencies and their actions intensified the bond price support problems and the credit control problems of the System.

For 1949, the watchword for banks—and for other lenders—should be continued caution. We have reached, as I stated earlier, a point at which we can go either up further or down sharply. Lenders should be careful not to add to inflationary forces. And they also should be careful, if activity turns down, that they neither intensify that downturn nor find themselves in difficulties because of it.

The Federal Advisory Council—A Factor in Shaping Banking Policy

The Federal Advisory Council is an important segment of the banking structure of this country, but few people, even bankers, are well acquainted with is purposes and functioning. In this period when every available unit in the banking world is needed to work out the best possible answers to the monetary and banking problems facing the country, bankers should reacquaint themselves with their Federal Advisory Council and use that body more fully.

Section 12 of the Federal Reserve Act, approved December 23, 1913, provides for a Federal Advisory Council. The section stands today as originally enacted, unchanged notwithstanding the substantial alterations to other portions of the law enacted in 1933 and 1935.

The council is composed of twelve members, one elected from each Federal Reserve District by the board of directors of the Federal Reserve Bank of that district, the board also determining the compensation of its electee subject to approval of the Board of Governors of the Federal Reserve System. While the Federal Reserve Act has not fixed any personal qualifications for the members of the Advisory Council, the Board of Governors has ruled that they must not be from among the officers or directors of Reserve banks. In practice, it has been customary for each Federal Reserve Bank to elect some prominent banker from its district to serve without compensation for a term of one year. Members of the Council may be re-elected to the position, but terms for the most part have been short.

The Board of Directors of the Federal Reserve Bank of St. Louis, since 1939, has followed the practice of electing the Federal Advisory Council members for the Eighth District for no more than three consecutive terms of one year each. Under this practice Mr. James H. Penick, President of the Worthen Bank and Trust Company of Little Rock, Arkansas, retired as of the close of 1948. His successor is to be elected at the St. Louis Bank board meeting in January.

The Federal Advisory Council members from the Eighth District have been:

Mr. Rolla Wells, Governor, Federal Reserve Bank of St. Louis	1914-1915*
Mr. F. O. Watts, Executive Manager, First National Bank, St. Louis, Mo.	1916-1922
Mr. Festus J. Wade, President, Mercantile Trust Company, St. Louis, Mo.	1922-1924
Mr. James Breckinridge, President, Mississippi Valley Trust Co., St. Louis	1925-1927
Mr. Walter W. Smith, President, First National Bank, St. Louis	1928-1939
Mr. S. E. Ragland, President, First National Bank, Memphis, Tenn.	1940-1942
Mr. Ralph C. Gifford, Chairman of Board, First National Bank, Louisville, Ky.	1943-1945
Mr. James H. Penick, President, Worthen Bank & Trust Co., Little Rock	1946-1948

* The policy of selecting others than officers or directors of a Federal Reserve Bank was instituted after 1915.

The meetings of the Council are held at least four times each year in Washington, D. C. and oftener if called by the Board of Governors of the Federal Reserve System. The Council may hold additional meetings at Washington, D. C., or elsewhere, at its own election. It selects its officers, and adopts its own methods of procedure. A majority of its members constitutes a quorum for the transaction of business, and vacancies in the Council are filled by the electing Reserve banks for the unexpired term.

According to the Federal Reserve Act, the Federal Advisory Council is vested with the power, by itself or through its officers, "(1) to confer directly with the Board of Governors of the Federal Reserve System on general business conditions; (2) to make oral or written representations concerning matters within the jurisdiction of said Board; (3) to call for information and to make recommendations in regard to discount rates, rediscount business, note issues, reserve conditions in the various districts, the purchase and sale of gold or securities by Reserve banks, open market operations by said banks, and the general affairs of the Reserve banking system."

The Council was created in order to provide the commercial banks with a direct avenue of approach to the responsible heads of the Federal Reserve System. It is wholly advisory. In the discussion preceding the passage of the Federal Reserve Act, it was stated that the Federal Advisory Council would provide the (now) Board of Governors " . . . with facts concerning general conditions which otherwise it could not possibly know . . ."[1], that the Council would serve most effectively if not a part of the Board of Governors in administering its central bank control, but serve instead, without voting power, in an advisory capacity representing the opinions of banking and business interests in the country.[2]

The Council provides the bankers with a legally constituted body through which they raise their

[1] *The Federal Reserve System, Its Origin and Growth,* Paul M. Warburg, II, x, p. 249.
[2] Ibid., I, Appendix 18, pp. 683-4.

voices not only on monetary and banking policy, but on procedures and policy of administration as well.

The retiring Federal Advisory Council member from this district, James H. Penick, President of the Worthen Bank and Trust Company of Little Rock, Arkansas, presents the purpose and functioning of the Council in detail in the following statement:

"When the Federal Reserve Act was passed, the Federal Advisory Council was set up as a means of making it very easy for member banks of the Federal Reserve System to discuss with the Board of Governors, through their representative on the Council, criticisms of the policies and operational details of the System, and constructive ideas for their betterment. This Federal Advisory Council has operated during the past 35 years. It has done splendid work not only in helping to better procedures, but in offering constructive suggestions on monetary policy to the System authorities.

"The Council meetings usually run three days and are very informal. The first day is devoted to an executive session of the Council. Various specific questions proposed for discussion with the Board of Governors are reviewed. At the conclusion of the day's business, a memorandum of the proceedings is handed to the Board of Governors in order that they may familiarize themselves with the points that will be raised by the Council at the joint meeting on the third day.

"In the second day's session, the Federal Advisory Council meets with staff members of the Board. This day is devoted mainly to discussion of general economic conditions, the monetary situation, the Federal debt, foreign financial affairs and other similar items.

"On the third day, the Board of Governors of the Federal Reserve System and the members of the Federal Advisory Council hold a joint meeting in the board room in the Federal Reserve building. There is a free, open and frank discussion of the questions that have been advanced and others that grow out of them.

"Such questions as the Treasury bond support program, election of officers and directors in Federal Reserve banks and branches, the lowering or raising of re-discount rates, legislation looking toward increase or decrease of reserve requirements, legislation looking toward the control of bank holding companies and like items of vital importance to banks typify matters discussed.

"Between the regular meetings of the Council, its Executive Committee acts on questions referred to it by the Board of Governors.

"While the function of the Council is entirely advisory, it should not be under-rated as to its influence on the policies and operation of the Federal Reserve Sytem. In the past it frequently has rendered major assistance in working out problems affecting member banks. It often has disagreed with the Board of Governors and has said so openly. In some cases its opinion has prevailed, in others it has modified its opinion, and in still others Board action has run counter to Council advice. In each case, however, the Board and Council have had the opportunity for frank exchange of views. And in this exchange, I believe better policies are shaped.

"The existence and operation of the Federal Advisory Council makes available to every member banker a quick and simple method of having his suggestions heard or his questions discussed with the highest authority in the banking field in this country. But to accomplish this the member banker must make known his suggestions to the district representative on the Federal Advisory Council. The member banks should make greater use of this representation."

Survey of Current Conditions

General business conditions at the end of 1948 contrast sharply, in many respects, with those which prevailed at the close of last year. Some of the differences provide a basis for optimism concerning the business outlook. In other respects, the changed conditions might be interpreted as pointing toward a reversal of the upward trend that characterized the economy during 1948. In neither case, however, is the evidence completely convincing.

The fact that consumers' expenditures in department and other independent retail stores in November were less than they were last year is prominent among the recent developments cited in support of the reversal theory. However, the significance of these declines is moderated by the fact that total retail sales in November were 3 per cent larger than a year ago, although smaller than in October. Even the smaller rate of gain over last year and the seasonally adjusted decline from October in total retail volume still leaves unanswered the basic question as to whether it represents a turning point in consumer buying—and if so, whether it results from a lack of purchasing power or from the fact that consumers' urgent requirements have been fairly well satisfied. In view of the record level of personal income and the fact that in the first ten months (the latest data available), income increased more than consumers' prices, it is difficult to argue too strongly that the decline in sales at department and other independent stores represents a lack of buying power even though some of the evidence points in that direction. For example, November sales volume in 43 chain store and mail order companies, where prices probably average lower than in independent outlets, was slightly larger than last year. Similarly, basement divisions of department stores for a number of months have increased sales more rapidly than comparable divisions in the main stores.

Whether or not the November experience is repeated in December and early in 1949, there is little doubt that retailers have become increasingly cautious. This will be reflected in even more careful buying from manufacturers and perhaps in some outright cancellations of outstanding orders, particularly for slow-moving merchandise. This in turn may well show up in production and employment cutbacks in some lines in the coming months. Thus, the recent trend in consumers' expeditures adds a note of uncertainty to the business outlook that was not present at the close of 1947.

The apparent wave of employment cutbacks announced by a number of companies in the past month also may be cited to support the reversal theory. Reductions have occurred in a wide range of industries: textiles, electrical equipment, foundries, clocks and watches, machine tools, and business machines, to mention a few. Without attempting to minimize the facts, it certainly should be noted that in many instances the publicized curtailments are of a temporary nature and were made because of materials shortages, for inventory purposes, and for similar reasons not related to a lack of demand for the particular company's products. Also, cutbacks have occurred frequently in specific industries during the past year, but the affected workers have been absorbed elsewhere. Obviously, the absorption process cannot be expected to continue indefinitely, but up to now the expanding industries have been able to utilize the manpower released from industries when requirements have diminished. Nevertheless, despite the currently high level of total employment, recent specific instances of reductions have received considerable attention and tend to add to the uncertainty that exists.

Also on the pessimistic side is the decline from the 1947 volume in the number of new residential dwelling units started in recent months. In the first six months of the year, 30 per cent more units were put under construction than were started in 1947. From August through November, however, there was a decline of 15 per cent from last year. The Department of Commerce estimates that in 1949 the value of privately financed new residential construction will total 8 per cent below 1948 volume. But again, a forecast decline in the level of activity in

PRICES

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1926=100)	Nov., '48	Oct., '48	Nov., '47	Nov., '48 comp. with Oct., '48	Nov., '47
All Commodities	163.9	165.2R	159.6	— 0.8%	+ 2.7%
Farm Products	180.8	183.5R	187.9	— 1.5	— 3.8
Foods	174.3	178.2R	177.9	— 2.2	— 2.0
Other	153.3	153.1	142.1	+ 0.1	+ 7.9

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RETAIL FOOD

Bureau of Labor Statistics (1935-39=100)	Nov. 15, 1948	Oct. 15, 1948	Nov. 15, 1947	Nov. 15, '48 comp. with Oct. 15, '48	Nov. 15, '47
U. S. (51 cities)	207.5	211.5	202.7	— 1.9%	+ 2.4%
St. Louis	213.1	217.4	209.9	— 2.0	+ 1.5
Little Rock	202.4	206.5	200.4	— 2.0	+ 1.0
Louisville	198.9	201.7	195.8	— 1.4	+ 1.6
Memphis	219.0	223.7	226.2	— 2.1	— 3.2

one sector of the economy must be weighed against expectations in other segments. Thus, industry expects to invest 5 per cent more dollars in new plant and equipment in the first quarter of 1949 than was spent in the comparable period of 1948, according to recent SEC reports. Also, the anticipated decrease in the value of residential construction for the full year is expected to be more than offset by public expenditures for new construction. As a result, an aggregate increase of 5 per cent is forecast for total new construction in 1949.

In general, the essential differences between economic conditions now as compared with those at the end of 1947 reflect the fact that a considerable part of the urgent needs of consumers and of industry have been met. In meeting those requirements, the economy has moved to record levels, but in recent months many of the gains have been at a declining rate. As urgent demands have been filled, necessary adjustments have occurred. So far, these adjustments have not intermeshed to result in a general decline. The nature of the remaining demand, together with the high employment and income levels that prevail, suggests that individual adjustments will continue to be made in the near future without leading to an over-all weakening in the economic structure.

EMPLOYMENT

Nonagricultural employment in both the Eighth District and the nation increased between October and November, principally as the result of a seasonal expansion in trade activity. In November, nonagricultural employment in the nation was higher than ever before with the exception of the peak months of July and August, 1948.

Total employment declined slightly during the month in the district and nationally, due to a large seasonal decrease in agricultural employment which more than offset the increase in nonagricultural employment. The number of workers employed, however, was considerably larger than in last November, although total employment in the nation fell below 60 million for the first time since May, 1948.

The number of people in the nation's labor force remained about the same between October and November, although normally there is a slight drop. Thus it would appear that perhaps a larger than usual number of temporary workers have entered the labor market, motivated by the prevailing high wages as well as the high cost of living. Another indication of the large number of new entrants is that retail stores generally had little difficulty in securing all the additional help they needed.

Nationally, unemployment increased about 12 per cent between October and November, but was still below what is generally considered to be the minimum level. The number of people looking for jobs in November was somewhat larger than a year ago. This was the first time since March, 1948, that unemployment was higher than in the corresponding month of last year. The number of unemployed men was about the same as a year ago, while the number of unemployed women increased. Unemployment in this district continued to be relatively higher than in the nation.

At the present time the effect on the labor market of the lay-offs which have occurred recently in various parts of the country has been minimized by the large seasonal increases in trade and other lines. By January, however, the normal seasonal slump plus these lay-offs might result in a definite easing in the labor market and a further increase in unemployment.

Nonagricultural employment in the St. Louis labor market area increased approximately 2,000 between September and November. This increase was due solely to a seasonal gain in trade. Employment in manufacturing, mining, service and Government remained the same, and employment in construction and public utilities decreased. Although total manufacturing employment showed no change, employment in the various component industries fluctuated widely. Some expansion occurred in the food, transportation equipment, and primary metals industries, while in the leather, chemicals, fabricated metals and machinery industries, employment declined.

Compared with a year ago, November employment in St. Louis was about 7,000 higher. During the past twelve months, employment in manufac-

INDUSTRY

CONSUMPTION OF ELECTRICITY

(K.W.H. in thous.)	No. of Customers*	Nov., 1948 K.W.H.	Oct., 1948 K.W.H.	Nov., 1947 K.W.H.	Nov., 1948 Compared with Oct.,'48	Nov.,'47
Evansville	40	8,690	9,631	7,876 R	— 9.8%	+10.3%
Little Rock	35	4,916	5,240	4,557	— 6.2	+ 7.9
Louisville	80	71,033	73,626	61,572 R	— 3.5	+15.4
Memphis	31	5,869	5,716	5,504	+ 2.7	+ 6.6
Pine Bluff	23	2,997	2,197	7,180	+36.4	—58.3
St. Louis	139	80,772	82,264	70,654 R	— 1.8	+14.3
Totals	348	174,277	178,674	157,343 R	— 2.5%	+10.8%

* Selected industrial customers.
R—Revised.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

Nov.,'48	Oct.,'48	Nov.,'47	First Nine Days Dec.,'48	Dec.,'47	11 mos.'48	11 mos.'47
115,843	127,353	120,474	35,342	36,666	1,321,661	1,369,925

Source: Terminal Railroad Association of St. Louis.

CRUDE OIL PRODUCTION—DAILY AVERAGE

(In thouands of bbls.)	Nov., 1948	Oct., 1948	Nov., 1947	Nov., 1948 compared with Oct., 1948	Nov., 1947
Arkansas	81.2	81.6	84.5	-0-%	— 4%
Illinois	180.0	180.3	177.5	-0-	+ 1
Indiana	26.3	26.2	17.9	-0-	+47
Kentucky	24.3	24.4	26.4	-0-	— 8
Total	311.8	312.5	306.3	-0-%	+ 2%

turing, trade, public utilities, service, and finance, insurance and real estate has increased. However, fewer workers are employed in mining, construction and Government. Manufacturing employment was approximately 2,000 higher than a year ago, reflecting a 3,000 increase in durable goods industries which offset a decline of 1,000 in the non-durable goods industries. The major increases in manufacturing employment occurred in the primary metals, transportation equipment and food industries, while the largest decreases occurred in the electrical machinery and leather industries. Of the nineteen manufacturing industry groups, nine decreased, eight increased and one was unchanged from the November, 1947, level.

Industrial activity in the Eighth District in November apparently held at about the October level after allowing for the shorter work month and for seasonal influences. Manufacturing activity averaged as high or higher than in the previous month although such industries as basic steel and lumber were off slightly. While output of oil held even, coal production was somewhat lower than in October. Construction activity, due to favorable weather for this time of year, remained at a relatively high level although the dollar value of authorizations for new building dropped sharply.

Total electric power consumed by industries in the district's leading industrial centers decreased 3 per cent but on a daily average basis was 2 per cent above the October rate. Last year aggregate consumption decreased 6 per cent from October to November and compared with the average of previous years the decline this year is less than normal. The war years were the only ones which did not show an October to November decrease. Total consumption decreased in all the reporting cities except Memphis and Pine Bluff. On a daily average basis only Evansville and Little Rock industries used less power. Compared with November of last year, consumption was up 11 per cent with only Pine Bluff failing to show a gain. Increases in the other cities ranged from 7 per cent in Memphis to 15 per cent in Louisville.

CONSTRUCTION

BUILDING PERMITS
Month of November

(Cost in thousands)	New Construction Number 1948	1947	Cost 1948	1947	Repairs, etc. Number 1948	1947	Cost 1948	1947
Evansville	31	61	$ 83	$ 226	47	63	$ 17	$ 61
Little Rock	76	90	578	570	150	183	217	62
Louisville	125	201	725	2,065	47	50	53	78
Memphis	492	604	1,024	2,247	179	110	140	102
St. Louis	237	227	1,073	2,143	190	225	309	680
Nov. Totals	961	1,183	$3,483	$7,251	613	631	$ 736	$ 983
Oct. Totals	1,845	1,845	$6,963	$8,371	848	936	$1,118	$1,038

Manufacturing—The general level of manufacturing activity continued to be high in November and gains were indicated in some industries. A few of the district's manufacturing industries showed a decline, due largely to seasonal factors. Activity was up somewhat in the manufacture of whiskey, chemicals, electrical products, food products, iron and steel products, metals and metal products, textiles, transportation equipment and in meat packing operations. Activity in the automobile industry showed no change. A lower level of activity and of total output was indicated in the brewing, machinery, rubber products, shoe, and stone, clay and glass industries.

Steel—Operations in the basic steel industry in the St. Louis area in November were scheduled at 75 per cent of capacity as compared with 79 per cent in October and 64 per cent in November, 1947. The slightly lower rate of operations in November was due to shut-downs for repairs of several open hearth furnaces during the first part of the month.

Lumber—Basic lumber operations in the district in November were at a somewhat lower level than in the previous month but averaged about the same as a year ago. This reflected the usual seasonal decline; logging conditions in the southern part of the district were particularly bad during November. Some mills actually experienced difficulty in getting logs, but inventories of finished lumber remained high.

Average weekly production of Southern pine producers dropped nearly 9 per cent as compared with October and was 3 per cent lower than in November last year. Reporting Southern hardwood producers operated at an average of 91 per cent of capacity. In October production was estimated at 97 per cent of capacity while in November a year ago it was 84 per cent.

Whiskey—At the end of November, 42 of Kentucky's 63 distilleries were in operation, 8 more than at the end of the previous month. A year ago, when the grain-saving program was being initiated, there were only 2 distilleries in operation at the month's end. Whiskey in storage continues to increase but the trade expects an increased consumption during December as a result of the holidays.

Production of whiskey in Kentucky in October totaled 6.3 million tax gallons. This was slightly less than the 6.6 million gallons produced in October a year ago but was nearly 15 per cent higher than the September output. It should be noted that actual production for the full month of October, 1947, was relatively unaffected by the grain-saving program put into operation late in that month and which resulted in a drastic reduction in the number of distilleries operating at the end of October last year.

Meat Packing—Meat packing operations in the St. Louis area in November continued to increase seasonally but remained 7 per cent below last year's level in terms of livestock slaughtered. Federally inspected slaughter totaled 559,000 animals, a 10 per cent increase over October killings. All the gain over last month was in the slaughter of hogs, up 27 per cent. Cattle, sheep and calf killings declined during the month, the decreases amounting to 11 per cent, 22 per cent and 7 per cent, respectively. Compared with a year ago the slaughter of hogs showed a slight increase, but in all the other categories there was a decline from last November.

Shoes—A full work week was resumed late in November in the district plants manufacturing men's shoes where a four-day week was operated in the previous month. The temporary cutbacks during October were reflected in the decline in total shoe output in that month. Preliminary estimates indicate that production was at about the 7.7 million pair mark, a 6 per cent decrease as compared with September. At this level, output was 19 per cent under the October total of last year. According to preliminary estimates, United States production was 7 per cent below the September level and 16 per cent off compared with a year ago.

Output in the district for the first nine months averaged 8.1 million pairs monthly, a 3 per cent increase over the monthly average for the same period of last year.

Petroleum and Coal—Daily average production of crude oil in the district states in November remained at the same high level as in October. November output averaged 312,000 barrels per day while last year daily output was at the 306,000 barrel level in November. In each of the reporting states only fractional changes over October were noted. The gains over last year continue to reflect larger output in Indiana. Compared with a year ago, Indiana wells produced an average of 47 per cent more oil. In Illinois, production was up 1 per cent while declines of 4 per cent and 8 per cent were registered in Arkansas and Kentucky.

Output in the district's coal mines in November declined somewhat, both on an aggregate and a daily average basis. The unusually warm weather for this time of year has been a factor in holding down consumption which in turn has led to some increase in coal stocks and smaller demand from retail dealers. Reports indicate that in some of the important producing areas of the district many mines have cut the work week and some of the smaller, marginal mines temporarily have shut down.

November output totaled 9.5 million tons, a 7 per cent decrease as compared with the 10.2 million tons mined in October and 5 per cent less than the output in November, 1947. Compared with the previous month, total output in all the district states decreased, the declines ranging from 3 per cent in Missouri to 14 per cent in Arkansas. On a year-to-year basis production in Missouri's mines was up 4 per cent while decreases were registered in the other states.

Construction—The value of building permits awarded in November in the reporting district cities dropped sharply and totaled a little more than one-half as large as in October. Permits for new construction and repairs amounted to $4.2 million as compared with $8.1 million in October and $8.2 million in November of last year. More than $2 million of the decrease occurred in St. Louis where permits were off 61 per cent. This decline in St. Louis is magnified somewhat by the fact that in the two previous months the value of permits was larger than average. Although building permit awards in the district normally decline from October to November, the current decrease was larger than usual. Last year the month-to-month decrease was 12 per cent. In 1946 it amounted to 9 per cent while in the prewar years of 1939-41 it averaged 32 per cent.

Widely divergent trends were shown in the reporting cities. In addition to the decline in St. Louis, decreases from October of 57 per cent and 86 per cent were registered in Memphis and Evansville, respectively. In Louisville a gain of 11 per cent was indicated and in Little Rock permits were up 83 per cent. Compared with a year ago, Little Rock was the only city to show an increase.

Permits issued for new construction totaled $3.5 million, a 50 per cent drop from October and 52 per cent below the November, 1947 total. Last year new construction permits were off 13 per cent from

WHOLESALING

Lines of Commodities	Net Sales		Stocks
Data furnished by Bureau of Census U. S. Dept. of Commerce*	Nov., 1948 compared with Oct., 1948	Nov., 1948 compared with Nov., 1947	Nov., 30, 1948 compared with Nov. 30, 1947
Drugs and Chemicals	— 1%	+14%	+ 3%
Dry Goods	—18	-0-	+ 7
Groceries	— 5	— 3	— 2
Hardware	+ 3	+14	+19
Tobacco and its Products	+ 6	+13	+51
Miscellaneous	— 8	+12	+15
**Total all lines	— 5%	+ 9%	+12%

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

TRADE

DEPARTMENT STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	Nov., 1948 compared with		11 mos.'48 to same period '47	Nov.30,'48 comp. with Nov.30,'47	Jan. 1, to Nov. 30,	
	Oct.,'48	Nov.,'47			1948	1947
Ft. Smith, Ark.	— 9%	+ 1%	+ 7%	+14%	3.42	3.81
Little Rock, Ark.	+11	+ 1	+ 9	+23	3.88	4.41
Quincy, Ill.	— 3	— 2	+ 8	+52	3.29	4.23
Evansville, Ind.	+ 2	— 2	+20	+25	3.31	3.54
Louisville, Ky.	+11	— 3	+10	+22	4.02	4.45
St. Louis Area [1]	+ 8	— 3	+ 8	+ 9	3.64	3.72
St. Louis, Mo.	+ 9	— 3	+ 7	+ 9	3.66	3.71
E. St. Louis, Ill.	— 9	—10	+15	....	......	......
Springfield, Mo.	—11	—12	+ 3	+11	3.20	3.73
Memphis, Tenn.	+ 4	- 0 -	+ 6	+ 5	3.63	3.96
* All other cities	—16	— 8	+ 8	+21	2.91	3.58
8th F. R. District	+ 6	— 3	+ 8	+12	3.65	3.89

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

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

Outstanding orders of reporting stores at the end of November, 1948, were 39 per cent less than on the corresponding date a year ago.

Percentage of accounts and notes receivable outstanding November 1, 1948, collected during November, by cities:

	Instalment Accounts	Excl. Instal. Accounts		Instalment Accounts	Excl. Instal. Accounts
Fort Smith	....%	50%	Quincy	25%	62%
Little Rock	21	51	St. Louis	24	58
Louisville	24	51	Other cities	18	60
Memphis	27	52	8th F.R. Dist.	23	55

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

	Nov., 1948	Oct., 1948	Sept., 1948	Nov., 1947
Sales (daily average), Unadjusted [2]	404	362	366	428
Sales (daily average), Seasonally adjusted [2]	321	338	362	339
Stocks, Unadjusted [3]	347	355	336	310
Stocks, Seasonally adjusted [3]	325	317	302	290

[2] Daily Average 1935-39=100.

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

SPECIALTY STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	Nov., '48 compared with		11 mos.'48 to same period '47	Nov.30,'48 comp. with Nov.30,'47	Jan. 1, to Nov. 30,	
	Oct.,'48	Nov.,'47			1948	1947
Men's Furnishings	+ 5%	—12%	— 5%	+24%	2.54	3.34
Boots and Shoes	—12	— 3	+ 6	+12	3.97	4.28

Percentage of accounts and notes receivable outstanding November 1, 1948, collected during November:

Men's Furnishings................. 59% Boots and Shoes.................... 45%

Trading days: November, 1948—25; October, 1948—26; November, 1947—24.

RETAIL FURNITURE STORES **

	Net Sales		Inventories		Ratio of Collections	
	Nov., 1948, compared with		Nov., 1948, compared with			
	Oct.,'48	Nov.,'47	Oct.,'48	Nov.,'47	Nov.,'48	Nov.,'47
St. Louis Area [1]	+13%	— 8%	+ 2%	+20%	47%	56%
St. Louis	+14	— 7	+ 2	+20	53	61
Louisville Area [2]	— 1	—37	+ 2	+45	16	24
Louisville	- 0 -	—39	+ 2	+47	16	23
Memphis	+ 9	—23	+ 3	—10	17	26
Little Rock	+15	—10	— 3	+11	24	26
Springfield	—34	—49	*	*	*	*
8th Dist. Total [3]	+ 8	—17	+ 1	+23	29	42

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

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

[2] Includes Louisville, Kentucky; and New Albany, Indiana.

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

** 43 stores reporting.

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	Nov., '48	Oct., '48	Nov., '47
Cash Sales	15%	15%	17%
Credit Sales	85	85	83
Total Sales	100%	100%	100%

October and in 1946 they declined 6 per cent. Residential building permits accounted for $1.8 million or slightly more than half of the total new construction awards in November. A year ago they constituted about 47 per cent of new construction permits. Compared with October, residential construction awards decreased by nearly $3 million or about 62 per cent—a sharper decline than occurred in the past two years. Of this $3 million drop, St. Louis awards accounted for $1.8 million and Memphis for $1.1 million. In St. Louis the decrease was accentuated by the fact that residential permits in October were at a postwar peak in terms of dollar value. While the value of residential building permits declined in St. Louis city, the F. W. Dodge reports indicate a 10 per cent increase in the value of residential construction contracts actually awarded in St. Louis and St. Louis County. In Evansville, residential building permit authorizations were off 53 per cent from October but in Louisville the decrease was only 3 per cent. Little Rock, with an 8 per cent increase, was the only reporting area in which a gain was reported.

TRADE

Retail sales at reporting department stores in the Eighth District in November were off 3 per cent from the dollar volume in November, 1947, but totaled 6 per cent larger than in October. The gain from the previous month was somewhat less than that experienced during the war years and the decline from November a year ago, although slight, is the first time in more than ten years that sales in November have declined from the previous year.

Despite the decrease in November, fourth quarter sales in district department stores are likely to approximate the dollar volume during the final quarter last year. Sales in the first eleven months totaled 8 per cent larger than in the same period last year.

Considerable significance has been attached to the decline from last year in department and other independent retail store sales in November. Many reasons have been advanced to explain the decline. It has been attributed to unseasonable weather, consumer resistance, high prices, lack of purchasing power, and to a return to prewar shopping habits. Not to be overlooked is the fact that late in 1947 the payment of terminal leave bonds to service personnel contributed in no small part to the high level of sales in the fourth quarter of 1947. How much weight should be given each of these reasons is not clear at the present time. It is likely that no one of the suggested causes was sufficient in itself but that in combination with other factors the cumulative impact resulted in the year-to-year decline.

It should be noted that the national decline in sales volume in November as compared with a year earlier was concentrated in department and other independent retail outlets. Total retail sales in November, including sales at chain and mail order stores, were 3 per cent larger than a year ago according to Department of Commerce estimates. In part, the relatively better performance of chain stores in November is consistent with the comparative trends, as between these and other types of retail outlets, that have prevailed during most of the postwar period. However, partly this also may reflect a shift to less expensive—or popular-priced lines of merchandise.

The differences between November sales trends in chain and independent retail outlets is indicated by comparing sales as reported by 43 chain and mail order companies with Department of Commerce estimates of independent retail stores' volume. On the basis of these preliminary chain store sales figures, chain food stores gained 3 per cent in November as compared with a gain of 2 per cent in independent food stores. At chain department stores a dollar sales gain of 6 per cent was shown, as compared with a decline of 4 per cent in independent department stores in the nation. Chain apparel retail outlets gained approximately 8 per cent in volume of dollar sales during November as compared with a decline of 11 per cent at independent apparel stores. Chain drug stores gained about 4 per cent as compared with the unchanged volume of sales at independent drug stores. Declines in sales volume at furniture, appliance and housefurnishings stores were shown at both independent and chain retail outlets. Not all chain store organizations shared in the reported gains in November; some declines were registered but in most lines those chains registering a decrease in sales volume were in the minority.

In the Eighth District, reporting department stores showed seven consecutive weekly declines from the comparable week in 1947 beginning late in October. During this period, sales volume gained from the previous week in the expected seasonal build-up prior to Christmas, but the rate of gain was less than during the same period a year ago. In the week ending November 6, sales volume was 10 per cent below the comparable week in 1947. Since then, however, declines from the year earlier have tended to narrow and in the week ending December 11 were only 1 per cent below the level of the same week a year earlier. In the week ending December 18 district dollar sales were unchanged from a year ago, but in the week ending December 25 sales were 25 per cent larger than in 1947. It should be noted, however, that in this week there were five shopping days before Christmas while last year two of the five shopping days in that week came after Christmas.

An increased demand for lower-priced merchandise also shows up in the sales figures at those district department stores reporting sales by departments. Year-to-year gains in many basement divisions have been larger, percentagewise, than the increases in comparable divisions in the main store. In a number of instances, volume has declined upstairs but increased in the basement divisions. In St. Louis, for example, November sales in the major basement divisions showed gains over last year while the comparable divisions in the main store

BANKING

PRINCIPAL ASSETS AND LIABILITIES FEDERAL RESERVE BANK OF ST. LOUIS

(In thousands of dollars)	Dec. 15, 1948	Change from Nov. 17, 1948	Change from Dec. 17, 1947
Industrial advances under Sec. 13b	$	$	$ ....
Other advances and rediscounts	9,419	— 5,935	— 5,504
U. S. Securities	1,269,534	+ 24,139	+105,231
Total earning assets	$1,278,953	$+ 18,204	$+ 99,727
Total reserves	$ 717,331	$— 9,234	$+ 60,776
Total deposits	853,887	— 3,212	+151,070
F.R. notes in circulation	1,145,126	+ 11,289	+ 62
Industrial commitments under Sec. 13b	$	$	$— 580

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

(In thousands of dollars)	Dec. 15, 1948	Change from Nov. 17, 1948	Change from Dec. 17, 1947
Assets			
Gross commercial, industrial, and agricultural loans and open market paper	$ 654,703	$+ 20,162	*
Gross loans to brokers and dealers in securities	6,440	— 112	*
Gross loans to others to purchase and carry securities	23,027	— 167	*
Gross real estate loans	159,150	+ 805	*
Gross loans to banks	1,775	— 1,107	*
Gross other loans (largely consumer credit loans)	207,265	— 1,517	*
Total	$1,052,360	$+ 18,064	*
Less reserve for losses	7,223	— 233	*
Net total loans	$1,045,137	$+ 18,297	$+ 41,456
Treasury bills	86,217	— 6,740	+ 64,133
Certificates of indebtedness	166,113	+ 9,525	+ 78,655
Treasury notes	74,158	+ 7,876	— 44,065
U.S. bonds and guaranteed obligations	664,440	+ 4,379	—174,634
Other securities	135,122	— 2,312	— 11,504
Total investments	$1,126,050	$+ 12,728	$— 87,415
Cash assets	918,566	+ 38,016	+ 81,831
Other assets	25,228	— 146	+ 203
Total assets	$3,114,981	$+ 68,895	$+ 36,075
Liabilities			
Demand deposits of individuals, partnerships, and corporations	$1,567,236	$+ 57,093	$+ 21,572
Interbank deposits	707,327	+ 32,588	— 15,412
U.S. Government deposits	35,876	— 14,559	+ 20,262
Other deposits	136,417	+ 4,275	+ 14,689
Total demand deposits	$2,446,856	$+ 79,397	$+ 41,111
Time deposits	468,251	— 6,151	— 1,266
Borrowings	7,200	— 3,400	— 11,155
Other liabilities	17,555	— 1,343	+ 1,379
Total capital accounts	175,119	+ 392	+ 6,006
Total liabilities and capital accounts	$3,114,981	$+ 68,895	$+ 36,075
Demand deposits, adjusted**	$1,416,296	$+ 47,411	$+ 14,308

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

registered declines. Women's and misses' ready-to-wear apparel and accessories sales in the basement divisions registered an increase of 8 per cent while the comparable departments in the main store showed declines of 4 per cent and 10 per cent, respectively. Men's wear sales in the basement stores gained 2 per cent but declined 6 per cent in the upstairs department. November sales of shoes in basement divisions were up 5 per cent as compared with a decline of 18 per cent and 11 per cent, respectively, for women's shoes and men's shoes in main store divisions. Piece goods sales in basement divisions were down 2 per cent from November, 1947, but the main store divisions registered a decline of 5 per cent. Housefurnishings dollar sales in the downstairs store (not entirely comparable with the main store division) gained 10 per cent while the upstairs division declined 6 per cent.

Reflecting the failure of sales to come up to expectations, district department store stocks on November 30 were reported to be slightly higher than on October 31 and 12 per cent greater than on November 30, 1947. The volume of outstanding orders at the end of the month was down 22 per cent from October 31 and 39 per cent smaller than at the end of November, 1947. This latter reflects both greatly improved supplies and the growing caution of retailers regarding the inventory picture.

In those St. Louis department stores where data of inventories by departments are available, the November stock-sales ratio rose from 2.38 in November, 1947 to 2.75 in November, 1948. Stocks in the main stores were 3.06 times as large as sales as compared with a ratio of 2.44 last year. Turnover was somewhat greater in the basement store divisions, however, and the stock-sales ratio declined to 2.13 in November from 2.30 in the same month last year. Of the major main store divisions, the stock-sales ratio was higher, relative to November, 1947, in all but small wares and there the decline was slight. Housefurnishings divsions registered the largest increase—from 2.96 in November, 1947 to 4.01 this year. The men's and boys' wear ratio increased from 2.56 to 3.47 in the year and women's and misses' ready-to-wear accessories and apparel climbed from 1.93 to 2.39 in November this year.

DEBITS TO DEPOSIT ACCOUNTS

(In thousands of dollars)	Nov., 1948	Oct., 1948	Nov., 1947	Nov.,'48 comp. with Oct.,'48	Nov.,'48 comp. with Nov.,'47
El Dorado, Ark.	$ 21,126	$ 22,443	$ 17,379	— 6%	+ 22%
Fort Smith, Ark.	39,991	43,336	36,347	— 8	+ 10
Helena, Ark.	11,102	12,878	10,917	—14	+ 2
Little Rock, Ark.	133,171	136,060	116,743	— 2	+ 14
Pine Bluff, Ark.	37,668	45,012	27,231	—16	+ 38
Texarkana, Ark.*	10,676	13,288	10,927	—20	— 2
Alton, Ill.	23,089	24,649	21,994	— 6	+ 5
E.St.L.-Nat.S.Y.,Ill.	125,523	128,626	117,745	— 2	+ 7
Quincy, Ill.	27,987	30,194	28,174	— 7	— 1
Evansville, Ind.	114,425	116,780	99,311	— 2	+ 15
Louisville, Ky.	533,641	505,984	466,843	+ 5	+ 14
Owensboro, Ky.	30,238	32,795	33,941	— 8	— 11
Paducah, Ky.	14,121	14,592	14,420	— 3	— 2
Greenville, Miss.	25,058	26,179	25,790	— 4	— 3
Cape Girardeau, Mo.	11,212	10,903	14,131	+ 3	— 21
Hannibal, Mo.	7,256	7,641	6,845	— 5	+ 6
Jefferson City, Mo.	45,674	56,243	31,781	—19	+ 44
St. Louis, Mo.	1,600,444	1,542,536	1,356,306	+ 4	+ 18
Sedalia, Mo.	9,846	9,916	9,129	— 1	+ 8
Springfield, Mo.	56,662	60,791	53,949	— 7	+ 5
Jackson, Tenn.	21,982	25,264	19,716	—13	+ 11
Memphis, Tenn.	698,919	697,060	610,614	-0-	+ 14
Totals	$3,599,811	$3,563,170	$3,130,233	+ 1%	+ 15%

* These figures are for Texarkana, Arkansas, only. Total debits for banks in Texarkana, Texas-Arkansas, including banks in the Eleventh District, amounted to $26,825.

Furniture stores reported November sales volume as being 8 per cent larger than in the previous month but 17 per cent less than in November last year. Furniture and appliance dealers report a slackening of sales of items under credit regulations but "fair" results in the sales of holiday goods.

BANKING AND FINANCE

During November, 1948, all member banks in the Eighth District expanded their loans $21 million, their investments $24 million, and their deposit liability $44 million. The loan expansion occurred at the larger city banks with the outlying city banks and country banks showing practically no change. Similarly, the investment expansion (entirely in U. S. Governments, other investments declining $2 million during the month) occurred principally at the larger city banks as they added $21 million to their portfolios with the country banks adding $3 million.

The deposit growth was the net result of divergent movements of time deposits (minus $3 million) and gross demand deposits (plus $47 million). The increase in demand deposits resulted from gains in deposits of banks, $27 million, and other demand deposits, $20 million. While the $27 million deposits due banks accrued only to the large city banks, the growth in other demand deposits was shared equally, $10 million each, by the large city and the country banks.

The loan expansion, while greater in the month of November, 1948 than in November, 1947, for the year to date has been slightly less than two-thirds that for the first eleven months 1947. Based on weekly reporting bank data, total loan expansion in this district for the year ending with November, 1948 has been less than the nationwide increase and has been the smallest, percentagewise, of the three postwar years. This district experienced a faster rate of growth in loans in the twelve month periods ending in November, 1945 and 1946, about the same increase in 1947, and a slower growth in 1948, than the national average. The smaller-than-national-average gain in Eighth District loans in

1948 reflects mainly smaller increases in real estate loans. Business and agricultural loans have increased relatively almost as much in the district as nationally and "other" loans have increased more than the national average.

At mid-December, 1948, total loans for reporting member banks were $16 million over the end of November, 1948 and $49 million over a year ago. The increase in loan volume from mid-November to mid-December, $18 million, was 1.7 per cent, less than half the increase in the same four-week period in 1946 and 1947. Within the district, total loans were below the mid-November level at St. Louis, Evansville, and East St. Louis, and above it at the other three centers.

AGRICULTURE

Farm prices for the month ending November 15 continued the downward trend characteristic of this year. The decline during the month was 2 per cent. Farm cash receipts in December, reflecting this trend, were 7 per cent (estimated) lower than for the comparable month a year ago.

The lower farm prices were shown by an index number for farm prices received of 271 on November 15 compared with 277 on October 15 and 307 in January (1910-14 = 100). This represents a decline of 10 per cent in prices received by farmers from the peak in January, 1948 and a drop of 6 per cent from November, 1947. In states where sales of crops such as corn, soybeans, wheat and oats are important, prices received fell considerably more than the national average. Prices received by Illinois farmers November 15 were 23 per cent below the January peak and 15 per cent lower than November, 1947.

Prices paid by farmers as well as those they receive have declined, however, the decline is but 1 per cent for the October 15 to November 15 period. The decline was due to lower farm living costs as a result of reduction in prices of food and clothing, only partially offset by higher prices of automobiles, building materials and operating expenses. Production expenses, however, remained unchanged from a month earlier and were slightly higher than in November, 1947.

As a result of the price movements indicated above, the parity ratio (ratio of prices received to prices paid, including interest and taxes) declined one point and was 110 on November 15. This was 8 per cent lower than a year earlier and the lowest ratio since October, 1942.

December was the third consecutive month in which farm cash receipts ran below the corresponding month in 1947. The decline reflected smaller receipts from sales of livestock rather than from sales of crops.[1] The latter remained about the same—greater volume counterbalancing lower prices. Lower receipts from corn, tobacco and vegetables were offset by increases in wheat and cotton. More corn was sold during December, 1948 than in December, 1947, but the price was only about half as high. Increased receipts from cotton and wheat were due to some extent to increased amounts of the commodities going under loan.

Cash farm receipts for 1948 are now estimated to be about $30.8 billion, compared with $30.2 billion in 1947. Earlier estimates placed 1948 cash farm income lower than the 1947 figure. Crop receipts are about 2 per cent lower than 1947, but receipts from livestock and livestock products were about 5 per cent larger.

The 1949 wheat crop (winter and spring) is estimated at 1,260 million bushels according to the first official report of the Crop Reporting Board. This is about 25 million bushels less than the 1948 crop but far above ten-year average production. The record crop of 1,364 million bushels was produced in 1947. Acreage of winter wheat totals 61.4 million acres, compared with the 1937-46 average of 41.7 million acres. Moisture conditions and weather since planting have been good, and in many areas better than in 1948.

Farm employment totaling 9.2 million persons on December 1 was down about 2 per cent from a year earlier and was the lowest December total on record. This represents, in part, a seasonal decline of nearly 2 million persons from the November figure.

[1] Loans are counted as sales in determining cash income.

AGRICULTURE

CASH FARM INCOME

(In thousands of dollars)	Oct., 1948	Oct., '48 comp. with Sept., 1948	Oct., '48 comp. with Oct., 1947	10 month total Jan. to Oct. 1948	1948 comp. with 1947	1948 comp. with 1946
Arkansas	$133,196	+102%	+ 5%	$ 396,230	+ 5%	+31%
Illinois	219,539	+ 65	— 8	1,495,637	— 2	+39
Indiana	117,279	+ 18	—11	870,690	+ 2	+31
Kentucky	41,607	+ 8	— 6	379,575	—10	+16
Mississippi	116,607	+ 65	+ 1	376,826	+ 5	+64
Missouri	149,954	+ 28	+11	943,371	+10	+46
Tennessee	70,802	+ 56	+13	376,591	+ 4	+26
Totals	$848,984	+ 49%	— 1%	$4,838,920	+ 2%	+36%

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts Nov., 1948	Receipts Nov.'48 comp. with Oct.,'48	Receipts Nov.'48 comp. with Nov.,'47	Shipments Nov., 1948	Shipments Nov.'48 comp. with Oct.,'48	Shipments Nov.'48 comp. with Nov.,'47
Cattle and calves	127,995	—15%	—14%	39,780	— 37%	—21%
Hogs	249,098	+17	+12	45,835	— 10	+37
Sheep	57,621	—20	+15	4,636	— 50	+11
Horses	1,107	—34	—16	922	— 45	—30
Totals	435,821	- 0 -%	+ 3%	91,173	— 27%	+ 2%

National Summary of Business Conditions

Industrial activity was maintained in November at about the high October rate. Department store sales were 5 per cent below last year's level but in the early part of December sales increased more than a year ago. Commodity prices showed further moderate decreases in November and the first half of December.

Industrial production—Output at factories and mines showed little change in November, and the Board's seasonally adjusted index of industrial production was 194 per cent of the 1935-39 average as compared with 195 in October and 192 in November 1947.

Activity in the automobile, machinery, and nonferrous metals industries showed small reductions in November, but output of most other durable goods was maintained at the level of the preceding month. The number of new automobiles assembled declined about 4 per cent in November, but rose again in the early part of December to a new postwar peak rate. Output for the year has been about 5,275,000 passenger cars and trucks, the largest annual total since 1929.

Copper smelting was curtailed sharply in November as a result of a labor dispute affecting mine output. Steel production, on the other hand, showed a slight further gain, averaging 100.4 per cent of capacity in November as compared with 100 in October.

Production of nondurable goods declined slightly in November, reflecting in large part further curtailments in output of textile and leather products. Cotton consumption decreased 5 per cent and was 18 per cent smaller than in November 1947. Newsprint consumption was reduced somewhat from the peak rate reached in October. Activity at paper and paperboard mills continued at record levels, and output of most other nondurable goods was maintained at about the October rate.

Minerals production increased somewhat in November, reflecting a slight further gain in crude petroleum output and an unusually large volume of iron ore production for this season. Coal output was maintained in November at the October rate but declined about 5 per cent in the first half of December.

Employment—Employment in nonagricultural establishments showed a small decline in mid-November from the record level in October. The decline, which was unusual for this season, reflected mainly some further curtailment of employment in industries manufacturing nondurable goods. Trade employment continued to increase seasonally, although the gain was the smallest for November since 1942. Employment in most other lines showed little change.

Construction—Value of contracts awarded for most types of private and public construction declined more than seasonally in November, according to reports of the F. W. Dodge Corporation. The number of new housing units started decreased further in November to 65,000 as compared with 72,000 in October and 80,000 a year ago.

Distribution—Value of department store trade in November showed less than the usual seasonal rise and the average daily rate of sales was 5 per cent smaller than a year ago. The Board's adjusted sales index was 287 per cent of the 1935-39 average as compared with the advanced level of about 310 which prevailed from April to October. Sales recovered to year-ago levels during the first half of December, however, and it is estimated that total dollar sales for the holiday shopping period will be near last year's record volume. Sales of appliances and various other durable goods except new automobiles have been below the exceptionally high levels prevailing at the end of last year.

Railroad carloadings of most classes of merchandise showed more than the usual seasonal decline in November and early December and total shipments were about 9 per cent below the same period a year ago. Loadings of coal were about 15 per cent below a year ago. Shipments of manufactured goods were down about 5 per cent, owing to a further diversion of freight to other forms of transportation and a reduction in the physical volume of goods shipped for export. This reduction was augmented in November by a maritime dispute.

Commodity prices—Wholesale prices and consumers' prices declined about 1 per cent from mid-October to mid-November, reflecting chiefly decreases in livestock and foods. In the first three weeks of December prices of foods continued to decline, various industrial materials weakened further, and prices of some appliances and textile, petroleum, and soap products were reduced. Additional advances were reported in prices of metals.

Bank credit—Federal Reserve System holdings of Government securities were further reduced in the first three weeks of December, reflecting sales of Treasury bills, certificates, and bonds. These securities were purchased primarily by commercial banks, which had an abundant supply of funds as a result of a seasonal increase in the volume of checks in clearing and a further gold inflow. Absorption of bank reserves by the pre-Christmas outflow of currency was somewhat smaller than usual.

Loans and investments at banks in leading cities showed little change in November, but increased somewhat in the first half of December. Loans to businesses showed a much smaller growth than in the same period last year. Loans to brokers and dealers for purchasing Government securities rose sharply in November while bank holdings of Treasury bills declined. Deposits declined slightly at all commercial banks in November, but increased sharply at banks in leading cities during the first half of December.

Security markets—Prices of U. S. Government bonds and high-grade corporate and municipal bonds rose slightly during the first three weeks of December. Common stock prices were steady with a moderate volume of trading.